6 June 2019

Stenprop Limited
('Stenprop', the 'Company' or the 'Group')

PRELIMINARY RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

Stenprop, the UK REIT which is listed on the London Stock Exchange and the Main Market of the Johannesburg Stock Exchange, announces its full-year results for the year ended 31 March 2019.

	Year ended 31 March 2019	Year ended 31 March 2018
Key Highlights		
% portfolio MLI	42.7%	20.1%
Group LTV ratio	44.2%	49.2%
Total dividend per share	6.75p	8.00p
Dividend cover from property-related EPRA earnings	1.01x	0.91x
Portfolio valuation	£612.9m	£733.6m
Like-for-Like portfolio valuation increase	+0.8%	+3.9%
Reported EPRA results		
Diluted adjusted EPRA earnings per share [1]	8.84p	9.09p
Management fee income per share	2.05p	1.80p
Property-related diluted adjusted EPRA earnings per share (excl. management fee income)	6.79p	7.29p
Diluted EPRA NAV per share [2]	£1.41	£1.41
Reported IFRS results		
Net rental income from continuing operations	£33.9m	£32.9m
IFRS profit for the year	£23.8m	£39.4m
Diluted IFRS earnings per share	8.35p	13.89p
Management fee income per share	2.05p	1.80p
Property-related diluted IFRS earnings per share (excl. management fee income)	6.30p	12.09p
Diluted IFRS NAV per share	£1.36	£1.36

1. See note 14 to the financial statements for reconciliation to IFRS earnings per share (and for all references in this report to IFRS/EPRA earnings).

2. See note 15 to the financial statements for reconciliation to IFRS NAV per share (and for all future references in this report to IFRS/EPRA NAV).

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

Operational

- Key FY2019 milestones met:
    - Property portfolio comprising 42.7% multi-let industrial ('MLI') (2018: 20.1%);
    - Group LTV ratio 44.2% (2018: 49.2%); and
    - Full year dividend fully covered by property-related earnings.
- Converted to a UK REIT on 1 May 2018 and listed on the London Stock Exchange ('LSE') on 15 June 2018.
- Acquired 30 multi-let industrial ('MLI') estates in the year ending 31 March 2019 for a combined purchase price of £103.6 million.
- Disposed of 23 properties, all above book value, for a total consideration of £248.3 million. This included completion of the sales of seven of its eight properties in Switzerland, 14 Aldi properties in Germany and the last remaining central London properties, located in Argyll Street and in Euston.
- Achieved 126 new lettings/lease renewals in the MLI portfolio for an average term of 3.3 years at an average rent which is 17% above the passing rent previously payable on those units.

Financial

- Declared final dividend on 5 June 2019 of 3.375 pence per share, which together with the interim dividend declared on 21 November 2018 of 3.375 pence per share, results in a total dividend for the year ended 31 March 2019 of 6.75 pence per share (2018: 8.0 pence). The dividend is fully covered by property-related earnings and payable on 16 August 2019. Subject to the receipt of regulatory approvals, a scrip alternative will be offered, which the directors intend to match through the buyback of shares.
- Net rental income of £33.9 million (2018: £32.9 million). Profit after tax of £23.8 million (2018: £39.4m). Adjusted EPRA profit after tax was £25.2 million (2018: £25.8 million).
- Diluted adjusted EPRA EPS of 8.84 pence (2018: 9.09 pence). Diluted IFRS EPS was 8.35 pence (2018: 13.89 pence).
- Diluted EPRA net asset value per share of £1.41 (2018: £1.41). Diluted IFRS net asset value per share was £1.36 (2018: £1.36).

Paul Arenson, CEO of Stenprop, commented: "We are pleased with the progress that Stenprop has made in the past financial year. Our dividend is in line with guidance and covered by property-related earnings. All of our milestones for the year have been met and we are well positioned to meet our target milestones for the financial year ending 31 March 2020. We ended the financial year with more than 40% of our portfolio comprising UK multi let industrial property, our leverage levels below 45% and our dividend fully covered by property-related earnings. We are listed on the LSE and have converted to UK REIT status. We have also largely exited all third-party investment management activity."

A webinar for investors and analysts will be held at 9.30am (UK time) and 10.30am (SA time) on 6 June 2019. Those wishing to join the webinar should go to: https://zoom.us/j/614116398 or dial in from a telephone or mobile on +44 203 695 0088 or +44 203 966 3809. The meeting ID is 614 116 398.

The Stenprop management team will be available for one-to-one meetings in South Africa during the week beginning 10 June 2019, or anytime in the UK.

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

EPRA metrics
Stenprop prepares its financial statements using IFRS. However, it also uses a number of adjusted measures in assessing and managing performance of the business. These measures, including those defined by EPRA, are designed to enhance transparency and comparability across the European real estate sector. Stenprop considers these standard metrics to be the most appropriate method of reporting the value and performance of the business and a reconciliation to IFRS numbers is included in note 14 and 15 of the financial statements.

Chief Executive's Report

We are pleased with the progress that Stenprop has made in the past financial year. Our dividend is in line with guidance and covered by property-related earnings. All of our milestones have been met and we are well positioned to meet our target milestones for the financial year ending 31 March 2020. We ended the financial year with over 40% of our portfolio comprising UK multi-let industrial ('MLI') property, our leverage levels below 45% and our dividend fully covered by property-related earnings. We are listed on the LSE and have converted to UK REIT status. We have also largely exited all third-party investment management activity.

The milestones for the next 12 months are to decrease our leverage further to below 40% and to increase the UK MLI component of our portfolio to at least 60% of our total portfolio, with the intention of increasing this to 100% in the following two years.

We have designated this year as the "Year of the Platform", being the year in which we focus on building out a market-leading management platform for our UK MLI strategy.

Sales, purchase and debt strategy

During the year we sold 23 properties. The aggregate disposal valuation for these properties was £248.3 million. All properties were sold at or above their latest book value.

Our plan for the current financial year is to sell approximately £140 million of property, to redeploy the proceeds into buying approximately £100 million more of UK MLI and to reduce overall gearing to below 40%. This will take our overall portfolio to at least 60% UK MLI.

Performance of the UK MLI sector

The imbalance between supply and demand in the MLI sector continues to deliver inflation-beating rental growth. During the year we entered into 78 new leases. The average increase in rents on these was 13.4% compared with previous passing rent on this space. In addition, we extended or renewed 48 leases and the average increase in rents on these leases was 21.7% compared with previous passing rent. As most of our leases are renewed or re-let every three years, this performance indicates an underlying rental growth of approximately 4% - 5% per annum.

We believe that this imbalance is likely to continue for the foreseeable future. On the supply side it is still not economically feasible to build new MLI units at the current prevailing rents and sale prices. We are still able to buy existing MLI estates at around 50% of estimated replacement cost. On the demand side we continue to see a wider range of tenants needing MLI space, enabled by e-commerce and communications technology.

We are confident that, in addition to the above fundamental growth, we can drive earnings growth through operating efficiencies on our platform. This will happen naturally as we scale the portfolio. It will also arise from technology efficiencies and management initiatives such as the roll-out of our three page 'smart lease'. These initiatives are designed to appeal to customer needs and to make it easier and cheaper to commit to leases, which helps to minimise void periods. We also plan to roll out additional products to our customers which will, in due course, enhance earnings.

We encourage investors to log on to our tenant facing website at www.industrials.co.uk to get a feel for the customer experience of renting space from Stenprop.

Shareholder register movement

When we listed on the LSE in June 2018 approximately 32.8% of our issued shares were held on the JSE, with the balance held on the LSE. In the subsequent nine months to 31 March 2019, sales on the JSE have resulted in holdings there falling to 18.8%, with most of these shares being acquired by UK-based investors who hold them on the LSE. We believe, based on anecdotal discussions with sellers, that the selling by overseas investors has been largely motivated by concerns around Brexit. Based on an attractive dividend yield of approximately 6% and the growth outlook for the UK MLI sector, we are confident that Stenprop has the potential to trade at a rating closer to net asset value ('NAV') and in line with LSE-listed peers in the industrial sector as the transition strategy to MLI advances.

A focused MLI business

Our decision to become a focused UK MLI business means that we need to be very disciplined in what we buy. In general, we only buy purpose-built MLI property situated in and around economically sustainable, densely populated towns and cities across the UK.

Our strategy is to hold these assets for the long term. As such, new opportunities need to also meet our five-year average earnings model criteria. At present we are still seeing good opportunities which fit our criteria and we are confident in achieving our purchase targets. Most of our purchases are at values equal to approximately 50% of estimated replacement cost.

The MLI market is currently very fragmented with no dominant holders. We believe that, with our long-term capital structure, focused approach and the emphasis we are placing on building a scalable efficient management platform, Stenprop can become the leading listed MLI business in the UK.

Investors in listed property shares are tending to favour companies that specialise in specific growth markets. The industrial sector in general is popular with investors, being seen to benefit from the e-commerce and communications technology revolution. Just as "big box" distribution units are in demand, smaller multi-let space is seeing an ever-widening array of potential tenants, enabled by technology and e-commerce. Traditional occupiers who tended to manufacture items or service equipment are increasingly having to compete for MLI space with new technology-enabled logistics businesses established to serve local markets.

Platform businesses are also becoming increasingly attractive to investors, as additional earnings can be achieved through operational application. This has been experienced in the student accommodation, self-storage, hotel and serviced office sectors, where management platforms have evolved and matured over the past 10 years, causing a rerating of those asset classes which were previously very difficult to access. We believe the MLI sector lends itself to this and Stenprop is uniquely placed to become a leader in building a platform business in this sector.

Brexit
The big background scenario for the UK economy is Brexit. We continue to warily watch how it is likely to unfold.

We are confident that our MLI customer base is relatively Brexit proof in that they are largely made up of local businesses across the country servicing their local communities. In general, they are not the big single let occupiers reliant on import or export customers and suppliers. However, Brexit could result in a contraction of the economy as a whole which would generally be negative for all businesses.

For now, we also have a good hedge on Brexit in that approximately 41% of our portfolio is still in Germany.

Directorate change
On 5 June 2019, Patsy Watson stepped down from her role as CFO to become a non-executive board member. James Beaumont, who has worked with Patsy at Stenprop for four years, has been appointed as interim CFO and will join the Board. We welcome James and wish him success in his new position.

We wish to thank Patsy for her outstanding commitment to the business. Patsy has been a crucial member of the team on the Stenprop journey and leaves at a time when Stenprop is well positioned for future success. We have worked together for 12 years and she has been an outstanding CFO. We are delighted that she will be remaining with Stenprop as a non-executive. There is no doubt that she will still have an enormous amount to contribute.

Conclusion
We have sufficient capital in the form of saleable non-MLI assets to acquire more than £200 million of additional MLI property. As such, we do not envisage needing to raise capital in the short to medium term. Once our transition is complete and we have built a scalable management platform, we are confident we will be able to raise new capital for further MLI acquisitions at an attractive cost-effective issue price relative to NAV.

Until then our focus will be on executing our business plan as outlined to investors. We have the team, capital and infrastructure to do so. We remain confident that we will be successful in this execution.

We take this opportunity to thank all of our stakeholders for supporting our vision and, in particular, to our Board and staff for their efforts in helping us to achieve it.

Paul Arenson
Chief Executive Officer

Property Report
United Kingdom

Market environment
Brexit-related uncertainty continued throughout 2018 and into 2019. Notwithstanding this, the gross domestic product in the UK grew 1.4% in 2018 in line with forecasts, albeit representing a fall from 1.7% in 2017. The trend is anticipated to continue, with a Bank of England growth forecast of 1.2% in 2019. This forecast is anticipated to shift throughout the year, as Mark Carney noted 'The fog of Brexit is causing short-term volatility in the economic data…'

Despite a rise in base rates to 0.75%, rates remain at historically low levels. Any future rate rises are expected to be gradual and to a limited extent only.

Following political events in May 2019, Sterling weakened significantly against other currencies. This political uncertainty is likely to prevent any rallies in Sterling capped for the immediate future. However, prior to recent events, Sterling had stabilised somewhat since the dramatic fall in June 2016 associated with the Brexit vote, which has resulted in a boost to activity in the manufacturing sector, which is relevant in the MLI space. Inflation remained at 1.9% in March 2019, which is below the Bank of England's 2% target, and significantly below the 3%+ rate seen in 2017. This decrease in inflation and a growth in wages led to real earnings growth climbing 1.6% in the three months to February 2019, the highest level since mid-2016. Unemployment continues to fall to levels not seen since 1975 at 3.9% and a record high of people in work of 32.7 million.

Total returns by sector
The UK commercial property market performance has slowed compared to the year ended March 2018, with total returns for all property falling from 12.5% to 5%. This has primarily been driven by poor performance in the retail sector, with returns falling from 8% into negative territory. Industrial remains the best performing sector providing total returns of 15%, driven by continued investor appetite and strong rental growth. The gap between individual sector performance has widened, with strong industrial performance being countenanced by deteriorating retail performance leading to a further raft of tenant insolvencies and downward pressure on retail rents.

The industrial sector has been a beneficiary of the flight from retail, both from an occupational perspective and from additional capital targeting the sector. On the occupational side, demand remains strong as new occupiers continue to flood into the market, driven by the growth in e-commerce and the need to service a growing UK population. The supply dynamic also remains favourable, especially within smaller unit sizes where a scarcity of land, high build costs and an inability to secure pre-lets (and hence cheap funding) continue to mean there is very little speculative development. The scarcity of supply is further impacted as older stock continues to be targeted for redevelopment into residential use, with CBRE going so far as to estimate that there is diminishing supply in the sector. Until there is significant rental growth and reallocation of land across the country, this is likely to continue.

Industrial investment volumes remained strong at £8.3 billion in 2018, which, while representing a fall from 2017, was still 53% above the ten-year average, according to Knight Frank. Portfolio transactions played a key part in this, with 39 transactions completing in 2018 accounting for 31% of investment transactions by value. This has fallen off in Q1 2019, with LSH reporting 'At £1.4 billion, industrial volume was 40% below Q4 2018's record total but only 18% below trend.'

Non-MLI portfolio
Disposals
In June 2018, Stenprop completed the disposal of its 50% joint venture interest in 25 Argyll Street in the West End of London, by a share sale. The sale valued the property at the 31 March 2018 valuation of £83.4 million and generated net proceeds of £22.8 million. Stenprop's disposal of its interest in Argyll Street reduced debt by £18.7 million.

