


STENPROP

HALF YEARLY REPORT 2017








Stenprop Limited ('Stenprop' or the 'Company' or together with its subsidiaries the 'Group') is a property investment company with a primary listing on the Johannesburg Stock Exchange (JSE') and a secondary listing on the Bermuda Stock Exchange ('BSX').

Stenprop's strategy is to enhance shareholder value by delivering sustainable growth in earnings and distributions through identifying and investing in sectors and assets that have positive growth fundamentals and where there is an opportunity to add value and grow earnings through active asset management.

Incorporated Bermuda. Registration number: 47031

BSX share code: STP.BH JSE share code: STP

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Contents

Highlights

£130.5m	£1.35	4.87 pence	4.0 pence	2.6%
Strategic MLI acquisitions	diluted EPRA* NAV per share	diluted adjusted EPRA earnings per share	interim dividend per share declared	increase in half-year dividend per share against prior year

Key highlights

- Key strategic decisions taken to:
  – invest significantly in multi-let industrial ('MLI') assets, with the objective of establishing Stenprop as a leading player in the MLI sector;
  – fund the Company's MLI investments primarily through selling assets with lower growth prospects;
  – actively pursue a listing on the London Stock Exchange and a conversion to a UK REIT; and
  – reduce debt from the current LTV* of 55% to no more than 45% by 31 March 2019 and no more than 40% by 31 March 2020.
- £135 million investment in MLI sector, including the £130.5 million strategic acquisition of the industrials.co.uk portfolio and management platform. £4.5 million completed post-period end.
- £71.0 million proceeds from asset sales (including £54.0** million of post-balance sheet sales) to fund the Company's investment in the MLI sector and to reduce debt.
- Successful integration of the C2 Capital management team and industrials.co.uk platform.

Financial highlights

- Declaration of an interim dividend on 22 November 2017 of 4.0 pence per share for the six months ended 30 September 2017, in line with forecast and payable on 26 January 2018. The 2016 interim dividend was paid in Euros and amounted to 4.5 cents per share, which at the then prevailing exchange rate would have equated to 3.9 pence per share.
- Based on a projected full-year dividend of 8.0 pence per share, a dividend yield of 7.5% on the share price of £1.07^ at 20 November 2017, or 5.9% on the diluted EPRA NAV of £1.35 at 30 September 2017.
- Diluted adjusted EPRA EPS* of 4.87 pence (2016: 4.35 pence) for the period ended 30 September 2017. Diluted IFRS EPS was 3.08 pence (2016: 1.59 pence loss). Projected diluted adjusted EPRA EPS for the full year is 9.1 pence.
- Diluted EPRA net asset value per share of £1.35 (2016: £1.34). Diluted IFRS net asset value per share of £1.30 (2016: £1.28).
- Effective 1 April 2017, a change in reporting currency from Euros to Pounds Sterling. This change has been made to reflect the relatively larger weighting of Stenprop's UK portfolio following Stenprop's entry into the UK multi-let industrial estate asset class. It also accords with Stenprop's expected listing on the London Stock Exchange, as explained later in this commentary.

FX rates in period
Average foreign exchange rates in the period: £1.00:€1.138; £1.00:CHF1.259 (2016: £1.00:€1.223; £1.00:CHF1.336)
Period-end foreign exchange rates: £1.00:€1.134; £1.00:CHF1.298 (2016: £1.00:€1.157; £1.00:CHF1.257)

* 'EPRA' means European Public Real Estate Association. 'LTV' means loan to value ratio. 'EPS' means earnings per share.
** Includes £42.2 million from the conditional exchange on the sale of the investment in Pilgrim Street.
^ JSE closing price on 20 November 2017 was ZAR20.00. ZAR:GBP rate at the same date was 18.637:1.

Commentary

Stenprop is pleased to report its interim financial statements for the six months ended 30 September 2017.

Business strategy

Investment

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

Stenprop identified UK multi-let industrial as a sector likely to deliver superior growth in earnings as a result of a structural imbalance in supply and demand dynamics with increasing tenant demand and static supply that should translate into higher rents over time. Stenprop also identified that, in order to exploit this opportunity and deliver consistent returns, it required sufficient scale and an excellent management team and operating platform.

With the June 2017 acquisition of the industrials.co.uk multi-let industrial portfolio and management platform, Stenprop acquired both the necessary scale and management expertise required to take full advantage of the opportunities in this sector.

The performance of the industrials.co.uk portfolio, and the successful integration of the C2 Capital management team that created it, has confirmed Stenprop's views on the merits of its multi-let industrial strategy. Stenprop is actively pursuing further acquisitions of multi-let industrial assets, with the objective of establishing itself as a leader in the UK multi-let industrial space. With increased competition for large portfolios resulting in increased prices, the Company anticipates that the majority of its investments are likely to be smaller individual estates, like the £4.15 million post-balance sheet acquisition of an industrial estate in Aberdeen, where the long established relationships and networks of the industrials.co.uk management team give Stenprop a competitive advantage.

In the current environment, Stenprop does not anticipate making any acquisitions outside of the UK multi-let industrial sector.

Stenprop's investment strategy includes a constant evaluation of the existing portfolio in order to identify assets with lower growth prospects that can be recycled into higher growth opportunities. Stenprop's decision to exit its Swiss assets and dispose of its London office building in Pilgrim Street, with the intention of deploying the proceeds into UK multi-let industrial properties, is in line with this strategy. As Stenprop's multi-let strategy unfolds, and provided that the Company continues to source appropriate multi-let industrial opportunities, the Company will continue to assess its existing portfolio to determine assets suitable for sale, with a view to transitioning to a specialised, focused multi-let industrial company.

Active asset management

Stenprop's preference is to invest in assets and sectors where it can add value and grow earnings through active asset management.

The multi-let industrial sector is an asset class particularly well suited to the addition of value through asset management due to the highly diversified tenant base and physical attributes of the asset class. With the acquisition of the industrials.co.uk platform, a significant focus of the Company going forward is to build its technology platform to allow for the management of its multi-let industrial portfolio with ever increasing efficiency and cost savings. Stenprop is confident that investment in technology together with the Company's ability to offer tenants increasingly flexible terms and pricing should result in further enhancement of earnings from its multi-let industrial portfolio.

Debt management

Ongoing management of Stenprop's debt and interest structure is a key component of the Company's strategy. Stenprop has been steadily reducing its debt from above 54% in October 2014 to its targeted level of not more than 50% LTV. The Company's LTV has temporarily increased to approximately 55% as a result of the bridge funding used to finance the acquisition of the industrials.co.uk portfolio and C2 Capital, but is expected to reduce to below 50% by year-end following the sales detailed below.

Stenprop is of the view that conditions in credit markets are changing. Inflation is emerging and there is a strong likelihood that the economy is entering a cycle of interest rate increases, as central banks withdraw the support which they have provided for the last eight years.

In light of these anticipated changes, the Company has decided that it is prudent to reduce its LTV target from 50% to 40%, and will look to responsibly reduce its gearing to no more than 45% by 31 March 2019 and no more than 40% by March 2020. More detail on this is set out further on in this commentary.

Notwithstanding the Company's strategic decision to reduce the levels of its long-term borrowings, Stenprop is of the view that access to flexible bridging finance is a critical component in positioning the Company to actively pursue its multi-let industrial investment strategy, while managing the timing of the disposal of assets and reducing the impact of cash drag. The Company is in discussions around arranging appropriate bridging facilities, and the use of these facilities may from time to time temporarily increase Stenprop's gearing levels.

Listing and REIT status

Stenprop has taken the strategic decision to pursue a listing on the London Stock Exchange and a conversion to UK REIT status. The Company believes that these initiatives will make it more accessible to a broader pool of investors, including, in particular, UK investors. In the longer-term, accessibility to more investors should improve Stenprop's liquidity and access to equity capital, both of which will be beneficial to the company in delivering on its strategic objectives. Progress in this regard is well advanced and the Company anticipates that both the listing and the conversion will take place in the first half of the Company's next financial year. More detail on these aspects is discussed later in the commentary.

Management fee income from assets managed for third parties

With the focus of the business now on growing the multi-let industrial portfolio and actively embracing technology to improve cost efficiencies and unlock additional sustainable income streams, Stenprop intends to steadily withdraw from involvement in its historic fund management arm. Many of these managed funds come to a natural end during the current financial year, and at the interim stage have delivered management fee income of £3.2 million. Further material fees may arise during the next six to twelve months. Thereafter, management fee income is expected to decline to insignificant levels. In future, guidance will be given so as to distinguish between EPRA earnings attributable to the property rental business and those attributable to the historic fund management business.

Future distributions

To date, Stenprop has pursued a distribution policy in terms of which it distributed at least 85% of its EPRA earnings on a bi-annual basis. Following successful conversion to UK REIT status and a listing in London, Stenprop intends to distribute at least 90% of its property-related EPRA earnings. Distribution of non-property-related earnings will be evaluated from time-to-time by the board.

Business review

Portfolio Summary

As at 30 September 2017, including assets held for sale, the Company's real estate portfolio comprised an interest in 74 properties valued at £785.0 million[1], with 52.2% in the United Kingdom, 33.7% in Germany and 14.1% in Switzerland (by value). The portfolio, which has a gross lettable area of approximately 402,358[1] m^2 and gross annual rent of £48.3 million[1], is currently predominantly in the office and retail sectors, which account for 43% and 28% of rental income respectively. The multi-let industrial portfolio accounted for 18% of rental income as at 30 September 2017, and this is expected to increase over time as the company pursues further acquisitions in the multi-let industrial sector and makes disposals from other asset classes.

A table detailing the top six properties in the portfolio can be found below. These six investments account for 66% of the total portfolio asset value. The value of the three Central London properties (including Stenprop's share of 25 Argyll Street) accounts for 25% of the total portfolio asset value, although this will reduce to 15% following completion of the sale of the Pilgrim Street property. The value of the multi-let industrial portfolio accounts for 16% of the total portfolio asset value and the Berlin retail centre portfolio (comprising three centrally located daily needs shopping centres) accounts for 8%.

