



# Integrated Annual Report 2018



**STENPROP**



The background of the slide is a photograph of a road winding through a landscape. In the distance, there are several large, metal lattice power line towers with multiple cross-arms, supporting high-voltage power lines. The sky is a clear, pale blue. In the foreground and middle ground, there are green grassy areas, a paved road with white markings, and some commercial buildings or warehouses. A few cars and a white van are visible on the road and in a parking area. The overall scene is bright and clear, suggesting a sunny day.

# Welcome to the Integrated Annual Report 2018

Stenprop Limited<sup>^</sup> presents its integrated annual report for the financial year ended 31 March 2018.

This report endeavours to provide stakeholders with an understanding of the economic and governance matters pertaining to the Group and enhance accountability to stakeholders.

The board of directors regard this process as a valuable opportunity to engage with its stakeholder group. Your feedback is welcomed and any comments can be emailed to [info@stenprop.com](mailto:info@stenprop.com).

<sup>^</sup>Stenprop Limited (the 'Company' and together with its subsidiaries the 'Group')

Incorporated in Guernsey  
Registration number: 64865  
LSE share code: STP; JSE share code: STP;  
ISIN: GG00BFWMR296





# Contents

---

## Business Overview

Highlights	02
Who We Are	03

---

## Strategic Report

Our Portfolio	05
Chief Executive's Report	08
Strategy	11
Business Model	12
Why Multi-Let Industrials?	13
Our Relationships	18
Property Reports: UK	20
Germany	24
Switzerland	25
Creating Value Within Our Portfolio	26
Financial Review	28
Risk Management	34
Responsible Business	40

---

## Governance

Chairman's Statement	43
Our Board of Directors	44
Corporate Governance Overview	46
Audit and Risk Committee Report	50
Remuneration Report	52
Social and Ethics Committee Report	58
Directors' Report	59

---

## Financials

Independent Auditor's Report	62
Consolidated Statement of Comprehensive Income	65
Consolidated Statement of Financial Position	66
Consolidated Statement of Changes in Equity	67
Consolidated Statement of Cash Flows	68
Notes to the Consolidated Financial Statements	69

---

## Additional Information

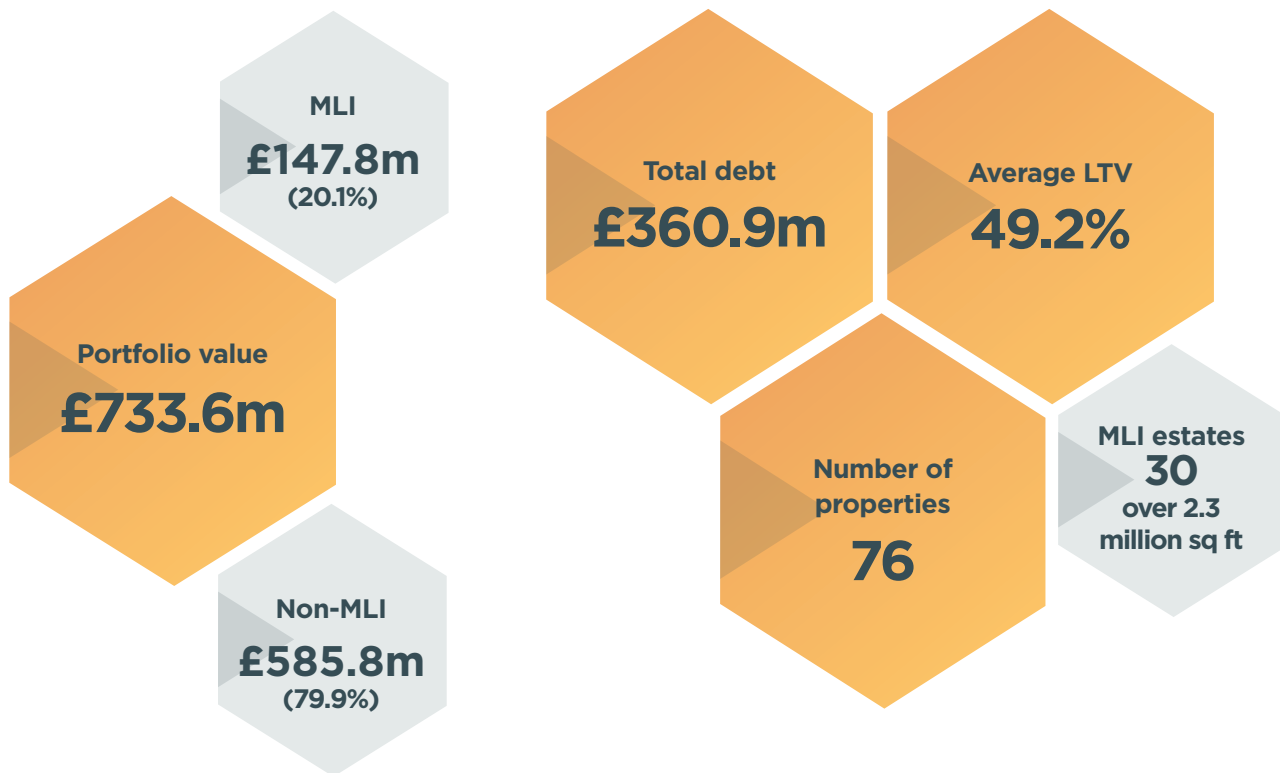
Property Summary	112
Portfolio Analysis	113
Consolidated Portfolio	114
Assets Held for Sale	116
Jointly Controlled Entities	118
Tenants Analysis	119
EPRA Key Performance Measures	120
Analysis of Shareholders	121
Shareholder Diary	122
Corporate Information	IBC