In February 2019 Stenprop sold the last of its central London office buildings, Euston House, by way of a sale of all of the shares of a special purchase vehicle that valued the property at £95 million, reflecting a £14.5 million premium to its book value of £80.5 million. This transaction released cash proceeds of approximately £66.0 million after transaction costs, rental top-ups and the repayment of external debt. The disposal marks a significant turning point in Stenprop's transition into UK multi-let industrial, and completed the sales plan of central London offices which commenced in late 2017.

Remaining non-MLI assets
The remainder of the non-MLI assets held in the UK will be sold over the coming years to facilitate further investment into MLI. Non-MLI assets comprise 24.3% of our UK portfolio by value and 13.7% of our total portfolio by value. They are made up of the following:

- £57.8m - an office block in Guernsey (Trafalgar Court) let to Northern Trust for ten years
- £13.3m - four single-let industrial units
- £8.4m - a high tech industrial building in Reading
- £4.4m - three retail assets

We are actively reviewing the income expiry profile and asset management opportunities to maximise asset value in line with our disposal pipeline.

MLI portfolio
Acquisitions
Since April 2018 Stenprop has concluded the acquisition of eight separate estates for £35.65 million along with a portfolio of a further 22 estates for £67.9 million. These acquisitions equated to 1.69m sq ft of MLI space occupied by 329 tenants paying a passing rent at

acquisition of £7.44 million per annum, equating to an average rent of £4.40 psf per annum. The acquisition price reflected a capital value psf of £61, reflecting an approximate discount of 50% to estimated replacement cost.

The individual estates were purchased from a range of vendors, including UK institutions, property companies and high net worth individuals. They represent a diverse geographical spread: being located in Shrewsbury, Leeds, Newport, Southampton, Preston, Aberdeen, Bridgwater and Stourbridge. The estates offer a strong tenant mix with excellent rental growth and asset management opportunities and fit well with our investment strategy of purchasing modern, purpose-built MLI.

On 21 December 2018 we completed the acquisition of 22 industrial estates from Hansteen Holdings for £67.9 million. The portfolio met with our investment criteria of small units (averaging 3,500 sq ft), which appeal to a wide range of different businesses and are suitable for an array of uses. The average rent of £4.35/sq ft reflects a significant discount of more than £1/sq ft to our current portfolio average, demonstrating good potential for rental growth, while the acquisition price, which reflects a capital value of £59/sq ft, is around 50% of the replacement cost of the buildings.

Stenprop currently has a further three estates under offer. These are geographically diverse and have an aggregate price of £11.3 million.

Asset management
Key like-for-like statistics - 1 April 2018 - 31 March 2019:

Income profile
Current passing rent has increased by 4.8% between 1 April 2018 and 31 March 2019.

Void
Voids reduced from 8.4% to 6.2%.

Letting summary
126 transactions over the period:

- 78 new lettings (£1.2 million per annum of rent) at an average premium to March 2018 ERV of 12.6%.
- 48 lease renewals/re-gears (£1.0 million per annum of rent) at an average premium to March 2018 ERV of 9%.

On average, the above lettings have been 17% ahead of the previous passing rent for each unit. New lettings have been 13.4% ahead of the previous passing rent for each unit and lease renewals/re-gears have been 21.7% ahead of previous passing rent on average.

The average letting is in excess of 3.3 years contractual term certain, with an average rent-free period granted of 1.6 months. The average lease renewal/re-gear is in excess of 3.1 years contractual term certain, with an average rent-free period granted of 0.7 months.

As at 31 March 2019 there were 71 units under offer to let (£1.53 million per annum of rent) at an average rent of £5.48 psf.

Investment pipeline
In the year to March 2019 we reviewed in excess of £2.6 billion of potential MLI acquisitions. Stenprop has appraised these with reference to our strict investment criteria outlined below:

- purpose-built industrial accommodation;
- multi-tenanted income profile;
- located within or in close proximity to areas of high population;
- locations with strong infrastructure;
- areas of strong economic activity; and
- acquisition cost below replacement cost.

2018 was dominated by portfolio transactions with an excess of £500 million of MLI portfolios trading. There have been fewer portfolios coming to market in 2019, but a steady pipeline of individual opportunities remains and there appear to be fewer buyers in the market for larger transactions of £10 million. We are currently reviewing 16 assets with a value in excess of £125 million and believe even with a reduction in overall transaction volumes we are well placed to achieve our £100 million per annum acquisition target.

The pipeline is driven by an excellent network of agents/brokers located both in London and regional centres. This provides us with the market coverage required to ensure we are aware of all potential opportunities. With our focused investment strategy, strong balance sheet and proven track record of performance and execution, we receive a substantial number of 'off-market' and opportunistic approaches. Our ability to analyse and conclude transactions efficiently and effectively is an important attribute and allows Stenprop to achieve value in a competitive market.

Property Report
Germany

Market environment
The German economy delivered another year of growth in 2018, increasing by 1.5%. This level of growth was a slowdown on the 2.2% rise achieved in 2017. There are signs that this rate is set to slow further in 2019 as a result of the growing pressures on the global economy and trade wars. The export orientated economy is likely to be particularly vulnerable to this downturn given its exposure to the automotive industry which experienced lower order intake in the second half of the year.

Private consumption remains an important driver for the economy. The labour market remains robust with unemployment dropping to its lowest level of 4.8%. The strength of the labour market is driving wage growth and consumer spending, which has been helped by historically low interest rates. The European Central Bank ended their extensive programme of purchasing bonds at the end of 2018, and it seems unlikely that interest rates will rise quickly, given the economic backdrop. Ten-year German government bonds are currently offering negative yields.

The real estate market continues to perform well and attract both international and domestic capital. Investors are attracted by the consistent performance of the economy and low interest rate environment. CBRE cite that the strongest investment activity continues to be focused in the major cities, particularly Frankfurt, Berlin, Hamburg and Munich. In 2018, CBRE estimated that transaction volumes hit €77.4 billion, setting a new record, driven by the office sector. Occupation markets remain strong, particularly in the office sector, with sustained demand driving rental growth in many locations.

Alternative investment products such as care homes and healthcare properties also saw strong investor interest alongside the industrial sector, which resulted in falling yields. At this late stage in the cycle, we think significant further yield compression is unlikely but there are also no near terms signs that prices will fall materially, barring an external shock to the market.

Performance
The German portfolio, including joint ventures, was independently valued at €292 million. This represents a like-for-like increase of 0.4% on the 31 March 2018 valuations of €291 million.

Investment and asset management
The German portfolio performed well over the course of the year as we completed business plans and maintained, and in some cases grew, occupancy across our portfolio. We made good progress with our repositioning of Bleichenhof in terms of both the construction and letting of the ground floor food court concept. Over the course of the year we pre-let 82% of the 2,600m² of space currently under refurbishment and due to open later in 2019. In addition, we signed a total of seven lease contracts on the upper floor offices totalling 3,000 sqm², producing an annual rental income of €688,000. With currently 1,200 m² of vacant space (7.0% vacancy rate for the full building, 750m² excluding the vacancy of the development), the building will be almost fully let once the development on the ground floor is completed.

Our Berlin shopping centres continued to perform well, with all three centres virtually fully let. We completed the internal refurbishment and modernisation of the Victoria Centre and are in the process of leasing the final vacant unit at this centre.

In December 2018, we completed the sale of the Aldi portfolio to Aldi themselves at a sale price of €35.8 million, being a 9.0% increase on the 31 March 2018 valuation of €32.8 million.

In line with our business plan we will continue to drive the value of our assets ahead of potential sales over the following years as we look to transition to a focused UK MLI portfolio.

Property Report
Switzerland

Market environment
Switzerland's economy has been stable for some time with average GDP growth over the last decade of approximately 1.6%. In April 2019 the International Monetary Fund reported that it expected growth to slow down to 1.1% in 2019 with only moderate growth in 2020. This view is shared by the State Secretariat for Economic Affairs.

An important part of the overall environment is the ongoing phase of low interest rates with the general consensus being that any substantial change in the near future is unlikely. Equally, inflation is forecasted to remain just below 1% in 2019.

Performance
Stenprop's remaining property at Lugano was valued at CHF 21.0 million in March 2019 compared to CHF 22.3 million in September 2018. The reduction of CHF 1.3 million (5.8%) was primarily as a result of a weakening of market rents over the period.

Investment and asset management
Further to our decision to exit the Swiss market, all the assets in the Swiss portfolio, except for the property at Lugano, were disposed of on 19 July 2018. The properties at Altendorf, Arlesheim, Chiasso, Baar, Vevey, Montreux and Sissach were sold for a gross purchase consideration of CHF 103.65 million, which represents a gain of CHF 0.42 million compared to the CHF 103.23 million valuation at 31 March 2018.

The repositioning of the Lugano property from a retail centre to a gym and wellness centre was completed with the opening of the facility taking place in March 2019. In line with our stated strategy, we are actively seeking to dispose of this property and will do so at an opportune time as soon as practicable.

Financial Review
Stenprop's board of directors has declared a dividend of 3.375 pence per share for the six months ended 31 March 2019, bringing the full year distribution to 6.75 pence per share (2018: 8.00 pence), in line with market guidance. Diluted IFRS earnings per share ('EPS') was 8.35 pence (2018: 13.89 pence), while the diluted adjusted European Public Real Estate Association ('EPRA') EPS amounted to 8.84 pence, compared with prior year of 9.09 pence (-2.75%). The property income component included in the latter figure amounted to 6.79 pence (2018: 7.29 pence), a decline of 6.86%. The full year distribution of 6.75 pence per share is therefore fully covered by property-related earnings. The decline in earnings and dividend is primarily the result of Stenprop's previously announced strategic repositioning to become a fully-focused UK MLI REIT, cease its legacy third party management activity and reduce its borrowings.

At 31 March 2019 Stenprop had reduced its total borrowings to 44.2% of gross assets (its 'LTV' ratio), from 49.2% one year earlier, and 55% at 30 September 2017. Stenprop intends to reduce its LTV ratio to below 40% by 31 March 2020.

The diluted IFRS net asset value('NAV') per share remained constant at £1.36 compared with the prior year, while the diluted EPRA NAV per share was also flat at £1.41. On a like-for-like basis, the valuation of the portfolio increased 0.8% over the prior year.

Earnings
Basic earnings attributable to ordinary shareholders for the year ended 31 March 2019 dropped 39.46% to £23.8 million (2018: £39.4 million), equating to a diluted IFRS EPS of 8.35 pence (2018: 13.89 pence). This was driven mainly by a smaller increase in the fair value of investment properties compared with the prior year, and to a lesser extent by the effects of deleveraging.

Net rental income from continuing operations (excluding Switzerland) increased by 3.18% over the prior year to £33.9 million. The UK MLI component of net rents contributed £12.1 million to the total at year end, an 82.13% increase over the amount of £6.64 million contributed by this segment in the prior year. At the same time, the non-MLI contribution has decreased by £4.59 million as a result of sales of non-MLI property pursuant to Stenprop's transition into the MLI sector.

Net management fee income totalled £5.85 million for the period (2018: £5.09 million). These fees relate to management and administration services provided by Stenprop to certain managed property syndicates and funds which had historically been managed by the Group as an ancillary part of its legacy business. Included in the total was a net performance fee of £3.7 million and management fees of £0.3 million which relate to a managed property in Frankfurt that was sold in August 2018. As previously announced, Stenprop has withdrawn from its historic funds management activities, and its future management fee income will be insignificant.

Operating expenses of £11.26 million (2018: 8.29 million) included approximately £0.9 million of one-off costs associated with the REIT conversion and listing on the LSE, as well as costs of £1.2 million associated with the aborted acquisition of a material MLI portfolio. The latter acquisition was aborted at a late stage as a result of due diligence findings, which did not support the price demanded by the seller. Staff costs have increased by approximately £0.45 million year on year, reflecting a full year of increased staff levels following the acquisition of the C2 management platform in June 2017, whilst employee share-based payments rose £0.45 million to £0.74 million. The latter is mainly because the three-year LTIP has now run for two years and hence the current year charge reflects an additional year of provision for the LTIP compared with the prior year.

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 disclose EPRA earnings as well. Adjusted EPRA earnings attributable to shareholders were £25.24 million (2018: £25.76 million), equating to a diluted adjusted EPRA EPS of 8.84 pence (2018: 9.09 pence), a 2.75% decrease.

The diluted adjusted EPRA EPS attributable to the property rental business amounts to 6.79 pence per share (2018: 7.29 pence), with the remaining amount of 2.05 pence being attributable to the net management fee income.

Stenprop has considered the adoption of further EPRA metrics and in line with best practice believes it useful to disclose the EPRA cost ratio (including direct vacancy costs). The EPRA cost ratio includes all administrative and operating expenses in the IFRS statements (including share of joint ventures). The EPRA cost ratio (including direct vacancy costs) for the year ended 31 March 2019 was 31.8% (2018: 28%).

Dividends
On 5 June 2019, the board of directors ('the Board') declared a final dividend of 3.375 pence per share (2018: 4.00 pence) which, together with the interim dividend of 3.375 pence per share (2018: 4.00 pence per share) declared on 21 November 2018, results in a total dividend for the year ended 31 March 2019 of 6.75 pence per share (2018: 8.00 pence per share). The total dividend for the year is fully covered by property-related earnings of 6.79 pence per share. Part of the distribution will be a Property Income Distribution (known as a PID) which, subject to certain exemptions, will attract UK withholding tax.

The dividend of 6.75 pence per share represents a dividend yield of 6.03% on the share price at 31 May 2019 of £1.12, and a yield of 4.79% on the diluted EPRA NAV per share at 31 March 2019 of £1.41.

Subject to the receipt of regulatory approvals, the directors intend to offer shareholders the option to receive all or part of their dividend entitlement by way of a scrip issue of new Stenprop ordinary shares, or in cash. An announcement containing details of the dividend, the timetable and the scrip dividend terms will be made on 9 July 2019. It is expected that the Company's shares will commence trading ex-dividend on 24 July 2019 on the JSE and on 25 July 2019 on the LSE. The record date for the dividend is expected to be 26 July 2019 and the dividend payment date is expected to be 16 August 2019.

