12 June 2020

Stenprop Limited

(‘Stenprop’, the ‘Company’ or the ‘Group’)

PRELIMINARY RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

Stenprop, the UK REIT which is listed on the London Stock Exchange and the Johannesburg Stock Exchange, announces its full-year results for the year ended 31 March 2020.

	Year ended 31 March 2020	Year ended 31 March 2019
Key Highlights		
% portfolio multi-let industrial (‘MLI’)	58.0%	42.7%
Group LTV* ratio	40.8%	44.2%
Total dividend per share	6.75 p	6.75 p
Portfolio valuation	£532.6 m	£612.9 m
Like-for-Like* portfolio valuation increase	+2.8%	+0.8%
Free cash*	£70 m	£35 m
Reported IFRS* results		
Net rental income from continuing operations	£33.0 m	£33.9 m
IFRS profit for the year	£15.6 m	£23.8 m
Property-related diluted EPS	5.25 p	6.30 p
Management fee income per share[1]	0.19 p	2.05 p
Diluted IFRS EPS	5.44 p	8.35 p
Diluted IFRS NAV per share	£1.37	£1.36
Reported EPRA* results		
Property-related diluted adjusted EPRA EPS*	6.69 p	6.79 p
Management fee income per share[1]	0.19 p	2.05 p
Diluted adjusted EPRA EPS [2]	6.88 p	8.84 p
Diluted EPRA NAV* per share [3]	£1.39	£1.41

1.Earnings per share measures have been split to show the contribution to earnings from net management fee income and the earnings from the balance of the Group’s operations. Management fee income per share is calculated using ‘Net management fee income’ from the Statement of Comprehensive Income divided by weighted average number of shares in issue.

2.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). Diluted adjusted EPRA earnings per share includes company specific adjustments.

3.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. ‘IFRS’ means International Financial Reporting Standards. ‘Like-for-Like’ is a change in measure for reference data existing in the current and previous period. ‘Free cash’ is cash and cash equivalents less restricted cash and cash held for other purposes.

OPERATIONAL HIGHLIGHTS

• Solid progress made in the transition to become a 100% UK multi-let industrial (‘MLI’) business:

- MLI portfolio represents 58% of the total property portfolio, up from 42.7% a year earlier
- Acquisition during the year of 10 MLI estates and a number of additional units on existing estates for a total purchase price of £38.8 million
- Sold three small UK retail properties for an aggregate consideration of £4.60 million and the portfolio’s largest property, known as Bleichenhof located in in central Hamburg, for €160.15 million (£136.2 million)
- Group LTV ratio reduced to 40.8% (2019: 44.2%) on drawn facilities, or 27.7% when taking free cash into account.

- Further investment in MLI operating platform.

Completed 197 new lettings / lease renewals in the MLI portfolio for an average contractual term in excess of four years and 19% ahead of the previous passing rent for each unit.

On a like-for-like basis, the valuation of the total portfolio increased by 2.8% over the prior year. The like-for-like increase on the MLI portfolio valuation was 3.7%.

Strong balance sheet at 31 March 2020 with £70 million of free cash and significant headroom for both interest cover and LTV loan covenants. Stenprop is well placed to cope with a prolonged period of uncertainty.

At 31 May 2020, 82% of the portfolio's total rent invoiced and due had been received for the aggregate of the quarter commencing 25 March 2020 and the months of April and May 2020.

FINANCIAL HIGHLIGHTS

- Declared final dividend on 11 June 2020 of 3.375 pence per share, which together with the interim dividend of 3.375 pence per share declared on 21 November 2019, results in a total dividend for the year ended 31 March 2020 of 6.75 pence per share (2019: 6.75 pence per share). The total dividend for the year is fully covered by earnings of 6.88 pence per share. Subject to the receipt of regulatory approvals, a scrip alternative will be offered, which the directors intend to match through the buyback of shares on the market.
- Net rental income for the period of £33.0 million (2019: £33.9 million). Profit after tax of £15.6 million (2019: £23.8 million). Adjusted EPRA profit after tax was £19.7 million (2019: £25.2 million).
- Diluted IFRS net asset value per share was £1.37 (31 March 2019: £1.36). Diluted EPRA net asset value per share of £1.39 (31 March 2019: £1.41).
- Diluted IFRS earnings per share ('EPS') was 5.44 pence (2019: 8.35 pence). Diluted adjusted EPRA EPS was 6.88 pence (2019: 8.84 pence). The decline in earnings was a direct consequence of the previously communicated strategic decision to withdraw from all historic third-party fund management activity.

Paul Arenson, CEO of Stenprop, commented: "We are pleased to have met the key milestone targets articulated in late 2017 and expect to complete the transition into a 100% UK MLI business over the next two years. The new financial year is likely to be challenging with COVID-19 and Brexit headwinds but we are well positioned to meet these challenges with exposure to resilient assets, a strong balance sheet and free cash of approximately £70 million. While we acknowledge the need for caution, we are keen to start taking advantage of the conditions to acquire additional MLI estates at attractive risk-adjusted pricing. We have full belief in our strategy of becoming a 100% UK MLI operating company and anticipate that many of the trends which have fueled the demand for this asset class from occupiers and investors over recent years will be accelerated by the current COVID-19 crisis".

A webinar for investors and analysts will be held at 9.30am UK time and 10.30am (SA time) on 12 June 2020 via Zoom conference. For those wishing to join the webinar, please register prior to or on the day of the webinar using this link: https://bit.ly/3c1jiy8

For further information:

Stenprop Limited +44(0)20 3918 6600
Paul Arenson (paul.arenson@stenprop.com)
Julian Carey (julian.carey@stenprop.com)
James Beaumont (james.beaumont@stenprop.com)

Numis Securities Limited (Financial Adviser) +44(0)20 7260 1000
Hugh Jonathan
Vicki Paine
Justin Bell

Tavistock (PR Adviser) +44(0)20 7920 3150
James Whitmore
James Verstringhe

Java Capital Trustees and Sponsors Proprietary Limited +27 (0)11 722 3050
(JSE Sponsor)

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

Alternative performance measures ('APMs')
Stenprop prepares its financial statements using IFRS. In addition to information contained in the Group financial statements, APMs, being financial measures which are not specified under IFRS, are also used 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 EPRA based metrics, as well as Company-specific 'Diluted adjusted EPRA earnings' measures to provide additional information for reporting the value and performance of the business. A reconciliation to IFRS numbers is included in note 14 and 15 of the financial statements. Also see note 28 for LTV.

Chief Executive's Report

We have successfully delivered on our two-year roadmap set out in 2018.

This last year has been a very positive one for Stenprop and we are pleased with the progress we have made during the year in delivering on our designated milestones.

We have brought our leverage (LTV ratio) down to 40.8% from a peak of more than 55% two and a half years ago. After taking into account free cash of approximately £70 million, our effective leverage was down to 28% at 31 March 2020.

Our UK multi-let industrial (MLI) portfolio ended the year at 58% of our total portfolio. We were on track to achieve our targeted level of 60% MLI with some small acquisitions which we were negotiating prior to year end, but chose not to pursue them once the seriousness of COVID-19 became clear.

Excellent progress has been made in evolving our platform strategy, both on the ground and by embracing technology to enhance efficiencies and enable us to manage significantly more scale with marginal incremental cost. We are also making good progress with putting in place the infrastructure to create additional revenue streams by being able to offer other services and products to our customer base which they currently procure independently from third parties.

At the same time, notwithstanding the levels of cash held, the costs involved in transitioning assets from non-MLI to MLI assets and the investment in our platform, we have delivered diluted adjusted EPRA earnings of 6.88p per share. Read more on the financial performance of the Group in the Financial Review.

Until early to mid-March, and following our deliberate decision to accelerate disposals, we considered our primary challenge to be the potential reduction in earnings from holding excess cash, with free cash standing at approximately £70 million at the year end. Cash was expected to earn 0.5% compared with generating more than 7% in earnings if deployed into MLI with 40% leverage. A further concern related to the potential impact of Brexit.

With the sudden advent of COVID-19, the challenge of cash drag on earnings has become much less of a focus, with large cash holdings now regarded as extremely beneficial as companies move to bolster their balance sheets and ensure survival. We are pleased to report that our strategy of bringing down leverage, negotiating significant covenant headroom and accelerating our sales, notwithstanding the potential dampening effect on earnings, has greatly strengthened our financial position going into the COVID-19 crisis.

Although Brexit has also faded from the current dialogue as a result of COVID-19, it will present challenges to the UK economy in due course.

Our primary focus now is to maintain a strong balance sheet to have the ability to meet obligations through the COVID-19 period, at a time when some of our tenants may be struggling and unable, or unwilling, to pay their rent. We intend to continue to build our MLI portfolio subject to prevailing market opportunities.

Impact of COVID-19 on our business

Sales, purchases and debt strategy

During the year we sold three small UK retail properties for an aggregate consideration of £4.60 million. We also sold our largest property in central Hamburg known as Bleichenhof for €160.15 million (£136.2 million).

Motivated by our belief that we could take advantage of high sales prices in the cycle, we took a strategic decision midway through the year to accelerate our sales strategy and accept the potential reduction in earnings as a result of holding surplus cash. We did not want to risk utilising our revolving debt facility to increase leverage for purchases and find ourselves caught with higher leverage and needing to dispose of assets to bring leverage down.

This proved to be a good decision, as we now find ourselves in a much stronger financial position to deal with COVID-19.

We plan to continue with the sale of the three Berlin daily needs centres and the five retail warehouses in Germany. The three Berlin centres have been marketed and were at an advanced stage of the sales process, with potential buyers having completed their inspections and preliminary due diligence, when COVID-19 struck. We anticipate that good sales prices will still be achieved, but will take longer to complete. The five retail warehouses are at an early stage of the sales process and we anticipate interest in these assets to increase once the German government eases their COVID-19 lockdown measures.

On the debt side, much of our debt has deliberately been kept short, as many assets were due to be sold. We were also investigating refinancing a large part of our MLI portfolio on a seven-to- ten-year term with insurers rather than banks, at an estimated annual saving of approximately 80bps in overall interest costs. Again, this will need to be delayed as a result of COVID-19, as finance providers are focusing on the issues facing existing borrowers and new refinancings are not straightforward.

We intend to start making acquisitions with the cash we have available as soon as we feel the crisis is beginning to pass and we are able to properly understand its impact. We hope that the crisis will create some interesting buying opportunities. Until then we prefer to maintain a conservative stance and remain financially strong albeit with lower earnings as a result of holding surplus cash.

Performance of the UK MLI sector

The imbalance in supply and demand continued to deliver inflation-beating rental growth throughout the year. The fundamentals in the sector, until the advent of COVID-19, remained extremely positive and we were experiencing underlying rental growth of 4-5% for the year.

We held the view before COVID-19 that this imbalance would continue for a number of years, as it was not economically feasible to build MLI units at current rental levels and yields. Our MLI portfolio is valued at approximately £68.26 per sq ft which in our view approximates to 50% to 60% of replacement cost of these assets. On the demand side we were seeing more and more new types of businesses, enabled by the internet, wanting space in MLI units. These are occupiers which have not previously occupied MLI space and are now realising the value of affordable, flexible space close to towns and cities.

Whilst COVID-19 is causing immense disruption to the economy and to our customers, we believe that the response is also paving the way for greater future demand for MLI units. The internet sales and distribution channel for all businesses will have taken another big step forward as the whole population has been forced into isolation and have had no choice but to embrace the new technologies and supply and distribution channels. Home working and the explosion of communication technologies will also foster greater ability to work in a decentralised way, which feeds demand for MLI space.

We believe companies will reassess their globalised 'just-in-time' supply chains. It is becoming clear to many businesses that it is not viable to rely on geographically distant supply chains from single undiversified sources. We sense a desire for companies to have greater control over supplies and easier access, even if it means more cost. As a result, we expect to see more demand for MLI units as the trend for ever increasing globalisation falters and more is made, sourced or stored locally.

Strategy for the MLI business

Our overall strategy remains to become a 100% focused UK MLI business. We are well advanced with that transition and will continue to sell our non-MLI assets as soon as markets return to some form of normal functioning. The initial assets to be sold are our three daily needs Berlin centres and our five small standalone retail warehouses. We remain confident that these will sell well when normal market conditions resume, based on offers received before COVID-19.

We also will use part of our free cash of approximately £70 million to make further MLI purchases as soon as it is economically sensible to do so.

In addition to the transition, our strategy is to invest in and build a market leading technology enabled MLI management platform. We believe the UK MLI sector is ready for this in much the same way as platforms have transformed the risks, efficiencies and valuations in other sectors like self-storage, student accommodation and hotels. Our intention is to continue with the investment into this during this year and future years.

Outlook for the year

COVID-19 has had a significant impact on our priorities for the coming year. Before COVID-19 our focus was largely on delivering earnings and dividends to shareholders whilst transitioning the business. The immediate focus has now changed to that of ensuring that Stenprop maintains its robust financial health in order to be able to withstand the challenges arising from COVID-19. A strong balance sheet and vigilant risk management are vital to ensure we successfully navigate through this period.

As outlined earlier in this report, our past risk management has ensured that we go into this crisis with a strong balance sheet and a cushion of approximately £60 million of free cash (after paying the final dividend of approximately £9.6 million). As such, we are confident that our survival is not under threat.

We are also focused on how our earnings will be impacted during the period and at this stage it is too early to provide further meaningful detail. We have provided regular update announcements on our rent collection statistics and readers can read more about the financial impact of COVID-19 on the business on page 11.

The diversity of our customer base, both as to type of business and region, has contributed to a high degree of resilience on the part of our portfolio during COVID-19 as different businesses are impacted in different ways. Fortunately, most have been able to continue in business, albeit at reduced levels in many instances, as the MLI units allow for social distance working and most businesses in MLI have some form of e-commerce component either being part of the distribution chain or as part of an online sales channel.

Conclusion

We are confident that we have a strong balance sheet and cash reserves to weather the COVID-19 storm.

We also have sufficient capital in the form of saleable non-MLI assets to implement our business plan and are not reliant on needing to raise new capital for this.

Our focus during the COVID-19 crisis will be on assisting our customers and on building our management platform. Once the crisis has passed, we will endeavour to be quick out of the blocks with selling our non-MLI assets and completing our transition into a 100% MLI business.

The fundamentals of the MLI asset class remain very positive in the medium to long term. We believe Stenprop is well positioned to benefit from these fundamentals and to take a strong leap forward when the COVID-19 crisis passes, as it inevitably will.

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

Paul Arenson
Chief Executive Officer

11 June 2020

Property Report

United Kingdom

Market environment:
Brexit-related uncertainty continued until the UK General Election in December 2019, which produced a significant Conservative majority and with that, a clear direction of travel in the Brexit process. This culminated in the UK leaving the European Union on 31 January 2020 and entering into the 'Transition Period'.

The gross domestic product in the UK grew 1.4% in 2019 slightly ahead of the forecast rate of 1.2%. The Bank of England base rate was steady at 0.75% until March 2020 when it was cut to the all-time low of 0.1%. The fate of Sterling tracked the Brexit process for the most part, re-bounding against major currencies as more clarity emerged following the election. Since the beginning of March 2020 it had fallen sharply against both the US Dollar and the Euro, albeit with some recovery by the end of the month. Inflation (CPI) fluctuated between 1.4% and 2% in the financial year to March 2020, which is below the Bank of England's 2% target, and contributed to real earnings growth. In the most recent available figures for the three months to January 2020, in real terms annual growth in both total pay and regular pay is estimated to be 1.5%. This is down from a recent peak of 2.0% in the three months to June 2019. Unemployment was stable at the lowest level since 1975 at 3.8% and 3.9% until March 2020. Other available data suggests that this will rise significantly in the next official release of information as the impact of COVID-19 begins to impact businesses and employment. The Government furlough scheme has mitigated this to some extent, but the ONS shows that the claimant count in April rose by 856,000 to 2.1 million, the biggest monthly rise on record.