# Transitioning into a focused UK multi-let industrial business

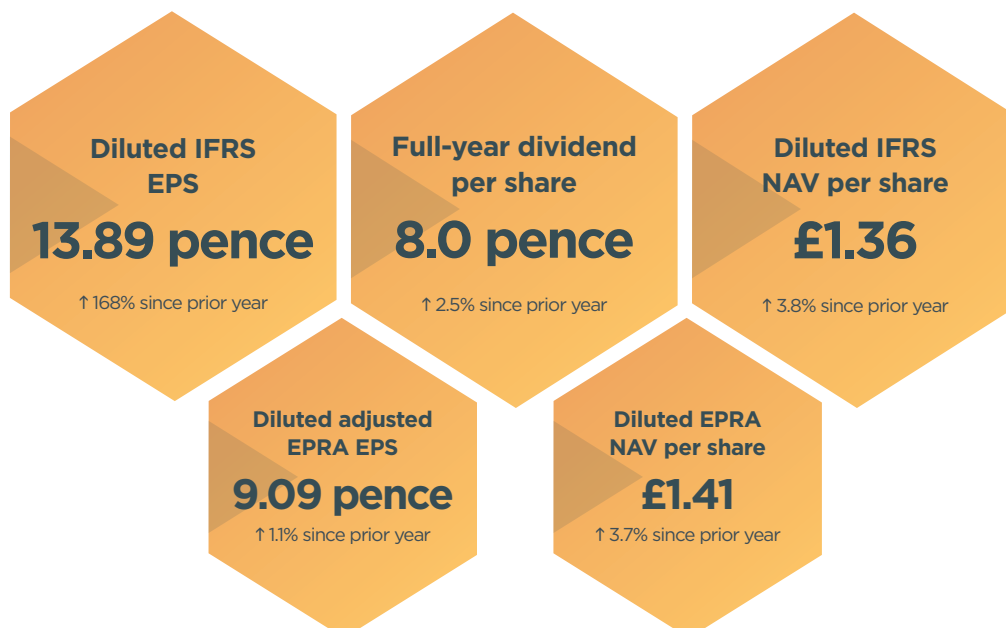
## Portfolio Highlights

31 March 2018



## Financial Highlights

31 March 2018



For more information on **EPRA Key Performance Measures** please see page 120.