In respect of this dividend, given the Company's share price, which is at a discount relative to NAV, the directors intend to match any scrip scheme take-up through share repurchases to mitigate the dilutive effect that would otherwise occur from the issuance of new ordinary shares.

As one of the conditions of being a UK REIT, Stenprop must distribute 90% of its aggregate UK property rental business profits, as calculated for tax purposes and arising in the accounting year, by way of a dividend within 12 months of the accounting year end. There is no requirement to distribute non-UK property rental business profits, profits from third party management fees or capital gains. Notwithstanding this, Stenprop intends to distribute at least 90% of its UK and non-UK property-related EPRA earnings. Distributions of other non-property-related earnings will be evaluated from time to time by the Board. In considering the payment of this dividend, the Board has chosen to retain the earnings associated with the non-recurring management fees earned in the period, which equated to 2.05 pence per share. Distribution of non-property-related earnings will continue to be evaluated by the Board from time to time.

Net asset value

The IFRS basic and diluted net asset value per share at 31 March 2019 was £1.38 and £1.36 respectively (2018: basic £1.37; diluted £1.36) (see note 15).

As is the case regarding the disclosure of EPRA earnings, the directors feel that it is appropriate and useful, in addition to IFRS NAV, to disclose EPRA NAV. The diluted EPRA NAV per share at 31 March 2019 was £1.41 (2018: £1.41).

Including the Company's share of joint ventures, its investment properties were valued at £612.9 million (31 March 2018: £733.6 million), of which £16.2 million were classified as assets held for sale at 31 March 2019 (31 March 2018: £121.8 million). Assets held for sale consist of the sole remaining asset in the Swiss portfolio. On a like-for-like basis, excluding the impact of additions and disposals in the period, the valuation of the portfolio since 31 March 2018, before currency movements, increased by 1.8% but after taking into account the decline in the euro against sterling at year end, the increase was 0.8%.

United Kingdom

The UK portfolio was independently valued at £345.4 million. On a like-for-like basis, after excluding the sale of the London offices, being Argyll Street and Euston House, and the MLI acquisitions during the year, the valuation of the UK portfolio increased by £7.87 million, or 3.35%, on the valuation at 31 March 2018. Key movements include an increase in the value of Coningsby Park of £3.45 million as a result of the refurbishment of the property, and further valuation increases on the remaining MLI portfolio amounting to £10.87 million. These were partially offset by a downward valuation of £2.05 million (3.43%) of the Trafalgar Court property in Guernsey, driven by a softening of yields on the island. A reduction of £2.25 million in the value of certain regional retail assets was largely offset by an increase in the valuation of the regional portfolio of single let warehouses of £1.31 million.

During the year, eight MLI estates were acquired as single asset purchases at a total purchase price of £35.7 million excluding acquisition costs, and these estates were valued by third party valuers JLL at £36.4 million at year end, an increase of 1.9%. A further 22 estates were acquired as a portfolio in December 2018 at a purchase price of £67.9 million. Acquisition costs associated with the acquisitions made during the year amounted to £6.6 million, which are effectively written off during the valuation process. In line with accounting standards and the RICS red book valuation guide, the assets are required to be valued on an individual basis in the financial statements. This valuation was undertaken by JLL and amounted to £66.5 million at 31 March 2019.

Germany

The German portfolio (excluding joint ventures) was independently valued at €252.6 million. On a like-for-like basis, excluding the sale of the Aldi portfolio of properties, the valuation of the German portfolio increased by €0.9 million, up 0.4% on the prior year end valuation. The third-party valuation of the Bleichenhof property in the centre of Hamburg reflected a €5.6 million (3.76%) uplift, primarily due to increased lettings and progress of development works. However, based on a very recent report received from engineering consultants, the directors have decided to reduce the valuation to take account of €7 million of anticipated costs associated with major works to the car park. This results in the €5.6 million uplift becoming a €1.4 million reduction in value compared to the prior year.

Elsewhere, the three central Berlin retail centres experienced a combined uplift of €3.5 million and are now valued at €78.7 million, an increase of 4.7% on the prior year. This was partially offset by a decline in the value of the five Bikemax properties, which experienced a €1.22 million reduction in value, or 4.4%, reflecting the diminishing lease term.

Switzerland

The remaining Swiss property situated in Lugano was valued at CHF21.0 million compared with the prior year end valuation of CHF20.93 million. As previously reported, following a decision to sell the Swiss portfolio, this asset was classified as held for sale in the financial statements.

Joint ventures

The Care Homes portfolio in Germany was independently valued at €39.40 million, effectively flat compared with the 31 March 2018 valuation of €39.34 million.

Debt

In accordance with its strategy to deleverage its portfolio, Stenprop reduced its group LTV from 55% at 30 September 2017 and 49.2% at 31 March 2018 to 44.2% at 31 March 2019. This was achieved by applying part of the proceeds from the sale of non-MLI assets during the year towards the reduction of debt, with the remaining part being utilised for the acquisition of MLI assets.

Stenprop intends to further reduce its borrowings to below 40% LTV by 31 March 2020 by utilising part of the proceeds from further sales of its non-MLI assets. Thereafter, the directors will employ a level of borrowings that they consider to be prudent for the asset class, taking into account prevailing market conditions.

During the transition phase, and depending on the timing of disposals and acquisitions, new acquisitions may be funded by drawing down on a £50 million revolving credit facility ('RCF') from Investec Bank plc. It is intended that drawdowns under the Investec RCF will be short term and will be replaced as soon as possible from a combination of disposal proceeds and five-year debt finance at an average of 40% of the purchase price. The RCF matures in October 2019 and new terms are currently being negotiated.

The value of the property portfolio at year end, including the Group's share of joint venture properties and assets held for sale, was £612.9 million, whilst senior bank debt at the same date was £271.0 million, resulting in the reduced LTV of 44.2%. Cash reserves at year end totalled £59.2 million, including £8.7 million of restricted cash. When unrestricted cash is added to this measure our overall LTV was 36.0%. Free cash available for MLI property acquisitions in the year ended 31 March 2010 amounted to approximately £35 million.

The weighted average debt maturity stood at 3.0 years at 31 March 2019 compared with 2.9 years at 31 March 2018. The only asset held for sale, being the remaining Swiss property situated in Lugano, is funded on a three-month basis which rolls at the end of each such three-month term. The Bleichenhof property situated in Hamburg, being the largest single asset in the Stenprop portfolio, has debt of €84.9 million, giving an LTV of 57.60%, and a 2.9 year term to maturity. It is intended to market this asset for sale during the financial year ended 31 March 2020.

Excluding assets held for sale, annual amortisation payments are £0.44 million (31 March 2018: £3.30 million). The decrease since the prior year relates primarily to the Trafalgar Court loan facility, where amortisation payments ceased following the reduction in the loan from £34.71 million at the prior year end to £30 million at 31 March 2019.

The all-in contracted weighted average cost of debt was 2.46% at year end, slightly up from 2.44% at 31 March 2018.

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

Foreign exchange

At 31 March 2019, approximately 35.5% of Stenprop's net asset value and 32.6% of its net rents are denominated in euros. Consequently, the GBP:EUR exchange rate has a material impact on reported GBP earnings and net asset values. At the start of April 2018, the GBP:EUR rate was £1.00:€1.1370 and the euro weakened over the year by 2.18% to £1.00:€1.1617 as at 31 March 2019.

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

Stenprop's diversification across the UK, Germany and, to a lesser extent, Switzerland (until the remaining Swiss asset 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.

Conclusion

In the year under review, Stenprop has delivered on its goals to convert to a UK REIT, to list on the LSE, to reduce gearing to below 45% and to pay a total dividend in relation to the year ended 31 March 2019 of 6.75 pence per share.

As set out elsewhere in this report, it remains on track to meet its two-year goal to have its portfolio comprise at least 60% MLI by 31 March 2020, and to reduce its leverage to below 40% by that date.

The Company's objective is to deliver sustainable and growing income to its shareholders. The impact on earnings and distributions during this period of transition will depend on several factors, including the timing and commercial terms of acquisitions and disposals, and the implementation of the deleveraging policy. A key challenge is the minimisation of cash surpluses to mitigate earnings dilution (so-called 'cash drag').

Ideally, acquisitions should take place in advance of disposals and be funded in the short-term using the Investec RCF. Whilst this always remains the goal, market conditions are not always conducive to achieving this.

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.

Patsy Watson
Chief Financial Officer

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Continued operations			
Net rental income	6	**33,905**	32,861
Rental income		**44,502**	42,349
Property expenses		**(10,597)**	(9,488)
Net management fee income	5	**5,846**	5,092
Management fee income		**9,541**	5,092
Adjustment to deferred consideration		**(3,695)**	–
Operating costs	7	**(11,258)**	(8,290)
Net operating income		**28,493**	29,663
Fair value (loss)/gain on investment properties		**(3,404)**	20,223
Income from associates	18	**101**	292
Income from joint ventures	19	**1,607**	7,624
Profit/(loss) on disposal of subsidiaries	29	**11,126**	(26)
Profit from operations		**37,923**	57,776
Net (loss)/gain from fair value of derivative financial instruments		**(1,092)**	2,453
Interest receivable		**355**	356
Finance costs	9	**(8,251)**	(9,843)
Net foreign exchange loss		**(102)**	(492)
Other losses		**(60)**	–
Gain on disposal of property		**17**	1,046
Goodwill impairment	27	**–**	(3,500)
Profit for the year before taxation		**28,790**	47,796
Current tax	10	**(1,963)**	(563)
Deferred tax	10	**(480)**	(4,286)
Profit for the year from continuing operations		**26,347**	42,947
Discontinued operations			
Loss for the year from discontinued operations	20	**(2,323)**	(2,712)
Profit for the year		**24,024**	40,235
Profit attributable to:			
Equity holders		**23,828**	39,357
Non-controlling interest derived from continuing operations		**196**	878
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation reserve		**(1,272)**	(154)
Total comprehensive profit for the year		**22,752**	40,081
Total comprehensive profit attributable to:			
Equity holders		**22,556**	39,203
Non-controlling interest		**196**	878
Earnings per share		**Pence**	Pence
From continuing operations			
IFRS EPS	14	**9.26**	14.94
Diluted IFRS EPS	14	**9.16**	14.85
From continuing and discontinued operations			
IFRS EPS	14	**8.43**	13.98
Diluted IFRS EPS	14	**8.35**	13.89

Consolidated Statement of Financial Position
As at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
ASSETS			
Non-current assets			
Investment properties	16	**562,815**	535,509
Investment in associates	18	**–**	303
Investment in joint ventures	19	**14,542**	14,660
Other debtors	21	**13,365**	13,617
Derivative financial instruments	26	**–**	712
		590,722	564,801
Current assets			
Cash and cash equivalents	22	**57,425**	24,549
Trade and other receivables	21	**6,699**	8,208
Assets classified as held for sale		**21,423**	147,408
		85,547	180,165
Total assets		**676,269**	744,966
LIABILITIES			
Current liabilities			
Bank loans	24	**29,805**	2,800
Taxes payable		**1,625**	2,792
Derivative financial instruments	26	**176**	–
Accounts payable and accruals	23	**16,862**	14,622
Liabilities directly associated with assets classified as held for sale		**9,326**	67,707
		57,794	87,921
Non-current liabilities			
Bank loans	24	**215,285**	256,697
Derivative financial instruments	26	**554**	699
Deferred tax	30	**10,416**	9,379
		226,255	266,775
Total liabilities		**284,049**	354,696
Net assets		**392,220**	390,270
EQUITY			
Capital and reserves			
Share capital and share premium	12	**322,993**	315,551
Equity reserve		**(15,708)**	(8,453)
Retained earnings		**60,952**	57,947
Foreign currency translation reserve		**21,014**	22,286
Total equity attributable to equity shareholders		**389,251**	387,331
Non-controlling interest		**2,969**	2,939
Total equity		**392,220**	390,270
		£	£
IFRS net asset value per share	15	**1.38**	1.37

The consolidated financial statements were approved by the board of directors on 5 June 2019 and signed on its behalf by

Patsy Watson
Chief Financial Officer

Consolidated Statement of Changes in Equity
For the year ended 31 March 2019

	Note	Share capital and share premium £'000	Equity reserve £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Attributable to equity shareholders £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 April 2018		**315,551**	**(8,453)**	**57,947**	**22,286**	**387,331**	**2,939**	**390,270**
Issue of share capital	12	**7,377**	**–**	**–**	**–**	**7,377**	**–**	**7,377**
Exercised share bonus plan		**65**	**(65)**	**–**	**–**	**–**	**–**	**–**
Credit to equity for equity-settled share-based payments	13	**–**	**730**	**–**	**–**	**730**	**–**	**730**
Repurchase of own shares		**–**	**(7,920)**	**–**	**–**	**(7,920)**	**–**	**(7,920)**
Total comprehensive profit/(loss) for the period		**–**	**–**	**23,828**	**(1,272)**	**22,556**	**30**	**22,586**
Ordinary dividends	11	**–**	**–**	**(20,823)**	**–**	**(20,823)**	**–**	**(20,823)**
Balance at 31 March 2019		**322,993**	**(15,708)**	**60,952**	**21,014**	**389,251**	**2,969**	**392,220**
Balance at 1 April 2017		310,141	(8,976)	40,945	22,440	364,550	2,051	366,601
Issue of share capital	12	5,410	(16)	–	–	5,394	–	5,394
Credit to equity for equity-settled share-based payments	13	–	539	–	–	539	–	539
Total comprehensive profit/(loss) for the year		–	–	39,357	(154)	39,203	888	40,091
Ordinary dividends	11	–	–	(22,355)	–	(22,355)	–	(22,355)
Balance at 31 March 2018		315,551	(8,453)	57,947	22,286	387,331	2,939	390,270