Additions and disposals

On 30 June 2017 Stenprop acquired all of the interests in a portfolio of 25 separate multi-let industrial estates situated across the UK, operating as industrials.co.uk, based on

Top six properties by value as at 30 September 2017

Property	Market value (£ million)	Ownership interest %	Stenprop share of market value (£ million)	Sector	Lettable area (m^2)	Annualised gross rental (Stenprop share) (£ million)	Weighted average unexpired lease term (years)
Multi-Let Industrial ('MLI') portfolio, UK	122.4	100	122.4	MLI	185,772	8.5	4.4
Bleichenhof, Hamburg	118.8	94.9	112.7	Mixed use	20,067	5.1	4.9
Euston House, London	78.1	100	78.1	Office	10,204	4.1	3.9
Pilgrim Street, London*	78.0	100	78.0	Office	9,951	4.4	3.7
Trafalgar Court, Guernsey	60.9	100	60.9	Office	10,564	4.2	9.6
Berlin daily needs retail centre portfolio	62.9	100	62.9	Retail	35,347	4.0	8.2
Total	521.1	–	515.0		271,905	30.3	5.6

** Sale contract exchanged on 20 November 2017*

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

Commentary continued

a portfolio price of £127 million excluding costs. The portfolio comprised properties with a gross lettable area of approximately two million square feet and contractual rent (including contractual fixed uplifts) of approximately £9.1 million per annum representing an average rent of £5.15 psf. There are over 400 tenants creating a diversified base of earnings.

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

As at 31 March 2017 Stenprop owned a 28.42% share in Stenham European Shopping Centre Fund which owned a shopping centre situated near Leipzig. On 22 June 2017 the asset was sold at a valuation of €208.5 million. Stenprop's share of the net proceeds from the first distribution was used towards the acquisition of the industrials.co.uk portfolio.

In July 2017 Stenprop completed the sale of the Swiss property known as Granges Paccot at its valuation of CHF20.0 million.

In August 2017 Stenprop sold an office block in Uxbridge, west London, at a sale price of £3.4 million, an uplift of 13.3% compared with the 31 March 2017 valuation of £3.0 million.

On 30 October 2017, Stenprop disposed of the Swiss property known as Cham at its valuation of CHF14.2 million.

On 17 November 2017 Stenprop added to its industrial portfolio with the acquisition of an industrial estate located in Aberdeen, Scotland for £4.15 million.

On 20 November 2017, Stenprop exchanged contracts for the sale of its investment in the London office building located in Pilgrim Street for a purchase consideration which values the property at £80.9 million, 3.5% above valuation. Completion is conditional upon the buyer receiving written confirmation from a lender that debt finance on commercially acceptable terms will be available to the buyer at completion.

Financial review

Earnings

The basic earnings attributable to ordinary shareholders for the six-month period ended 30 September 2017 were £8.7 million (2016: £4.5 million loss). This equates to a diluted IFRS EPS of 3.08 pence (2016: 1.59 pence loss per share).

Net rental income increased by 25.1% over the prior period to £15.96 million of which 17.7% is due to net rents from the industrials.co.uk portfolio and 3.1% due to different average exchange rates. Goodwill of £3.5 million attaching to the acquisition of the C2 Capital management platform was written off during the period. Finance charges increased by 61.6% to £4.82 million due to the industrials.co.uk portfolio bank debt interest (19.4%) and the interest and costs associated with the bridging finance used to acquire the industrials portfolio (44.0%).

Management fee income totals £3.2 million for the period (2016: £1.8 million) and relates to fees earned by the management companies on management and administration services provided to certain managed property syndicates and funds. Included in the total are management fees of £1.4 million which relate to a managed syndicate which holds the WestendGate property in Frankfurt. This asset is currently being marketed for sale, and may result in a performance fee being earned by Stenprop.

Headline earnings were £15.2 million (2016: £13.5 million) equating to a diluted headline EPS of 5.41 pence (2016: 4.73 pence).

In accordance with reporting standards widely adopted across the real estate industry in Europe, the board of directors feels it is appropriate and useful, in addition to providing the IFRS disclosed earnings, to also disclose EPRA[2] earnings. Adjusted EPRA earnings attributable to shareholders were £13.7 million (2016: £12.4 million), equating to a diluted adjusted EPRA EPS of 4.87 pence (2016: 4.35 pence). This represents a 11.8% increase on the diluted adjusted EPRA EPS at 30 September 2016. If current period exchange rates had been in force in the prior period, the diluted adjusted EPRA EPS at 30 September 2016 would have been 4.68 pence. The increase against this of 4.1% is primarily as a result of higher management fee income.

The diluted adjusted EPRA EPS attributable to the property rental business amounts to 3.73 pence per share, with the remaining amount of 1.14 pence being attributable to the management fee income.

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

Stenprop has considered the adoption of further EPRA metrics and in line with best practice believes it useful to disclose the EPRA cost ratio (including direct vacancy costs). The EPRA cost ratio includes all administrative and operating expenses in the IFRS statements (including share of joint ventures). The EPRA cost ratio (including direct vacancy costs) at 30 September 2017 was 21.3% (2016: 24.8%). The decrease is due to additional rents received from the industrials portfolio. When Swiss and other sales complete and bridging finance is repaid, the cost ratio is expected to increase.

Dividends

On 22 November 2017, the directors declared a dividend of 4.0 pence per share payable on 26 January 2018, relating to the six months to 30 September 2017. This interim dividend will be a cash dividend and represents a payout ratio of 82% of diluted adjusted EPRA EPS. An announcement containing details of the dividend and the timetable will be made separately.

On 7 June 2017, the directors declared a final dividend of 4.5 cents per share (2016: 4.7 cents) in respect of the year ended 31 March 2017. The final dividend was paid on 4 August 2017.

Net asset value

The IFRS basic and diluted net asset values per share at 30 September 2017 were £1.31 and £1.30 respectively (2016: basic and diluted £1.28).

As is the case with regard to the disclosure of EPRA earnings, the directors feel that it is appropriate and useful, in addition to IFRS NAV, to also disclose EPRA NAV[3]. The diluted EPRA NAV per share at 30 September 2017 was £1.35 (2016: £1.34). This represents a 0.1% decrease on the diluted EPRA NAV per share of £1.36 at 31 March 2017. If exchange rates had remained constant between 31 March and 30 September 2017, the diluted EPRA NAV per share at 30 September 2017 would have been £1.31.

Change in presentation currency

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

Foreign exchange

At 30 September 2017, approximately 31% of Stenprop's net asset value and 40% of its earnings were in Euros. Consequently the GBP:EUR exchange rate has a material impact on reported GBP earnings and net asset values. At the start of April 2017, the GBP:EUR rate was £1.00:€1.169 and the Euro strengthened over the six-month reporting period by 3.1% to £1.00:€1.134.

Combined portfolio	Portfolio by market value (%)	Market value 30 Sept 2017 (£ million)	Properties	Area (m^2)	Annualised gross rental income (£ million)	Net initial yield (weighted average) (%)	WAULT by rental (years)
United Kingdom	**37.1**	**291.5**	**36**	**238,026**	**19.8**	**6.50**	**4.7**
Germany	**29.7**	**233.2**	**23**	**91,927**	**12.9**	**4.98**	**6.5**
Assets held for sale	**24.0**	**188.3**	**10**	**50,318**	**11.2**	**4.45**	**5.8**
United Kingdom	**9.9**	**78.0**	**1**	**9,951**	**4.4**	**4.98**	**3.7**
Switzerland	**14.1**	**110.3**	**9**	**40,367**	**6.8**	**4.07**	**7.1**
Subtotal	**90.8**	**713.0**	**69**	**380,271**	**43.9**	**5.46**	**5.5**
Share of joint ventures and associates	**9.2**	**72.0**	**5**	**22,333**	**4.4**	**5.30**	**7.5**
Total	**100.0**	**785.0**	**74**	**402,604**	**48.3**	**5.45**	**5.7**

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

Commentary continued

See the Prospects section for further information about the impact of exchange rate movements on earnings.

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

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

Portfolio valuation

Including the Company's share of associates and joint ventures, its investment properties were valued at £785.0 million (31 March 2017: £725.5 million), of which £188.3 million were classified as assets held for sale at 30 September 2017 (31 March 2017: £133.4 million). Assets held for sale (some of which have subsequently been sold), consist of the remaining Swiss portfolio, and the office building in the City of London known as Pilgrim Street. On a like-for-like basis, excluding the impact of additions and disposals in the period, the valuation of the portfolio since year end increased by 1.4% of which 0.7% resulted from currency movements. The German and Swiss properties have been translated to GBP at a rate of £1.00:€1.13 and £1.00:CHF1.30 respectively. This compares with exchange rates of £1.00:€1.17 and £1.00:CHF1.25 at 31 March 2017.

United Kingdom

The UK portfolio (excluding Stenprop's share of 25 Argyll Street), was independently valued at £369.5 million. On a like-for-like basis, after excluding Uxbridge, which has been sold, and the acquisition of the Industrials portfolio, the valuation of the UK portfolio decreased by £1.4 million, or 0.6%, on the valuation at 31 March 2017. This decrease in value was mainly due to a downward valuation of £1.7 million (2.7%) of the Trafalgar Court property in Guernsey, driven by a softening of yields on the island. The valuation does not include the £2.9 million (3.7%) increase over valuation of the selling price of the Pilgrim Street property, which exchanged on 20 November 2017.

On 30 June 2017, the 25 estates comprising the industrial portfolio were acquired at a portfolio valuation of £127.0 million. In line with accounting standards and the RICS red books valuation guide, these accounts are required to value these assets on an individual basis. This valuation was undertaken by third party valuers, JLL, and at 30 September 2017 was £122.4 million. JLL also provided a like-for-like portfolio valuation as at 30 September 2017 which valued the industrial portfolio as a whole at £131.6 million, an increase of 3.6%.

Germany

The German portfolio (excluding associates and joint ventures) was independently valued at €264.5 million. This represents a like-for-like increase of 3.3% on the year-end valuation of €256.1 million. The increase of €8.4 million was driven mainly by a €7.2 million (5.6%) uplift at Stenprop's Bleichenhof property in central Hamburg, an asset which continues to benefit from positive market development seen in core assets in prime cities and from the asset management work being done to reposition this asset in conjunction with the adjacent city centre redevelopment. Elsewhere, it is pleasing to report higher valuations at the three Central Berlin retail centres which experienced a combined uplift of €1.0 million (1.4%).