Total returns by sector:
There continues to be significant capital ready to be deployed in the property market across most sectors. Asset managers raised more than €200 billion (£175 billion) in 2019 to invest in real estate – up 24% on the amount raised in 2018 with €73 billion. Only 60% was invested by the end of the year and due to the hiatus in investment activity since the beginning of the year much of this will still remain undeployed.

When liquidity returns to the investment market this weight of capital may help to support pricing in some sectors that may otherwise have been affected by the ongoing COVID-19 and associated economic crisis.

The UK commercial property market performance has slowed compared to the year ended March 2019. According to CBRE, total returns for all property fell to 2.2% compared to 6.3% for the previous year. Retail again limited this growth with a -6.2% return, whilst all other sectors remained positive.

Industrial was again the best performing sector providing total returns of 7.6% compared to a market average of 2.2% (down from 18.1% at the end of the year in 2019). Total industrial returns were dampened with limited capital value growth of 2.5%, compared to 12.4% a year prior, whilst returns from rental value growth were more consistent at 3.1% vs 4.2%.

Due to the current macroeconomic volatility, making assumptions for the forthcoming year is difficult at this time. We anticipate that the industrial sector is well placed to re-open with more scope for social distancing in the work place due to lower employee volumes and lack of ability to work from home. If investors can get comfortable with the changes in the occupational market, then their ability to underwrite deals with confidence will lead to some increase in transaction volume. What remains to be seen is what the impact on capital values will be and if there will be any distress in the industrial sector to drive this. At present due to a lack of transactions there is no evidence to support a material change in pricing, although some deals are being structured to provide purchaser protection by way of rent cover for rent arrears.

Remaining non-MLI assets:
During the year we sold our last remaining retail property in the UK, 65 Victoria Street, Grimsby. The property was let to New Look which had entered into a CVA in 2019. We engaged with New Look and agreed to re-gear the lease, implementing a new five-year term from September 2019 to reposition the income profile in advance of the sale of the asset in December 2019.

A number of lease expiries are falling due in the near term on the single-let industrial units. We are in the advanced stages of negotiations with John Menzies PLC to renew their lease on an industrial/distribution facility in Sheffield, and remain in ongoing negotiations with Booker Limited regarding their occupation of two properties in Worcester and Merthyr Tydfill. Two remaining lease expiries are falling due in the medium term in Reading and Ashby-de-la-Zouch and we continue to monitor options available with both tenants.

At Trafalgar Court, Guernsey there is a rent review with our largest tenant later this year, and we are already actively engaged in seeking a settlement.

The remainder of the non-MLI assets held in the UK will be sold over the next two years to facilitate further investment into MLI. Non-MLI assets comprise 20% of our UK portfolio by value. These UK assets are made up of the following:

- £57.5 million – an office block in Guernsey known as Trafalgar Court

- £21.3 million – five single-let industrial units

MLI portfolio acquisitions since April 2019:
Stenprop has concluded the acquisition of ten estates during the financial year for a total figure of £36.2 million and a number of additional units on already owned estates for £2.6 million.

These acquisitions equated to 504,000 sq ft of MLI space across 195 units with a passing rent at acquisition inclusive of guarantees of £2.76 million per annum, equating to an average rent of £5.50 per sq ft. The acquisition price reflected a capital value per sq ft of £76, reflecting an approximate discount of 40% to estimated replacement cost. The individual estates were purchased from a range of vendors: listed entities, property companies and high net-worth individuals. They represent a diverse geographical spread: located in Warrington, Brighouse, Glasgow, Huntingdon, Bridgwater, Edinburgh, Middlesbrough, Deeside and Sheffield. 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. Stenprop curtailed investment activity at the start of March due to the difficulty in underwriting assets during COVID-19 and in order to preserve cash. Stenprop continues to actively monitor the market and the wider economic and social implications and is well positioned to re-enter the market and continue to acquire multi-let industrial in line with our investment criteria and complete the transition to becoming a 100% UK multi-let industrial business.

Investment pipeline:
The industrial investment market was quiet during the course of the last financial year, and as a result Stenprop reviewed c. £1.4 billion of potential MLI acquisitions, down from c£2.6 billion in the previous year. We appraised each of these opportunities with reference to our strict investment criteria, and bid on approximately £250 million of potential opportunities. There continues to be a lack of portfolios and lot sizes are smaller than we have seen in previous years. In the first quarter of 2020 (prior to COVID-19) we saw improved deal flow and liquidity in the market. Many of these opportunities were withdrawn from the market as running a sale process became increasingly difficult, and they are likely to become available again when normality returns to the investment market. Across the whole UK investment market in FY2020 Q4 the headline figure showed a reduction in investment volume of only 7% against the five-year average, but this was distorted by the UK's largest-ever property deal, namely the iQ Student portfolio acquired by Blackstone for £4.66 billion. With this stripped out volumes for the quarter were at their lowest level since 2012 and the number of deals was 25% down on the quarterly average, (LSH Research). For this quarter compared with the equivalent in 2019 all industrial deal volumes were down 46% with the sub-sector most equivalent to a UK MLI strategy (Non SE Industrial, excluding distribution warehousing) down 73%.

Our 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 and can source opportunities from a wide range of different sellers. 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 us to achieve value in a competitive market. This network will ensure we are well placed to re-enter the market when we believe it is prudent to do so.

Investment Criteria

- 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
- acquisition cost below replacement cost

View more online at **stenprop.com/our-space/investment-criteria/**

We had another strong year of performance from the MLI portfolio, with strong demand and limited market supply resulting in significant uplifts at lease expiry and lettings ahead of ERV. Vacancy across the portfolio reduced over the year as a result of a number of initiatives implemented through our Industrials platform, including Smart Leases, our Customer Engagement Manager programme and more direct to customer marketing.

Income Profile
Passing and contractual rents grew by **5.6%** on a like-for-like basis between 1 April 2019 and 31 March 2020, compared with **4.8%** for the previous period.

The total estimated rental value of the portfolio is **£26.2 million**, reflecting a 20.4% premium to the current passing rent.

Leasing and Rents
19% average uplift in rent across the **197** leasing transactions completed during the year (previous year: **17%** uplift on **126** transactions)

Lettings were on average **10.1%** ahead of April 2020 ERVs over the year

116 new lettings (**£2.2 million** p.a. of contractual rent) at an average premium to ERV of **12.5%** (previous year: **78** lettings at an average **12.6%** premium to March 2018 ERVs)

81 renewals (**£1.8 million** p.a. of contractual rent) at an average premium to ERV of **7.3%** (previous year: **48** renewals at an average **9.0%** premium to March 2018 ERVs)

The average new lease was **4 years** in duration with a **2.5 month** rent free period (previous year: **3.3 years** average lease term and a **1.6 month** rent free period)

Vacancy across the portfolio fell from **10.2%** to **8.9%** on a like-for-like basis between 1 April 2019 and 31 March 2020

As at 31 March 2020 we had **63 units** under offer for rent of **£1.2 million**. Of the under offer space, 60,000 sq ft was on units which were unoccupied (i.e. new lettings rather than renewals), representing 15% of our total vacancy at the time.

Tenant retention
287 lease events during the year (either lease expiry or break options)

76% of tenants remained in occupation at lease events

Of those units returned to us, we had already re-let **50%** by 31 March 2020

Germany

Market environment
Germany has seen slowing economic growth since 2018, with just 0.6% of GDP growth in 2019. This can largely be explained by slowing international trade and Brexit-related uncertainty, which is weighing on export demand and industrial output. In contrast, consumer demand remains strong with record employment and robust wage growth. Demand for Germany's key exports, vehicles and investment goods, continue to struggle. Despite tight labour markets, Euro area inflation has been persistently weak, prompting the European Central Bank (ECB) to lower the deposit rate further into negative territory and reinstate its net asset purchase programme.

Real estate in Germany has once again proved attractive to both foreign and domestic capital. 2019 saw a record €91 billion transacted across the commercial and residential space. Foreign capital is drawn by the relative stability of the German market compared to other European countries and domestic capital due to the relatively attractive yields versus cash and bonds. The office and residential sectors remain dominant, accounting for 64% of transactions, but alternative asset classes such as healthcare and nursing homes are becoming increasingly attractive due to their ability to deliver higher yields. 60% of the transaction volume was focused in the seven largest cities.

Whilst many parts of the retail sector experienced headwinds from expanding online retailers, convenience retail remains robust. At the time of writing, most of western Europe, and indeed the globe, has been locked down as a result of COVID-19. It is difficult to determine the impact at this stage, but the longer the lockdown continues the greater the longer-term impact will be. Germany's proactive approach to tackling the impact of the virus appears at this stage, to be working well.

Investment and asset management
The German assets performed well over the course of the year and high occupancy levels were maintained across the portfolio. As well as the targeted disposal of our largest asset in Hamburg, Bleichenhof, we took the decision to accelerate the sale of the majority of our remaining German assets in 2020 to enable us to focus on building our MLI business in the UK.

Having appointed CBRE in January 2020 to sell the three Berlin shopping centres, we continue to market these assets targeting completion of the sale this year. Similarly, JLL was appointed to market the Bikemax portfolio, comprising five retail warehouse units across central and southern Germany, and we intend to progress this sale in the second half of 2020.

On the asset management side, we continued to focus on enhancing the income across the portfolio. At Bleichenhof, all but one of the restaurant units were let and occupied at the time of sale, with the remaining unit due to open this summer. We also successfully completed the regear of the principal lease to BOC (Bike & Outdoor Company) across the five assets that comprise the Bikemax portfolio. The BOC income comprises 70% of the total income generated from these assets. The lease term was extended to provide a term certain to BOC of 12 years in return for a small rent-free period and a downward adjustment of the rent to market levels. Finally, we continue to work through a lease regear with the anchor tenant at Hermann shopping centre in Berlin. We believe that this anchor tenant continues to trade very well from the unit and is keen to expand and upgrade its presence at the centre. The lease regears in the Bikemax portfolio and at Hermann will enhance the investor appeal of both assets as we seek to dispose of them, allowing us to maximise liquidity and sale proceeds.

Switzerland

Market environment
JLL has reported that, although large sections of the Swiss economy had got off to a good start in 2020, the COVID-19 pandemic is stifling any optimism. The hospitality industry is highly concerned about the coronavirus pandemic. Business here was solid at the beginning of the year and remained virtually unchanged throughout January. At the beginning of this year firms were still expecting a small overall increase in overnight stays during the first quarter of 2020. These expectations have become obsolete owing to the outbreak of the coronavirus pandemic.

This year, the growth contribution made by the retail, transport and hospitality sectors in particular will be negative. Consumer-related services, on the other hand, are clearly in positive territory thanks to the healthcare sector.

It is currently highly uncertain how the pandemic is likely to continue going forward. KOF Swiss Economic Institute has therefore developed various scenarios. KOF's baseline scenario assumes that the pandemic will significantly disrupt economic life over the next 12 months. However, the countermeasures taken should mitigate the economic impact in summer 2020. Over the course of this year the imposed production restrictions will reduce output across sectors. The containment of the virus will enable some of the output lost to be compensated for at the end of this year and next year.

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 in 2018. The repositioning of the Lugano property from a retail centre to a gym and wellness centre was completed with the grand opening of the facility taking place in March 2019. The property is classified as 'held for sale' as, in line with our stated strategy, we will seek to dispose of this property at an opportune time as soon as practicable after pandemic issues have subsided. The centre reopened for trade on 11 May 2020 after being closed due to COVID-19.

Financial Review

Overview
The onset of COVID-19 occurred in the last two weeks of the financial year and has therefore had virtually no impact at all on our annual financial results for the year ended 31 March 2020. Clearly, there will be a significant impact on our next year results which I have addressed further on in my report. From a financial and operating perspective, I am confident that Stenprop is well positioned to deal with the challenges of COVID-19. I take particular comfort from the strength of the Stenprop balance sheet and the levels of significant unrestricted cash balances.

Stenprop's board of directors (the 'Board') have declared a dividend of 3.375 pence per share for the six months ended 31 March 2020, bringing the full year distribution to 6.75 pence per share (2019: 6.75 pence). The dividend is fully covered by diluted adjusted European Public Real Estate Association ('EPRA') earnings per share of 6.88 pence (2019: 8.84 pence) and, as in the past, can be taken as a cash payment or scrip share alternative.

Diluted IFRS earnings per share ('EPS') was 5.44 pence (2019: 8.35 pence), while the diluted adjusted EPRA EPS amounted to 6.88 pence, compared with the prior year of 8.84 pence. The decline in earnings was a direct consequence of the previously communicated strategic decision to withdraw from all historic third-party fund management activity and reflects the impact of one-off performance and disposal fees received in the year ended 31 March 2019.

Stenprop acquired 10 MLI estates and a number of additional units on existing estates during the year for a total purchase price of £38.8 million. Stenprop sold four non-MLI assets all at or above valuation except for one small retail property which sold for £0.4 million below its valuation of £2.1 million. At 31 March 2020, Stenprop's total property portfolio, including share of joint ventures, was valued at £532.6 million of which £309.0 million, or 58.0% (2019: 42.7%) was represented by the MLI portfolio.

As at 31 March 2020 Stenprop had reduced its total borrowings to 40.8% of gross assets (its 'LTV' ratio), from 44.2% one year earlier. When free cash of approximately £70 million is taken into account this measure reduces to 27.7%. The LTV ratio of the MLI portfolio was 39.9% at 31 March 2020.

Diluted EPRA net asset value ('NAV') per share decreased by 1.4% to £1.39 (2019: £1.41), and diluted IFRS NAV per share increased 0.7% to £1.37 (2019: £1.36). The decrease in Diluted EPRA NAV broadly reflects sales costs and the crystallisation of deferred tax liabilities on the disposals of non MLI property. On a like-for-like basis, the valuation of the total portfolio increased 2.8% over the prior year. On a like-for-like basis over the same period, the valuation of the MLI portfolio increased by 3.6%.

Presentation of financial information
The consolidated financial statements are prepared in accordance with IFRS. The Group's subsidiaries are consolidated at 100% and its interests in joint ventures are shown as a single line item on the consolidated income statement and balance sheet using the equity method of accounting. In addition to information contained in the Group financial statements, Alternative Performance Measures ('APMs'), being financial measures which are not specified under IFRS, are also used by management to assess the Group's performance. Definitions for APMs are included in the glossary, with further descriptions and the most directly comparable IFRS measure identified on page 157.

In accordance with reporting standards widely adopted across the real estate industry in Europe, the Board feels it is appropriate and useful to also disclose a number of EPRA measures, prepared in accordance with the EPRA Best Practice Recommendations. The Board continues to see adjusted EPRA EPS as a key measure to aid transparency when assessing performance and dividend policy. As disclosed in note 14, this measure utilises EPRA's Best Practices Recommendations, and applies further company-specific adjustments to earnings to exclude items considered not to be in the ordinary course of business or other exceptional items to provide additional information on the Group's underlying operational performance.

Earnings

Basic IFRS earnings attributable to ordinary shareholders for the year ended 31 March 2020 declined 34.5% to £15.6 million (2019: £23.8 million), equating to a diluted IFRS EPS of 5.44 pence (2019: 8.35 pence). The decrease is mainly driven by a reduction in non-recurring net management fee income of £5.3 million.

Net rental income from continuing operations was £33.0 million (2019: £33.9 million). The UK MLI component of net rents contributed £17.9 million to the total at year end, a 47.9% increase over the prior year contribution of £12.1 million.