Consolidated Statement of Cash Flows
For the year ended 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Operating activities			
Profit from operations from continuing operations		**37,923**	57,776
Loss from discontinued operations	20	**(3,034)**	(2,127)
		34,889	55,649
Share of gains from associates		**(101)**	(292)
Decrease/(increase) in fair value of investment property		**5,259**	(14,305)
Share of profit in joint ventures		**(1,607)**	(7,624)
Dividends received from associates		**18**	–
Dividends received from joint ventures		**1,367**	563
(Profit)/loss on disposal of subsidiaries		**(8,890)**	26
Exchange rate losses		**(102)**	(492)
Increase in trade and other receivables		**(1,124)**	(416)
Increase/(decrease) in trade and other payables		**3,818**	(594)
Interest paid		**(7,850)**	(9,098)
Interest received		**1,149**	976
Net tax paid		**(2,383)**	(855)
Net cash from operating activities		**24,443**	23,538
Contributed by: Continuing operations		**25,382**	20,552
Discontinued operations		**(939)**	2,986
Investing activities			
Asset acquisitions	27	**–**	(57,858)
Purchases of investment property	16	**(110,188)**	(22,831)
Capital expenditure	16	**(9,996)**	(5,553)
Proceeds on disposal of investment property		**82,590**	35,850
Acquisition of investment in joint venture		**–**	1
Proceeds on disposal of investment in associate	18	**391**	18,345
Proceeds on disposal of joint venture		**22,726**	–
Disposal of subsidiary	29	**74,094**	42,608
Net cash disposed of in subsidiary	29	**(2,132)**	(1,831)
Net cash from investing activities		**57,485**	8,731
Financing activities			
New bank loans raised		**37,051**	20,703
New third party loans raised	25	**48,086**	34,080
Dividends paid		**(13,151)**	(22,355)
Repayment of borrowings		**(61,208)**	(29,509)
Repayment of third party loans	25	**(48,086)**	(34,591)
Repurchase of shares		**(7,920)**	–
Financing fees paid		**(1,054)**	(1,247)
Net cash used in financing activities		**(46,282)**	(32,919)
Net increase/(decrease) in cash and cash equivalents		**35,646**	(650)
Effect of foreign exchange (losses)/gains		**(1,713)**	110
Cash and cash equivalents at beginning of the period		**25,287**	25,827
Cash and cash equivalents at end of the period		**59,220**	25,287
Contributed by: Continuing operations	22	**57,425**	24,549
Discontinued operations and assets held for sale	22	**1,795**	738

Notes to the Consolidated Financial Statements

1 General Information

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

2 Basis of preparation

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

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

The financial information set out in these preliminary summarised audited financial statements does not constitute the Company's statutory accounts for the years ended 2019 and 2018, but is derived from those accounts. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under The Companies (Guernsey) Law, 2008. A copy is available upon written request from the Company's registered office.

The auditors' reports do not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditors' engagement they should obtain a copy of the auditors' reports together with the accompanying financial information from the issuer's registered office.

Going concern

At the date of signing these consolidated financial statements, the Group has positive operating cash flow forecasts and positive net assets. Management has reviewed the Group's cash flow forecasts for the 18 months to 30 September 2020 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 a period of at least twelve months from the date of these financial statements.

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

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

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 40 (amendments) Transfers of Investment Property
- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions
- IFRS 4 (amendments) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

At the date of approval of these consolidated financial statements, the Group has not applied the following new standard that has been issued but is not yet effective:

IFRS 16 Leases
IFRS 3 Amendments resulting from annual improvements 2015-2017 Cycle
IFRS 9 Amendments regarding prepayment features with negative compensation and modifications of financial liabilities
IFRS 11 Amendments resulting from annual improvements 2015-2017 Cycle
IFRS 17 Original Issue
IAS 1 Amendments regarding the definition of material
IAS 8 Amendments regarding the definition of material
IAS 12 Amendments resulting from annual improvements 2015-2017 Cycle
IAS 19 Amendments regarding plan amendments, curtailments or settlements
IAS 23 Amendments resulting from annual improvements 2015-2017 Cycle
IAS 28 Amendments regarding long-term interests in associates and joint ventures

Impact assessment of adopting new accounting standards

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

IFRS 9: Financial Instruments. This standard replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement and outlines an impairment model which reflects expected credit losses. This differs from IAS 39 which only recognised those credit losses which have been incurred. The new impairment model applies to the Group's financial assets including trade and other receivables and cash and cash equivalents. It does not apply to financial liabilities as derivative financial instruments continue to qualify for designation as at fair value through profit and loss under IFRS 9.

Where applicable the Group has applied a simplified approach to recognise expected credit losses for current assets. There has been no material change in the classification and recognition of financial assets with no material quantitative impact due to the recognition of an expected credit loss, with no corresponding reduction in financial assets.

IFRS 15: Revenue from Contracts with Customers. This standard combines a number of previous standards, setting out a five-step model for the recognition of revenue as well as establishing principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue. The standard applies to service charge income; car park income, performance and management fee income.

Rental income arising from the leasing of property continues to be within the scope of IAS 17. Management has assessed that the operating leases of the business are combined and have no separate performance obligations identifiable therein. In regard to management and performance fees, fees earned are based on investments with infinite lives and are not subject to claw-back on a cumulative basis. For these reasons the changes introduced by IFRS 15 have resulted in no qualitative changes to the revenue disclosure and have no quantitative impact on the consolidated financial statements of the Group.

IFRS 16: Leases. This standard does not impact the Group's financial position as a lessor or the Group's rental income from its investment properties. The standard requires lessees to recognise a right-of-use asset and related lease liability representing the obligation to make lease payments. Having reviewed the Group's operating leases, the most significant is the lease of office space at 180 Great Portland Street, London. The right-of-use asset and corresponding lease liability expected to be recognised is approximately £730,000 with the net impact on the income statement also being immaterial.

3 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

Joint ventures

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

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

Business combinations and asset acquisitions

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

Revenue recognition

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

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

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

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

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

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

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

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

Foreign currencies

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

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

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

Borrowing costs

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

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

Current tax

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

Deferred tax

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

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

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

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

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

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

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

Investment properties are recognised as assets when:

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

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

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

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

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

Expenditure
Expenses are accounted for on an accrual basis.

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

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

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

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

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

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

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

Financial assets
The Group classifies its financial assets as either at fair value through profit and loss or amortised cost.

The Group's financial assets classified at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include current assets with maturities or terms less than 12 months after the reporting date, as well as financial assets with maturities greater than 12 months after the reporting date, which are classified as non-current assets.

Financial assets, including those relating to the purchase of Stenprop shares (note 21), are measured at amortised cost using the effective interest method, less any loss allowance for expected credit losses (ECL) which are recognised in the statement of comprehensive income. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

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

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

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

Financial liabilities and equity

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

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

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

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

Interest rate swaps have been initially recognised at fair value, and subsequently remeasured at fair value through profit and loss in accordance with IFRS 9, Financial Instruments. They have been entered into in order to hedge against the exposure to variable interest rate loans as described in note 26. They have been valued by an independent valuer in line with internationally accepted practice.

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

Non-current assets and disposal groups held for sale

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

Segmental reporting

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

Dividends

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

Earnings per share

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

Share-based payments

Deferred Share Bonus Plan and Long term incentive plans

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

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

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

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

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

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

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

Significant estimates
Investment properties
The Group's investment properties are stated at estimated fair value, determined by directors, based on an independent external appraisal. The valuation of the Group's property portfolio is inherently subjective due to a number of factors including the individual nature of each property, its location, expectation of future rentals and the discount yield applied to those cash flows. As a result, the valuations placed on the property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions that may not prove to be accurate, particularly in years of volatility or low transaction flow in the market. The estimated market value may differ from the price at which the Group's assets could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. As a result, if the assumptions prove to be false, actual results of operations and realisation of net assets could differ from the estimates set forth in these financial statements, and the difference could be significant. Further details can be found in note 16.

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

Significant judgements
Assets held for sale
The directors have disclosed one property which meets the criteria defined in IFRS 5: Assets held for sale and discontinued operations. Stenprop is committed to the disposal of the asset in line with its strategy to exit the Swiss market. In respect of this property, the final Swiss property at Lugano, the directors consider the exceptions permitted by IFRS 5:9 to apply in respect to the one-year requirement within which a sale should complete. This is due to the fact that during the one-year period, circumstances arose that were previously considered unlikely. As a result, the property which was previously classified as held for sale was not sold; however:

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

(ii) the property was still being marketed at a price that is reasonable, given the change in circumstances; and

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

The fair value has been determined by the directors, based on an independent external appraisal.

5 Operating segments

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

Relevant financial information is set out below:

i) Information about reportable segments

		Continuing operations		Discontinued operations	
	Germany £'000	UK Non-Multi-let Industrial £'000	UK Multi-let Industrial £'000	Switzerland £'000	Total £'000
For the year ended 31 March 2019					
Net rental income	**11,038**	**10,591**	**12,101**	**–**	**33,730**
Fair value movement on investment properties	**(841)**	**(2,045)**	**(517)**	**–**	**(3,403)**
Net (loss)/gain from fair value of financial liabilities	**(43)**	**64**	**(1,113)**	**–**	**(1,092)**
Income from associates	**101**	**–**	**–**	**–**	**101**
Income from joint ventures	**1,044**	**231**	**–**	**–**	**1,275**
Profit on disposal of subsidiaries	**–**	**11,126**	**–**	**–**	**11,126**
Net finance costs	**(1,719)**	**(2,830)**	**(3,363)**	**–**	**(7,912)**
Operating costs	**(722)**	**(314)**	**(605)**	**–**	**(1,641)**
Net foreign exchange loss	**46**	**–**	**–**	**–**	**46**
Other gains/(losses)	**63**	**–**	**(56)**	**–**	**7**
Loss for the year from discontinued operations (see note 20)	**–**	**–**	**–**	**(2,323)**	**(2,323)**
Taxation	**(2,345)**	**(223)**	**(149)**	**–**	**(2,717)**
Total profit/(loss) per reportable segment	**6,622**	**16,600**	**6,298**	**(2,323)**	**27,197**
As at 31 March 2019					
Investment properties	**217,429**	**83,855**	**261,530**	**–**	**562,814**
Investment in joint ventures	**14,485**	**–**	**–**	**–**	**14,485**
Cash	**10,524**	**36,612**	**8,701**	**–**	**55,837**
Other	**14,762**	**517**	**4,401**	**–**	**19,680**
Assets classified as held for sale	**–**	**–**	**–**	**21,423**	**21,423**
Total assets	**257,200**	**120,984**	**274,632**	**21,423**	**674,239**
Borrowings – bank loans	**108,579**	**38,910**	**97,601**	**–**	**245,090**
Other	**14,813**	**3,711**	**9,417**	**–**	**27,941**
Liabilities directly associated with assets classified as held for sale	**–**	**–**	**–**	**9,326**	**9,326**
Total liabilities	**123,392**	**42,621**	**107,018**	**9,326**	**282,357**

		Continuing operations		Discontinued operations	
	Germany £'000	UK Non-Multi-let Industrial £'000	UK Multi-let Industrial £'000	Switzerland £'000	Total £'000
For the year ended 31 March 2018					
Net rental income	11,589	14,628	6,644	–	32,861
Fair value movement of investment properties	23,969	448	(4,194)	–	20,223
Net gain from fair value of financial liabilities	346	1,370	737	–	2,453
Income from associates	292	–	–	–	292
Income from joint ventures	4,678	2,880	–	–	7,558
Loss on disposal of subsidiaries	–	(26)	–	–	(26)
Net finance costs	(2,081)	(5,403)	(1,713)	–	(9,197)
Operating costs	(735)	(853)	(342)	–	(1,930)
Net foreign exchange loss	(25)	(321)	–	–	(346)
Other gains	–	1,046	–	–	1,046
Loss for the year from discontinued operations (see note 20)	–	–	–	(2,712)	(2,712)
Taxation	(4,325)	156	(570)	–	(4,739)
Total profit/(loss) per reportable segment	33,708	13,925	562	(2,712)	45,483
As at 31 March 2018					
Investment properties	221,354	166,400	147,755	–	535,509
Investment in associates	303	–	–	–	303

Investment in joint ventures	14,617	–	–	–	14,617
Cash	12,074	4,460	5,853	–	22,387
Other	15,091	1,724	2,331	–	19,146
Assets classified as held for sale	28,987	23,546	–	94,875	147,408
Total assets	292,426	196,130	155,939	94,875	739,370
Borrowings – bank loans	110,889	70,800	77,808	–	259,497
Other	13,289	5,676	5,238	–	24,203
Liabilities directly associated with assets classified as held for sale	14,063	–	–	53,644	67,707
Total liabilities	138,241	76,476	83,046	53,644	351,407

ii) Reconciliation of reportable segment profit or loss

	31 March 2019 £'000	**31 March 2018 £'000**
Rental income		
Net rental income for reported segments	**33,730**	32,861
Profit or loss		
Fair value movement of investment properties	**(3,403)**	20,223
Net (loss)/gain from fair value of financial liabilities	**(1,092)**	2,453
Income from associates	**101**	292
Income from joint ventures	**1,275**	7,558
Profit/(loss) on disposal of subsidiaries	**11,126**	(26)
Finance costs	**(7,912)**	(9,197)
Operating costs	**(1,641)**	(1,930)
Net foreign exchange gain/(loss)	**46**	(346)
Other gains	**7**	1,046
Loss for the year from discontinued operations (see note 20)	**(2,323)**	(2,712)
Taxation	**(2,717)**	(4,739)
Total profit per reportable segments	**27,197**	45,483
Other profit or loss – unallocated amounts		
Net management fee income	**5,846**	5,092
Other income	**75**	–
Income from associates	**–**	66
Income from joint ventures	**331**	66
Interest received	**17**	–
Finance costs	**–**	(290)
Tax, legal and professional fees	**(2,740)**	(295)
Audit fees	**(261)**	(194)
Administration fees	**(226)**	(764)
Investment advisory fees	**–**	(73)
Non-executive directors costs	**(203)**	(405)
Staff remuneration costs	**(4,275)**	(3,375)
Other operating costs	**(1,862)**	(1,255)
Net foreign exchange loss	**(148)**	(145)
Other losses	**–**	(3,500)
Taxation	**273**	(110)
Consolidated profit after taxation	**24,024**	40,235

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

The terms of the Group's acquisition of the property management business of Stenham Group Limited ("SGL") in 2014 included provision for additional consideration to be paid to SGL by the Group arising from future performance fees earned by the Group.

During the year to 31 March 2019, a gross performance fee of £7,390,000 was received by the Group. Additional consideration of £3,695,000 was subsequently paid to SGL in accordance with the sale agreement.