Switzerland

The Swiss portfolio was valued at CHF143.1 million compared with the like-for-like 2017 year end valuation of CHF144.0 million. As previously reported, following a decision to sell these lower yielding and more mature assets, the Swiss portfolio has been classified as held for sale in the financial statements. All properties are being marketed for sale and are at various stages in the sale process.

Joint ventures and associates

The Care Homes portfolio in Germany was independently valued at €35.7 million, a marginal increase of 1.0% on the 31 March 2017 valuation of €35.4 million.

Stenprop's 50% interest in 25 Argyll Street, a property located in the heart of London's West End, is valued at £40.5 million, a valuation unchanged from that at 31 March 2017.

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

Capital management

The value of the property portfolio as at 30 September 2017, including the Group's share of joint venture properties and assets held for sale, was £785.0 million. Senior bank debt at the same date was £397.7 million resulting in an average loan-to-value ratio of 50.7% (31 March 2017: 51.6%). Including short-term bridge funding of €39 million, the average loan-to-value ratio is 55.1%.

As previously reported, the temporary increase in the LTV ratio was driven by the acquisition of the industrial portfolio. The portfolio was acquired with debt in place, and has an LTV of 56.4% at the reporting date. Additional borrowing of £6.1 million was taken on the Trafalgar Court loan, where the LTV at the reporting date is 59.3%. The short-term bridge loans totalling €39 million remain in place. Stenprop will utilise the proceeds of the sale of the Pilgrim Street property and the Swiss assets to repay the bridge facilities, and to reduce the LTV ratios in the industrial portfolio and on the Trafalgar Court property. It is expected that the LTV ratio will have reduced from 55.1% to 49.9% by 31 March 2018.

The weighted average debt maturity stood at 2.6 years at 30 September 2017 compared with 2.4 years at 31 March 2017. However, excluding bridge finance and the Swiss portfolio and Pilgrim Street loans, all of which are expected to be repaid in the near term, the weighted average debt maturity at 30 September 2017 stands at 3.3 years.

Excluding the Swiss portfolio, annual amortisation payments are £4.0 million (31 March 2017: £1.2 million). The increase since year-end relates to the Trafalgar Court loan facility, and will be removed once the additional amount of £6.1 million has been repaid.

At 30 September the all-in contracted weighted average cost of debt, excluding bridge finance, was 2.52% (2.53% at 31 March 2017). Including bridging finance, the all-in contracted weighted average cost of debt was 2.87%.

The bank facility of €14.5 million relating to the five German Bikemax properties matures on 31 December 2017. Terms have been agreed with the existing lender for a new five year facility at a margin of 1.55%. The current LTV of 57% will be reduced to 49.6% and annual amortisation of €400,000 will be removed. An interest rate cap will be purchased in order to provide flexibility over future disposals whilst also allowing Stenprop to benefit from the current low interest rate environment.

The intention is to steadily reduce overall debt further during the 2019 financial year to approximately 45% LTV, and in the subsequent year to 40%. Stenprop's view is that the debt and property cycles have been very favourable for the past eight years with the significant aid of Central banks following the credit crisis in 2008.Stenprop believes it is prudent to now be reducing overall debt levels as the support of Central banks cannot continue indefinitely and there are signs that inflation is picking up and that interest rates may have reached the low point of their cycle.

Industrial portfolio update

In the quarter since acquisition of the multi-let industrial portfolio on 30 June 2017, the management team have signed 18 new leases and renewed 12 existing leases. At the time of purchase, the average passing rent on the portfolio was £5.01 per square foot per annum and the average estimated rental value on the portfolio was £5.45 per square foot per annum. The 18 new leases have been signed up at an average rent of £6.80 per square foot which is approximately 8% ahead of the estimated rental value at June 2017. The 12 renewed leases have been extended at an average rent per square foot of £6.44 which is 6% ahead of estimated rental value at 30 June 2017. These lettings confirm the Company's view that tenant demand is outstripping supply of space resulting in upward pressure on rents. This rental growth will in due course translate into higher earnings, NAV and total shareholder return.

The integration of the C2 Capital management team with the existing Stenprop team is proceeding smoothly and synergies are emerging. A significant focus going forward is to build on the technology platform of managing multiple smaller units with ever increasing efficiency and cost savings. Stenprop is confident that investment in cutting-edge technology together with the Company's ability to offer tenants increasingly flexible terms and pricing should result in further enhancement of the earnings that can be generated from the portfolio.

The Company continues to seek out appropriate additional acquisition opportunities in the multi-let space. As set out in the Strategy section of this commentary, these are more likely to be smaller individual estates which can be added on incrementally, as there is growing competition for large portfolios with premiums having to be paid for scale. As a result of the long-established relationships and networks of the industrials.co.uk team, the Company is under offer on a number of smaller estates and Stenprop anticipates having acquired an additional c. £20 million of multi-let industrial estates by the end of this financial year to add to the portfolio acquired in June 2017. The industrials.co.uk team also benefits from a steady pipeline of further opportunities, having already reviewed over £135 million of potential opportunities since June 2017.

Update on conversion to UK REIT status

Stenprop reported in June that it intended to actively investigate a conversion to UK REIT status. This followed new legistation introduced in the UK restricting interest deductibility for UK companies, and at the same time announcing a consultation to bring non-resident landlord companies such as Stenprop into the scope of UK corporation tax. It was also considered that, given the intention to list on the LSE, the proven track record of the REIT brand to attract international capital would potentially unlock new sources of investor interest, whilst potentially improving after-tax returns for some shareholders.

The REIT feasibility study concluded that Stenprop will be able to meet and maintain the conditions necessary for conversion to UK REIT status from 1 April 2018. This date may be delayed by one to two months depending on the outcome of the sale of the WestendGate property, which is part of the legacy managed portfolio, and whether a performance fee is payable to Stenprop as a result of the sale. Such a performance fee may temporarily increase the proportion of Stenprop's profits from its non-property rental business above the prescribed level of 25% and thus delay the conversion to UK REIT status for a short period.

The conversion to UK REIT status will require certain provisions to be included in the constitutional documents of the Company, and will thus require shareholder approval. Details of an extraordinary general meeting to approve the proposed amendments will be circulated to shareholders at the appropriate time.

Commentary continued

Update on London listing

In the course of its investigations into listing in London, Stenprop has engaged with a number of potential advisors and has considered listings on the Main Market of the London Stock Exhange (LSE), the Specialist Fund Segment (SFS) of the LSE and AIM. Whilst a listing on the Main Market of the LSE is the most desirable outcome, Stenprop does not currently meet the requirement for 25% of its issued shares to be held by the public in one or more of the European Economic Area States. In all other respects Stenprop would have qualified. Therefore a listing on the SFS is seen as a strong alternative, with the ultimate aim of moving to the Main Market once this EEA free float requirement has been achieved.

Whilst the SFS is typically designed for professional or professionally-advised investors, with REIT status Stenprop shares would be eligible to be marketed to ordinary retail investors as well (subject to certain conditions). Therefore, an SFS listing would be suitable for both current investors and is expected to attract wealth managers, pension funds, and other investors seeking real estate income yield in their portfolios.

Stenprop is in the process of appointing a financial advisor to assist in gaining admission to the SFS or, if the share register changes prior to admission, to act as sponsor for a move to the Main Market of the LSE. A listing date in the second half of May 2018 is targeted. Stenprop does not intend to issue any shares on listing. Instead, Stenprop intends to fund the roll out of its multi-let industrial acquisition strategy by selling assets in its portfolio and utilising the proceeds for such acquisitions.

As a consequence of the intended listing, Stenprop will migrate its jurisdiction of incorporation from Bermuda to Guernsey. This decision follows advice that Guernsey has a regulatory and legal framework which is more familiar and more acceptable to investors in the London markets than Bermuda. The migration will require the adoption of a new set of articles of incorporation replacing the existing by-laws, and will also incorporate the requirements necessitated by the conversion of Stenprop to UK REIT status. These will be presented to shareholders to vote on at an Extraordinary General Meeting, details of which, as already mentioned, will be circulated to shareholders at the appropriate time.

Board appointments

On 5 April 2017 Warren Lawlor was appointed as non-executive director.

Subsequent events

On 30 October 2017 the sale of one of the Swiss properties, located in Cham, was completed at a sale price of CHF14.2 million. Cham was valued at CHF14.2 million.

On 20 November 2017, a sale and purchase agreement was signed in respect of the entire share capital of Normanton Properties Limited, a subsidiary of the Group, which owns the property known as Pilgrim Street in the City of London. The sale of the shares values the property at £80.9 million, a sale price above the 30 September 2017 valuation of £78.0 million.

Completion is conditional upon the buyer receiving written confirmation from a lender that debt finance on commercially acceptable terms will be available to the buyer at completion for the purposes of funding the acquisition of the shares. Failure to fulfil this condition by no later than 8 December 2017 will result in termination of the agreement, and a payment of £250,000 by the buyer to the seller. Subject to fulfilment of the condition mentioned below, completion is expected to be on 20 December 2017, but no later than 12 January 2018. Failure to complete by this date due to a default by the buyer will result in the Group retaining the deposit of £4.03 million which was paid by the buyer on exchange.

On 17 November 2017 a multi-let industrial estate located in Aberdeen, Scotland, was acquired for £4.4 million including acquisition costs. The estate has 14 tenants and a passing rent of £360,900, giving a net initial yield of 8.2%. The return on equity on this investment exceeded 9% per annum at inception after taking into account vacancies of approximately 15% of all lettable space.

Prospects

Stenprop is confident of its ability to earn growing income from its multi-let industrial portfolio and to further enhance earnings through its technology platform and active asset management strategies. In addition, Stenprop believes that its proposed listing on the London Stock Exchange and its conversion to a REIT will have a positive impact on the Company's liquidity and access to capital, to the benefit of all of its shareholders.

The full impact of these strategies on Stenprop's adjusted EPRA earnings per share and distributions per share over the short-term will depend on a number of factors, including the timing and commercial terms of acquisitions and disposals and the implementation of Stenprop's strategic decision to lower its gearing levels. However, the Company is confident that its increasing investment in the multi-let industrial sector will, over the long-term, position it to achieve its objective of delivering sustainable growing income to its shareholders.