Net management fee income totalled £0.6 million for the year (2019: £5.8 million). Stenprop has withdrawn from its historic fund management activities and its future management fee income will be insignificant.

Operating expenses for the year were £10.1 million (2019: £11.3 million) including approximately £1.0 million of costs associated with the Enterprise Resource Planning ('ERP') management platform project. The project is being delivered over a number of phases and will see the implementation of a unified customer engagement and finance and operations platform. The solution is due to go live in early 2021 as part of the roll-out of Stenprop's serviced industrial concept. Once complete, the platform will allow Stenprop to scale the business with low marginal incremental cost, realise cost efficiencies by streamlining and automating business processes and enable active management of, and engagement with, our customers. Please refer to the 'MLI operating platform update' section of the Annual Report for more information on the operating platform. Prior year operating expenses included one-off costs of £0.9m associated with Stenprop's REIT conversion and LSE listing, as well as £1.2 million associated with the aborted acquisition of a material MLI portfolio.

Adjusted EPRA earnings attributable to shareholders were £19.7 million (2019: £25.2 million), equating to a diluted adjusted EPRA EPS of 6.88 pence (2019: 8.84 pence). As mentioned previously, the decrease is due to a reduction in management fee income to £0.6 million (2019: £5.8 million). A reconciliation of IFRS profit to EPRA earnings for the year is shown in Note 14 to the financial statements.

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 2020 was 35.3% (2019: 31.8%).

Dividends

On 11 June 2020, the Board declared a final dividend of 3.375 pence per share (2019: 3.375 pence) which, together with the interim dividend of 3.375 pence per share (2019: 3.375 pence per share) declared on 21 November 2019, results in a total dividend for the year ended 31 March 2020 of 6.75 pence per share (2019: 6.75 pence per share). The total dividend for the year is fully covered by earnings of 6.88 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 6.3% on the share price at 5 June 2020 of £1.07, and a yield of 4.9% on the diluted EPRA NAV per share at 31 March 2020 of £1.39.

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

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.

Future distributions

As Stenprop responds to the disruption caused by COVID-19, the Board will monitor the future dividend position. The Board is focused on liquidity and maintaining a strong balance sheet but also understands the importance of dividends to its shareholders. The Board is also mindful of its REIT obligations. 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, management fee income or capital gains. Notwithstanding this, Stenprop has followed a policy to distribute at least 90% of its UK and non-UK EPRA earnings. In light of the uncertainty caused by the COVID-19 pandemic, Stenprop will continue to carefully evaluate its rent collection rate, recurring earnings and wider responsibilities and keep its dividend policy under review.

Net asset value

The IFRS basic and diluted net asset value per share at 31 March 2020 was £1.38 and £1.37 respectively (2019: basic £1.38; 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 2020 was £1.39 (2019: £1.41).

Including the Company's share of joint ventures, its investment properties were valued at £532.6 million (31 March 2019: £612.9 million), of which £109.1 million were classified as assets held for sale (31 March 2019: £16.2 million). Assets held for sale consist of the three Berlin daily-needs retail centres (anchored by strong food retailers), five German retail warehouses (let to a bike and ski business) and the sole remaining asset in Switzerland (let to a wellness centre/health club). The reduction in the portfolio size follows the sale of Bleichenhof at a sales price of €160.15 million (2019 valuation: €147.4 million). On a like-for-like basis, excluding the impact of additions and disposals in the period, the valuation of the portfolio since 31 March 2019 increased by 2.8% of which 1.1% was from currency movements.

Valuations

The Group's independent external valuer, JLL, have reported their valuation of our portfolio as at 31 March 2020 including reference to a 'material valuation uncertainty' created by the economic consequences of COVID-19. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case. The inclusion of this 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon and is a disclosure, not a disclaimer.

Combined property portfolio at 31 March 2020

Combined Portfolio (including share of joint ventures)	Market value 31 March 2020 (£'000)	Portfolio by market value (%)	Properties (number)	Area (sq m)	Annualised gross rental income (£'000)	Net initial yield (Weighted average) (%)	Voids by area (%)
Investment properties							
UK multi-let industrial	**308,951**	**58.0**	**70**	**420,483**	**22,701**	**6.47**	**8.90**
UK non-multi-let industrial	**78,810**	**14.8**	**6**	**32,399**	**6,044**	**7.17**	**0.05**
Sub-total	**387,761**	**72.8**	**76**	**452,882**	**28,745**	**6.62**	**8.27**
Assets held for sale:							
Germany	**94,799**	**17.8**	**8**	**52,122**	**5,736**	**5.10**	**0.82**
Switzerland	**14,277**	**2.7**	**1**	**5,974**	**1,038**	**5.81**	**–**
Total – wholly owned	**496,837**	**93.3**	**85**	**510,978**	**35,519**	**5.19**	**7.41**
Share of joint ventures	**35,737**	**6.7**	**4**	**19,330**	**2,429**	**5.94**	**–**
Total	**532,574**	**100**	**89**	**530,308**	**37,948**	**6.28**	**7.14**

United Kingdom MLI portfolio

The UK MLI portfolio, comprising 70 industrial estates and approximately 4.5 million square feet of lettable space, was independently valued at £309.0 million at 31 March 2020. On a like-for-like basis, after excluding MLI acquisitions during the year, the valuation of the portfolio increased by £9.3 million, or 3.6%, on the valuation at 31 March 2019. The increase includes the effects of strong lettings and an uplift of £4.1 million at Coningsby Park, Peterborough, where the refurbishment of the estate is now complete.

United Kingdom non-MLI portfolio

The UK non-MLI portfolio was independently valued at £78.8 million. On a like-for-like basis, after excluding the sale of three regional retail properties, the valuation of the UK portfolio decreased marginally by £0.7 million, or 0.9%, on the valuation at 31 March 2019. The office building known as Trafalgar Court in Guernsey is now our largest single asset and was valued at year end at £57.5 million (2019: £57.8 million).

During the year, we sold three small retail properties in the UK at Walsall, Hemel Hempstead and Grimsby for a combined sale price of £4.60 million, in line with the most recent combined valuation of £4.65 million. Stenprop does not have any further retail exposure in the UK.

Germany

The German portfolio (excluding joint ventures) was independently valued at €106.6 million. On a like-for-like basis, excluding the sale of Bleichenhof, the valuation of the German portfolio increased by €1.5 million, up 1.4% on the prior year end valuation. The three central Berlin retail centres experienced a combined uplift of €1.9 million and are now valued at €80.6 million. This increase was partially offset by a decline in the value of the five Bikemax retail warehouse properties. The Bikemax properties are valued at €26.0 million, a decrease of €0.5 million against the prior year.

We are continuing with our disposal plans for the remaining German assets detailed above. These properties have been marketed, and, subsequent to the onset of COVID-19, a number of potential buyers remain interested and are undertaking further due diligence.

Switzerland

The remaining Swiss property situated in Lugano was valued at CHF17.0 million compared with the prior year end valuation of CHF21.0 million. The property is let to a rehabilitation medical facility and health club business and was closed for much of March, April and May by order of local government following the COVID-19 outbreak. The centre opened in mid-May 2020 and we continue to monitor the position closely. This asset was classified as held for sale in the financial statements.

Joint ventures

The Care Homes portfolio in Germany, comprising four care homes, was independently valued at €40.2 million, an increase of 2.0% compared with the 31 March 2019 valuation of €39.4 million.

Debt

In accordance with its strategy to deleverage its portfolio, Stenprop reduced its group LTV to 40.8% from 44.2% at 31 March 2019. It would have been entirely possible to reduce the LTV further from available cash resources but it was considered prudent to retain funds to further boost liquidity in these turbulent and unprecedented times. Further reductions to Group LTV may be considered by the board of directors as the COVID-19 situation unfolds and after taking prevailing market conditions into account.

The value of the property portfolio as at 31 March 2020, including the Group's share of joint venture properties and assets held for sale, was £532.6 million. Senior bank debt at the same date was £217.3 million, resulting in an average loan-to-value ratio of 40.8% (31 March 2019: 44.2%). Cash reserves at 31 March 2020 totalled £85.6 million, including available cash of £70.0 million. When available cash is added to this measure to lower net debt, our overall LTV was 27.7%.

The rolling credit facility provided by Investec Bank Plc to bridge the potential funding gap between property acquisitions and sales was refinanced in September 2019. The new £30 million facility is for an 18-month period and matures in April 2021. The facility was not utilised during the year and was undrawn as at 31 March 2020. There are no non-utilisation fees payable on the facility.

The weighted average debt maturity stood at 2.7 years at 31 March 2020 compared with 3.0 years at 31 March 2019. Excluding Lugano in Switzerland, which is held for sale, annual amortisation payments are £0.7 million (31 March 2019: £0.7 million). The all-in contracted weighted average cost of debt was 2.62% at year-end, compared with 2.46% at 31 March 2019. This partly reflects a higher weighting to UK debt as we acquire more UK MLI and disposed of more German non-MLI property.

The Group operates an interest rate policy and mitigates interest rate risk using 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. Where properties are held for sale or likely to be disposed of in accordance with our transition strategy to MLI, the Group elects as a strategy not to hedge or extend debt maturity.

Loan covenants

Significant headroom exists for both interest cover and LTV loan covenants. Loan facilities subject to LTV covenants allow for an average 33% reduction in values. Loan facilities subject to debt service cover ratio covenants allow for an average reduction in net rents of 60%.

The Company continues to enjoy an open and supportive relationship with its banks.

Foreign exchange

At 31 March 2020, approximately 22.6% of Stenprop's net asset value and 26.4% of its net rental income were denominated in euros. Consequently, the GBP:EUR exchange rate has an impact on reported GBP earnings and net asset values. At the start of April 2019, the GBP:EUR rate was £1.00:€1.1617 and the euro strengthened over the year by 3.16% to £1.00:€1.1249 as at 31 March 2020. The impact of changes in the GBP:EUR exchange rate will decrease as we execute our German sales strategy.

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.

COVID-19

The COVID-19 pandemic has shifted our immediate focus to managing cash resources and maintaining liquidity in the business. At the same time, we are in even closer communication with our customers to provide support as they respond to the challenges that their own businesses face. We are also in close contact with our banks all of whom are supportive.

The reduction in rent collection will have an impact on future earnings. However, the breadth of sectors in which our customers operate and their geographical spread reduces this risk and so far (and we appreciate it is still early in the crisis) we are encouraged by the relatively strong rent collection figures since the advent of the crisis.

As at 31 May 2020, Stenprop had received 82% of the total portfolio rent invoiced and due for the aggregate of the quarter commencing 25 March 2020 and the months of April and May 2020, broken down as follows:

- 64% of all rent invoiced was for the quarter commencing 25 March and ending 23 June 2020, of which 89% was paid by 31 May 2020
- 17% of all rent invoiced was for the month of April 2020, of which 71% was paid by 31 May 2020
- 19% of all rent invoiced was for the month of May 2020, of which 69% was paid by 31 May 2020
- For the MLI portfolio an aggregate of 79% of total rent invoiced had been paid by 31 May 2020.

The crisis has shown the negative impact of long supply chains and there is now increased support for SMEs to manufacture and supply locally. The current situation is also highlighting the importance of doing business digitally. E-commerce distribution is becoming much more prevalent as more consumers adopt technology to meet their needs. Accordingly, a potential increase in demand for MLI space exists as companies seek to operate in flexible and affordable space close to their customers. Please refer to the 'COVID-19 & Stenprop' section of the Annual Report which expands on the impact of COVID-19 across the sector.

The well-being of our staff is of utmost importance to us and we are pleased to report that the Stenprop team are well and working effectively from their homes. There has been no need to furlough staff.

The Board of Directors are mindful of the negative impact to the business and the wider economy. The Company's balance sheet is strong and Stenprop has a capital structure and operating platform which is well positioned to deal with a prolonged period of uncertainty.

Conclusion

We continue to deliver on our strategy to become a 100% focused UK MLI business and have made strong progress during the year by reducing leverage to 40.8% (2019: 44.2%) and increasing the MLI component of our portfolio to 58.0% (2019: 42.7%) through acquisitions and the sale of non-MLI assets.

This coming year is clearly going to be a challenging one as a result of COVID-19, the lockdown response and the high probability of a significant downturn in the economy. Management has subjected Stenprop's financial model to stress test scenarios associated with a prolonged period of market disruption and concluded that Stenprop is well placed from a balance sheet perspective to cope with this for a significant period of time. The issue for Stenprop is the likely adverse impact on earnings in the coming year. This is likely to arise from two sources. First, in light of the COVID-19 disruption, Stenprop took the prudent decision to retain its significant surplus cash balances for longer thereby earning bank deposit rates rather than the 7% plus returns on equity from acquired MLI property. Secondly, it can reasonably be anticipated that rent collection rates will require provisions, deferments or write-offs in some instances and in a downturn or lockdown voids will increase and rental growth will slow. It is too early to quantify any such impact. However, we believe it will be temporary and the asset class will emerge with even more demand and supply imbalance.

In the meantime, Stenprop remains committed to further evolving its technology-enabled management platform to generate margin efficiencies and the capability to offer a wider range of services and products to our customers. The importance of this endeavour is ever more apparent as digital working practices become more and more necessary. Stenprop has not elected to cut back on the expenditure required
for this.

Stenprop is a strong business and has the financial resilience to weather the current disruption. Our liquidity could be further enhanced by the sales of our German properties, which continue to progress. Following the sale of these assets, we anticipate that MLI will increase to approximately 70% of our portfolio and that cash available for acquisitions would increase to over £100 million.

James Beaumont
Chief Financial Officer

11 June 2020

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2020

	Note	**31 March 2020 £'000**	31 March 2019 £'000
Continued operations			
Revenue		**44,098**	44,502
Property expenses		**(11,049)**	(10,597)
Net rental income	6	**33,049**	33,905
Management fee income		**558**	9,541
Adjustment to deferred consideration		**–**	(3,695)
Net management fee income	5	**558**	5,846
Operating costs	7	**(10,053)**	(11,258)
Net operating income		**23,554**	28,493
Fair value gain/(loss) on investment properties		**4,938**	(3,404)
(Loss)/gain on disposal of property		**(2,779)**	17
Income from joint ventures	18	**2,115**	1,607
Income from associates		**–**	101
Profit on disposal of subsidiaries	26	**–**	11,126
Net foreign exchange gain/(loss)		**3**	(102)
Profit from operations[1]		**27,831**	37,838
Net loss from fair value of derivative financial instruments		**(2,410)**	(1,092)
Interest income		**432**	355
Finance costs	9	**(9,719)**	(8,251)
Other losses		**–**	(60)
Profit for the year before taxation		**16,134**	28,790
Current tax	10	**(5,874)**	(1,963)

Movement in deferred tax	27	**7,096**	(480)
Tax credit/(expense)	10	**1,222**	(2,443)
Profit for the year from continuing operations		**17,356**	26,347

Discontinued operations			
Loss for the year from discontinued operations	19	**(2,197)**	(2,323)
Profit for the year		**15,159**	24,024

Profit attributable to:			
Equity holders		**15,565**	23,828
Non-controlling interest derived from continuing operations		**(406)**	196
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation reserve		**4,104**	(1,272)
Total comprehensive income for the year		**19,263**	22,752

Total comprehensive income attributable to:			
Equity holders		**19,669**	22,556
Non-controlling interest		**(406)**	196

Earnings per share		**Pence**	Pence
From continuing operations			
IFRS EPS	14	**6.28**	9.26
Diluted IFRS EPS	14	**6.20**	9.16
From continuing and discontinued operations			
IFRS EPS	14	**5.50**	8.43
Diluted IFRS EPS	14	**5.44**	8.35

1. Profit from operations now includes the gain/(loss) on disposal of property as well as net foreign exchange gain/(loss). These two line items were previously disclosed below profit from operations.