In 2014 Paul Arenson and Patsy Watson each agreed with SGL to waive certain rights in return for an entitlement to receive from SGL 10% of any additional consideration received by SGL.

There are no further performance fees that may be receivable by the Group that would give rise to any further additional consideration payable to SGL.

iii) Reconciliation of reportable segment financial position

	31 March 2019 £'000	31 March 2018 £'000
ASSETS		
Investment properties	**562,814**	535,509
Investment in associates	**–**	303
Investment in joint venture	**14,485**	14,617
Cash	**55,837**	22,387
Other	**19,680**	19,146
Assets classified as held for sale	**21,423**	147,408
Total assets per reportable segments	**674,239**	739,370
Other assets – unallocated amounts		
Investment in joint ventures	**57**	43
Cash	**1,588**	2,162
Other	**385**	3,391
Total assets per consolidated statement of financial position	**676,269**	744,965
LIABILITIES		
Borrowings – bank loans	**245,090**	259,497
Other	**27,941**	24,203
Liabilities directly associated with assets classified as held for sale	**9,326**	67,707
Total liabilities per reportable segments	**282,357**	351,407
Other liabilities – unallocated amounts		
Other	**1,692**	3,289
Total liabilities per consolidated statement of financial position	**284,049**	354,696

6 Net rental income

	31 March 2019 £'000	31 March 2018 £'000
Rental income	**38,428**	40,293
Other income – tenant recharges	**7,064**	7,413
Other income	**1,078**	806
Discontinued operations adjustment (note 20)	**(2,068)**	(6,163)
Rental income	**44,502**	42,349
Direct property costs	**(11,383)**	(11,262)
Discontinued operations adjustment (note 20)	**786**	1,774
Property expenses	**(10,597)**	(9,488)
Total net rental income	**33,905**	32,861

7 Operating costs

	31 March 2019 £'000	31 March 2018 £'000
Tax, legal and professional fees	**3,767**	2,402
Audit fees	**263**	226
Interim review fees	**30**	30
Administration fees	**531**	553
Investment advisory fees	**319**	431
Non-executive directors costs	**203**	405
Staff remuneration costs	**3,545**	3,098
Share-based payments	**730**	277
Other operating costs	**2,095**	1,466
Discontinued Operations Adjustment (note 20)	**(225)**	(598)
	11,258	8,290

The increase in tax, legal and professional fees is driven by the costs associated with London listing and conversion to REIT status of £0.9 million and costs of £1.2 million associated with the aborted acquisition of a material multi-let industrials portfolio.

Share-based payments of £730,000 (2018: £277,000) relates to the equity-settled incentive schemes operated by the Group. As at 31 March 2019 the Group's equity reserve held £1.8 million (March 2018: £1.1 million) in relation to the schemes after the exercise of options at fair value of £65,000 (2018: £16,000) during the period.

8 Employees' and directors' emoluments

The Group had 23 employees at 31 March 2019 (2018: 20). The aggregate remuneration paid to employees during the period, including that to executive directors, was:

	31 March 2019 £'000	31 March 2018 £'000
Wages and salaries (including key management)	**3,158**	2,760
Social security costs	**218**	201
Pension costs	**169**	137
Share-based payments	**730**	277
	4,275	3,375

As at 31 March 2019, the Group had seven directors (2018: six). The directors of the Company during the financial year and at the date of this report were as follows:

Non-executive directors	Appointed	Change in appointment
S Ball	02/10/2014	resigned 05/01/2018
P Miller	14/09/2016	
W Lawlor	05/04/2017	
R Grant (chairman)	01/05/2018	
P Holland	01/05/2018	

Executive directors	Appointed	Change in appointment
P Arenson (CEO)	02/10/2014	
N Marais	02/10/2014	resigned 01/05/2018
P Watson (CFO)	02/10/2014	
J Carey	01/05/2018	

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

	Basic salary £'000	Pension £'000	Other benefits^ £'000	Cash bonus £'000	Vested share options £'000	Total remuneration 31 March 2019 £'000
Executive directors						
P Arenson	**268**	**27**	**2**	**156**	**83**	**536**
N Marais*	**11**	**1**	**–**	**3**	**6**	**21**
P Watson	**258**	**26**	**–**	**150**	**80**	**514**
J Carey*	**236**	**24**	**1**	**103**	**55**	**419**
	773	**78**	**3**	**412**	**224**	**1,490**

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

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

* Remuneration covers the period of directorship.

	31 March 2019 £'000	31 March 2018 £'000
Non-executive directors		
S Ball – paid to Sphere Management Limited	**4**	50
M Yachad – paid to Peregrine SA Holdings Proprietary Limited	**–**	21
R Grant	**53**	–
P Holland	**39**	–
P Miller	**40**	44
W Lawlor – paid to Ferryman Capital Partners (Pty) Limited	**39**	28
Share-based payments	**–**	262
	175	405

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

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

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

On 5 June 2019, the board of directors, on the recommendation of the remuneration committee, approved the following:

	Bonuses in respect of the year ended 31 March 2019				
Executive directors	**Cash bonus £'000**	**Deferred Share Bonus Plan £'000**	**Number of share options (estimated)**	**LTIP for executive directors £'000**	**Number of share options (estimated)**
P Arenson	**161**	**159**	**140,500**	**549**	**486,000**
P Watson	**155**	**153**	**135,100**	**-**	**-**
J Carey*	**142**	**140**	**123,800**	**528**	**467,100**
	458	**452**	**399,400**	**1,077**	**953,100**

* Remuneration covers the period of directorship.

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

	Bonuses in respect of the year ended 31 March 2018				
Executive directors	**Cash bonus £'000**	**Deferred Share Bonus Plan £'000**	**Number of share options**	**LTIP for Executive directors £'000**	**Number of share options**
P Arenson	156	125	113,800	536	487,096
N Marais	33	20	18,363	105	95,816
P Watson	150	120	109,381	515	468,182
	339	265	241,544	1,156	1,051,094

Directors' interests – beneficial direct and indirect holdings in the Company
As at 31 March 2019:

	Direct number of shares	**% of shares**	**Indirect number of shares**	**% of share in issue**	**Number of share options held**	**% of shares**
P Arenson (CEO)	**–**	**–**	**13,387,114**	**4.48%**	**1,601,293**	**0.54%**
P Watson (CFO)	**–**	**–**	**4,548,618**	**1.52%**	**1,491,330**	**0.50%**
W Lawlor	**–**	**–**	**1,208,669**	**0.40%**	**2,000,000**	**0.67%**
P Miller	**21,898**	**0.01%**				
R Grant (chairman)	**100,000**	**0.03%**				
J Carey	**–**	**–**	**3,271,923**	**1.10%**	**1,016,973**	**0.34%**
P Holland	**24,999**	**0.01%**				

The above directors' interests have not changed from 31 March 2019 to the date of the signing of these financial statements.

As at 31 March 2018:

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

9 Finance costs

	31 March 2019 £'000	**31 March 2018 £'000**
Bank interest	**(7,898)**	(9,443)
Amortisation of facility costs	**(609)**	(1,087)

Discontinued Operations Adjustment (note 20)	**256**	687
Net finance costs	**(8,251)**	(9,843)

10 Taxation

Real Estate Investment Trust regime (REIT regime)

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

– the assets of the property rental business must be at least 75% of the Group's assets;

– the profit from the tax-exempt property rental business must exceed 75% of the Group's total profit; and

– at least 90% of the Group's profit from the UK property rental business must be paid as dividends.

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

(i) Tax recognised in statement of comprehensive income

	31 March 2019 £'000	31 March 2018 £'000
Income tax in respect of current year	**3,652**	1,354
Deferred tax (see note 30)	**(1,638)**	3,260
Discontinued Operations Adjustment (see note 20)	**429**	235
Total tax expense	**2,443**	4,849

No tax was recognised on other comprehensive income during the period (2018: Nil).

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

(ii) Reconciliation of tax charge for the year

	31 March 2019 £'000	31 March 2018 £'000
Profit before taxation on continuing operations	**28,790**	47,796
Expected tax charge on ordinary activities at the standard rate of taxation of 19% (2018: Nil)	**5,470**	–
Revaluation loss not taxable	**854**	–
Gains on disposal of subsidiary not taxable	**(2,114)**	–
Income not taxable	**(946)**	–
UK REIT tax exemption	**(2,621)**	–
Expenditure not allowed for income tax purposes	**165**	–
Tax losses	**723**	–
Effect of tax rates in other jurisdictions	**(452)**	563
Other	**884**	–
Total income tax charge	**1,963**	563

Tax charged in the prior year was nil due to Stenprop's management and control residing in Guernsey. Following it conversion to a UK REIT, Stenprop has moved the management and control to the UK.

11 Dividends

	31 March 2019 £'000	31 March 2018 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the prior year	**11,281**	11,047
Interim dividend for the current year	**9,542**	11,308
Total dividends	**20,823**	22,355

On 7 June 2018, the directors of the Company declared a final dividend of 4.00 pence per share in respect of the year ended 31 March 2018 equating to £11.3 million (2018: £11 million). This was paid in cash on 17 August 2018. An interim dividend of

3.375 pence per share equating to £9.5 million (2018: £11.3 million) was declared on 22 November 2018 and paid in cash on 8 February 2019.

The directors declared a final dividend on 5 June 2019, for the year ended 31 March 2019, of 3.375 pence per share, which is detailed in note 35.

12 Share capital

Authorised

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

Issued share capital	31 March 2019 (no. shares)	31 March 2018 (no. shares)
Opening balance	**291,718,476**	286,681,880
Issue of new shares	**7,056,699**	5,036,596
Closing number of shares issued	**298,775,175**	291,718,476

Authorised share capital	£'000	£'000
Share capital	**1**	1
Share premium	**325,223**	317,781
Less: Acquisition/transaction costs	**(2,231)**	(2,231)
Total share capital and share premium	**322,993**	315,551

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

The Company has 298,775,175 (2018: 291,718,476) ordinary shares in issue at the reporting date. On 14 June 2018 the Company's shares ceased trading on the BSX and on 15 June 2018 they commenced trading on the Specialist Fund Segment of the LSE. During the period 54,838 new ordinary shares were issued at an average issue price of £1.16 per share in respect of the Deferred Share Bonus Plan.

On 7 June 2018, the Company announced a final dividend of 4.0 pence per share in respect of the six months to 31 March 2018. On 16 August 2018, the Company announced a take up of the scrip dividend and 2,636,280 shares were subsequently issued on 17 August 2018. On 22 November 2018, the Company announced an interim dividend of 3.375 pence per share in respect of the six months to 30 September 2018. On 7 February 2019, the Company announced a take up of the scrip dividend and 4,365,581 shares were subsequently issued on 8 February 2019.

In the period the shareholders were offered the option to receive either a scrip dividend by way of an issue of new Stenprop shares, or a cash dividend. Given the Company's share price, which is at a discount relative to NAV, the directors matched the scrip alternative through share purchases to mitigate the dilutive effect that would otherwise have occurred through the issuance of new ordinary shares. During the period 19 July 2018 to 7 August 2018 the Company repurchased 2,636,280 shares at an average price of £1.146 per share. During the period 22 January 2019 to 13 March 2019 the Company repurchased 4,365,581 shares at an average price of £1.122 per share.

As at 31 March 2019, the Company held 16,028,050 treasury shares (2018: 9,026,189).

The related credit is included within equity reserves as disclosed in the consolidated statement of changes in equity.

13 Share-based payments

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

The Group recognised a total share-based expense of £730,000 in the year (2018: £539,000) in relation to the share option schemes. As at 31 March 2019, the equity reserve held £1,798,000 in relation to share-based payment transactions (2018: £1,133,000).

The incentive plans are discussed in more detail below.

Deferred Share Bonus Plan

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

The fair value of this nil-cost option is determined using the Black–Scholes model. The key inputs used in determining the award granted on 7 June 2018 are shown below:

Share price at date of grant	£1.13
Expected option life in years	2
Risk-free rate	0.82%
Standard deviation (annualised)	22%
Value per option	£1.13

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

Date of grant	At 1 April 2018	Granted	Dividend equivalents	Exercised/ Other	Outstanding at 31 March 2019	Exercisable at 31 March 2019	Fair value at grant date in GBP	Exercise dates From	To
10 June 2015	422,274	–	20,819	(49,529)	393,564	**393,564**	£1.08	10 June 2015	10 June 2025
8 June 2016	276,637	–	31,242	(23,191)	284,688	**284,688**	£1.05	8 June 2016	8 June 2026
7 June 2017	39,057	–	2,747	(9,384)	29,748	**29,748**	£1.08	7 June 2017	7 June 2027
7 June 2018	–	384,035	7,749	(14,601)	381,644	**253,632**	£1.13	7 June 2018	7 June 2028

LTIP for senior management

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

The fair value of this award is determined using the Black–Scholes model. The key inputs used in determining the award granted on 7 June 2018 are shown below:

Share price at date of grant	£1.13
Exercise price at grant date	£1.10
Expected option life in years	10
Risk-free rate	1.50%
Expected volatility	22%
Value per option	£0.27

Date of grant	At 1 April 2018	Granted	Dividend equivalents	Exercised/ Other	Outstanding at 31 March 2019	Exercisable at 31 March 2019	Fair value at grant date	Exercise dates From	To
24 January 2018	142,887	–	–	(58,798)	84,089	56,059	£0.47	31 March 2018	24 January 2028
7 June 2018	–	411,270	–	(69,835)	341,435	113,812	£0.27	31 March 2019	7 June 2028

LTIP for executive directors

Such share options vest on the third anniversary of grant date subject to pre-determined vesting conditions being met. All options not vesting on the vesting date will automatically lapse. All vested options and shares received upon the exercise of vested options are subject to a further two year lock-in period during which they cannot be sold. The fair value of these nil-cost options is determined by external valuers using an intrinsic model. The key inputs used in determining the award granted on 7 June 2018 are shown below:

Share price	£1.13
Exercise price at grant date	£0.00
Expected option life in years	3+2
Discount applied for two-year lock-in period	10%
Value per option	£1.13