Results for the current year ending 31 March 2018 are expected to deliver diluted adjusted EPRA earnings attributable to the property rental business of 7.3 pence per share, and 1.8 pence per share attributable to the fund management business, giving a total diluted adjusted EPRA earnings per share of 9.1 pence. The dividend per share for the year is expected to be 8 pence, reflecting a payout ratio of 87.9%, of which 4 pence per share will be paid on 26 January 2018. The expected full-year dividend is in line with the guidance provided in the company's financial statements for the year ended 31 March 2017.

This general forecast has been based on the Group's forecast and has not been reported on by the external auditors.

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

Independent review report to Stenprop Limited

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 which comprises the condensed consolidated income statement, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Listings Requirements of the Johannesburg Stock Exchange.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as issued by the International Accounting Standards Board. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as issued by the International Accounting Standards Board.

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion, but we will issue a review report addressed to the members of the entity. Our report will not be prepared for the use of any third party nor for any purpose connected with any specific transactions and should not be relied upon by any such person or for any such purpose, save that you may disclose the contents of our report to the Listings Committee of the JSE Securities Exchange South Africa.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as issued by the International Accounting Standards Board.

Deloitte LLP

Guernsey
22 November 2017

Condensed consolidated statement of comprehensive income

		Notes	Reviewed 30 September 2017 £'000	Reviewed 30 September 2016 £'000
Net rental income		3	**15,955**	12,751
Management fee income			**3,204**	1,817
Operating costs		4	**(2,628)**	(2,390)
Net operating income			**16,531**	12,178
Fair value movement of investment properties		8	**(293)**	(6,092)
Gain/(loss) from associates		9	**421**	(7,890)
Income from joint ventures		10	**1,829**	462
Profit/(loss) from operations			**18,488**	(1,342)
Net gain/(loss) from fair value of derivative financial instruments			**1,183**	(1,011)
Net finance costs			**(4,823)**	(2,984)
Net foreign exchange (loss)/gain			**(417)**	64
Gain on disposal of property			**336**	–
Goodwill impairment		14	**(3,500)**	–
Profit/(loss) for the period before taxation			**11,267**	(5,273)
Taxation				
Current tax			**(799)**	(709)
Deferred tax			**(1,286)**	(260)
Total taxation			**(2,085)**	(969)
Profit/(loss) for the period from continuing operations			**9,182**	(6,242)
Discontinued operations				
(Loss)/profit for the period from discontinued operations		11	**(193)**	1,765
Profit/(loss) for the period			**8,989**	(4,477)
Profit attributable to:				
Equity holders			**8,652**	(4,525)
Non-controlling interest derived from continuing operations			**337**	48
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation reserve			**1,827**	18,046
Total comprehensive income for the period			**10,816**	13,569
Total comprehensive profit attributable to:				
Equity holders			**10,479**	13,521
Non-controlling interest			**337**	48
Earnings/(loss) per share				
From continuing operations				
IFRS EPS	(pence)	5	**3.16**	(2.21)
Diluted IFRS EPS	(pence)	5	**3.14**	(2.20)
From continuing and discontinued operations				
IFRS EPS	(pence)	5	**3.09**	(1.59)
Diluted IFRS EPS	(pence)	5	**3.08**	(1.59)

Condensed consolidated statement of financial position

		Notes	Reviewed 30 September 2017 £'000	Audited 31 March 2017 £'000
ASSETS				
Investment properties		8	**524,755**	470,603
Investment in associates		9	**1,176**	17,863
Investment in joint ventures		10	**32,680**	31,435
Other debtors			**13,901**	11,634
Total non-current assets			**572,512**	531,535
Cash and cash equivalents			**26,063**	25,202
Trade and other receivables			**6,204**	4,069
Assets classified as held for sale		11	**192,798**	135,373
Total current assets			**225,065**	164,644
Total assets			**797,577**	696,179
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital and share premium		7	**315,551**	310,141
Equity reserve			**(8,991)**	(8,976)
Retained earnings			**38,549**	40,945
Foreign currency translation reserve			**24,267**	22,440
Total equity attributable to equity shareholders			**369,376**	364,550
Non-controlling interest			**2,359**	2,022
Total equity			**371,735**	366,572
Non-current liabilities				
Bank loans		12	**242,403**	216,047
Derivative financial instruments			**1,220**	2,853
Deferred tax			**7,245**	5,794
Total non-current liabilities			**250,868**	244,694
Current liabilities				
Bank loans		12	**26,746**	13,004
Derivative financial instruments			**131**	119
Accounts payable and accruals			**15,746**	15,589
Other loans		13	**34,367**	–
Liabilities directly associated with assets classified as held for sale		11	**97,984**	76,201
Total current liabilities			**174,974**	104,913
Total liabilities			**425,842**	329,607
Total equity and liabilities			**797,577**	696,179
IFRS net asset value per share	(pence)	6	**1.31**	1.31

Condensed consolidated statement of changes in equity

	Share capital and share premium £'000	Equity reserve £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Attributable to equity shareholders £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 April 2017	**310,141**	**(8,976)**	**40,945**	**22,440**	**364,550**	**2,022**	**366,572**
Issue of share capital	**5,410**	**(16)**	**–**	**–**	**5,394**	**–**	**5,394**
Credit to equity for equity-settled share-based payments	**–**	**1**	**–**	**–**	**1**	**–**	**1**
Total comprehensive income for the period	**–**	**–**	**8,652**	**1,827**	**10,479**	**337**	**10,816**
Ordinary dividends	**–**	**–**	**(11,048)**	**–**	**(11,048)**	**–**	**(11,048)**
Balance at 30 September 2017	**315,551**	**(8,991)**	**38,549**	**24,267**	**369,376**	**2,359**	**371,735**
Balance at 1 April 2016	**305,999**	**353**	**48,020**	**5,613**	**359,985**	**1,847**	**361,832**
Issue of share capital	4,142	(11)	–	–	4,131	–	4,131
Credit to equity for equity-settled share-based payments	–	119	–	–	119	–	119
Repurchase of own shares	–	(1,533)	–	–	(1,533)	–	(1,533)
Total comprehensive (loss)/income for the period	–	–	(4,525)	18,046	13,521	48	13,569
Ordinary dividends	–	–	(10,964)	–	(10,964)	–	(10,964)
Balance at 30 September 2016	310,141	(1,072)	32,531	23,659	365,259	1,895	367,154

Condensed consolidated statement of cash flows

	Notes	Reviewed 30 September 2017 £'000	Reviewed 30 September 2016 £'000
Operating activities			
Profit/(loss) from operations from continuing operations		**18,488**	(1,342)
Profit from operations from discontinuing operations	11	**419**	2,588
		18,907	1,246
Share of (profit)/loss in associates	9	**(421)**	7,890
Decrease in fair value of investment property	8	**2,216**	6,041
Share of profit in joint ventures	10	**(1,829)**	(462)
Exchange rate (gains)/losses		**(419)**	64
(Increase)/decrease in trade and other receivables		**(42)**	368
(Decrease)/increase in trade and other payables		**(2,358)**	795
Interest paid		**(3,914)**	(3,940)
Interest received		**538**	584
Net tax paid		**(419)**	(298)
Net cash from operating activities		**12,259**	12,288
Contributed by: Continuing operations		**10,695**	11,096
Discontinued operations		**1,564**	1,192
Investing activities			
Dividends received from joint ventures		**563**	345
Asset acquisitions	14	**(57,858)**	(596)
Capital expenditure		**(3,351)**	–
Proceeds on disposal of investment property		**21,574**	–
Acquisition of investment in subsidiary	14	**(2)**	–
Proceeds on disposal of investment in associate	9	**17,595**	–
Net cash used in investing activities		**(21,479)**	(251)
Financing activities			
New bank loans raised		**6,107**	–
New third party loans raised		**34,080**	–
Dividends paid		**(11,048)**	(10,964)
Repayment of borrowings		**(17,790)**	(2,183)
Repurchase of shares		**–**	(1,533)
Financing fees paid		**(904)**	(159)
Payments made on swap break		**–**	(52)
Net cash from/(used in) financing activities		**10,445**	(14,891)
Net increase/(decrease) in cash and cash equivalents		**1,225**	(2,854)
Effect of foreign exchange rate changes		**296**	1,611
Cash and cash equivalents at beginning of the period		**25,827**	29,093
Cash and cash equivalents at end of the period		**27,348**	27,850
Contributed by: Continuing operations		**26,063**	25,487
Discontinued operations and assets held for sale		**1,285**	2,363

Notes to the condensed consolidated financial statements

1. Basis of preparation

These reviewed and unaudited condensed consolidated financial statements (the 'IFRS Statements') for the six months ended 30 September 2017 have been prepared in accordance with the recognition and measurements principles of the International Financial Reporting Standards ('IFRS') and its interpretations adopted by the International Accounting Standards Board ('IASB'), specifically IAS34 'Interim Financial Reporting' and the JSE Listings Requirements, the BSX Listing Regulations and applicable Bermuda law.

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

The accounting policies and methods of computation are consistent with those applied in the preparation of the annual financial statements for the year ended 31 March 2017 which were audited and reported on by the Group's external auditor. There were no new standards adopted during the period which had any material impact on the disclosures or the amounts reported in these financial statements. The consolidated annual financial statements for the year ended 31 March 2017 are available on the Company's website at www.stenprop.com.

Going concern

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 31 March 2019 and, in light of this review and the current financial position, they are satisfied that the Company and the Group have access to adequate resources to meet the obligations and continue in operational existence for the foreseeable future, and specifically the 12 months subsequent to the signing of these financial statements. The directors believe that it is therefore appropriate to prepare the accounts on a going concern basis.

The remaining Swiss portfolio is currently being marketed for sale. The properties are at various stages in the sale process and are targeted to be sold by financial year-end. As such, the loans at 31 March 2017 were refinanced on a short-term basis as a rolling credit facility or will mature on 31 March 2018. Should a decision be taken not to sell the properties for any reason, or if the sale process is delayed, the directors anticipate that, given the quality of the properties and the strong and proven relationships with Swiss lenders, a refinancing can be secured on favourable terms where necessary.