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	**31 March 2020 £'000**	31 March 2019 £'000
ASSETS			
Non-current assets			
Investment properties	16	**387,761**	562,815
Investment in joint ventures	18	**781**	465
Investment in joint venture bond[1]	18	**15,336**	14,077
Other debtors	20	**13,523**	13,365
Right-of-use asset		**465**	–
		417,866	590,722
Current assets			
Cash and cash equivalents	21	**84,453**	57,425
Trade and other receivables	20	**8,249**	6,699
Right-of-use asset		**26**	–
Assets classified as held for sale	19	**111,857**	21,423
		204,585	85,547
Total assets		**622,451**	676,269
LIABILITIES			
Current liabilities			
Bank loans	23	**–**	29,805

Taxes payable		**7,241**	1,625
Derivative financial instruments	25	**–**	176
Accounts payable and accruals	22	**16,689**	16,862
Provisions		**3,179**	–
Lease liability		**302**	–
Liabilities directly associated with assets classified as held for sale	19	**47,310**	9,326
		74,721	57,794
Non-current liabilities			
Bank loans	23	**154,171**	215,285
Derivative financial instruments	25	**2,001**	554
Lease liability		**222**	–
Deferred tax	27	**–**	10,416
		156,394	226,255
Total liabilities		**231,115**	284,049
Net assets		**391,336**	392,220
EQUITY			
Capital and reserves			
Share capital and share premium	12	**322,993**	322,993
Equity reserve	12	**(14,360)**	(15,708)
Retained earnings		**57,490**	60,952
Foreign currency translation reserve		**25,118**	21,014
Total equity attributable to equity shareholders		**391,241**	389,251
Non-controlling interest		**95**	2,969
Total equity		**391,336**	392,220
		£	£
IFRS net asset value per share	15	**1.38**	1.38
Diluted IFRS net asset value per share	15	**1.37**	1.36

The consolidated financial statements were approved by the board of directors on 11 June 2020 and signed on its behalf by

James Beaumont
Chief Financial Officer

1. Amounts attributable to loans to joint ventures previously classified within investment in joint ventures has been moved to a separate line, investment in joint venture bond. Following the change in presentation, at 31 March 2020 £15.34 million has been separately classified as investment in joint venture bond. At 31 March 2019, investment in joint ventures has decreased by £14.08 million, and investment in joint ventures has increased by the same amount.

Consolidated Statement of Changes in Equity
For the year ended 31 March 2020

	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 2019		**322,993**	**(15,708)**	**60,952**	**21,014**	**389,251**	**2,969**	**392,220**
Profit for the year		**–**	**–**	**15,565**	**–**	**15,565**	**(322)**	**15,243**
Total other comprehensive income for the period		**–**	**–**	**–**	**4,104**	**4,104**	**–**	**4,104**
Credit to equity for equity-settled share-based payments	13	**–**	**1,079**	**–**	**–**	**1,079**	**–**	**1,079**
Repurchase of own shares		**–**	**(4,828)**	**–**	**–**	**(4,828)**	**–**	**(4,828)**
Other changes in non-controlling interest		**–**	**–**	**–**	**–**	**–**	**(513)**	**(513)**
Ordinary dividends	11	**–**	**5,097**	**(19,027)**	**–**	**(13,930)**	**(2,039)**	**(15,969)**
Balance at 31 March 2020		**322,993**	**(14,360)**	**57,490**	**25,118**	**391,241**	**95**	**391,336**
Balance at 1 April 2018		315,551	(8,453)	57,947	22,286	387,331	2,939	390,270

Profit for the year		–	–	23,828	–	23,828	30	23,858
Total other comprehensive income for the period		–	–	–	(1,272)	(1,272)	–	(1,272)
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)
Ordinary dividends	11	7,377	–	(20,823)	–	(13,446)	–	(13,446)
Balance at 31 March 2019		322,993	(15,708)	60,952	21,014	389,251	2,969	392,220

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Note	**31 March 2020 £'000**	31 March 2019 £'000
Operating activities			
Profit from operations from continuing operations		**27,831**	37,838
Loss from discontinued operations	19	**(2,967)**	(3,034)
		24,864	34,804
Income from associates		**–**	(101)
Depreciation and amortisation		**239**	–
(Increase)/decrease in fair value of investment property		**(1,741)**	5,259
Loss/(gain) on disposal of property		**2,779**	(17)
Income from joint ventures		**(2,115)**	(1,607)
Dividends received from associates		**–**	18
Dividends received from joint ventures		**56**	1,367
Profit on disposal of subsidiaries		**–**	(8,890)
Exchange rate gain/(loss)		**(3)**	102
Decrease/(increase) in trade and other receivables		**631**	(1,226)
Increase in trade and other payables		**3,782**	3,818
Cash generated by operations		**28,492**	33,527
Interest paid		**(9,224)**	(7,850)
Interest received		**1,296**	1,149
Net tax paid		**(2,738)**	(2,383)
Net cash from operating activities		**17,826**	24,443
Contributed by: Continuing operations		**20,707**	25,382
Discontinued operations		**(2,881)**	(939)
Investing activities			
Purchase of investment property	16	**(40,829)**	(110,188)
Capital expenditure	16	**(13,303)**	(9,996)
Proceeds on disposal of investment property		**144,628**	82,590
Proceeds on disposal of investment in associate		**–**	391
Proceeds on disposal of joint venture	18	**–**	22,726
Repayment of third party loans		**244**	–
Disposal of subsidiary	26	**–**	74,094
Net cash disposed of in subsidiary	26	**–**	(2,132)
Net cash from investing activities		**90,740**	57,485
Financing activities			
New bank loans raised		**24,668**	37,051
New third party loans raised	24	**–**	48,086
Dividends paid		**(13,930)**	(13,446)
Withholding tax on dividends paid		**342**	295
Repayment of borrowings		**(82,318)**	(61,208)

Repaymentof third party loans	24	**–**	(48,086)
Principal elements of lease payments		**(375)**	–
Repurchase of shares		**(4,828)**	(7,920)
Financing fees paid		**(1,062)**	(1,054)
Net cash used in financing activities		**(77,503)**	(46,282)
Net increase in cash and cash equivalents		**31,063**	35,646
Effect of foreign exchange losses		**(4,695)**	(1,713)
Cash and cash equivalents at beginning of the period		**59,220**	25,287
Cash and cash equivalents at end of the period		**85,588**	59,220
Contributed by: Continuing operations	21	**84,453**	57,425
Discontinued operations and assets held for sale	21	**1,135**	1,795

Notes to the Consolidated Financial Statements

1 General Information

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

2 Basis of preparation

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

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

The financial information set out in these preliminary summarised audited financial statements does not constitute the Group's statutory accounts for the years ended 2020 and 2019 but is derived from those accounts. The auditors have reported on those accounts and provided an unqualified opinion, including key audit matters within their audit report. It did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under The Companies (Guernsey) Law, 2008. A copy is available upon written request from the Company's registered office.

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

Going concern

At the date of signing these consolidated financial statements, the Group has positive operating cash flows and positive net assets. Management have carefully assessed the impact of the market uncertainties arising from both Brexit and the outbreak of the COVID-19 pandemic, on the entity's net assets, liquidity and ability to continue as a going concern for the foreseeable future. Given the current market conditions and negative economic outlook, management subjected the Group's cash flow forecast to a stress test scenario for the 18 months to 30 September 2021 by applying highly severe scenario assumptions, including a 75% deterioration in rental income cash receipts, and direct landlord costs of four times the current level, driven by an increase in vacancies. These assumptions were applied over the entire 18 month period of assessment and do not include cash flows for the sale or purchase of properties. The test concluded that even in these scenarios the Group would have positive liquid assets and be able to meet its obligations as they fell due.

Debt refinancing and sensitivities to loan covenants were assessed in detail, as well as the Company's REIT obligations. Despite the disruption in the economy caused by Covid-19, we do not expect the risk of default to have increased. Lenders have been guided by the Government to take a pragmatic view and consider prepayment possibilities, equity cures and waivers of covenants so that breaches with a direct link to the pandemic should not automatically trigger defaults. In addition, we maintain strong relationships with our facility providers and currently have significant headroom for both interest cover and LTV loan covenants. Notwithstanding this assumption, the Group would have cash resources available, even after considering the highly severe scenario, to be utilised to cure covenant breaches if they crystallise and the lenders take a hard stance against government advice. It is further worth noting that the loans are not cross-collateralised and accordingly if certain banks do act aggressively, the Group would continue to operate with the remaining portfolio of assets if any foreclosure events were to arise.

In light of this review and the significant liquid assets, management are satisfied that the Group has access to adequate resources to continue in operational existence for a period of at least 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 28 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:

- IFRS 16 — Leases

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

- IFRS 10 and IAS 28 (amendments) — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 3 — Definition of a business
- Amendments to IAS 1 and IAS 18 — Definition of material
- Conceptual Framework — Amendments to References to the Conceptual Framework in IFRS Standards

Impact assessment of adopting new accounting standards

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

IFRS 16: Leases. In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) which is effective for annual periods that begin on or after 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 April 2019.

The Group has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

Impact on Lessee Accounting

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases, the Group:

- recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

Stenpop's weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 April 2019 is 3.46%.

The effect of adopting IFRS 16 in the current financial year is summarised below:

	Right of use asset £'000	Lease liability £'000
IFRS 16 leases entered into since 1 April 2019	730	(877)
Leases paid	–	375
Depreciation (operating costs)	(239)	–
Interest on leases (finance costs)	–	(22)
At 31 March 2020	491	(524)

In applying IFRS 16 for the first time, the Group have used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has elected not to reassess whether contracts entered into before the transition date were leases, or contained leases, at the date of initial application and instead has relied on their initial assessment made when applying IAS 17 and IFRIC 4 'Determining whether an Arrangement Contains a Lease'.

Impact on Lessor Accounting
IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

New standards in issue but not yet effective
IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to IFRS 3 Definition of a business. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to IAS 1 and IAS 8 Definition of material. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards. Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

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

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

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

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

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

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

Joint ventures

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

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

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

Business combinations and asset acquisitions

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

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

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

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

There were no business combinations acquired during the 12 months to 31 March 2020.

Revenue recognition

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

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

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

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 statement of comprehensive income 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 valuation techniques used are consistent with IFRS 13 fair value measurement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Interest rate swaps have been initially recognised at fair value, and subsequently remeasured at fair value through profit and loss in accordance with IFRS 9, Financial Instruments. They have been entered into in order to hedge against the exposure to variable interest rate loans as described in note 28. 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.

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

Share-based payments
Deferred Share Bonus Plan and Long term incentive 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 and are required to waive all rights to compensation for any loss in relation to the plan. No further awards will be made under the Share Purchase Plan.

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

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

Key sources of estimation uncertainty
Valuation of the property portfolio
The Group's investment properties are stated at estimated fair value, determined by directors, based on an independent external appraisal. The valuation of the Group's property portfolio is inherently subjective due to a number of factors including the individual nature of each property, its location, expectation of future rentals and the discount yield applied to those cash flows. This has been particularly relevant in light of the market uncertainty due to both Brexit and the COVID-19 crisis, both of which have been carefully considered. As a result, the valuations placed on the property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions that may not prove to be accurate, particularly in years of volatility or low transaction flow in the market. Due to the current economic uncertainty in the market due to COVID-19, the valuers have issued their valuation reports with a material valuation uncertainty clause attached to their valuations. They have advised there is less certainty attached to their valuations in comparison to the prior year, but that does not mean the valuations cannot be relied upon. 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 as well as the key sensitivity variables, can be found in note 16.

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

Critical judgements
Assets held for sale and discontinued operations
The directors have disclosed nine (2019: one) properties which meet the criteria defined in IFRS 5: Assets held for sale and discontinued operations. Stenprop is committed to the disposal of these assets in line with its strategy to exit the Swiss market, dispose of its German assets and acquire multi-let industrial properties in the United Kingdom. The directors have classified the Swiss property as a discontinued operation as this is the only property that remains in the Swiss market. Stenprop is committed to exit the Swiss market and as such have

classified the Swiss segment as a discontinued operation. The remaining eight properties classified as held for sale are located in Germany, but they are not classified as a discontinued operation as Stenprop still has a material interest in the German market due to its holdings in the care homes joint venture, which is currently not held for sale. In respect of the Swiss property at Lugano, the directors consider the exceptions permitted by IFRS 5:9 to apply in respect to the one-year requirement within which a sale should complete. This is due to the fact that during the one-year period, circumstances arose that were previously considered unlikely. The circumstances were that the sole tenant of the property queried the validity of some of the conditions of the lease, particularly the requirement to pay the running costs of the building i.e. utilities. As a result, the property which was previously classified as held for sale was not sold; however:

i. during the initial one-year period the entity took action necessary to respond to the change in circumstances insofar as a new lease, remedying the deficiencies of the existing lease, was entered into with the tenant with effect from 1 January 2020;

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

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

iv. the sale will now complete within one year.

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

Classification of investment in joint venture bond

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

which are managed at the discretion of the JV partner, and were the Group to hold the majority interest it has been determined that the contractual cash flow characteristics for a basic lending arrangement would have been met and therefore accounted for at amortised cost.

5 Operating segments

The Group is focused on real estate investment in well-developed, large economies with established real estate markets. The investment portfolio is geographically distributed across 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	
	UK Multi-let Industrial £'000	UK Non Multi-let Industrial £'000	Germany £'000	Switzerland £'000	Total £'000
For the year ended 31 March 2020					
Net rental income	**17,932**	**6,343**	**8,708**	**–**	**32,983**
Fair value movement on investment properties	**3,828**	**(395)**	**1,505**	**–**	**4,938**
Net (loss)/gain from fair value of financial liabilities	**(1,573)**	**152**	**34**	**–**	**(1,387)**
Loss on disposal of property	**–**	**(114)**	**(3,688)**	**–**	**(3,802)**
Income from joint ventures	**–**	**–**	**2,114**	**–**	**2,114**
Net finance costs	**(3,759)**	**(1,464)**	**(4,103)**	**–**	**(9,326)**
Operating costs	**(397)**	**29**	**(790)**	**–**	**(1,158)**
Net foreign exchange loss	**–**	**–**	**(60)**	**–**	**(60)**
Loss from discontinued operations (see note 19)	**–**	**–**	**–**	**(2,197)**	**(2,197)**
Tax (expense)/credit	**(16)**	**(198)**	**1,327**	**–**	**1,113**
Total profit/(loss) per reportable segment	**16,015**	**4,353**	**5,047**	**(2,197)**	**23,218**
As at 31 March 2020					
Investment properties	**308,951**	**78,810**	**–**	**–**	**387,761**
Investment in joint ventures	**–**	**–**	**16,116**	**–**	**16,116**

Cash and cash equivalents	**13,585**	**3,078**	**11,815**	**–**	**28,478**
Other	**5,855**	**792**	**14,305**	**–**	**20,952**
Assets classified as held for sale	**–**	**–**	**96,605**	**15,252**	**111,857**
Total assets	**328,391**	**82,680**	**138,841**	**15,252**	**565,164**
Borrowings – bank loans	**121,841**	**32,330**	**–**	**–**	**154,171**
Other	**12,946**	**2,801**	**9,600**	**–**	**25,347**
Liabilities directly associated with assets classified as held for sale	**–**	**–**	**41,039**	**6,271**	**47,310**
Total liabilities	**134,787**	**35,131**	**50,639**	**6,271**	**226,828**