Date of grant	At 1 April 2018	Granted	Dividend equivalents	Exercised/ Other	Outstanding at 31 March 2019	Exercisable at 31 March 2019	Fair value at grant date	Exercise dates From	To
24 January 2018	1,416,231	–	34,261	–	1,450,492	–	£0.68	8 June 2022*	8 June 2027
7 June 2018	–	1,423,460	45,920	–	1,469,380	–	£0.52	8 June 2023*	8 June 2028

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

Other share options

On 30 March 2017, the Company agreed to grant to Ferryman Capital Partners Limited, a company in which Warren Lawlor, a non-executive director, has a one-third beneficial interest, an option to subscribe for 2,000,000 Stenprop shares. The exercise price was £1.31 (€1.53), with a seven-month vesting period. The full cost of this option was therefore recognised in the current year. The option lapses should the individual cease to be a director, or after five years, whichever is sooner. The option only has a dilutive effect when the average market price of ordinary shares exceeds the exercise price of the options. The share price at year end was £1.10, which was below the exercise price. The fair value of this award is determined using the Black–Scholes model. The key inputs used in determining the award granted on 30 March 2017 are shown below:

Share price	£1.08
Exercise price at grant date	£1.31

Expected option life in years	5
Risk-free rate	1.50%
Expected volatility	31.31%
Expected dividend yield	5%
Value per option	£0.13

Date of grant	At 1 April 2018	Granted	Exercised	Outstanding at 31 March 2019	Exercisable at 31 March 2019	Fair value at grant date	Exercise dates From	To
30 March 2017	2,000,000	–	–	2,000,000	2,000,000	£0.13	30 December 2017	30 March 2022

Share Purchase Plan

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

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

		31 March 2019	31 March 2018
Brought forward at start of year	(number of shares)	**10,211,145**	8,656,219
Share Purchase Plan shares issued in year	(number of shares)	**–**	1,752,358
Share Purchase Plan shares redeemed	(number of shares)	**–**	(197,432)
Carried forward at end of year	(number of shares)	**10,211,145**	10,211,145
Stock price at advancement	(€)	**N/A**	1.24
Share Purchase Plan loans advanced (including accrued interest)	(£'000)	**12,304**	12,536

Other share purchase loan

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

		31 March 2019	31 March 2018
Brought forward at start of year	(number of shares)	**1,000,000**	1,000,000
Shares issued in year	(number of shares)	**–**	–
Shares redeemed	(number of shares)	**–**	–
Carried forward at end of year	(number of shares)	**1,000,000**	1,000,000
Loan advanced (including accrued interest)	(£'000)	**1,056**	1,081

14 Earnings per ordinary share

	31 March 2019 £'000	31 March 2018 £'000
Reconciliation of profit for the period to adjusted EPRA[1] earnings		
Earnings per IFRS income statement attributable to shareholders	**23,828**	39,357
Adjustment to exclude loss from discontinued operations	**2,323**	2,712
Earnings per IFRS income statement from continuing operations attributable to shareholders	**26,151**	42,069
Earnings per IFRS income statement attributable to shareholders	**23,828**	39,357
Adjustments to calculate EPRA earnings, exclude:		
Changes in fair value of investment properties	**5,259**	(14,305)
Changes in fair value of financial instruments	**1,092**	(2,453)
Deferred tax in respect of EPRA adjustments	**(1,137)**	3,728
Goodwill impairment	**–**	3,500
Loss/(profit) on disposal of properties	**2,514**	(507)
(Profit)/loss on disposal of subsidiaries	**(8,890)**	679
Adjustments above in respect of joint ventures and associates		
Changes in fair value	**386**	(5,802)
Deferred tax in respect of EPRA adjustments	**(9)**	800
EPRA earnings attributable to shareholders	**23,043**	24,997
Further adjustments to arrive at adjusted EPRA earnings		

Straight-line unwind of purchased swaps	**40**	239
Cost associated with Group listing and REIT conversion	**905**	528
Costs associated with significant aborted portfolio acquisition	**1,248**	–
Adjusted EPRA earnings attributable to shareholders	**25,236**	25,764
Weighted average number of shares in issue (excluding treasury shares)	**282,555,942**	281,494,114
Share-based payment award	**2,852,255**	1,796,978
Diluted weighted average number of shares in issue	**285,408,197**	283,291,092

Earnings per share from continuing operations	**pence**	**pence**
IFRS EPS	**9.26**	14.94
Diluted IFRS EPS	**9.16**	14.85
Earnings per share	**pence**	pence
IFRS EPS	**8.43**	13.98
Diluted IFRS EPS	**8.35**	13.89
EPRA EPS	**8.16**	8.88
Diluted EPRA EPS	**8.07**	8.82
Adjusted EPRA EPS	**8.93**	9.15
Diluted adjusted EPRA EPS	**8.84**	9.09

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.

As at 31 March 2019, the Company held 16,028,050 treasury shares (2018: 9,026,189).

Straight-line unwind of purchased swaps

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

Costs associated with Group listing and REIT conversion

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

Costs associated with significant aborted portfolio acquisition

During the period, Stenprop explored and advanced a material transaction pertaining to the acquisition of a large portfolio of multi-let industrial estates. At the end of the process, and following extensive due diligence, it was decided not to progress the transaction to completion. While EPRA earnings are not adjusted for one-off costs for a failed acquisition, the amount was very significant and accordingly has been adjusted for as a 'company-specific adjustment'.

Reconciliation of profit for the period to headline earnings

	31 March 2019 £'000	**31 March 2018 £'000**
Earnings per IFRS income statement attributable to shareholders	**23,828**	39,357
Adjustments to calculate headline earnings, exclude:		
Changes in fair value of investment properties	**5,259**	(14,305)
Deferred tax in respect of headline earnings adjustments	**(1,145)**	3,675
Goodwill impairment	**–**	3,500
Loss on disposal of properties	**2,514**	–
(Profit)/loss on disposal of subsidiaries	**(8,890)**	679
Adjustments above in respect of joint ventures and associates		
Changes in fair value of investment properties	**(55)**	(4,857)
Deferred tax	**58**	757
Headline earnings attributable to shareholders	**21,569**	28,806
Earnings per share	**pence**	pence

Headline EPS	**7.63**	10.23
Diluted headline EPS	**7.56**	10.17

15 Net asset value per ordinary share

	31 March 2019 £'000	31 March 2018 £'000
Net assets attributable to equity shareholders	**389,251**	387,331
Adjustments to arrive at EPRA net asset value:		
Derivative financial instruments	**730**	(13)
Deferred tax	**10,416**	13,276
Adjustments above in respect of non-controlling interests	**1,649**	1,641
EPRA net assets attributable to shareholders	**402,046**	402,235
Number of shares in issue (excluding treasury shares)	**282,747,125**	282,692,287
Share-based payment award	**2,852,255**	1,796,978
Diluted number of shares in issue	**285,599,380**	284,489,265

Net asset value per share (basic and diluted)	**£**	**£**
IFRS net asset value per share	**1.38**	1.37
Diluted IFRS net asset value per share	**1.36**	1.36
EPRA net asset value per share	**1.42**	1.42
Diluted EPRA net asset value per share	**1.41**	1.41

As at 31 March 2019, the Company held 16,028,050 treasury shares (2018: 9,026,189).

16 Investment property

The fair value of the consolidated investment properties at 31 March 2019 was £562.8 million (2018: £535.5 million). This excludes an amount of £16.2 million (2018: £121.8 million) for the last remaining Swiss property (2018: eight Swiss properties) which has been classified as Held for Sale. The carrying amount of investment property is the fair value of the property as determined by registered independent appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued ('valuers').

The fair value of each of the properties for the period ended 31 March 2019, excluding Bleichenhof as discussed below, was assessed by the valuers in accordance with the Royal Institution of Chartered Surveyors ('RICS') standards and IFRS 13. Valuers are qualified for purposes of providing valuations in accordance with the 'Appraisal and Valuation Manual' published by RICS.

In the case of the valuation of the property known as Bleichenhof (Hamburg) information pertinent to the property became available subsequent to the finalisation of the external valuers report. This information related to certain structural and refurbishment works required to be undertaken at the underground car-park. Accordingly, a directors' valuation has been adopted for this property. Based on a third party appraisal report on the works, it was agreed to reduce the external valuation by €7.0 million (£6.0 million), being the amount of anticipated capital expenditure.

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

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

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

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

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

The key unobservable inputs used in the valuation of the Group's investment properties at 31 March 2019 are detailed in the table below:

Combined Portfolio (including share of joint ventures)	**Market value 31 March 2019 (£m)**	**Portfolio by market value (%)**	**Properties (number)**	**Area (sq m)**	**Annualised gross rental income (£m)**	**Net initial yield (Weighted average) (%)**	**Voids by area (%)**	**Market rent range per month (£/sq m)**

Investment properties								
UK non-multi-let industrial	**83.8**	**13.7**	**9**	**40,077**	**6.7**	**7.57**	**–**	**3.0-34.2**
UK multi-let industrial	**261.5**	**42.7**	**60**	**372,051**	**18.2**	**6.26**	**10.2**	**1.0-7.8**
Germany	**217.5**	**36.5**	**9**	**72,599**	**10.8**	**4.09**	**2.4**	**7.7-22.0**
Sub-total	**562.8**	**91.9**	**78**	**484,727**	**35.7**	**5.60**	**8.2**	**–**
Assets Held for Sale								
Switzerland	**16.2**	**2.6**	**1**	**6,974**	**1.2**	**5.68**	**–**	**13.8**
Total – wholly owned	**579.0**	**94.5**	**79**	**491,701**	**36.9**	**5.60**	**8.1**	**–**
Share of joint ventures and associates	**33.9**	**5.5**	**4**	**19,330**	**2.4**	**6.04**	**–**	**10.4**
Total	**612.9**	**100.0**	**83**	**511,031**	**39.3**	**5.60**	**7.8**	**–**

Investment property	**31 March 2019 £'000**	**31 March 2018 £'000**
Opening balance	**535,509**	470,603
Properties acquired	**110,188**	149,831
Capitalised expenditure	**9,996**	5,549
Foreign exchange movement in foreign operations	**(757)**	(1,814)
Net fair value (loss)/gain on investment property	**(3,404)**	20,223
Assets Held for Sale	**(88,717)**	(108,883)
Closing balance	**562,815**	535,509

17 Group companies

Details of the Group's subsidiaries as at 31 March 2019 are as follows:

Name	**Place of incorporation**	**Principal activity**	**% equity owned by Company**	**Subsidiary**
BVI				
Davemount Properties Limited	BVI	Property Investment		100.00
Leatherback Property Holdings Limited	BVI	Holding Company		100.00
Ruby Red Holdings Limited	BVI	Management		100.00
SP Corporate Services Limited	BVI	Management		100.00
SP Nominees Limited	BVI	Management		100.00
SP Secretaries Limited	BVI	Management		100.00
Stenprop Management Holdings Limited	BVI	Holding Company	100.00	
Stenprop Hermann Limited	BVI	Property Investment		100.00
Stenprop Victoria Limited	BVI	Property Investment		100.00
Stenprop Industrials 1 Limited	BVI	Holding Company		100.00
Stenprop Industrials 2 Limited	BVI	Holding Company		100.00
Stenprop Industrials 3 Limited	BVI	Property Investment		100.00
Stenprop Industrials 4 Limited	BVI	Property Investment		100.00
Stenprop Industrials 5 Limited	BVI	Dormant		100.00
Stenprop (UK) Limited	BVI	Holding Company	100.00	
Curacao				
Anarosa Holdings N.V.	Curacao	Holding Company		94.90
C.S. Property Holding N.V.	Curacao	Holding Company		94.90
Lakewood International N.V.	Curacao	Holding Company		89.00
T.B. Property Holdings N.V.	Curacao	Holding Company		100.00
Germany				
KG Bleichenhof Grundtuscksverwaaltung GmbH & Co. KG	Germany	Property Investment		94.90
Guernsey				
Bernina Property Holdings Limited	Guernsey	Holding Company		100.00
GGP1 Limited	Guernsey	Property Investment		100.00
Kantone Holdings Limited	Guernsey	Property Investment		100.00
LPE Limited	Guernsey	Property Investment		100.00
Nova Eventis LP	Guernsey	Property Investment		100.00
Stenprop Advisers Limited	Guernsey	Management	10.00	90.00
Stenprop Arsenal Limited	Guernsey	Dormant		100.00
Stenprop Industrials Holdings Limited	Guernsey	Holding Company	100.00	

Stenprop Industrials 6 Limited	Guernsey	Property Investment		100.00
Stenprop Industrials 7 Limited	Guernsey	Dormant		100.00
Stenprop Industrials 8 Limited	Guernsey	Dormant		100.00
Stenprop Trafalgar Limited	Guernsey	Holding Company		100.00
Stenprop (Germany) Limited	Guernsey	Holding Company	100.00	
Stenprop (Guernsey) Limited	Guernsey	Dormant		100.00
Stenprop (Swiss) Limited	Guernsey	Holding Company	100.00	
Jersey				
Industrials Investment Unit Trust	Jersey	Holding Company		100.00
Luxembourg				
Algy Properties S.a.r.l.	Luxembourg	Property Investment		100.00
Bruce Properties S.a.r.l.	Luxembourg	Property Investment		100.00
Clint Properties S.a.r.l.	Luxembourg	Property Investment		100.00
David Properties S.a.r.l.	Luxembourg	Property Investment		100.00
Jimmy Investments S.a.r.l.	Luxembourg	Holding Company		100.00
Spike Investments S.A.	Luxembourg	Holding Company		100.00
Netherlands				
Century 2 BV	Netherlands	Property Investment		94.90
Century BV	Netherlands	Property Investment		94.90
Isabel Properties BV	Netherlands	Property Investment		94.90
Mindel Properties BV	Netherlands	Holding Company		94.50
Isle of Man				
Stenham Beryl Limited	IoM	Property Investment		100.00
Stenham Crystal Limited	IoM	Property Investment		100.00
Stenham Jasper Limited	IoM	Property Investment		100.00
Gemstone Properties Limited	IoM	Holding Company		100.00
United Kingdom				
C2 Capital Limited	England	Management		100.00
Stenprop Management Limited	England	Management		100.00
Stenprop Limited	England	Dormant		100.00
United States				
Industrials UK GP LLC	United States	Holding Company		100.00
Industrials UK LP	United States	Property Investment		100.00

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

18 Investment in associates

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

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

	Stenham European Shopping Centre Fund Limited £'000	Stenham Berlin Residential Fund Limited £'000	Total £'000
31 March 2019			
Current assets	**58**	**–**	**58**
Current liabilities	**(58)**	**–**	**(58)**
Revenue	**388**	**–**	**388**
Profit from continuing operations	**329**	**–**	**329**
31 March 2018			
Current assets	1,298	–	1,298
Current liabilities	(523)	–	(523)
Equity attributable to owners of the Company	775	–	775
Revenue	3,415	21,351	24,766
Profit from continuing operations	786	1,568	2,354

Reconciliation of the Group's interest in associates recognised in the financial statements:

	Stenham European Shopping Centre Fund Limited £'000	Stenham Berlin Residential Fund Limited £'000	Total £'000
31 March 2019			
Opening balance as at 1 April 2018	**303**	**–**	**303**
Share of associates' profit *	**101**	**–**	**101**
Share in associates disposed of during the period	**(391)**	**–**	**(391)**
Distribution received from associates	**(18)**	**–**	**(18)**
Foreign exchange movement in foreign operations	**5**	**–**	**5**
Closing balance	**–**	**–**	**–**
31 March 2018			
Opening balance as at 1 April 2017	15,994	1,869	17,863
Share of associates' profit *	221	71	292
Share in associates disposed of during the period	(16,353)	(1,992)	(18,345)
Foreign exchange movement in foreign operations	441	52	493
Closing balance	303	–	303

* The share of associates' profit includes the fair value movement in the underlying investments for the period.