Bank loans relating to the Bikemax portfolio (€14.5 million) and Aldi portfolio (€15.0 million) mature at the end of December 2017 and April 2018 respectively. Part of the Carehomes debt facility (€11.8 million), held as a joint venture, matures in March 2018. Stenprop is in discussions with the existing lenders and terms have been agreed with regards to the Bikemax facility. Stenprop has seen evidence of significant liquidity in the German market, particularly at the levels of gearing shown by the properties in question. Stenprop has strong refinancing experience and given the strength of the assets and the level of existing gearing, Stenprop expects to secure favourable all-in interest rates on refinancing and the directors are confident that all the facilities will be refinanced.

During the period Stenprop secured a €31 million bridging facility which attracts interest at 7% and is subject to a Group loan to value covenant of 65%. A further bridging facility of €8 million was secured at the same interest rate of 7%. Both loans are repayable in June 2018. Stenprop intends to repay these loans from net sale proceeds from the disposal of the Swiss portfolio.

Change in presentation currency

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

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

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

Adoption of new and revised standards

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

IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses (1 January 2017)
IAS 7 (amendments)	Disclosure Initiative (1 January 2017)
Annual Improvements 2014 – 2016 Cycle	(1 January 2017)

At the date of authorisation of these financial statements, the following applicable standards which have not been applied to these financial statements, were in issue but not yet effective. They are effective for periods commencing on or after the disclosed date and will be adopted as they become effective.

IFRS 9	Financial instruments (1 January 2018)
IFRS 15	Revenue from Contracts with Customers (1 January 2018)
IFRS 16	Leases (1 January 2019)
IAS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions (1 January 2018)
IFRS 10 & IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date deferred indefinitely)
IAS 40 (amendments)	Transfers of investment property (1 January 2018)

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

Critical accounting judgements and estimates

The preparation of the condensed consolidated interim financial statements requires the use of judgements and estimates that affect the reported amounts of assets and liabilities at the reporting date and the reported amounts of revenues and expenses reported during the period. Although these estimates are based on the management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

Critical judgements made in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and which have the most significant effect on the amounts recognised in the financial statements.

Business combinations and asset acquisitions

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

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

Critical accounting estimates and sources of estimation uncertainty

The Group does not have any key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period, which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notwithstanding this, the Group's investment properties are stated at estimated fair value, as determined by the directors, based on independent external appraisals. The valuation of the Group's property portfolio is inherently subjective due to a number of factors including the individual nature of the property, its location and the expectation of future rentals.

Notes to the condensed consolidated financial statements

2. Operating segments

The Group is focused on real estate investment in well-developed, large economies with established real estate markets. The investment portfolio is geographically diversified across the United Kingdom, Germany and Switzerland, and these geographical locations provide the basis of the business segments identified by the Group. 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			
	Germany £'000	United Kingdom £'000	Discontinued operations £'000	Total £'000
Reviewed for the year ended 30 September 2017				
Net rental income	5,748	10,207	–	15,955
Fair value movement of investment properties	7,464	(7,757)	–	(293)
Net gain from fair value of financial liabilities	175	1,008	–	1,183
Income from associates	421	–	–	421
Income from joint ventures	912	854	–	1,766
Net finance costs	(1,065)	(3,623)	–	(4,688)
Operating costs	(286)	(144)	–	(430)
Net foreign exchange loss	(30)	(204)	–	(234)
Other gains	–	336	–	336
Loss for the year from discontinued operations (see note 11)	–	–	(193)	(193)
Taxation	(1,327)	(481)	–	(1,808)
Total profit/(loss) per reportable segments	12,012	196	(193)	12,015
Reviewed 30 September 2017				
Investment properties	233,230	291,525	–	524,755
Investment in associates	1,176	–	–	1,176
Investment in joint ventures	11,121	21,520	–	32,641
Cash	12,225	10,373	–	22,598
Other	15,081	2,632	–	17,713
Assets classified as held for sale	–	79,997	112,801	192,798
Total assets	272,833	406,047	112,801	791,681
Borrowings – bank loans	126,268	142,881	–	269,149
Other	9,695	39,355	–	49,050
Liabilities directly associated with assets classified as held for sale (see note 11)	–	40,207	57,777	97,984
Total liabilities	135,963	222,443	57,777	416,183

2. Operating segments continued

i) Information about reportable segments

	Continued operation			
	Germany £'000	United Kingdom £'000	Discontinued operations £'000	Total £'000
Reviewed for the period ended 30 September 2016				
Net rental income	5,302	7,449	–	12,751
Fair value movement of investment properties	63	(6,155)	–	(6,092)
Net gain/(loss) from fair value of financial liabilities	53	(1,064)	–	(1,011)
Loss from associates	(7,890)	–	–	(7,890)
Income/(loss) from joint ventures	484	(199)	–	285
Net finance costs	(1,179)	(1,808)	–	(2,987)
Operating costs	(360)	(53)	–	(413)
Net foreign exchange gain	2	–	–	2
Profit for the year from discontinued operations (see note 11)	–	–	1,765	1,765
Taxation	(363)	(607)	–	(970)
Total profit per reportable segment	(3,888)	(2,437)	1,765	(4,560)
Audited 31 March 2017				
Investment properties	219,057	251,546	–	470,603
Investment in associates	17,863	–	–	17,863
Investment in joint venture	10,283	21,115	–	31,398
Cash	11,693	12,280	–	23,973
Other	12,999	2,347	–	15,346
Assets classified as held for sale	2,541	–	132,832	135,373
Total assets	274,436	287,288	132,832	694,556
Borrowings – bank loans	122,898	106,153	–	229,051
Other	11,365	11,245	–	22,610
Liabilities directly associated with assets classified as held for sale (see note 11)	–	–	76,200	76,200
Total liabilities	134,263	117,398	76,200	327,861

Notes to the condensed consolidated financial statements

2. Operating segments continued

ii) Reconciliation of reportable segment profit or loss

	Reviewed 30 September 2017 £'000	Reviewed 30 September 2016 £'000
Rental income		
Net rental income for reported segments	**15,955**	12,751
Profit or loss		
Fair value movement of investment properties	**(293)**	(6,092)
Net gain/(loss) from fair value of financial liabilities	**1,183**	(1,011)
Gain/(loss) from associates	**421**	(7,890)
Income from joint ventures	**1,766**	285
Net finance costs	**(4,688)**	(2,987)
Operating costs	**(430)**	(413)
Net foreign exchange (loss)/gain	**(234)**	2
Other gains	**336**	–
Profit for the year from discontinued operations (see note 11)	**(193)**	1,765
Taxation	**(1,808)**	(970)
Total profit/(loss) per reportable segments	**12,015**	(4,560)
Other profit or loss – unallocated amounts		
Management fee income	**3,204**	1,817
Income from joint ventures	**63**	177
Net finance income	**(135)**	3
Tax, legal and professional fees	**(41)**	(65)
Audit fees	**(116)**	(117)
Administration fees	**(119)**	(118)
Non-executive directors	**(69)**	(67)
Staff remuneration costs	**(1,381)**	(1,082)
Other operating costs	**(472)**	(528)
Net foreign exchange (loss)/gain	**(183)**	62
Goodwill impairment (see note 14)	**(3,500)**	–
Taxation	**(277)**	1
Consolidated profit/(loss) before taxation	**8,989**	(4,477)

2. Operating segments continued

iii) Reconciliation of reportable segment financial position

	Reviewed 30 September 2017 £'000	Audited 31 March 2017 £'000
ASSETS		
Investment properties	**524,755**	470,603
Investment in associates	**1,176**	17,863
Investment in joint venture	**32,641**	31,398
Cash	**22,598**	23,973
Other	**17,713**	15,346
Assets classified as held for sale	**192,798**	135,373
Total assets per reportable segments	**791,681**	694,556
Other assets – unallocated amounts		
Investment in joint ventures	**39**	37
Cash	**3,465**	1,229
Other	**2,392**	357
Total assets per consolidated statement of financial position	**797,577**	**696,179**
LIABILITIES		
Borrowings – bank loans	**269,149**	229,051
Other	**49,050**	22,610
Liabilities directly associated with assets classified as held for sale (see note 11)	**97,984**	76,200
Total liabilities per reportable segments	**416,183**	327,861
Other liabilities – unallocated amounts		
Other	**9,659**	1,717
Total liabilities per consolidated statement of financial position	**425,842**	329,578

Notes to the condensed consolidated financial statements

	Reviewed 30 September 2017 £'000	Reviewed 30 September 2016 £'000
3. Net rental income		
Rental income	**16,535**	13,656
Other income – tenant recharges	**3,585**	2,382
Other income	**318**	92
Rental income	**20,438**	16,130
Direct property costs	**(4,483)**	(3,379)
Total net rental income	**15,955**	12,751
4. Operating costs		
Tax, legal and professional fees	**222**	290
Audit fees	**92**	90
Interim review fees	**30**	30
Administration fees	**194**	133
Investment advisory fees	**144**	122
Non-executive directors	**69**	67
Staff remuneration costs	**1,381**	1,082
Other operating costs	**496**	576
	2,628	2,390