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

ii) Reconciliation of reportable segment profit or loss

	31 March 2020 £'000	31 March 2019 £'000
Rental income		
Net rental income for reported segments	**32,983**	33,730
Profit or loss		
Fair value movement of investment properties	**4,938**	(3,403)
Net loss from fair value of financial liabilities	**(1,387)**	(1,092)
Loss on disposal of property	**(3,802)**	–
Income from associates	**–**	101
Income from joint ventures	**2,114**	1,275
Profit on disposal of subsidiaries	**–**	11,126

Finance costs	**(9,326)**	(7,912)
Operating costs	**(1,158)**	(1,641)
Net foreign exchange (loss)/gain	**(60)**	46
Other gains	**–**	7
Loss for the year from discontinued operations (see note 19)	**(2,197)**	(2,323)
Tax credit/(expense)	**1,113**	(2,717)
Total profit per reportable segments	**23,218**	27,197
Other profit or loss – unallocated amounts		
Net management fee income	**558**	5,846
Other income	**66**	75
Income from joint ventures	**1**	331
Interest received	**–**	17
Finance costs	**41**	–
Tax, legal and professional fees	**(952)**	(2,740)
Audit fees	**(266)**	(261)
Administration fees	**(200)**	(226)
Non-executive directors' costs	**(233)**	(203)
Staff remuneration costs	**(4,576)**	(4,275)
Other operating costs	**(2,670)**	(1,862)
Net foreign exchange gain/(loss)	**63**	(148)
Tax credit	**109**	273
Consolidated profit after taxation	**15,159**	24,024

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

iii) Reconciliation of reportable segment financial position

	31 March 2020 £'000	31 March 2019 £'000
ASSETS		
Investment properties	**387,761**	562,814
Investment in joint venture	**16,116**	14,485
Cash and cash equivalents	**28,478**	55,837
Other	**20,952**	19,680
Assets classified as held for sale	**111,857**	21,423
Total assets per reportable segments	**565,164**	674,239
Other assets – unallocated amounts		
Investment in joint ventures	**1**	57
Cash and cash equivalents	**55,976**	1,588
Other	**1,310**	385
Total assets per consolidated statement of financial position	**622,451**	676,269
LIABILITIES		
Borrowings – bank loans	**154,171**	245,090
Other	**25,347**	27,941
Liabilities directly associated with assets classified as held for sale	**47,310**	9,326
Total liabilities per reportable segments	**226,828**	282,357
Other liabilities – unallocated amounts		
Other	**4,287**	1,692
Total liabilities per consolidated statement of financial position	**231,115**	284,049

6 Net rental income

	31 March 2020 £'000	31 March 2019 £'000
Rental income	**38,220**	38,428
Tenant recharges	**5,836**	7,064
Other income	**806**	1,078

Discontinued operations adjustment (note 19)	**(764)**	(2,068)
Revenue	**44,098**	44,502
Direct property costs	**(11,378)**	(11,383)
Discontinued operations adjustment (note 19)	**329**	786
Property expenses	**(11,049)**	(10,597)
Total net rental income	**33,049**	33,905

7 Operating costs

	31 March 2020 £'000	31 March 2019 £'000
Tax, legal and professional fees	**1,778**	3,986
Audit fees	**238**	263
Interim review fees	**30**	30
Administration fees	**495**	531
Investment advisory fees	**273**	319
Non-executive directors costs	**233**	203
Staff remuneration costs	**3,509**	3,545
Share-based payments	**1,079**	730
ERP project expenses	**974**	–
Depreciation	**239**	–
Corporate costs	**700**	892
IT costs	**389**	556
Other operating costs	**330**	428
Discontinued Operations Adjustment (note 19)	**(214)**	(225)
	10,053	11,258

In the prior year the increase in tax, legal and professional fees was 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 £1,079,000 (2019: £730,000) relate to the equity-settled incentive schemes operated by the Group. As at 31 March 2020 the Group's equity reserve held £2.7 million (2019: £1.8 million) in relation to the schemes after the exercise of options at fair value of £220,000 (2019: £65,000) during the period.

8 Employees' and directors' emoluments

The Group had 28 employees at 31 March 2020 (2019: 23). The aggregate remuneration paid to employees during the period, including that to executive directors, was:

	31 March 2020 £'000	31 March 2019 £'000
Wages and salaries (including key management)	**2,949**	3,158
Social security costs	**419**	218
Pension costs	**141**	169
Share-based payments	**1,079**	730
	4,588	4,275

As at 31 March 2020, the Group had eight directors (2019: seven). 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
Paul Miller	14/9/2016	
Warren Lawlor	5/4/2017	
Richard Grant (chairman)	1/5/2018	
Patsy Watson	5/6/2019	
Philip Holland	1/5/2018	

Executive directors	Appointed	Change in appointment
Paul Arenson (CEO)	2/10/2014	

James Beaumont (CFO)	5/6/2019	
Patsy Watson (retired as CFO and became a non-executive director)	2/10/2014	5/6/2019
Julian Carey	1/5/2018	

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 2020 £'000
Executive directors						
Paul Arenson	**275**	**14**	**13**	**161**	**148**	**611**
James Beaumont*	**146**	**11**	**2**	**31**	**19**	**209**
Patsy Watson*	**44**	**4**	**–**	**155**	**142**	**345**
Julian Carey	**264**	**18**	**8**	**155**	**132**	**577**
	729	**47**	**23**	**502**	**441**	**1,742**

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

^ Other benefits relates to pension cash alternatives and the provision of private medical insurance.
* Remuneration covers the period of directorship.

	31 March 2020 £'000	31 March 2019 £'000
Non-executive directors		
Stephen Ball – paid to Sphere Management Limited	**–**	4
Patsy Watson*	**29**	–
Richard Grant	**58**	53
Philip Holland	**43**	39
Paul Miller	**40**	40
Warren Lawlor – paid to Ferryman Capital Partners (Pty) Limited	**40**	39
	210	175

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

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

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

* Remuneration covers the period of directorship.

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

	Bonuses in respect of the year ended 31 March 2020				
Executive directors	Cash bonus £'000	Deferred Share Bonus Plan £'000	Number of share options (estimated)	LTIP for executive directors £'000	Number of share options (estimated)
Paul Arenson	**165**	**31**	**29,700**	**563**	**536,200**

Julian Carey	**158**	**30**	**28,500**	**541**	**515,200**
James Beaumont*^	**36**	**9**	**8,100**	**90**	**85,700**
	359	**70**	**66,300**	**1,194**	**1,137,100**

* Remuneration covers the period of directorship.
^ Market value LTIP

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)
Paul Arenson	161	159	140,500	549	486,000
Patsy Watson	155	153	135,100	–	–
Julian Carey*	142	140	123,800	528	467,100
	458	452	399,400	1,077	953,100

Directors' interests – beneficial direct and indirect holdings in the Company
As at 31 March 2020:

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

On 31 March 2020 James Beaumont exercised 7,569 nil cost options under the Deferred Share Bonus Plan. The Company utilised treasury shares to settle the exercise. The share transfer occurred on 14 April 2020 and is therefore not included in the above.

There were no further changes in the above directors' interests from 31 March 2020 to the date of the signing of these financial statements.

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

9 Finance costs

	31 March 2020 £'000	31 March 2019 £'000
Bank interest	**(9,000)**	(7,898)
Amortisation of facility costs	**(789)**	(609)
Discontinued Operations Adjustment (note 19)	**70**	256
Net finance costs	**(9,719)**	(8,251)

Included in the 31 March 2020 bank interest amount of £9 million is £2.6 million (2019: nil) of bank interest costs in relation to the early repayment of the Bleichenhof bank loan upon sale of the property.

10 Taxation

Real Estate Investment Trust regime (REIT regime)

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

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

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

(i) Tax recognised in statement of comprehensive income

	31 March 2020 £'000	31 March 2019 £'000
Current tax – UK		
On net income for the year	**(93)**	458
Current tax – Foreign		
On net income for the year	**5,769**	3,194
Discontinued Operations Adjustment (see note 19)	**198**	429
Total current tax	**5,874**	3,652
Deferred tax (see note 27)	**(7,096)**	(1,638)
Total tax (credit)/expense	**(1,222)**	2,443

No tax was recognised on other comprehensive income during the period (2019: Nil). Tax rates applicable in the jurisdictions which the Company operates in are:

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

(ii) Reconciliation of tax charge for the year

	31 March 2020 £'000	31 March 2019 £'000
Profit before taxation on continuing operations	**16,134**	28,790
Expected tax charge on ordinary activities at the standard rate of taxation of 19% (2019: 19%)	**3,065**	5,470
Revaluation (gain)/loss not taxable	**(410)**	854
Gains on disposal of subsidiary not taxable	**–**	(2,114)
Income not taxable	**(58)**	(946)
UK REIT tax exemption	**(1,977)**	(2,621)
Expenditure not allowed for income tax purposes	**217**	165
Tax losses	**–**	723
Income from joint ventures	**402**	305
Effect of tax rates in other jurisdictions	**(643)**	(452)
Foreign withholding tax provision (release)/charge	**(1,880)**	1,742
Other	**62**	(683)
Total income tax (credit)/expense	**(1,222)**	2,443

11 Dividends

	For the year ended 31 March 2020	
	Pence per share	£'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2019 paid on 16 August 2019	**3.375**	**9,478**
Interim dividend for the year ended 31 March 2020 paid on 14 February 2020	**3.375**	**9,549**
Total dividends distributed	**6.750**	**19,027**
Scrip dividends issued during the period:		
Final scrip dividend for the year ended 31 March 2019 issued on 16 August 2019	**3.375**	**2,819**
Interim scrip dividend for the year ended 31 March 2020 issued on 14 February 2020	**3.375**	**2,278**
Total scrip dividends issued	**6.750**	**5,097**
Dividends paid as reported in the consolidated statement of cash flows		**13,930**

	For the year ended 31 March 2019	
	Pence per share	£'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2018 paid on 17 August 2018	4.000	11,281
Interim dividend for the year ended 31 March 2019 paid on 8 February 2019	3.375	9,542
Total dividends distributed	7.375	20,823
Scrip dividends issued during the period:		
Final scrip dividend for the year ended 31 March 2018 issued on 17 August 2018	4.000	2,987
Interim scrip dividend for the year ended 31 March 2019 issued on 8 February 2019	3.375	4,390
Total scrip dividends issued	7.375	7,377
Dividends paid as reported in the consolidated statement of cash flows		13,446

In the prior year, scrip dividends were settled by issuing new shares to shareholders who elected to receive the scrip dividend. For scrip dividends received by shareholders in the current financial year, these shares were issued out of treasury shares. Please see note 12 for further details.

The directors declared a final dividend on 11 June 2020, for the year ended 31 March 2020, of 3.375 pence per share, which is detailed in note 31.

12 Share capital

Authorised

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

Issued share capital	31 March 2020 (no. shares)	31 March 2019 (no. shares)
Opening balance	**298,775,175**	291,718,476
Issue of new shares	**–**	7,056,699
Closing number of shares in issue	**298,775,175**	298,775,175

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

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

The Company has 298,775,175 (2019: 298,775,175) ordinary shares in issue at the reporting date, including treasury shares. During the period 3 April 2019 to 2 July 2019 the Company utilised treasury shares to settle the exercise of nil cost options to participants of the Deferred Bonus Plan. 198,010 options were exercised at an average issue price of £1.08 per share. As at 31 March 2020, the Company held 15,830,040 treasury shares (2019: 16,028,050). On 31 March 2020 a further 23,289 nil cost options were exercised under the Deferred Share Bonus Plan. The share transfer from treasury shares occurred on 14 April 2020 at a deemed value of GBP 0.94 per nil cost option.

On 6 June 2019, the Company announced a final dividend of 3.375 pence per share in respect of the six months to 31 March 2019. On 15 August 2019, the Company announced a take up of the scrip dividend and 2,491,772 shares were subsequently issued on 16 August 2019 from treasury shares.

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 2019. On 13 February 2020, the Company announced a take up of the scrip dividend and 1,662,173 shares were subsequently issued on 14 February 2020.

In the period the shareholders were offered the option to receive either a scrip dividend by way of an issue of Stenprop treasury shares, or a cash dividend. Given the Company's share price, which is at a discount relative to NAV, the directors matched the scrip alternative through share purchases to mitigate the dilutive effect that would otherwise have occurred through the issuance of new ordinary shares. During the period 17 July 2019 to 8 August 2019 the Company repurchased 2,491,772 shares at an average price of £1.071 per share. During the period 4 February 2020 to 6 March 2020 the Company repurchased 1,662,173 shares at an average price of £1.273 per share.

The equity reserve account within equity holds all the Company's treasury shares from which all scrip dividends and equity settled share based payments are credited to and issued from on exercise (see note 13).

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 £1,079,000 in the year (2019: £730,000) in relation to the share option schemes. As at 31 March 2020, the equity reserve held £2,657,000 in relation to share-based payment transactions (2019: £1,798,000).

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 6 June 2019 are shown below:

Share price at date of grant	£1.12
Expected option life in years	2
Risk-free rate	0.82%
Standard deviation (annualised)	22%
Value per option	£1.12

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

Date of grant	At 1 April 2019	Granted	Dividend equivalents	Exercised/ Other	Outstanding at 31 March 2020	Exercisable at 31 March 2020	Fair value at grant date in GBP	Exercise dates From	Exercise dates To
10 June 2015	393,564	–	34,256	–	427,820	427,820	£1.08	10 June 2015	10 June 2025
8 June 2016	284,688	–	12,844	(23,883)	273,649	273,649	£1.05	8 June 2016	8 June 2026
7 June 2017	29,748	–	684	(16,712)	13,720	13,720	£1.08	7 June 2017	7 June 2027
7 June 2018	381,644	–	21,988	(91,796)	311,836	311,836	£1.13	7 June 2018	7 June 2028
6 June 2019	–	556,536	20,230	(75,923)	500,843	321,113	£1.12	6 June 2019	6 June 2029

Weighted average exercise price of deferred share bonus plan share options	At 31 March 2020	At 31 March 2019
Exercisable	**£1.10**	£1.09
Non-exercisable	**£1.12**	£1.13

Weighted average remaining contracted life of deferred share bonus plan share options	At 31 March 2020	At 31 March 2019
Exercisable	**7.1 Years**	7.3 Years
Non-exercisable	**9.1 Years**	9.2 Years

LTIP for senior management

Such share options vest in three equal tranches; the first tranche vests on the first anniversary of year end, with subsequent tranches vesting at the second and third anniversaries of the relevant year ends. Share options may be exercised until the tenth anniversary of the grant date, after which time they will lapse. The fair value of this award is determined using the Black–Scholes model. The key inputs used in determining the award granted on 6 June 2019 are shown below:

Share price at date of grant	£1.12
Exercise price at grant date	£1.12
Expected option life in years	10
Risk-free rate	0.51%
Expected volatility	26%
Value per option	£0.26

Date of grant	At 1 April 2019	Granted	Dividend equivalents	Exercised/ Other	Outstanding at 31 March 2020	Exercisable at 31 March 2020	Fair value at grant date in GBP	Exercise dates From	Exercise dates To

24 January 2018	84,089	–	10,439	–	94,528	94,528	£0.47	31 March 2018	24 January 2028
7 June 2018	341,435	–	51,054	69,835	462,324	308,216	£0.27	31 March 2019	7 June 2028
6 June 2019	–	486,758	29,020	–	515,778	171,926	£0.26	31 March 2020	7 June 2029

Weighted average exercise price of LTIP for senior management share options	At 31 March 2020	At 31 March 2019
Exercisable	**£1.13**	£1.13
Non-exercisable	**£1.12**	£1.13

Weighted average remaining contracted life of LTIP for senior management share options	At 31 March 2020	At 31 March 2019
Exercisable	**8.4 Years**	9.1 Years
Non-exercisable	**8.9 Years**	9.2 Years

LTIP for executive directors

Such share options vest on the third anniversary of grant date subject to pre-determined vesting conditions being met. All options not vesting on the vesting date will automatically lapse. All vested options and shares received upon the exercise of vested options are subject to a further two-year lock-in period during which they cannot be sold. The fair value of these nil-cost options is determined by external valuers using an intrinsic model. The key inputs used in determining the award granted on 6 June 2019 are shown below:

Share price	£1.12
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	£0.52

Date of grant	At 1 April 2019	Granted	Dividend equivalents	Exercised/ Other	Outstanding at 31 March 2020	Exercisable at 31 March 2020	Fair value at grant date in GBP	Exercise dates From	Exercise dates To
24 January 2018	1,450,492	–	244,352	(1,227,124)	467,720	–	£0.68	8 June 2020*	8 June 2027
7 June 2018	1,469,380	–	72,665	(468,182)^	1,073,863	–	£0.52	7 June 2021*	7 June 2028
6 June 2019	–	964,172	57,482	–	1,021,654	–	£0.52	6 June 2022*	6 June 2029

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

^ Patsy Watson agreed to forfeit any rights she may have under the terms of the LTIP to the conditional awards made to her on 6 June 2018 in respect of the three-year period ending 31 March 2021 when she retired on 5 June 2019.