19 Investment in joint ventures

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

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

On 4 June 2018, Stenprop completed the sale of its joint venture interest in Argyll Street in the West End of London by way of sale of shares.

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
31 March 2019					
Investment property	**34,151**	**–**	**–**	**–**	**34,151**
Current assets	**570**	**96**	**–**	**121**	**787**
Assets	**34,721**	**96**	**–**	**121**	**34,938**
Bank loans	**(18,442)**	**–**	**–**	**–**	**(18,442)**
Shareholder loan	**(13,666)**	**–**	**–**	**–**	**(13,666)**
Deferred tax	**(1,124)**	**–**	**–**	**–**	**(1,124)**
Financial liability	**(524)**	**–**	**–**	**–**	**(524)**
Current liabilities	**(145)**	**(15)**	**–**	**(88)**	**(248)**
Liabilities	**(33,901)**	**(15)**	**–**	**(88)**	**(34,004)**
Net assets of joint ventures	**820**	**81**	**–**	**33**	**934**
Net assets of joint ventures excluding shareholder loans	**14,486**	**81**	**–**	**33**	**14,600**
Group share of joint ventures' net assets	**14,486**	**40**	**–**	**17**	**14,542**
Revenue	**2,489**	**38**	**876**	**753**	**4,156**
Interest payable	**(1,755)**	**–**	**(199)**	**–**	**(1,954)**
Tax expense	**(110)**	**–**	**–**	**(95)**	**(205)**
Profit from continuing operations and total comprehensive income excluding interest due to the Group	**1,044**	**14**	**462**	**651**	**2,171**
Share of joint ventures' profit due to the Group	**1,044**	**7**	**231**	**325**	**1,607**

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

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

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

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

	Elysion S.A. £'000	Stenpark Management Limited £'000	Stenprop Argyll Limited £'000	Ardale Industrials Limited £'000	Total £'000
31 March 2019					
Opening balance	**14,618**	**34**	**–**	**8**	**14,660**
Share of joint venture profit	**1,044**	**7**	**231**	**325**	**1,607**
Distribution received from joint venture	**(852)**	**–**	**–**	**(317)**	**(1,169)**
Foreign exchange movement in foreign operations	**(324)**	**(1)**	**–**	**–**	**(325)**
Disposal of joint venture	**–**	**–**	**(231)**	**–**	**(231)**
Closing balance	**14,486**	**40**	**–**	**16**	**14,542**
31 March 2018					
Opening balance	10,283	37	21,115	–	31,435
Share in associates acquired during the period	–	–	–	(1)	(1)
Share of joint venture profit	4,678	51	2,880	15	7,624
Distribution received from joint venture	(613)	(54)	(450)	(6)	(1,123)
Foreign exchange movement in foreign operations	270	–	–	–	270
Transfer to Assets Held for Sale	–	–	(23,545)	–	(23,545)
Closing balance	14,618	34	–	8	14,660

20 Assets held for sale and discontinued operations
Management considers the remaining Swiss property meets the conditions relating to Assets Held for Sale, as per IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. The property is expected to be disposed of during the next 12 months. The Swiss property at Lugano, which is valued at year end at CHF21 million (£16.2 million), is classified as held for sale. Although the sale may

not complete within 12 months, Stenprop is committed to the disposal of the asset in line with its strategy to exit the Swiss market. Accordingly, Stenprop has disclosed the asset as Held For Sale and the fair value has been determined by a third- party valuer, Jones Lang LaSalle.

The Swiss property is the only asset shown as held for sale and is also a discontinued operation as the Swiss segment is a disposal group. In the prior year, nine properties (the entire Swiss portfolio) were recognised as discontinued operations in accordance with IFRS 5.32. The results of the discontinued operations were as follows:

	31 March 2019 £'000	31 March 2018 £'000
Net rental income	**1,282**	4,389
Rental income	**2,068**	6,163
Property expenses	**(786)**	(1,774)
Operating costs	**(225)**	(598)
Net operating income	**1,057**	3,791
Fair value movement of investment properties	**(1,855)**	(5,918)
Loss on disposal of subsidiaries	**(2,236)**	–
Loss from operations	**(3,034)**	(2,127)
Profit/(loss) on disposal of property	**531**	(141)
Net gain from fair value of derivative financial instruments	**–**	–
Interest receivable	**7**	–
Finance costs	**(256)**	(687)
Net foreign exchange gains	**–**	8
(Loss)/Profit for the year before taxation	**(2,752)**	(2,947)
Current tax	**(1,689)**	235
Deferred tax	**2,118**	–
Loss for the year from discontinued operations	**(2,323)**	(2,712)

Disposals

On 19 July 2018, the Group disposed of seven properties in Switzerland, two of which were disposed of as subsidiaries and are further discussed in note 29, with the remaining five disposed of as assets. Of the five assets sold, three were located in Baar, Vevey and Montreux and were owned by Kantone Holdings Limited while Chiasso and Sissach were owned by Bruce Properties Sarl and Clint Properties Sarl respectively. The gross purchase consideration of CHF103.65 million (£81.6 million) compared with the valuation of these seven properties at 31 March 2018 of CHF103.23 million (£77.2 million).

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

On 31 December 2018, the Group disposed of 14 properties in Germany, comprising the Aldi portfolio of properties. The properties were all sold to the occupier for €35.8 million (£31.9 million).

Prior year disposals

During the prior year, the Group disposed of the two Swiss properties in separate transactions for CHF34.2 million (£26.9 million). At disposal, there was a loss of CHF0.2 million (£0.1 million) to the Group equating to the disposal costs, as the properties were already held at a fair value equivalent to the sale price.

21 Trade and other receivables

Non-current receivables	31 March 2019 £'000	31 March 2018 £'000
Other debtors	**13,365**	13,617
	13,365	13,617

Non-current other debtors includes £12.27 million (2018: £12.52 million) of loans advanced under the Share Purchase Plan (see note 13: Share-based payments) and a £1.1 million (2018: £1.1 million) loan used to purchase 1,000,000 Stenprop shares in the market by Ferryman Capital Partners Limited, a company in which Warren Lawlor, a non-executive director, has a one-third beneficial interest. Part of the loans are denominated in EUR and are therefore subject to foreign exchange movements.

Current receivables	31 March 2019 £'000	31 March 2018 £'000
Accounts receivable	**6,173**	7,350
Loss allowance	**(1,120)**	(261)
Other debtors	**4,490**	1,755

Prepayments	**624**	725
Transfer to Assets Held for Sale	**(3,468)**	(1,361)
	6,699	8,208

22 Cash and cash equivalents

	31 March 2019 £'000	31 March 2018 £'000
Cash at bank	**59,220**	25,287
Transfer to Assets Held for Sale	**(1,795)**	(738)
	57,425	24,549

Restricted cash

At year end funds totalling £8.7 million (2018: £11.1 million) were restricted. Tenant deposits of £1.6 million (2018: £2.6 million) are included in this amount as are net rents held in bank accounts which are secured by the lenders for the purposes of debt repayments and redevelopment, including £4.9 million (2018: £8.0 million) for the redevelopment of Bleichenhof. As the Group is in compliance with all the terms and conditions of its loans as at the date of signing these financial statements, there are no further restrictions, and any surplus will flow to the Group.

23 Accounts payable and accruals

	31 March 2019 £'000	31 March 2018 £'000
Accruals	**3,980**	4,745
Deferred income	**5,128**	4,883
Other payables	**9,286**	6,565
Liabilities directly associated with assets classified as Held for Sale adjustment	**(1,532)**	(1,571)
	16,862	14,622

24 Borrowings

	31 March 2019 £'000	31 March 2018 £'000
Opening balance	**259,497**	229,051
New loans	**37,051**	89,703
Amortisation of loans	**(3,593)**	(5,751)
Capitalised borrowing costs	**(873)**	(505)
Amortisation of transaction fees	**436**	401
Foreign exchange movement in foreign operations	**(1,264)**	(1,152)
Adjustment for liabilities directly associated with assets classified as Held for Sale	**(46,164)**	(52,250)
Total borrowings	**245,090**	259,497

Of the movement in borrowings in the year ending 31 March 2019, £37.05 million relates to cash received from new bank loans raised and £61.21 million relates to repayments of bank loans. Non-cash movements relate to amortisation of capitalised transaction fees and foreign exchange movements.

	31 March 2019 £'000	31 March 2018 £'000
Amount due for settlement within 12 months	**29,805**	2,800
Amount due for settlement between one to three years	**106,943**	76,258
Amount due for settlement between three to five years	**108,342**	180,439
Total borrowings	**245,090**	259,497
Non-current liabilities		
Bank loans	**215,285**	256,697
Total non-current loans and borrowings	**215,285**	256,697
Current liabilities		
Bank loans	**29,805**	2,800
Total current loans and borrowings	**29,805**	2,800
Total loans and borrowings	**245,090**	259,497

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

Entity	Note	Amortising	Loan interest rate	Currency	Maturity date	Nominal value 31 March 2019 £'000	Nominal value 31 March 2018 £'000	Carrying value* 31 March 2019 £'000	Carrying value* 31 March 2018 £'000
United Kingdom									
Laxton Properties Limited		No	LIBOR +1.4%	GBP	–	**–**	27,540	**–**	27,410
Davemount Properties Limited		No	LIBOR +2.25%	GBP	26/05/2021	**4,000**	4,000	**3,983**	3,975
LPE Limited		Yes	LIBOR +2.0%	GBP	31/03/2020	**30,000**	34,708	**29,805**	34,317
GGP1 Limited		No	LIBOR +2.25%	GBP	26/05/2021	**5,175**	5,175	**5,123**	5,099
Industrials UK		No	LIBOR +2.25%	GBP	02/06/2022	**61,484**	77,984	**61,215**	77,808
Stenprop Industrials 4 Limited		No	LIBOR +2.25%	GBP	01/06/2023	**10,211**	–	**10,043**	–
Stenprop Industrials 6 Limited		No	LIBOR +2.0%	GBP	01/02/2024	**26,840**	–	**26,343**	–
Switzerland									
Algy Properties S.a.r.l.	1	Yes	LIBOR +2.47%	CHF	31/03/2019	**–**	2,310	**–**	2,310
Bruce Properties S.a.r.l.	1	No	LIBOR +1.35%	CHF	29/03/2019	**–**	3,557	**–**	3,557
Kantone Holdings Limited	1	Yes	LIBOR +1.15%	CHF	3-month rolling facility	**6,106**	26,296	**6,106**	26,296
Polo Property GmbH	1	Yes	LIBOR +1.15%	CHF	3-month rolling facility	**–**	17,019	**–**	17,020
Germany									
Century BV		Yes	Euribor +1.55%	EUR	31/12/2022	**7,135**	7,290	**7,070**	7,205
Century 2 BV		Yes	Euribor +1.55%	EUR	31/12/2022	**3,711**	3,791	**3,673**	3,742
Stenham Beryl Limited		Yes	Euribor +1.85%	EUR	30/04/2018	**–**	4,565	**–**	4,565
Stenham Crystal Limited		Yes	Euribor +1.85%	EUR	30/04/2018	**–**	3,812	**–**	3,812
Stenham Jasper Limited		Yes	Euribor +1.85%	EUR	30/04/2018	**–**	4,665	**–**	4,665
Isabel Properties BV		No	Euribor +2.32%	EUR	30/12/2021	**7,747**	7,915	**7,747**	7,915
Bleichenhof GmbH & Co. KG		No	1.58%	EUR	28/02/2022	**73,114**	74,694	**73,114**	74,694
Stenprop Hermann Ltd		No	Euribor +1.13%	EUR	30/06/2020	**8,117**	8,293	**8,109**	8,274
Stenprop Victoria Ltd		No	Euribor +1.28%	EUR	31/08/2020	**8,866**	9,058	**8,866**	9,058
						252,506	322,672	**251,197**	321,722

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

1. All of the Swiss properties owned by the Group, with the exception of Lugano, were sold in July 2018. At this time all outstanding loans in respect of the whole of the Swiss portfolio were repaid. In August 2018 the sole remaining property, Lugano, was refinanced for CHF8 million (£6.1 million) on a three-month rolling credit facility at a margin of LIBOR +1.15%. Excluding the £6.1 million loan, which relates to discontinued operations, the total carrying value of loans at 31 March 2019 is £245.1 million as detailed on the previous page in total borrowings.