5. Earnings per ordinary share

		Reviewed 30 September 2017 £'000	Reviewed 30 September 2016 £'000
Reconciliation of profit/(loss) for the period to adjusted EPRA[1] earnings			
Earnings/(loss) per IFRS income statement attributable to shareholders		**8,652**	(4,525)
Adjustment to exclude profit/(loss) from discontinued operations		**193**	(1,765)
Earnings/(loss) per IFRS income statement from continuing operations attributable to shareholders		**8,845**	(6,290)
Earnings/(loss) per IFRS income statement attributable to shareholders		**8,652**	(4,525)
Adjustments to calculate EPRA earnings, exclude:			
Changes in fair value of investment properties		**2,216**	6,042
Changes in fair value of financial instruments		**(1,183)**	357
Deferred tax in respect of EPRA adjustments		**1,462**	544
Goodwill impairment		**3,500**	–
Gain on disposal of properties		**(230)**	–
Adjustments above in respect of joint ventures and associates			
Changes in fair value of investment properties and financial instruments		**(897)**	9,949
Deferred tax in respect of EPRA adjustments		**26**	(391)
EPRA earnings attributable to shareholders		**13,546**	11,976
Further adjustments to arrive at adjusted EPRA earnings			
Straight-line unwind of purchased swaps		**144**	447
Adjusted EPRA earnings attributable to shareholders		**13,690**	12,423
Weighted average number of shares in issue (excluding treasury shares)[2]		**280,302,489**	284,521,579
Share-based payment award		**1,004,369**	920,287
Diluted weighted average number of shares in issue		**281,306,858**	285,441,866
Earnings/(loss) per share from continuing operations			
IFRS EPS	(pence)	**3.16**	(2.21)
Diluted IFRS EPS	(pence)	**3.14**	(2.20)
Earnings/(loss) per share from continuing and discontinued operations			
IFRS EPS	(pence)	**3.09**	(1.59)
Diluted IFRS EPS	(pence)	**3.08**	(1.59)
EPRA EPS	(pence)	**4.83**	4.21
Diluted EPRA EPS	(pence)	**4.82**	4.20
Adjusted EPRA EPS	(pence)	**4.88**	4.37
Diluted adjusted EPRA EPS	(pence)	**4.87**	4.35

1. *The European Public Real Estate Association (EPRA) issued Best Practices Policy Recommendations in November 2016, which provide guidelines for performance measures relevant to real estate companies. Their recommended reporting standards are widely applied across this market, aiming to bring consistency and transparency to the sector. The EPRA earnings measure is intended to show the level of recurring earnings from core operational activities with the purpose of highlighting the Group's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. The measure excludes unrealised changes in the value of investment properties, gains or losses on the disposal of properties and other items that do not provide an accurate picture of the Group's underlying operational performance. The measure is considered to accurately capture the long-term strategy of the Group, and is an indication of the sustainability of dividend payments.*
2. *As at 30 September 2017, the Company held 9,026,189 treasury shares (September 2016: 1,356,567 and March 2017: 9,026,189).*

Notes to the condensed consolidated financial statements

5. Earnings per ordinary share continued

Straight-line unwind of purchased swaps

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

Reconciliation of profit for the period to headline earnings

		Reviewed 30 September 2017 £'000	Reviewed 30 September 2016 £'000
Earnings/(loss) per IFRS income statement from operations attributable to shareholders		**8,652**	(4,525)
Adjustments to calculate headline earnings, exclude:			
Changes in fair value of investment properties		**2,216**	6,042
Gain on disposal of properties		**(230)**	–
Goodwill impairment		**3,500**	–
Deferred tax in respect of headline earnings adjustments		**1,436**	910
Adjustments above in respect of joint ventures and associates			
Changes in fair value of investment properties		**(437)**	12,004
Deferred tax in respect of headline earnings adjustments		**91**	(926)
Headline earnings attributable to shareholders		**15,228**	13,505
Earnings per share			
Headline EPS	(pence)	**5.43**	4.75
Diluted headline EPS	(pence)	**5.41**	4.73

		Reviewed 30 September 2017 £'000	Reviewed 30 September 2016 £'000	Audited 31 March 2017 £'000
6. Net asset value per ordinary share				
Net assets attributable to equity shareholders		**369,376**	365,259	364,550
Adjustments to arrive at EPRA net asset value:				
Derivative financial instruments		**1,897**	5,077	2,972
Deferred tax		**11,084**	11,282	10,138
Adjustments above in respect of non-controlling interests		**1,322**	1,891	1,544
EPRA net assets attributable to shareholders		**383,679**	383,509	379,204
Number of shares in issue (excluding treasury shares)[1]		**282,692,287**	285,325,313	277,655,691
Share-based payment award		**1,004,369**	920,287	956,185
Diluted number of shares in issue		**283,696,656**	286,245,600	278,611,876
Net asset value per share (basic and diluted)				
IFRS net asset value per share	(pence)	**1.31**	1.28	1.31
Diluted IFRS net asset value per share	(pence)	**1.30**	1.28	1.31
EPRA net asset value per share	(pence)	**1.36**	1.34	1.37
Diluted EPRA net asset value per share	(pence)	**1.35**	1.34	1.36

[1] As at 30 September 2017, the Company held 9,026,189 treasury shares (September 2016: 1,356,567 and March 2017: 9,026,189).

7. Share capital

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

		Reviewed 30 September 2017	Reviewed 30 September 2016	Audited 31 March 2017
Issued share capital				
Opening balance		**286,681,880**	282,984,626	282,984,626
Issue of new shares		**5,036,596**	3,697,254	3,697,254
Closing number of shares issued[1]		**291,718,476**	286,681,880	286,681,880
Share capital				
Share premium	(£'000)	**317,782**	312,372	312,372
Less: Acquisition/transaction costs	(£'000)	**(2,231)**	(2,231)	(2,231)
Total share premium	(£'000)	**315,551**	310,141	310,141

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

The Company has 291,718,476 (September 2016 and March 2017: 286,681,880) ordinary shares in issue at the reporting date. On 8 June 2017, 1,752,359 and 13,737 new ordinary shares were issued on the JSE and the BSX at an issue price of €1.22 per share in respect of the Share Purchase Plan and Deferred Share Bonus Plan respectively (the debit to the Equity Reserve of £16,000 reflects the exercise of the Bonus Plan share options). On 7 July 2017, 3,270,500 new ordinary shares were issued on the JSE and the BSX at an issue price of €1.22 per share in order to fund the acquisition of C2 Capital Limited.

Notes to the condensed consolidated financial statements

8. Investment property

The fair value of the consolidated investment properties at 30 September 2017 was £524,755,000 (31 March 2017: £470,603,000). This excludes an amount of £188,318,000 (31 March 2017: £133,645,000) for properties which have been classified as held for sale, including the entire Swiss portfolio & Pilgrim Street (UK). The carrying amount of investment property is the fair value of the property as determined by registered independent appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued ('valuers').

The fair value of each of the properties for the period ended 30 September 2017 was assessed by the valuers in accordance with the Royal Institute of Chartered Surveyors ('RICS') standards and IFRS 13. Valuers are qualified for purposes of providing valuations in accordance with the 'Appraisal and Valuation Manual' published by RICS.

The valuations performed by the valuers are reviewed internally by senior management. This includes discussions of the assumptions used by the 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 valuers on a bi-annual basis. The Audit Committee reviews the valuation results and, provided the committee is satisfied with the results, recommends them to the board for approval.

The valuation techniques used are consistent with IFRS13 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.

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

All investment properties are mortgaged. Details of all borrowings can be seen in note 12. As at the date of signing this report, there are no restrictions on the realisability of any of the underlying investment properties, nor on the remittance of income and disposal proceeds.

The key unobservable inputs used in the valuation of the Group's investment properties at 30 September 2017 are detailed in the table below:

Combined portfolio (including share of jointly controlled entities)	Percentage of portfolio by market value (%)	Market value 30 Sept 2017 (£ million)	Properties	Area (m^2)	Annualised gross rental income (£ million)	Net initial yield (weighted average) (%)	WAULT by rental (years)	Voids by area (%)
United Kingdom	37.1	291.5	36	238,026	19.8	6.50	4.7	6.9
Germany	29.7	233.2	23	91,927	12.9	4.98	6.5	5.6
Assets held for sale	24.0	188.3	10	50,072	11.2	4.45	5.8	4.5
United Kingdom	9.9	78.0	1	9,705	4.4	4.98	3.7	0.0
Switzerland	14.1	110.3	9	40,367	6.8	4.07	7.1	5.6
Subtotal	90.8	713.0	69	380,025	43.9	5.46	5.5	6.3
Share of joint ventures and associates	9.2	72.0	5	22,333	4.4	5.30	7.5	0.0
Total	100.0	785.0	74	402,358	48.3	5.45	5.7	5.9

8. Investment property continued

	Note	Reviewed 30 September 2017 £'000	Audited 31 March 2017 £'000
Opening balance		**470,603**	576,757
Properties acquired	14	**127,000**	–
Capitalised expenditure		**3,437**	1,643
Disposals through the sale of property		**(21,345)**	(5,346)
Foreign exchange movement in foreign operations		**1,949**	29,621
Net fair value (loss)/gain on investment property – continuing operations		**(293)**	2,431
Net fair value loss on investment property – discontinued operations		**(1,923)**	(858)
Transfer to assets classified as held for sale		**(54,673)**	(133,645)
Closing balance		**524,755**	470,603
Acquisitions			
UK			
Industrials Portfolio		**127,000**	–
		127,000	–
Disposals			
Germany			
Hermann (Burger King)		**(2,931)**	–
Swiss			
Kantone (Granges-Paccot)		**(15,414)**	–
Interlaken		**–**	(5,346)
UK			
GGP1 Limited – Uxbridge		**(3,000)**	–
		(21,345)	(5,346)

Notes to the condensed consolidated financial statements

9. Investments in associates

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

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

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

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

Associates are accounted for using the equity method in these consolidated financial statements.

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

	Stenham European Shopping Centre Fund Limited £'000	Stenham Berlin Residential Fund Limited £'000	Total £'000
Reviewed 30 September 2017			
Non-current assets	**–**	**–**	**–**
Assets held for sale	**–**	**–**	**–**
Current assets	**4,901**	**–**	**4,901**
Non-current liabilities	**–**	**–**	**–**
Current liabilities	**(1,001)**	**–**	**(1,001)**
Equity attributable to owners of the Company	**3,900**	**–**	**3,900**
Revenue	**3,415**	**21,351**	**3,415**
Profit from continuing operations and total comprehensive income	**1,237**	**1,568**	**1,237**
Audited 31 March 2017			
Non-current assets	141	–	141
Assets held for sale	177,637	16,865	194,502
Current assets	6,725	19,317	26,042
Non-current liabilities	–	–	–
Current liabilities	(128,328)	(498)	(128,826)
Equity attributable to owners of the Company	56,175	35,684	91,859
Revenue	15,984	50,230	66,214
(Loss)/profit from continuing operations and total comprehensive income	(42,506)	19,598	(22,908)

9. Investments in associates continued

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

	Stenham European Shopping Centre Fund Limited £'000	Stenham Berlin Residential Fund Limited £'000	Total £'000
30 September 2017			
Opening balance as at 1 April 2017	**15,994**	**1,869**	**17,863**
Share of associates' profit*	**350**	**71**	**421**
Share in associates disposed during the period	**(15,603)**	**(1,992)**	**(17,595)**
Foreign exchange movement in foreign operations	**435**	**52**	**487**
Closing balance	**1,176**	**–**	**1,176**
31 March 2017			
Opening balance as at 1 April 2016	26,095	4,962	31,057
Share of associates' (loss)/profit*	(12,053)	2,203	(9,850)
Associate balance sheet adjustment	16	–	16
Share in associates disposed during the year	–	(5,745)	(5,745)
Distribution received from associates	6	–	6
Foreign exchange movement in foreign operations	1,930	449	2,379
Closing balance	15,994	1,869	17,863

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

Stenham European Shopping Centre Fund Limited ('SESCF')

SESCF, in which the Group has a 28.42% interest completed the sale of its investment in the Nova Eventis Shopping Centre on 22 June 2017. The sale price of the property was €208.5 million less selling costs (equivalent to the value at 31 March 2017) and any fair value movement in the underlying investment is reflective of the movement in the net asset value of SESCF and the property company which was sold.