Weighted average exercise price of LTIP for executive directors share options	At 31 March 2020	At 31 March 2019
Exercisable	**–**	–
Non-exercisable	**–**	–

Weighted average remaining contracted life of LTIP for executive directors share options	At 31 March 2020	At 31 March 2019
Exercisable	**–**	–
Non-exercisable	**8.0 Years**	8.7 Years

Other share options

On 30 March 2017, the Company agreed to grant to Ferryman Capital Partners Limited, a company in which Warren Lawlor, a 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 year ended 31 March 2018. The option lapses should the individual cease to be a director, or at the discretion of the Board, after five years. 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 £0.94, 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 2019	Granted	Exercised	Outstanding at 31 March 2020	Exercisable at 31 March 2020	Fair value at grant date in GBP	Exercise dates From	Exercise dates To
30 March 2017	2,000,000	–	–	2,000,000	2,000,000	£0.13	30 March 2022	7 June 2029

Share Purchase Plan

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

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

		31 March 2020 £'000	31 March 2019 £'000
Brought forward at start of year	(number of shares)	**10,211,145**	10,211,145
Share Purchase Plan shares issued in year	(number of shares)	**–**	–
Share Purchase Plan shares redeemed	(number of shares)	**(173,983)**	–
Carried forward at end of year	(number of shares)	**10,037,162**	10,211,145
Stock price at advancement	(€)	**N/A**	N/A
Share Purchase Plan loans advanced (including accrued interest)	(£'000)	**12,265**	12,304

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 2020 £'000	31 March 2019 £'000
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)	**1,028**	1,056

14 Earnings per ordinary share

	31 March 2020 £'000	31 March 2019 £'000
Reconciliation of profit for the period to adjusted EPRA[1] earnings		
Earnings per IFRS statement of comprehensive income attributable to shareholders	**15,565**	23,828
Adjustment to exclude loss from discontinued operations	**2,197**	2,323
Earnings per IFRS statement of comprehensive income from continuing operations attributable to shareholders	**17,762**	26,151
Earnings per IFRS statement of comprehensive income attributable to shareholders	**15,565**	23,828
Adjustments to calculate EPRA earnings, exclude:		
Changes in fair value of investment properties	**(1,741)**	5,259
Changes in fair value of financial instruments	**2,410**	1,092
Deferred tax in respect of EPRA adjustments	**(6,843)**	(1,137)

Impairment of intangibles	**305**	–
Loss on disposal of properties	**9,817**	2,514
Profit on disposal of subsidiaries	**–**	(8,890)
Adjustments above in respect of joint ventures and associates:		
Changes in fair value	**(674)**	386
Deferred tax in respect of EPRA adjustments	**194**	(9)
EPRA earnings attributable to shareholders	**19,033**	23,043
Further adjustments to arrive at adjusted EPRA earnings:		
Costs associated with ERP implementation	**669**	–
Straight-line unwind of purchased swaps	**–**	40
Cost associated with Group listing and REIT conversion	**–**	905
Costs associated with significant aborted portfolio acquisition	**–**	1,248
Adjusted EPRA earnings attributable to shareholders[2]	**19,702**	25,236
Weighted average number of shares in issue (excluding treasury shares)	**282,777,020**	282,555,942
Share-based payment award	**3,522,208**	2,852,255
Diluted weighted average number of shares in issue	**286,299,228**	285,408,197

Earnings per share from continuing operations	**pence**	pence
IFRS EPS	**6.28**	9.26
Diluted IFRS EPS	**6.20**	9.16
Earnings per share	**pence**	pence
IFRS EPS	**5.50**	8.43
Diluted IFRS EPS	**5.44**	8.35
EPRA EPS	**6.73**	8.16
Diluted EPRA EPS	**6.65**	8.07
Adjusted EPRA EPS	**6.97**	8.93
Diluted adjusted EPRA EPS	**6.88**	8.84

1. The European Public Real Estate Association (EPRA) issued the Best Practices Recommendations policy in October 2019, which provides guidelines for performance measures relevant to real estate companies. Their recommended reporting standards are widely applied across this market, aiming to bring consistency and transparency to the sector. The EPRA earnings measure is intended to show the level of recurring earnings from core operational activities with the purpose of highlighting the Group's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. The measure excludes unrealised changes in the value of investment properties, gains or losses on the disposal of properties and other items to provide additional information on the Group's underlying operational performance. The measure is considered to accurately capture the long-term strategy of the Group, and is an indication of the sustainability of dividend payments.
2. As described in the EPRA Best Practice Recommendations policy issued in October 2019, should companies wish to make other adjustments to arrive at an underlying performance measure, they should do that below 'EPRA earnings' and use a different name for that measure. Stenprop highlight that 'adjusted EPRA earnings' is a company-specific earnings measure and it therefore includes company-specific adjustments to 'EPRA earnings' which have been described within this note and which are principally those items considered by management to be non-recurring items that are not directly associated with the operations or performance of the underlying investment property portfolio. Diluted adjusted EPRA earnings is a measure that excludes items considered not to be in the ordinary course of business or other exceptional items that do not necessarily provide an accurate picture of the Group's underlying operational performance.

As at 31 March 2020, the Company held 15,830,040 treasury shares (2019: 16,028,050).

Costs associated with ERP implementation

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

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

Prior year straight-line unwind of purchased swaps

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

Prior year costs associated with Group listing and REIT conversion

In the prior year 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.

Prior year costs associated with significant aborted portfolio acquisition

In the prior year, 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 material and accordingly has been adjusted for as a 'company-specific adjustment'.

Reconciliation of profit for the period to headline earnings	**31 March 2020 £'000**	31 March 2019 £'000
Earnings per IFRS statement of comprehensive income attributable to shareholders	**15,565**	23,828
Adjustments to calculate headline earnings, exclude:		
Changes in fair value of investment properties	**(1,741)**	5,259
Deferred tax in respect of headline earnings adjustments	**(6,848)**	(1,145)
Impairment of intangibles	**305**	–
Loss on disposal of properties	**9,817**	2,514
Profit on disposal of subsidiaries	**–**	(8,890)
Adjustments above in respect of joint ventures and associates:		
Changes in fair value of investment properties	**(729)**	(55)
Deferred tax	**199**	58
Headline earnings attributable to shareholders	**16,568**	21,569

Earnings per share	**pence**	pence
Headline EPS	**5.86**	7.63
Diluted headline EPS	**5.79**	7.56

15 Net asset value per ordinary share

	31 March 2020 £'000	31 March 2019 £'000
Net assets attributable to equity shareholders	**391,241**	389,251
Adjustments to arrive at EPRA net asset value:		
Derivative financial instruments	**2,001**	730
Deferred tax	**3,782**	10,416
Adjustments above in respect of joint ventures	**1,921**	1,649
EPRA net assets attributable to shareholders	**398,945**	402,046
Number of shares in issue (excluding treasury shares)	**282,945,135**	282,747,125
Share-based payment award	**3,522,208**	2,852,255
Diluted number of shares in issue	**286,467,343**	285,599,380

Net asset value per share (basic and diluted)	£	£
IFRS net asset value per share	**1.38**	1.38
Diluted IFRS net asset value per share	**1.37**	1.36
EPRA net asset value per share	**1.41**	1.42
Diluted EPRA net asset value per share	**1.39**	1.41

As at 31 March 2020, the Company held 15,830,040 treasury shares (2019: 16,028,050). On 31 March 2020 a further 23,289 nil cost options were exercised under the Deferred Share Bonus Plan. The share transfer from treasury shares occurred on 14 April 2020 at a deemed value of GBP 0.94 per nil cost option.

16 Investment property

The fair value of the consolidated investment properties at 31 March 2020 was £387.8 million (2019: £562.8 million). This excludes an amount of £14.3 million (2019: £16.2 million) for the last remaining Swiss property (2019: one Swiss property) and £94.8 million (2019: nil) for the remaining eight German properties which has been classified as Held for Sale. The carrying amount of the investment properties are stated at estimated fair value, determined by directors, based on an independent external appraisal. The registered independent appraisers have an appropriate recognised professional qualification and recent experience in the location and category of the property being valued ('valuers').

The fair value of each of the properties for the period ended 31 March 2020, was assessed by the valuers in accordance with the Royal Institution of Chartered Surveyors ('RICS') standards and IFRS 13. Valuers are qualified for purposes of providing valuations in accordance with the 'Appraisal and Valuation Manual' published by RICS.

The valuation of the Group's property portfolio is inherently subjective due to a number of factors including the individual nature of each property, its location, expectation of future rentals and the discount yield applied to those cash flows. As a result, the valuations placed on the property portfolio are subject to a degree of uncertainty and are made on the basis of assumptions that may not prove to be accurate, particularly in years of volatility or low transaction flow in the market. Due to the current economic uncertainty in the market due to the outbreak of the Novel COVID-19 the valuers have issued their valuation reports with a material valuation uncertainty clause attached to their valuations. They have advised there is less certainty attached to their valuations in comparison to the prior year, but that does not mean the valuations cannot be relied upon. The estimated market value may differ from the price at which the Group's assets could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. As a result, if the assumptions prove to be different, actual results of operations and realisation of net assets could differ from the estimates set forth in these financial statements, and the difference could be significant.

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

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

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

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

With the exception of two (2019: five) recently acquired MLI properties, all investment properties are mortgaged, details of which can be seen in note 23. As at the date of signing this report, there are no restrictions on the realisability of any of the underlying investment properties, nor on the remittance of income and disposal proceeds.

The key unobservable inputs used in the valuation of the Group's investment properties at 31 March 2020 are detailed in the table below:

Combined Portfolio (including share of joint ventures)	Market value 31 March 2020 (£'000)	Portfolio by market value (%)	Properties (number)	Area (sq m)	Annualised gross rental income (£'000)	Net initial yield (Weighted average) (%)	Voids by area (%)	Market rent range per month (£/sq m)
Investment properties								
UK multi-let industrial	**308,951**	**58.0**	**70**	**420,483**	**22,701**	**6.47**	**8.90**	**2.6-8.6**
UK non multi-let industrial	**78,810**	**14.8**	**6**	**32,399**	**6,044**	**7.17**	**0.05**	**3.0-34.2**
Sub-total	**387,761**	**72.8**	**76**	**452,882**	**28,745**	**6.62**	**8.27**	**–**
Assets Held for Sale:								
Germany	**94,799**	**17.8**	**8**	**52,122**	**5,736**	**5.10**	**0.82**	**4.9-12.7**
Switzerland	**14,277**	**2.7**	**1**	**5,974**	**1,038**	**5.81**	**–**	**14.5**
Total – wholly owned	**496,837**	**93.3**	**85**	**510,978**	**35,519**	**5.19**	**7.41**	**–**
Share of joint ventures	**35,737**	**6.7**	**4**	**19,330**	**2,429**	**5.94**	**–**	**7.6-13.5**
Total	**532,574**	**100**	**89**	**530,308**	**37,948**	**6.28**	**7.14**	**–**

	31 March 2020		
	Investment property £'000	**Assets held for sale £'000**	**Total - wholly owned £'000**
Opening balance	**562,815**	**16,160**	**578,975**
Acquisitions	**41,160**	**–**	**41,160**
Capitalised expenditure	**6,456**	**6,847**	**13,303**

Transfers to assets held for sale	**(230,467)**	**230,467**	**–**
Disposals	**(3,650)**	**(142,661)**	**(146,311)**
Net fair value gain/(loss) on investment property	**4,937**	**(6,678)**	**(1,741)**
Foreign exchange movement in foreign operations	**6,510**	**4,941**	**11,451**
Closing balance	**387,761**	**109,076**	**496,837**

	31 March 2019		
	Investment property £'000	**Assets held for sale £'000**	**Total - wholly owned**
Opening balance	**535,509**	**121,764**	**657,273**
Acquisitions	**110,188**	**–**	**110,188**
Capitalised expenditure	**8,080**	**1,916**	**9,996**
Transfers to assets held for sale	**(80,500)**	**80,500**	**–**
Disposals	**(409)**	**(81,637)**	**(82,046)**
Disposals through sale of subsidiary	**–**	**(110,419)**	**(110,419)**
Net fair value (loss)/gain on investment property	**(5,325)**	**67**	**(5,258)**
Foreign exchange movement in foreign operations	**(4,728)**	**3,969**	**(759)**
Closing balance	**562,815**	**16,160**	**578,975**

Included within the transferred to assets held for sale amount of £239.7 million is the 31 March 2019 fair value of Bleichenhof of £126.9 million. Bleichenhof was subsequently sold for £136.2 million on 28 February 2020.