25 Other loans

	31 March 2019 £'000	31 March 2018 £'000
Loans	**48,086**	34,080
Loan repayments including foreign exchange movement	**(48,506)**	(34,591)
Foreign exchange movement	**–**	518
Interest	**420**	1,503
Interest repayments including foreign exchange movement	**–**	(1,510)
	–	–

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

26 Derivative financial instruments

In accordance with the terms of the borrowing arrangements and Group policy, the Group has entered into interest rate swap agreements which are entered into by the borrowing entities to convert the borrowings from floating to fixed interest rates and are used to manage the interest rate profile of financial liabilities and eliminate future exposure to interest rate fluctuations. It is the Group's policy that no economic trading in derivatives is undertaken by the Group. In the current year, the Group recognised a total net loss in fair value of financial instruments from continuing and discontinuing operations of £1,092,000 (2018: profit £2,453,000) and £nil (2018: £nil) respectively.

The following table sets out the interest rate swap agreements at 31 March 2018 and 31 March 2019.

Entity	Effective date	Maturity date	Swap rate %	Notional value 31 March 2019 £'000	Fair value 31 March 2019 £'000	Notional value 31 March 2018 £'000	Fair value 31 March 2018 £'000
UK							
Laxton Properties Limited	14/04/2014	08/05/2020	1.62	**–**	**–**	27,540	(361)
LPE Limited	26/03/2015	31/03/2020	1.35	**30,000**	**(176)**	30,000	(207)
Industrials UK LP	02/06/2017	02/06/2022	0.95	**60,375**	**(82)**	60,375	691
Industrials 6	01/02/2019	01/02/2024	1.27	**22,814**	**(310)**	–	–
Germany							
Century BV	31/12/2017	30/12/2022	2.50	**7,005**	**–**	7,156	14
Century 2 BV	31/12/2017	30/12/2022	2.50	**3,841**	**–**	3,924	7
Stenham Beryl Limited	01/04/2014	30/04/2018	0.83	**–**	**–**	4,565	(5)
Stenham Crystal Limited	01/04/2014	30/04/2018	0.83	**–**	**–**	3,812	(4)
Stenham Jasper Limited	01/04/2014	30/04/2018	0.83	**–**	**–**	4,665	(5)
Isabel Properties BV	30/01/2015	30/12/2021	0.48	**7,747**	**(162)**	7,915	(131)
Adjustment for liabilities directly associated with assets classified as Held for Sale adjustment (see note 20)				**–**	**–**	–	14
Total swaps				**131,782**	**(730)**	149,952	13
Liabilities maturing within 12 months				**–**	**(176)**	–	–
Assets maturing after 12 months				**–**	**–**	–	712
Liabilities maturing after 12 months				**–**	**(554)**	–	(699)
Derivative financial instruments - on balance sheet				**–**	**(730)**	–	13
Swaps included in investments in associates and joint ventures							
Regent Arcade House Holdings Ltd	20/05/2015	20/05/2020	1.57	**–**	**–**	37,500	(453)
Elysion Braunschweig S.a.r.l	01/04/2014	29/12/2023	2.43	**4,860**	**(127)**	–	–
Elysion Dessau S.a.r.l	01/04/2014	29/12/2023	2.43	**4,809**	**(126)**	–	–
Elysion Kappeln S.a.r.l	01/04/2014	29/12/2023	2.80	**5,350**	**(167)**	5,346	(82)
Elysion Winzlar S.a.r.l	01/04/2014	29/12/2023	2.80	**3,423**	**(104)**	3,564	(55)
Derivative financial instruments - associates and joint ventures				**18,442**	**(524)**	46,410	(590)

27 Acquisitions of subsidiaries
(business combinations and asset acquisitions)
Prior year business combinations

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

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

	Attributed fair value £'000
Investment in joint venture	(1)

Cash and cash equivalents	89
Trade and other receivables	52
Trade and other payables	(138)
Fair value of acquired interest in net assets of subsidiary	2
Goodwill	3,500
Total purchase consideration	3,502

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

Prior year 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 total purchase consideration was calculated with reference to the net asset value of the entities acquired as detailed below:

	Total attributed fair value £'000
Investment property	127,000
Cash and cash equivalents	2,983
Trade and other receivables	1,260
Trade and other payables	(4,252)
External debt	(69,133)
Total purchase consideration settled in cash	57,858

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

28 Acquisition of subsidiaries and joint ventures
During the year the Group incorporated the following companies:

Name	**Jurisdiction**	**Incorporation date**	**Cost £'000**	**Net assets acquired £'000**
Acquisition of industrial properties			–	–
Stenprop Industrials 5 Limited	BVI		–	–
Stenprop Industrials 6 Limited	Guernsey	24/08/2018	–	–
Stenprop Industrials 7 Limited	Guernsey	30/08/2018	–	–
Stenprop Industrials 8 Limited	Guernsey	30/08/2018	–	–
Stenprop Industrials Holdings Limited	Guernsey	24/08/2018	–	–

29 Disposal of subsidiaries
On 17 July 2018, the Group disposed of its 100% shareholding in Polo Property GmbH for a consideration of CHF12.7 million. Polo Property GmbH owned the properties known as Altendorf and Arlesheim in Switzerland.

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

In the prior year, on 11 January 2018, the Group disposed of its 100% shareholding in Normanton Properties Limited for a consideration of £42.6 million. Normanton Properties Limited owned the property Pilgrim Street, London.

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

	31 March 2019 £'000	**31 March 2018 £'000**
Carrying value of net assets at disposal date		
Investment property	**110,419**	79,900
Trade and other receivables	**627**	205
Cash and cash equivalents	**2,132**	1,831
Borrowings	**(45,334)**	(37,608)
Trade and other payables	**(2,871)**	(1,694)
Net assets disposed	**64,973**	42,634
Net disposal proceeds	**74,094**	42,608
Foreign exchange movement in foreign operations	**(231)**	–
Profit/(loss) on disposal of subsidiaries (including discontinued operations)	**8,890**	(26)
Net assets disposed	**64,973**	42,634
Discontinued Operations – Loss on disposal of subsidiary (note 20)	**(2,236)**	–
Continuing Operations – Profit/(loss) on disposal of subsidiary	**11,126**	(26)
Profit/(loss) on disposal of subsidiaries (including discontinued operations)	**8,890**	(26)

30 Deferred tax

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

	31 March 2019 £'000	31 March 2018 £'000
Opening balance	**(9,379)**	(5,794)
Deferred tax recognised on investment properties	**2,905**	(3,675)
Deferred tax recognised on revaluation of financial liabilities	**8**	(53)
Deferred tax on tax losses	**492**	590
Deferred tax – other withholding tax	**(1,768)**	–
Exchange movements	**1,223**	–
Adjustment for liabilities directly associated with assets classified as Held for Sale adjustment	**(3,897)**	(447)
Closing balance	**(10,416)**	(9,379)

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

	31 March 2019 £'000	31 March 2018 £'000
Deferred tax liabilities	**(15,574)**	(18,040)
Deferred tax assets	**5,158**	4,764
Adjustment for liabilities directly associated with assets classified as Held for Sale adjustment	**–**	3,897
Closing balance	**(10,416)**	(9,379)
Deferred tax opening balance	**13,276**	10,139
Exchange movements	**(1,223)**	(123)
Deferred tax liability closing balance	**(10,416)**	(13,276)
Movement in deferred tax	**1,637**	(3,260)

31 Financial Risk Management (i)

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

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

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

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

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

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

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

Credit risk

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

The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings of the counterparty where the account or deposit is placed. The credit rating summary below represents the nine European financial institutions that hold more than

£1 million (or GBP equivalent) of the Group's cash at 31 March 2019. Together these banks hold 96% of the Group's total cash at bank.

	31 March 2019	31 March 2018
• ABN AMRO Bank NV	**A+**	A
• Barclays Private Clients International Limited	**A+**	A
• Berlin Hyp AG	**AA-**	N/A
• Credit Suisse AG	**A**	N/A
• Deutsche Bank AG	**A-**	A-
• Hamburg Commercial Bank AG	**A+**	N/A
• Lloyds Bank plc	**A+**	N/A
• Royal Bank of Scotland Group plc	**A+**	BBB+
• Santander UK plc	**A+**	A

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

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

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

At 31 March 2019, trade and other receivables and cash and cash equivalents amounts to £64.1 million (2018: £32.8 million) as shown in the statement of financial position.

31 Financial Risk Management (ii)

Liquidity risk

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

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

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

	Less than one month £'000	One to three months £'000	Three to twelve months £'000	One to five years £'000	Over five years £'000	Discount £'000	Total £'000
Interest-bearing loans	**–**	**160**	**35,751**	**106,942**	**108,344**	**–**	**251,197**
Loan interest	**685**	**1,806**	**4,704**	**12,025**	**–**	**(18,311)**	**909**
Financial liabilities	**–**	**–**	**176**	**554**	**–**	**–**	**730**
Deferred tax	**–**	**–**	**–**	**10,415**	**–**	**–**	**10,415**
Other payables (incl. tax)	**–**	**2,136**	**10,462**	**–**	**–**	**–**	**12,598**
Accruals	**–**	**38**	**3,033**	**–**	**–**	**–**	**3,071**
Deferred income	**–**	**5,128**	**–**	**–**	**–**	**–**	**5,128**
Liabilities directly associated with assets classified as Held for Sale	**–**	**(219)**	**(9,106)**	**–**	**–**	**–**	**(9,325)**
As at 31 March 2019	**685**	**9,049**	**45,020**	**129,936**	**108,344**	**(18,311)**	**274,723**

	Less than one month £'000	One to three months £'000	Three to twelve months £'000	One to five years £'000	Over five years £'000	Discount £'000	Total £'000
Interest-bearing loans	56,358	–	8,667	76,261	180,436	–	321,722
Loan interest	825	1,912	5,509	15,684	–	(23,076)	854
Financial liabilities	14	–	–	699	–	–	713
Deferred tax	–	–	3,898	9,379	–	–	13,277
Other payables (incl. tax)	–	2,177	7,180	–	–	–	9,357

Accruals	–	–	3,891	–	–	–	3,891
Deferred income	–	4,883	–	–	–	–	4,883
Liabilities directly associated with assets classified as Held for Sale	(56,405)	(286)	(11,016)	–	–	–	(67,707)
As at 31 March 2018	792	8,686	18,129	102,023	180,436	(23,076)	286,990

31 Financial Risk Management (iii)

Fair value of financial instruments

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

	Held at fair value through profit and loss £'000	Held at amortised cost £'000	Total carrying amount 31 March 2019 £'000
Financial assets			
Cash and cash equivalents	**–**	**57,425**	**57,425**
Derivative financial instruments	**–**	**–**	**–**
Accounts receivable	**–**	**5,053**	**5,053**
Other debtors	**–**	**15,011**	**15,011**
31 March 2019	**–**	**77,489**	**77,489**
Financial liabilities			
Bank loans	**–**	**245,090**	**245,090**
Derivative financial instruments	**730**	**–**	**730**
Accounts payable and accruals	**–**	**18,487**	**18,487**
31 March 2019	**730**	**263,577**	**264,307**

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

31 Financial Risk Management (iv)

Market risk

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

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

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

.

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

Foreign currency risk

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

	31 March 2019 £'000	31 March 2018 £'000
Assets		
CHF	**21,423**	94,875
EUR	**256,226**	292,426
Liabilities		
CHF	**9,326**	53,644
EUR	**122,251**	138,241

Foreign currency sensitivity analysis

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

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

	Equity £'000	Profit or loss £'000
CHF impact	**(1,210)**	**237**
EUR impact	**(13,398)**	**(1,127)**
	(14,608)	**(890)**

The exchange rates against GBP during the year were:

	Average rate for year to 31 March 2019	As at 31 March 2019
CHF	**0.7691**	**0.7710**
EUR	**0.8820**	**0.8608**

Interest rate risk

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

31 Financial Risk Management (v)

Fair value hierarchy

The table below analyses the Group's financial instruments carried at fair value, by valuation method. The fair value measurement for the Group's financial assets and financial liabilities are categorised into different levels in the fair value hierarchy. The different levels have been defined as follows:

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

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

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

	Total financial instruments recognised at fair value £'000	Designated at fair value Level 1 £'000	Level 2 £'000	Level 3 £'000
31 March 2019				
Assets				
Derivative financial instruments	**–**	**–**	**–**	**–**

Total assets	**–**	**–**	**–**	**–**
Liabilities				
Derivative financial instruments	**730**	**-**	**730**	**-**
Total liabilities	**730**	**-**	**730**	**-**
31 March 2018				
Assets				
Derivative financial instruments	712	–	712	–
Total assets	712	–	712	–
Liabilities				
Derivative financial instruments	699	–	699	–
Total liabilities	699	–	699	–

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

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

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

Capital risk management
The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents and equity attributable to ordinary shareholders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity. Stenprop's average loan-to-value ratio ('LTV') ratio at 31 March 2019 was 44.2% (2018: 49.2%), including joint ventures and associates and the Group is not subject to any external capital requirements. The Group strategy is to maintain a debt-to-equity ratio and LTV to ensure that property performance is translated into an enhanced return for shareholders while at the same time ensuring that it will be able to continue as a going concern through changing market conditions. The directors are of the opinion that a 40% LTV in respect of secured external borrowings is an appropriate target for the Group, given the current market conditions.

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

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

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

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

	31 March 2019 £'000	31 March 2018 £'000
Continuing operations		
Within one year	**33,167**	30,006
Between one and two years	**26,796**	26,849
Between two and five years	**45,658**	57,087
After five years	**38,039**	42,336
	143,660	156,278
Discontinuing operations		
Within one year	**1,157**	7,086
Between one and two years	**1,157**	6,516
Between two and five years	**3,470**	17,779
After five years	**15,623**	27,621
	21,407	59,002

34 Contingent liabilities and commitments
As at 31 March 2019, the Group was contractually committed to £2.16 million for the redevelopment at the Conningsby Park MLI site in Peterborough. Works are estimated to be completed by September 2019.

The Group has a further £1.1 million of construction contracts committed to for the continuing redevelopment of Bleichenhof in central Hamburg. Construction is expected to be complete by the end of 2019.

35 Events after the reporting period

(i) Declaration of dividend

On 5 June 2019, the board declared a final dividend of 3.375 pence per share. The final dividend will be payable in cash or as a scrip dividend by way of an issue of new Stenprop shares. An announcement containing details of the dividend and the timetable will be made in due course.

(ii) Share incentive awards

On 5 June 2019, the board, on the recommendation of the remuneration committee, approved share-based awards in relation to the Long Term Incentive Plan and the Deferred Share Bonus Plan. Details of awards made to executive directors can be seen in note 8.