Stenham Berlin Residential Fund Limited ('SBRF')

At 31 March 2017 SBRF's sole investment was its remaining holding of 623,868 shares in ADO Properties Limited. All of these shares were sold by 31 May 2017 and monies subsequently distributed to the SBRF shareholders by way of a share buyback in June 2017. SBRF's share price at 31 March 2017 was €1.85. This had risen to €1.92 at the date of share buyback in June 2017. Stenprop Germany Limited disposed of its entire shareholding of 1,180,251 shares at €1.92 per share realising €2,268,000. This represented a gain of €83,000 for the six months to 30 September 2017. The GBP equivalent was £71,000.

At 30 September 2017, SBRF did not have any investment with its net assets consisting purely of cash required to pay the balance of buyback monies and, thereafter, liquidation costs.

Notes to the condensed consolidated financial statements

10. Investment in joint ventures

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

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

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

	Elysion S.A. £'000	Stenpark Management Limited £'000	Stenprop Argyll Limited £'000	Ardale Industrials Limited £'000	Total £'000
Reviewed 30 September 2017					
Investment property	**31,625**	**–**	**81,000**	**–**	**112,625**
Current assets	**336**	**186**	**4,334**	**2**	**4,858**
Assets	**31,961**	**186**	**85,334**	**2**	**117,483**
Bank loans	**(19,751)**	**–**	**(37,344)**	**–**	**(57,095)**
Shareholder loan	**(13,070)**	**–**	**–**	**–**	**(13,070)**
Deferred tax	**(573)**	**–**	**–**	**–**	**(573)**
Financial liability	**(330)**	**–**	**(838)**	**–**	**(1,168)**
Current liabilities	**(185)**	**(107)**	**(4,113)**	**(5)**	**(4,410)**
Liabilities	**(33,909)**	**(107)**	**(42,295)**	**(5)**	**(76,316)**
Net (liabilities)/assets of joint ventures	**(1,948)**	**79**	**43,039**	**(3)**	**41,167**
Net assets of joint ventures excluding shareholder loans	**11,122**	**79**	**43,039**	**(3)**	**54,240**
Group share of net assets	**11,122**	**40**	**21,520**	**(2)**	**32,680**
Revenue	**1,207**	**381**	**2,393**	**31**	**4,012**
Interest payable	**(888)**	**–**	**(559)**	**–**	**(1,447)**
Tax expense	**(158)**	**–**	**–**	**–**	**(158)**
Profit from continuing operations and total comprehensive income excluding interest due to Group	**912**	**109**	**1,709**	**11**	**2,741**
Share of joint ventures profit due to the Group	**912**	**56**	**855**	**6**	**1,829**

10. Investment in joint ventures continued

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

Elysion S.A

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

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

Notes to the condensed consolidated financial statements

10. Investment in joint ventures continued

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

	Elysion S.A. £'000	Stenpark Management Limited £'000	Stenprop Argyll Limited £'000	Ardale Industrials Limited £'000	Total £'000
Reviewed 30 September 2017					
Opening balance	**10,283**	**37**	**21,115**	**–**	**31,435**
Share in associates acquired during the period	**–**	**–**	**–**	**(2)**	**(2)**
Share of joint venture profit	**912**	**56**	**855**	**6**	**1,829**
Distribution received from joint venture	**(388)**	**(53)**	**(450)**	**(6)**	**(897)**
Foreign exchange movement in foreign operations	**315**	**–**	**–**	**–**	**315**
Closing balance	**11,122**	**40**	**21,520**	**(2)**	**32,680**
Audited 31 March 2017					
Opening balance	8,163	32	21,536	–	29,731
Share of joint venture profit	2,270	306	854	–	3,430
Distribution received from joint venture	(864)	(301)	(1,275)	–	(2,440)
Foreign exchange movement in foreign operations	714	–	–	–	714
Closing balance	10,283	37	21,115	–	31,435

11. Assets held for sale and discontinued operations

Asset held for sale

Ten properties (the entire Swiss portfolio and Pilgrim Street) meet the conditions relating to assets held for sale, as per IFRS 5: Non-current Assets Held for Sale. The properties are expected to be disposed of during the next 12 months. The values have been determined by the directors based on the sale price per a letter of intent, a draft sales and purchase agreement, or in the case where this is not yet finalised, the fair value as determined by an independent third party valuer.

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

	Reviewed 30 September 2017 £'000	Audited 31 March 2017 £'000
Investment properties	**188,318**	133,646
Cash and cash equivalents	**1,285**	625
Trade and other receivables	**3,195**	1,101
Total assets classified as held for sale	**192,798**	135,372
Bank loans	**89,191**	70,783
Derivative financial instruments	**546**	–
Deferred tax	**3,839**	4,344
Accounts payable and accruals	**4,408**	1,073
Liabilities directly associated with assets classified as held for sale	**97,984**	76,200

Discontinued operations

Nine properties (the entire Swiss portfolio) have been recognised as discontinued operations in accordance with IFRS 5.

The results of the discontinued operations were as follows:

	Reviewed 30 September 2017 £'000	Reviewed 30 September 2016 £'000
Net rental income	**2,517**	2,739
Operating costs	**(175)**	(201)
Net operating income	**2,342**	2,538
Fair value movement of investment properties	**(1,923)**	50
Profit from operations	**419**	2,588
Other gains and losses	**(106)**	–
Net gain from fair value of derivative financial instruments	**–**	654
Net finance costs	**(361)**	(1,005)
Net foreign exchange losses	**(2)**	–
(Loss)/profit for the year before taxation	**(50)**	2,237
Taxation	**(143)**	(472)
(Loss)/profit for the year from discontinued operations	**(193)**	1,765

Disposals

On 1 July 2017, the Group disposed of the Kantone Holdings Ltd properties known as Grange Paccot 1 & Grange Paccot 2, Switzerland, for CHF20.0 million (equating to CHF19.9 million after disposal costs). At disposal, there was a loss of CHF0.1 million to the Group equating to the disposal costs, as the property was already held at a fair value equivalent to the sale price.

Notes to the condensed consolidated financial statements

	Reviewed 30 September 2017 £'000	Audited 31 March 2017 £'000
12. Borrowings		
Opening balance	**229,051**	290,434
Loan repayments	**(16,389)**	(4,143)
New loans	**75,108**	–
Amortisation of loans	**(1,401)**	(3,536)
Capitalised borrowing costs	**(189)**	(161)
Amortisation of transaction fees	**171**	392
Foreign exchange movement in foreign operations	**1,206**	16,848
Adjustment for liabilities directly associated with assets classified as held for sale adjustment (see note 11)	**(18,408)**	(70,783)
Total borrowings	**269,149**	229,051
Amount due for settlement within 12 months	**115,937**	83,787
Amount due for settlement between one to three years	**79,677**	79,265
Amount due for settlement between three to five years	**162,726**	136,782
Amount due for settlement after five years	**–**	–
Liabilities directly associated with assets classified as held for sale adjustment (see note 11)	**(89,191)**	(70,783)
	269,149	229,051
Non-current liabilities		
Bank loans	**242,403**	216,047
Total non-current loans and borrowings	**242,403**	216,047
The maturity of non-current borrowings is as follows:		
One year to five years	**242,403**	216,047
More than five years	**–**	–
	242,403	216,047
Current liabilities		
Bank loans	**115,937**	83,787
Liabilities directly associated with assets classified as held for sale adjustment (see note 11)	**(89,191)**	(70,783)
Total current loans and borrowings	**26,746**	13,004
Total loans and borrowings	**269,149**	229,051