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

	Fair value at	Impact on valuations		Fair value at	Impact on valuations	
Investment property	31 March 2020 £'000	+10% ERV £'000	-10% ERV £'000	31 March 2019 £'000	+10% ERV £'000	-10% ERV £'000
UK multi-let industrial	**308,951**	**19,977**	**(31,119)**	255,355	18,479	(17,663)
UK non multi-let industrial	**78,810**	**8,248**	**(4,820)**	84,630	6,466	(6,584)
Germany	**94,799**	**4,259**	**(4,240)**	224,544	16,375	(16,641)
Switzerland	**14,277**	**470**	**(461)**	16,160	439	(439)
Joint ventures	**35,737**	**1,617**	**(1,672)**	35,025	1,449	(1,546)
Group property portfolio valuation	**532,574**	**34,571**	**(42,312)**	615,714	43,208	(42,873)

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

	Fair value at	Impact on valuations		Fair value at	Impact on valuations	
Investment property	31 March 2020 £'000	+50 bps £'000	-50 bps £'000	31 March 2019 £'000	+50 bps £'000	-50 bps £'000
UK multi-let industrial	**308,951**	**(21,677)**	**25,216**	255,355	(19,053)	22,395
UK non multi-let industrial	**78,810**	**(5,129)**	**5,897**	84,630	(5,243)	5,985
Germany	**94,799**	**(9,636)**	**12,455**	224,544	(24,731)	33,159
Switzerland	**14,277**	**(906)**	**1,041**	16,160	(1,056)	1,210
Joint ventures	**35,737**	**(2,836)**	**3,351**	35,025	(2,738)	3,174
Group property portfolio valuation	**532,574**	**(40,184)**	**47,960**	615,714	(52,821)	65,923

17 Group companies

Details of the Group's subsidiaries as at 31 March 2020 are as follows:

			% equity owned by	
Name	Principal place of business	Principal activity	Company	Subsidiary
BVI incorporated entities with registered address:				
Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, VG1110, British Virgin Islands				
Davemount Properties Limited	England	Property Investment		100.00

Leatherback Property Holdings Limited	Guernsey	Holding Company		100.00
Ruby Red Holdings Limited	Guernsey	Management		100.00
SP Corporate Services Limited	Guernsey	Management		100.00
SP Nominees Limited	Guernsey	Management		100.00
SP Secretaries Limited	Guernsey	Management		100.00
Stenprop Management Holdings Limited	Guernsey	Holding Company	100.00	
Stenprop Hermann Limited	Guernsey	Property Investment		100.00
Stenprop Victoria Limited	Guernsey	Property Investment		100.00
Stenprop Industrials 1 Limited	Guernsey	Holding Company		100.00
Stenprop Industrials 3 Limited	Guernsey	Property Investment		100.00
Stenprop Industrials 4 Limited	Guernsey	Property Investment		100.00
Stenprop Industrials 5 Limited	Guernsey	Dormant		100.00
Stenprop (UK) Limited	England	Holding Company	100.00	
Curacao incorporated entities with registered address:				
Wilhelminalaan 13, Curaçao				
Anarosa Holdings N.V.	England	Holding Company		94.90
C.S. Property Holding N.V.	England	Holding Company		94.90
Lakewood International N.V.	England	Holding Company		89.00
T.B. Property Holdings N.V.	England	Holding Company		100.00
Germany incorporated entity with registered address:				
Dornbusch 4, 20095 Hamburg, Germany				
KG Bleichenhof Grundtuscksverwaaltung GmbH & Co. KG	Germany	Property Investment		94.90
Guernsey incorporated entities with registered address:				
Kingsway House; Havilland Street; St Peter Port; Guernsey GY1 2QE				
Bernina Property Holdings Limited	England	Holding Company		100.00
GGP1 Limited	England	Property Investment		100.00
Kantone Holdings Limited	Guernsey	Property Investment		100.00
LPE Limited	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	England	Holding Company	100.00	
Stenprop Industrials 6 Limited	England	Property Investment		100.00
Stenprop Industrials 7 Limited	England	Dormant		100.00
Stenprop Industrials 8 Limited	England	Dormant		100.00
Stenprop Trafalgar Limited	Guernsey	Holding Company		100.00
Stenprop (Germany) Limited	England	Holding Company	100.00	
Stenprop (Guernsey) Limited	Guernsey	Dormant		100.00
Stenprop (Swiss) Limited	Guernsey	Holding Company	100.00	
Luxembourg incorporated entities with registered address:				
231, Val des Bons Malades, L-2121 Luxembourg				
Jimmy Investments S.a.r.l.	Luxembourg	Holding Company		100.00
Spike Investments S.A.	Luxembourg	Holding Company		100.00
Netherlands incorporated entities with registered address:				
Fascinatio Boulevard 764, 2909 VA Capelle aan den IJssel, 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 incorporated entities with registered address:			
First Names House, Victoria Road, Douglas, Isle of Man IM2 4DF			
Stenham Beryl Limited	Guernsey	Property Investment	100.00
Stenham Crystal Limited	Guernsey	Property Investment	100.00
Stenham Jasper Limited	Guernsey	Property Investment	100.00
Gemstone Properties Limited	Guernsey	Holding Company	100.00
England incorporated entities with registered address:			
180 Great Portland Street, London, W1W 5QZ			
C2 Capital Limited	England	Management	100.00
Stenprop Management Limited	England	Management	100.00
Stenprop Limited	England	Dormant	100.00
United States incorporated entities with registered address:			
1209 Orange Street, Wilmington, Delaware 19801, USA			
Industrials UK GP LLC	England	Holding Company	100.00
Industrials UK LP	England	Property Investment	100.00

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

18 Investment in joint ventures

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

Name	Place of incorporation	Principal activity	% equity owned by subsidiary
Luxembourg incorporated entities with registered address:			
231, Val des Bons Malades, L-2121 Luxembourg			
Elysion S.A.	Luxembourg	Holding company	50.00
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
Republic of Ireland incorporated entity with registered address:			
18f Main Street, Dundrum, Dublin 14			
Ardale Industrials Limited	Republic of Ireland	Management company	50.00

On 25 February 2020, Stenpark Management Limited was voluntarily struck off the Register of Companies in Guernsey.

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.

31 March 2020	Elysion S.A. £'000	Other £'000	Total £'000
Investment property	**35,737**	**–**	**35,737**
Fixed assets	**227**	**–**	**227**
Cash and cash equivalents	**543**	**10**	**543**
Current assets	**42**	**2**	**44**
Assets	**36,549**	**12**	**36,561**
Bank loans	**(18,364)**	**–**	**(18,364)**
Bond	**(14,557)**	**–**	**(14,557)**
Deferred tax	**(1,330)**	**–**	**(1,330)**
Financial liability	**(591)**	**–**	**(591)**
Current liabilities	**(148)**	**(9)**	**(157)**
Liabilities	**(34,990)**	**(9)**	**(34,999)**
Net assets of joint ventures	**1,559**	**3**	**1,562**
Group's investment in joint venture bond	**15,336**	**–**	**15,336**

Group's share of joint ventures' net assets	**780**	**1**	**781**
Revenue	**2,472**	**15**	**2,487**
Finance costs	**(2,193)**	**(12)**	**(2,205)**
Net fair value gains	**674**	**–**	**674**
Tax expense	**(231)**	**(2)**	**(233)**
Profit from and total comprehensive income from continuing operations	**722**	**1**	**723**
Group income from joint ventures represented by:			
Share of joint venture profits	**361**	**1**	**362**
Interest income on joint venture bond	**1,393**	**–**	**1,393**
Net gain on joint venture bond	**360**	**–**	**360**
Income from joint ventures	**2,114**	**1**	**2,115**

31 March 2019	Elysion S.A. £'000	Other £'000	Total £'000
Investment property	33,915	–	33,915
Fixed assets	236	–	236
Cash and cash equivalents	515	180	695
Current assets	55	37	92
Assets	34,721	217	34,938
Bank loans	(18,442)	–	(18,442)
Bond	(13,666)	–	(13,666)
Deferred tax	(1,124)	–	(1,124)
Financial liability	(524)	–	(524)
Current liabilities	(145)	(103)	(248)
Liabilities	(33,901)	(103)	(34,004)
Net assets of joint ventures	820	114	934
Group's investment in joint venture bond	14,076	–	14,076
Group's share of joint ventures' net assets	410	56	466
Revenue	2,489	1,667	4,156
Finance costs	(2,301)	(445)	(2,746)
Net fair value losses	(376)	–	(376)
Tax expense	(110)	(95)	(205)
Profit from and total comprehensive income from continuing operations	(298)	1,127	829
Group income from joint ventures represented by:			
Share of joint venture (losses)/profits	(149)	563	414
Interest income on joint venture bond	1,355	–	1,355
Net loss on joint venture bond	(162)	–	(162)
Income from joint ventures	1,044	563	1,607

Elysion S.A.

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

The acquired bonds have attracted, and continue to attract, a 10% compounded interest rate since inception in 2007 and have limited recourse to compartment assets within Elysion S.A., with the proceeds made available to subsidiaries in the joint venture for real estate investment in Care Homes. All costs and expenses incurred by the Elysion S.A. compartment are deducted or withheld from any payment of principal or interest. The fair value has been determined based on the net assets of the compartment which would be available to settle the outstanding bond and which is intrinsically linked to the fair value of the investment property. Further details on the estimates and assumptions used in determining the fair value of investment property can be found in note 16.

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

		Investment in joint ventures		
	Elysion S.A. Bond £'000	Elysion S.A. £'000	Other £'000	Total £'000
31 March 2020				
Opening balance	**14,077**	**409**	**56**	**465**
Income from joint ventures	**1,765**	**349**	**1**	**350**
Investment receipts	**(975)**	**–**	**(56)**	**(56)**
Foreign exchange movement in foreign operations	**469**	**22**	**–**	**22**
Closing balance	**15,336**	**780**	**1**	**781**
31 March 2019				
Opening balance	14,041	577	41	618
Income from joint venture profit	1,193	(149)	563	414
Investment receipts	(852)	–	(317)	(317)
Foreign exchange movement in foreign operations	(305)	(19)	–	(19)
Disposal of joint venture	–	–	(231)	(231)
Closing balance	14,077	409	56	465

19 Assets held for sale and discontinued operations

Management considers the remaining Swiss property and eight properties located in Germany meet the conditions relating to Assets Held for Sale, as per IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. The properties are expected to be disposed of during the next 12 months. The Swiss property at Lugano, which is valued at year end at CHF17.0 million (£14.3 million) (2019: CHF21.0 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. The fair values of all the assets held for sale have been determined by a third-party valuer, JLL.

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

	31 March 2020 £'000	31 March 2019 £'000
Investment properties	**109,076**	16,160
Cash and cash equivalents	**1,135**	1,795
Trade and other receivables	**1,646**	3,468
Total assets classified as held for sale	**111,857**	21,423
Bank loans	**43,177**	6,106
Derivative financial instruments	**134**	–
Deferred tax	**3,782**	–
Taxes payable	**(611)**	1,688
Accounts payable and accruals	**828**	1,532
Liabilities directly associated with assets classified as held for sale	**47,310**	9,326

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

	31 March 2020 £'000	31 March 2019 £'000
Rental income	**764**	2,068
Property expenses	**(329)**	(786)
Net rental income	**435**	1,282
Operating costs	**(214)**	(225)
Net operating income	**221**	1,057
Fair value movement of investment properties	**(3,188)**	(1,855)
Loss on disposal of subsidiaries	**–**	(2,236)
Loss from operations	**(2,967)**	(3,034)

Profit on disposal of property	**648**	531
Interest receivable	**–**	7
Finance costs	**(70)**	(256)
Net foreign exchange gains	**(6)**	–
Loss for the year before taxation	**(2,395)**	(2,752)
Current tax	**198**	(1,689)
Deferred tax	**–**	2,118
Loss for the year from discontinued operations	**(2,197)**	(2,323)

Disposals

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

On 28 February 2020, the group disposed of its largest single asset, known as Bleichenhof, in Hamburg. The property was sold for €160.15 million.

In line with the Group's strategy to become 100% UK MLI focused, the Group sold the above assets, which were classified as held for sale during the year, following a period of marketing and completion of legals with the successful purchaser. In addition, the disposal of Bleichenhof required shareholder approval. Further details on this transaction can be found in the circular to Stenprop shareholders issued on 27 January 2020 and can be found here: https://stenprop.com/media/2594/circular-notice-of-general-meeting-and-proxy-form.pdf

Prior year 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 26, 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).

20 Trade and other receivables

Non-current receivables	31 March 2020 £'000	31 March 2019 £'000
Other debtors	**13,523**	13,365
	13,523	13,365

Non-current other debtors includes £12.27 million (2019: £12.27 million) of loans advanced under the Share Purchase Plan (see note 13: Share-based payments) and a £1.0 million (2019: £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.

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

Current receivables	31 March 2020 £'000	31 March 2019 £'000
Accounts receivable	**4,225**	4,644
Loss allowance	**(976)**	(860)
Lease incentives	**2,545**	1,510
Other receivables	**2,610**	4,249
Prepayments	**1,491**	624
Transfer to assets held for sale	**(1,646)**	(3,468)
	8,249	6,699

Other receivables includes tenant deposits and VAT receivable.

	31 March 2020			31 March 2019		
	Trade Receivables £'000	**Loss Allowance £'000**	**Net Receivables £'000**	Trade Receivables £'000	Loss Allowance £'000	Net Receivables £'000
Not yet due	**554**	**–**	**554**	492	–	492
1-30 days overdue	**2,182**	**(169)**	**2,013**	2,112	–	2,112
31-60 days overdue	**279**	**(1)**	**278**	447	(219)	228
61-90 days overdue	**258**	**(198)**	**60**	354	–	354
91-120 days overdue	**224**	**(148)**	**76**	236	(7)	229
More than 120 days overdue	**728**	**(460)**	**268**	1,003	(634)	369
	4,225	**(976)**	**3,249**	4,644	(860)	3,784

To measure the loss allowance provision, trade receivables have been grouped based on shared credit risk characteristics and the days overdue. The level of provision required is determined after taking account of rent deposits and personal or corporate guarantees held. Management have performed an assessment of the effectiveness of this approach by comparing actual losses to provisions estimated in prior periods as well as assessing the impact of current macro-economic events. Based on the minimal differences identified within this assessment, management has concluded that there is no material difference between the expected credit loss model prescribed by IFRS 9 and the current provisioning method being applied. Consequently, no allowance has been made for losses on receivables not yet falling due. Management will continue to review this assertion at each reporting period.

21 Cash and cash equivalents

	31 March 2020 £'000	31 March 2019 £'000
Cash at bank	**85,588**	59,220
Transfer to assets held for sale	**(1,135)**	(1,795)
	84,453	57,425

Restricted cash

At year end funds totalling £8.2 million (2019: £8.7 million) were restricted. This comprises primarily of tenant deposits of £2.4 million (2019: £1.6 million), Bleichenhof redevelopment costs of £3.5 million (2019: £4.9 million) and £1.5 million (2019: £1.6 million) related to service charge monies held by managing agents. £0.8 million (2019: £0.6 million) being rents held in bank accounts which are secured by the lenders for the purposes of debt repayments.

Cash held back for other purposes

At year end management have allocated £6.3 million (2019: nil) of the total cash balance for other purposes. These include £5.9 million (2019: nil) in tax payable following the disposal of Bleichenhof with the remaining £0.4 million (2019: nil) being cash held back for committed operational expenditure.

After deducting restricted cash of £8.2 million and cash held back for other purposes of £6.3 million, the group has available cash of £71.1 million, or approximately £70 million.

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

22 Accounts payable and accruals

	31 March 2020 £'000	31 March 2019 £'000
Accruals	**3,107**	3,980
Rental income received in advance	**6,324**	5,128
Other payables	**5,717**	7,683
Tenant deposits	**2,369**	1,603
Liabilities directly associated with assets classified as held for sale adjustment	**(828)**	(1,532)
	16,689	16,862

Other payables represents amounts owed to service providers for the maintenance and operational running costs of our properties as well as costs to close Stenprop's fund management business.

23 Borrowings

	31 March 2020 £'000	31 March 2019 £'000
Opening balance	**245,090**	259,497
New loans	**24,668**	37,051

Repayment of borrowings	**(2,000)**	–
Amortisation of loans	**(134)**	(3,593)
Capitalised borrowing costs	**(919)**	(873)
Amortisation of transaction fees	**623**	436
Foreign exchange movement in foreign operations	**4,098**	(1,264)
Adjustment for liabilities directly associated with assets transferred to assets held for sale	**(117,255)**	(46,164)
Total borrowings	**154,171**	245,090

Of the movement in borrowings in the year ending 31 March 2020, £24.67 million (2019: £37.05 million) relates to cash received from new bank loans raised and £82.32 million (2019: £61.21 million) relates to repayments of bank loans. The £82.18 million (2019: £61.21 million) of bank loan repayments are included in the adjustment for liabilities directly associated with assets transferred to assets held for sale balance. The sale of Bleichenhof contributed £75.5 million to the total loan repayments. £2.88 million was repaid upon the sale of Hemel Hempstead, £1.80 million was repaid on the sale of Walsall and £2.0 was repaid when refinancing the Trafalgar loan. Non-cash movements relate to amortisation of capitalised transaction fees and foreign exchange movements.