12. Borrowings continued

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

Facility	Amortising	Loan interest rate	Currency	Maturity date	Nominal value 30 Sep 2017 £'000	Nominal value 31 Mar 2017 £'000	Carrying value* 30 Sep 2017 £'000	Carrying value* 31 Mar 2017 £'000
United Kingdom								
Laxton Properties Limited	No	LIBOR +1.4%	GBP	2020/05/08	**27,540**	27,540	**27,379**	27,348
Normanton Properties Limited	No	LIBOR +1.4%	GBP	2019/03/25	**37,050**	37,050	**36,982**	36,958
Davemount Properties Limited	No	LIBOR +2.25%	GBP	2021/05/26	**4,000**	4,000	**3,971**	3,967
LPE Limited[1]	Yes	LIBOR +2.5%	GBP	2020/03/31	**36,108**	30,000	**35,619**	29,620
GGP1 Limited	No	LIBOR +2.25%	GBP	2021/05/26	**7,000**	8,360	**6,912**	8,260
Industrials UK[2]	No	LIBOR +2.25%	GBP	2022/06/02	**69,000**	–	**69,000**	–
Switzerland[3]								
Algy Properties S.a.r.l.	Yes	LIBOR +1.5%	CHF	2018/03/31	**2,437**	2,590	**2,437**	2,590
Bruce Properties S.a.r.l.	No	LIBOR +1.35%	CHF	2018/03/31	**3,665**	3,804	**3,665**	3,804
David Properties S.a.r.l.	Yes	LIBOR +1.4%	CHF	2018/03/31	**5,838**	6,181	**5,838**	6,181
Kantone Holdings Limited	Yes	LIBOR +1.05%	CHF	Footnote 3	**22,350**	39,205	**22,350**	39,205
Polo Property GmbH	Yes	LIBOR +1.15%	CHF	Footnote 3	**17,919**	19,002	**17,919**	19,002
Germany								
Century BV	Yes	Euribor +1.65%	EUR	2017/12/31	**8,393**	8,254	**8,388**	8,238
Century 2 BV	Yes	Euribor +1.65%	EUR	2017/12/31	**3,634**	3,573	**3,631**	3,567
Century 2 BV	Yes	Euribor +1.65%	EUR	2017/12/31	**760**	748	**760**	746
Stenham Beryl Limited	Yes	Euribor +1.85%	EUR	2018/04/30	**4,644**	4,599	**4,644**	4,599
Stenham Crystal Limited	Yes	Euribor +1.85%	EUR	2018/04/30	**3,878**	3,841	**3,878**	3,841
Stenham Jasper Limited	Yes	Euribor +1.85%	EUR	2018/04/30	**4,745**	4,700	**4,745**	4,700
Isabel Properties BV	No	Euribor +2.50%	EUR	2021/12/31	**7,937**	7,699	**7,937**	7,699
Bleichenhof GmbH & Co. KG	No	1.58%	EUR	2022/02/28	**74,906**	72,655	**74,906**	72,655
Stenprop Hermann Ltd	No	Euribor +1.13%	EUR	2020/06/30	**8,316**	8,066	**8,296**	8,042
Stenprop Victoria Ltd	No	Euribor +1.28%	EUR	2020/08/31	**9,084**	8,811	**9,084**	8,811
					359,204	300,678	**358,341**	299,833

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

1. *On 2 June 2017, LPE Limited entered into an amendment agreement with RBSI to extend their facility by a further £6.1 million. Per the amended facility agreement the full loan is repayable in March 2020. The margin on the debt increased by 0.5% to 2.5% for the period until the extended debt is repaid. This is expected to occur in December 2017. The all-in rate on this facility is 3.85% (including a swap of 1.35%). Finance costs associated with this transaction amounted to £189,000.*
2. *On 2 June 2017, an amount of £69.1 million was lent to Industrials UK by RBS for a period of five years, until 2 June 2022. £60.375 million of the loan is covered by means of a swap at an all-in interest rate of 3.2% per annum (the balance incurs interest at LIBOR + a margin of 2.25% per annum).*
3. *All of the bank loans in respect of the Swiss properties were due for expiry on 31 March 2017. Given that all of the properties in the Swiss portfolio were held for sale at this date, the loans were re-financed on a short-term basis as follows:*
   - *Algy Properties Sarl extended its loan with Credit Suisse in the sum of CHF3,237,500, for a period of one year from 1 April 2017 at a loan interest rate of LIBOR +1.5 % and no swap (previous facility: LIBOR +1.3% +0.91% swap).*
   - *Bruce Properties Sarl extended its loan with Credit Suisse in the sum of CHF4,755,000, for a period of one year from 1 April 2017 at a loan interest rate of LIBOR +1.35 % and no swap (previous facility: LIBOR +1.25% +1.90% swap).*
   - *David Properties Sarl extended its loan with Credit Suisse in the sum of CHF7,725,000, for a period of one year from 1 April 2017 at a loan interest rate of LIBOR +1.4 % and no swap (previous facility: LIBOR +1.3% +1.73% swap).*
   - *Kantone Holdings Limited entered into a rolling credit facility with its existing lender, Union Bank of Switzerland ('UBS'). The credit facility was for CHF49,000,000 at a loan interest rate of LIBOR +1.05 % and no swap (previous facility: LIBOR +1.05% +0.7% swap). As each property within the Kantone portfolio is sold, partial repayments of the loan are to be made.*
   - *Polo Properties GmbH entered into a rolling credit facility with its existing lender, Union Bank of Switzerland ('UBS'). The credit facility was for CHF23,750,000 at a loan interest rate of LIBOR +1.15 % and no swap.*

Notes to the condensed consolidated financial statements

	Reviewed 30 September 2017 £'000	Audited 31 March 2017 £'000
13. Other loans		
Loans	**34,080**	–
Amortised borrowing costs	**(119)**	–
Foreign exchange movement	**330**	–
Interest	**76**	–
	34,367	–

On 2 June 2017 and 23 June 2017 the Group secured a bridging loan of €31 million from Bellerive SPV5 Limited, which attracts interest at 7% per annum. The loan is subject to a Group loan to value covenant of 65% and is repayable on 13 June 2018. A further 12 month facility of €8 million was secured at an interest rate of 7% per annum from Peregrine Direct Limited. Drawdown was on 23 June 2017 and the loan is repayable within one year of the advance.

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

Business combinations

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

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

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

Goodwill of £3.5 million arising as a result of the acquisition of C2 Capital Limited has subsequently been impaired in full during the period as the amount was not considered material to the Group.

Asset acquisitions

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

The total purchase consideration for the acquisition was calculated with reference to the net asset value of the three entities as at 30 June 2017 and which valued the properties at £127 million. The acquisition was financed by a loan of £69 million, proceeds from the share of associates disposed during the period and bridging loan facilities.

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

Costs incurred in the acquisition of the MLI Portfolio amounted to £1.43 million. These acquisition costs were capitalised to the cost of the asset. At 30 September 2017, the investment was stated at fair value, and any movement was recognised as fair value movement in the statement of comprehensive income.

Notes to the condensed consolidated financial statements

15. Financial risk management

Fair value of financial instruments

The following table summarises the Group's financial assets and liabilities into categories required by IFRS7 Financial instruments disclosures. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

	Held at fair value through profit and loss £'000	Held at amortised cost £'000	Total carrying amount 30 September 2017 £'000
Financial assets			
Cash and cash equivalents	**–**	**26,063**	**26,063**
Accounts receivable	**–**	**5,770**	**5,770**
Other debtors	**–**	**14,030**	**14,030**
	–	**45,863**	**45,863**
Financial liabilities			
Bank loans	**–**	**269,149**	**269,149**
Other loans and interest	**–**	**34,367**	**34,367**
Derivative financial instruments	**1,351**	**–**	**1,351**
Accounts payable and accruals	**–**	**15,746**	**15,746**
Reviewed 30 September 2017	**1,351**	**319,262**	**320,613**

	Held at fair value through profit and loss £'000	Held at amortised cost £'000	Total carrying amount 31 March 2017 £'000
Financial assets			
Cash and cash equivalents	–	25,202	25,202
Accounts receivable	–	3,731	3,731
Other debtors	–	11,713	11,713
	–	40,646	40,646
Financial liabilities			
Bank loans	–	229,051	229,051
Derivative financial instruments	2,972	–	2,972
Accounts payable and accruals	–	15,560	15,560
Audited 31 March 2017	2,972	247,583	247,583

15. Financial risk management continued

Fair value hierarchy

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

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

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

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

	Total financial instruments recognised at fair value	Designated at fair value		
	£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Reviewed 30 September 2017				
Liabilities				
Derivative financial liabilities	**1,351**	**–**	**1,351**	**–**
Total liabilities	**1,351**	**–**	**1,351**	**–**
Audited 31 March 2017				
Liabilities				
Derivative financial liabilities	2,972	–	2,972	–
Total liabilities	2,972	–	2,972	–

Details of changes in valuation techniques

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

Significant transfers between level 1, level 2 and level 3

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

Unobservable inputs

Investment properties are considered level 3 and associated unobservable inputs are disclosed in note 8.

Notes to the condensed consolidated financial statements

16. Related party transactions

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

Other than those further referred to below, there were no other related party transactions during the period ended 30 September 2017.

During the normal course of business, some directors of the Company are also directors of administered and managed entities and all transactions between these companies are conducted on an arm's-length basis.

P Arenson, a director of the Company, is also a director of Stenham Limited which at 30 September 2017 had an indirect beneficial interest of 4.77% in Stenprop Limited through its wholly-owned subsidiary, Stenham Group Limited ('SGL') (March 2017: 4.85%).

At 30 September 2017, P Arenson held no interest in the share capital of Stenham Limited (March 2017: 1.13%).

M Yachad is a non-executive director of the Company and an executive director of Peregrine Holdings Limited ('PHL'), which as at 30 September 2017, had a beneficial interest (direct and indirect) of 6.93% in the shares of the Company (March 2017: 6.51%).

17. Events after the reporting period

(i) Sale of Swiss property

At the balance sheet date, all of the properties within the Swiss portfolio were classified as assets held for sale. On 30 October 2017 the sale of one of these properties, located in Cham, was completed at a sale price of CHF14.2 million.

(ii) Signing of sale and purchase agreement of shares in subsidiary relating to UK property

On 20 November 2017, a sale and purchase agreement was signed in respect of the entire share capital of Normanton Properties Limited, a subsidiary of the Group, which owns the property known as Pilgrim Street in the City of London. The sale of the shares values the property at £80.9 million, a sale price above the 30 September 2017 valuation of £78.0 million. Completion is conditional upon the buyer receiving written confirmation from a lender that debt finance on commercially acceptable terms will be available to the buyer at completion for the purposes of funding the acquisition of the shares. Failure to fulfil this condition by no later than 8 December 2017 will result in termination of the agreement, and a payment of £250,000 by the buyer to the seller. Subject to fulfilment of the condition mentioned below, completion is expected to be on 20 December 2017, but no later than 12 January 2018. Failure to complete by this date due to a default by the buyer will result in the Group retaining the deposit of £4.03 million which was paid by the buyer on exchange.

(iii) Acquisition of UK multi-let industrial estate

On 17 November 2017, a multi-let industrial estate located in Aberdeen, Scotland, was acquired for £4.4 million including acquisition costs.

(iv) Related party transactions

Post the reporting period, PHL disposed of its entire shareholding (including the shares in Stenprop held by SGL) to Sandown Capital International Limited, a wholly-owned subsidiary of Sandown Capital Limited ('SCL'). M Yachad is a non-executive director of SCL.

Corporate information

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BSX share code: STP.BH
JSE share code: STP
ISIN: BMG8465Y1093

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