	31 March 2020 £'000	31 March 2019 £'000
Amount due for settlement within 12 months	**–**	29,805
Amount due for settlement between one to three years	**93,468**	106,943
Amount due for settlement between three to five years	**60,703**	108,342
Total borrowings	**154,171**	245,090
Non-current liabilities		
Bank loans	**154,171**	215,285
Total non-current loans and borrowings	**154,171**	215,285
Current liabilities		
Bank loans	**–**	29,805
Total current loans and borrowings	**–**	29,805
Total loans and borrowings	**154,171**	245,090

The facilities are secured by legal charges over the properties to which they correspond. There is no cross-collateralisation of the facilities. Loans are subject to loan-to-value ratios (see note 28 (v)) and interest coverage ratios. No loan was in breach during period or period end. The terms and conditions of outstanding loans are as follows:

						Nominal value		Carrying value*	
Entity	Note	Amortising	Loan interest rate	Currency	Maturity date	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
United Kingdom									
Davemount Properties Limited		No	LIBOR + 2.25%	GBP	26/5/2021	**–**	4,000	**–**	3,983
LPE Limited		No	LIBOR + 2.00%	GBP	31/3/2022	**28,000**	30,000	**27,857**	29,805
GGP1 Limited		No	LIBOR + 2.25%	GBP	26/5/2021	**4,500**	5,175	**4,472**	5,123
Industrials UK		No	LIBOR + 2.25%	GBP	2/6/2022	**61,484**	61,484	**61,259**	61,215
Stenprop Industrials 4 Limited		No	LIBOR + 2.00%	GBP	14/11/2024	**34,879**	10,211	**34,255**	10,043
Stenprop Industrials 6 Limited		No	LIBOR + 2.00%	GBP	1/2/2024	**26,840**	26,840	**26,448**	26,343
Switzerland									
Kantone Holdings Limited	1	Yes	LIBOR + 1.15%	CHF	3-month rolling facility	**6,513**	6,106	**6,513**	6,106
Germany									
Century BV		No	Euribor + 1.55%	EUR	31/12/2022	**7,369**	7,135	**7,319**	7,070
Century 2 BV		No	Euribor + 1.55%	EUR	31/12/2022	**3,832**	3,711	**3,804**	3,673

Isabel Properties BV	No	Euribor + 2.32%	EUR	30/12/2021	**8,001**	7,747	**8,001**	7,747
Bleichenhof GmbH & Co. KG	No	1.58%	EUR	28/2/2022	**–**	73,114	**–**	73,114
Stenprop Hermann Ltd	No	Euribor + 1.13%	EUR	30/6/2020	**8,383**	8,117	**8,383**	8,109
Stenprop Victoria Ltd	No	Euribor + 1.28%	EUR	31/8/2020	**9,157**	8,866	**9,157**	8,866
					198,958	252,506	**197,468**	251,197

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

1. In August 2018 the sole remaining property in Switzerland, 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 2020 is £154.2 million as detailed on the previous page in total borrowings.

24 Other loans

	31 March 2020 £'000	31 March 2019 £'000
Loans received	**–**	48,086
Loan repayments including foreign exchange movement	**–**	(48,506)
Interest	**–**	420
	–	–

During the period to 31 March 2020, a £30 million (2019: £50 million) revolving credit facility ('RCF') was renewed on similar terms 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.

25 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 £2,410,000 (2019: loss £1,092,000) and £nil (2019: £nil) respectively.

The following table sets out the interest rate swap agreements at 31 March 2020 and 31 March 2019.

Entity	Effective date	Maturity date	Swap rate %	Notional value 31 March 2020 £'000	Fair value 31 March 2020 £'000	Notional value 31 March 2019 £'000	Fair value 31 March 2019 £'000
UK							
LPE Limited	26/3/2015	31/3/2020	1.35	**–**	**–**	30,000	(176)
Industrials UK LP	2/6/2017	2/6/2022	0.95	**60,375**	**(768)**	60,375	(82)
Industrials 4	14/11/2019	14/11/2024	0.89	**24,000**	**(492)**	–	–
Industrials 6	1/2/2019	1/2/2024	1.27	**22,814**	**(741)**	22,814	(310)
Germany							
Century BV	31/12/2017	30/12/2022	2.5	**7,234**	**1**	7,005	–
Century 2 BV	31/12/2017	30/12/2022	2.5	**3,967**	**–**	3,841	–
Isabel Properties BV	30/1/2015	30/12/2021	0.48	**8,001**	**(135)**	7,747	(162)
Adjustment for liabilities directly associated with assets classified as held for sale adjustment (see note 19)				**–**	**134**	–	–
Total swaps				**126,391**	**(2,001)**	131,782	(730)
Liabilities maturing within 12 months				**–**	**–**	–	(176)
Liabilities maturing after 12 months				**–**	**(2,001)**	–	(554)
Derivative financial instruments – on balance sheet				**–**	**(2,001)**	–	(730)
Swaps included in investments in associates and joint ventures							
Elysion Braunschweig S.a.r.l	1/4/2014	29/12/2023	2.43	**4,883**	**(150)**	4,860	(127)
Elysion Dessau S.a.r.l	1/4/2014	29/12/2023	2.43	**4,831**	**(143)**	4,809	(126)

Elysion Kappeln S.a.r.l	1/4/2014	29/12/2023	2.8	**5,379**	**(181)**	5,350	(167)
Elysion Winzlar S.a.r.l	1/4/2014	29/12/2023	2.8	**3,442**	**(116)**	3,423	(104)
Derivative financial instruments – associates and joint ventures				**18,535**	**(590)**	18,442	(524)

26 Disposal of subsidiaries

	31 March 2020 £'000	31 March 2019 £'000
Carrying value of net assets at disposal date		
Investment property	**–**	110,419
Trade and other receivables	**–**	627
Cash and cash equivalents	**–**	2,132
Borrowings	**–**	(45,334)
Trade and other payables	**–**	(2,871)
Net assets disposed	**–**	64,973
Net disposal proceeds	**–**	74,094
Foreign exchange movement in foreign operations	**–**	(231)
Profit on disposal of subsidiaries (including discontinued operations)	**–**	8,890
Net assets disposed	**–**	64,973
Discontinued Operations – Loss on disposal of subsidiary (note 19)	**–**	(2,236)
Continuing Operations – Profit on disposal of subsidiary	**–**	11,126
Profit on disposal of subsidiaries (including discontinued operations)	**–**	8,890

Prior year disposals

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.

27 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 2020 £'000	31 March 2019 £'000
Opening balance	**(10,416)**	(9,379)
Deferred tax recognised on disposal of investment properties	**9,533**	2,905
Deferred tax recognised on revaluation of financial liabilities	**(5)**	8
Deferred tax on tax losses	**(4,123)**	492
Deferred tax – other withholding tax	**1,691**	(1,768)
Other deferred tax movements	**(359)**	–
Exchange movements	**(103)**	1,223
Adjustment for liabilities directly associated with assets classified as held for sale adjustment	**3,782**	(3,897)
Closing balance	**–**	(10,416)

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 2020 £'000	31 March 2019 £'000
Deferred tax liabilities	**(4,473)**	(15,574)
Deferred tax assets	**691**	5,158
Adjustment for liabilities directly associated with assets classified as held for sale adjustment	**3,782**	–
Closing balance	**–**	(10,416)
Deferred tax opening balance	**(10,416)**	13,276
Exchange movements	**(103)**	(1,223)
Other movements	**(359)**	–
Deferred tax liability closing balance	**3,782**	(10,416)

Movement in deferred tax	**(7,096)**	1,637

28 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.

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

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

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

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

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

Credit risk

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

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

	31 March 2020 S&P Global Ratings	**31 March 2020 Fitch Ratings**	31 March 2019 Fitch Ratings
ABN AMRO Bank NV	**N/A**	**N/A**	A+
Barclays Private Clients International Limited	**BBB**	**A-**	A+
Berlin Hyp AG	**N/A**	**N/A**	AA-
The Bank of N. T. Butterfield & Son Limited	**BBB+**	**WD**	N/A
Credit Suisse AG	**N/A**	**N/A**	A
Deutsche Bank AG	**N/A**	**N/A**	A-
Hamburg Commercial Bank AG	**BBB**	**N/A**	A+
Lloyds Bank plc	**BBB+**	**A+**	A+
Royal Bank of Scotland Group plc	**BBB**	**A**	A+
Santander UK plc	**N/A**	**N/A**	A+

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

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

At the time of acquisition of a property, and from time to time thereafter, the 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.

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

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

At 31 March 2020, trade and other receivables and cash and cash equivalents amounts to £92.3 million (2019: £64.1 million) as shown in the statement of financial position. Further details on what makes up this balance can be found in note 20.

28 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	**–**	**8,417**	**15,516**	**112,712**	**60,703**	**–**	**197,348**
Loan interest	**400**	**1,610**	**4,032**	**7,773**	**–**	**(13,149)**	**666**
Financial liabilities	**–**	**–**	**–**	**2,135**	**–**	**–**	**2,135**
Deferred tax	**–**	**–**	**3,782**	**–**	**–**	**–**	**3,782**
Other payables (incl. tax)	**–**	**1,974**	**10,627**	**2,116**	**–**	**–**	**14,717**
Accruals	**–**	**–**	**5,620**	**–**	**–**	**–**	**5,620**
Deferred income	**–**	**6,324**	**–**	**–**	**–**	**–**	**6,324**
Lease obligations	**1**	**49**	**252**	**222**	**–**	**–**	**524**
Liabilities directly associated with assets classified as held for sale	**(27)**	**(8,701)**	**(20,054)**	**(19,856)**	**–**	**1,328**	**(47,310)**
As at 31 March 2020	**374**	**9,673**	**19,775**	**105,102**	**60,703**	**(11,821)**	**183,806**

	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

28 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.

	Held at fair value through profit or loss £'000	Held at amortised cost £'000	Total carrying amount 31 March 2020 £'000
Financial assets			
Cash and cash equivalents	**–**	**84,453**	**84,453**
Trade and other receivables	**–**	**8,249**	**8,249**
Other debtors	**–**	**13,523**	**13,523**
31 March 2020	**–**	**106,225**	**106,225**
Financial liabilities			
Bank loans	**–**	**154,171**	**154,171**
Derivative financial instruments	**2,001**	**–**	**2,001**
Accounts payable and accruals	**–**	**27,109**	**27,109**
Bonds	**15,336**	**–**	**15,336**
31 March 2020	**17,337**	**181,280**	**198,617**

	Held at fair value through profit or loss £'000	Held at amortised cost £'000	Total carrying amount 31 March 2019 £'000
Financial assets			
Cash and cash equivalents	–	57,425	57,425
Trade and other receivables	–	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
Bonds	14,077	–	14,077
31 March 2019	14,807	263,577	278,384

28 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 (see fair value hierarchy section). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns to shareholders.

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

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

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

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 2020 £'000	31 March 2019 £'000
Assets		
CHF	**15,252**	21,423
EUR	**138,840**	256,226
Liabilities		
CHF	**6,271**	9,326
EUR	**50,638**	122,251

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	**(898)**	**131**
EUR impact	**(8,820)**	**(598)**
	(9,718)	**(467)**

The exchange rates against GBP during the year were:

	Average rate for year to 31 March 2020	As at 31 March 2020
CHF	**0.7972**	**0.8393**
EUR	**0.8740**	**0.8890**

Interest rate risk

The Group's interest rate risk is associated with cash and cash equivalents, on the one hand, and interest-bearing borrowings, on the other. If the interest is variable, it presents the Group with a cash flow interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As stated in note 25, borrowings from credit institutions are protected against movements in interest rates. The Group uses interest rate swaps to manage its interest rate exposure and to establish more certainty over cash flows. As a result, the Group have not disclosed additional sensitivity analysis to changes in interest rates.

28 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	Designated at fair value

	instruments recognised at fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
31 March 2020				
Assets				
Derivative financial instruments	**–**	**–**	**–**	**–**
Total assets	**–**	**–**	**–**	**–**
Liabilities				
Derivative financial instruments	**2,001**	**–**	**2,001**	**–**
Bonds	**14,557**	**–**	**–**	**14,557**
Total liabilities	**16,558**	**–**	**2,001**	**14,557**
31 March 2019				
Assets				
Derivative financial instruments	–	–	–	–
Total assets	–	–	–	–
Liabilities				
Derivative financial instruments	730	–	730	–
Bonds	13,666	–	–	13,666
Total liabilities	14,396	–	730	13,666

Details of changes in valuation techniques

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

Significant transfers between Level 1, Level 2 and Level 3

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

Unobservable inputs

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

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

Capital risk management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents and equity attributable to ordinary shareholders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity. Stenprop's average loan-to-value ratio ('LTV') ratio at 31 March 2020 was 40.8% (2019: 44.2%), 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.

At the date of signing these consolidated financial statements, the Group has positive operating cash flows and positive net assets. Management have carefully assessed the impact of the market uncertainties arising from both Brexit and the outbreak of the Covid-19 pandemic, on the entity's net assets, liquidity and ability to continue as a going concern for the foreseeable future. Given the current market conditions and negative economic outlook, management subjected the Group's cash flow forecast to a stress test scenario for the 18 months to 30 September 2021 by applying highly severe scenario assumptions, including a 75% deterioration in rental income cash receipts, and direct landlord costs of four times the current level, driven by an increase in vacancies. These assumptions were applied over the entire 18 month period of assessment and do not include cash flows for the sale or purchase of properties. The test concluded that even in these scenarios the Group would have positive liquid assets and be able to meet its obligations as they fell due. The Company's REIT obligations and debt refinancing were assessed in detail as were sensitivities to loan covenants. Despite the disruption in the economy caused by Covid-19, we do not expect the risk of default to have increased. Lenders have been guided by the Government to take a pragmatic view and consider prepayment possibilities, equity cures and waivers of covenants so that breaches with a direct link to the pandemic should not automatically trigger defaults. In addition, we maintain strong relationships with our facility providers and currently have significant headroom for both interest cover and LTV loan covenants. Notwithstanding this assumption, the Group would have cash resources available, even after considering the highly severe scenario, to be utilised to cure covenant breaches if they crystallise and the lenders take a hard stance against government advice. It is further worth noting that the loans are not cross-collateralised and accordingly if certain banks do act aggressively, the Group would continue to operate with the remaining portfolio of assets if any foreclosure events were to arise. In light of this review and the significant liquid assets, management are satisfied that the Group has access to adequate resources to continue in operational existence for a period of at least 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.

29 Related party transactions

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

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

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

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

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

Ultimate controlling party

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

30 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 2020 £'000	31 March 2019 £'000
Continuing operations		
Within one year	**30,607**	33,167
Between one and two years	**25,095**	26,796
Between two and five years	**40,944**	45,658
After five years	**39,119**	38,039
	135,765	143,660
Discontinuing operations		
Within one year	**1,038**	1,157
Between one and two years	**1,038**	1,157
Between two and five years	**3,115**	3,470
After five years	**12,986**	15,623
	18,177	21,407

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

	31 March 2020 £'000	31 March 2019 £'000
Continuing operations		
Within one year	**326**	356
Between one and two years	**232**	285
Between two and five years	**14**	213
After five years	**-**	-
	572	854

At 31 March 2020, Stenprop had no (2019: nil) lessee leases in its discontinued operations.

31 Events after the reporting period

(i) Declaration of dividend

On 11 June 2020, the board declared a final dividend of 3.375 pence per share. The final dividend will be payable in cash or as a scrip dividend. An announcement containing details of the dividend and the timetable will be made in due course.

(ii) Share incentive awards

On 10 June 2020, the board, on the recommendation of the remuneration committee, approved share-based awards in relation to the Long Term Incentive Plan and the Deferred Share Bonus Plan. Details of awards made to executive directors can be seen in note 8.

(iii) COVID-19 developments

The UK, German and Swiss governments have recently announced measures to lift the COVID-19 lock-down. Each country is at a different stage of economic recovery and as such the Group continues to monitor government policy changes on a daily basis. Stenprop has identified no adjusting events at the date of signing these consolidated financial statements.