# Who We Are

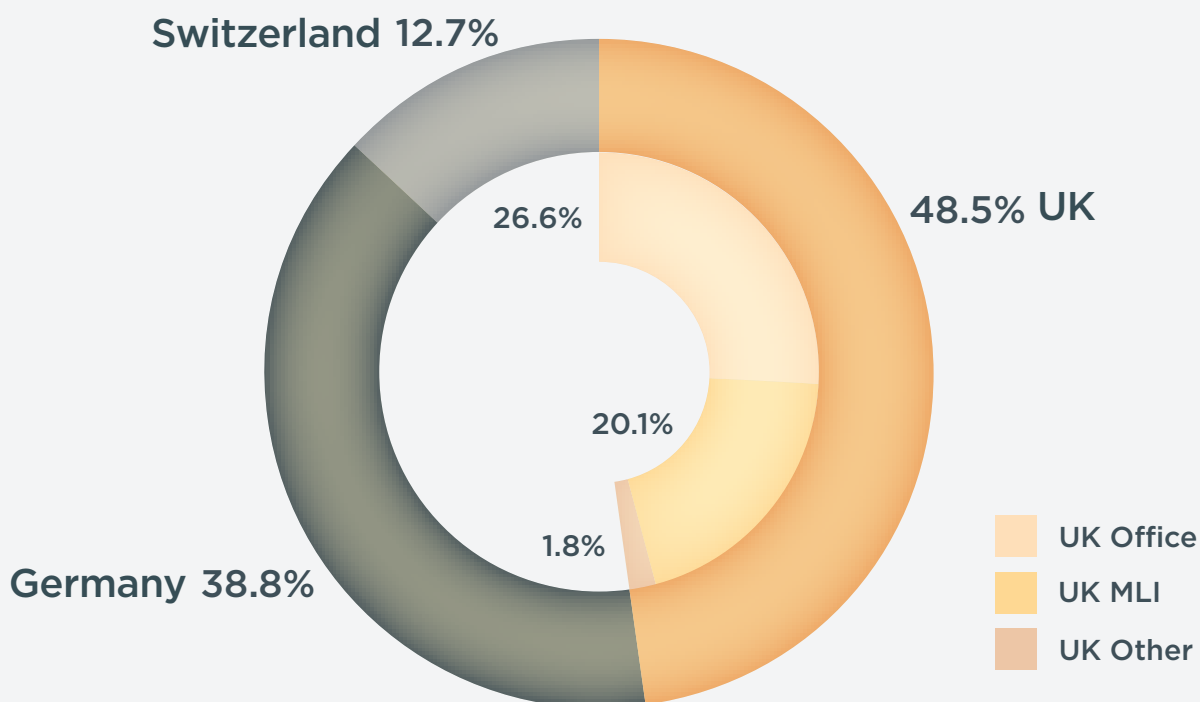
Stenprop is a listed property investment company with a diversified portfolio of commercial property currently located in the United Kingdom, Germany and Switzerland.

The Company is a UK REIT and is listed on the Specialist Fund Segment ('SFS') of the Main Market of the London Stock Exchange ('LSE') and on the Main Board of the Johannesburg Stock Exchange ('JSE').

In late 2017 the board of directors took the strategic decision that the Company's investment objective to deliver sustainable growing dividends to shareholders would be best achieved by becoming a specialised UK multi-let industrial ('MLI') business. This strategic re-positioning means that Stenprop intends, over the next few years, to sell all of its non-MLI assets through a planned disposal process, and utilise the sale proceeds to build a focused UK MLI business.

## Assets by country – based on property value

31 March 2018



### Stenprop's 2018 Portfolio Fast Facts







## Strategic Report

Our Portfolio	05
Chief Executive's Report	08
Strategy	11
Business Model	12
Why Multi-Let Industrials?	13
Our Relationships	18
Property Reports: UK	20
Germany	24
Switzerland	25
Creating Value Within Our Portfolio	26
Financial Review	28
Risk Management	34
Responsible Business	40



# Our Portfolio

31 March 2018

## UK portfolio

Asset value

£355.9m

Gross lettable area sq m

268,646

Annual gross rental income

£23.4m

Note: Includes share of Argyll Street, the sale of which completed 4 June 2018



Read more in the **Property Report** on pages 20 to 23.

## German portfolio

Asset value

£284.8m

Gross lettable area sq m

110,847

Annual gross rental income

£14.7m



Read more in the **Property Report** on page 24.

## Swiss portfolio

Asset value

£92.9m

Gross lettable area sq m

35,612

Annual gross rental income

£5.9m



Read more in the **Property Report** on page 25.



# Our Portfolio

31 March 2018

## MLI Portfolio, UK



Read more on Why MLI and Our MLI Portfolio on pages 13 to 17



## Bleichenhof Hamburg, Germany

Our largest single asset in the portfolio located in Hamburg city centre, Germany with a market value of £130.8m



Read more on page 27



## Euston House, London, UK

Freehold island site directly opposite Euston Station



Read more on page 27



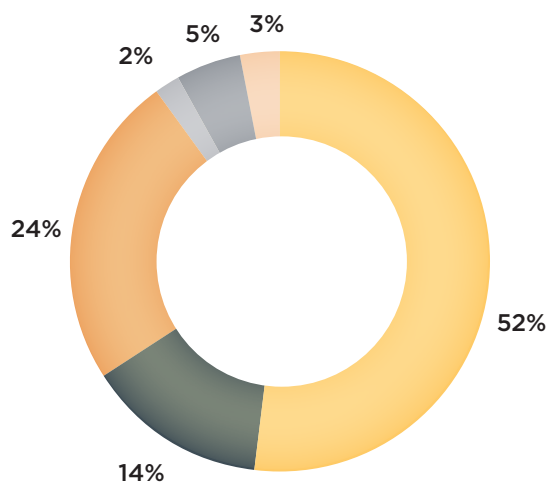
● MLI ● NON-MLI



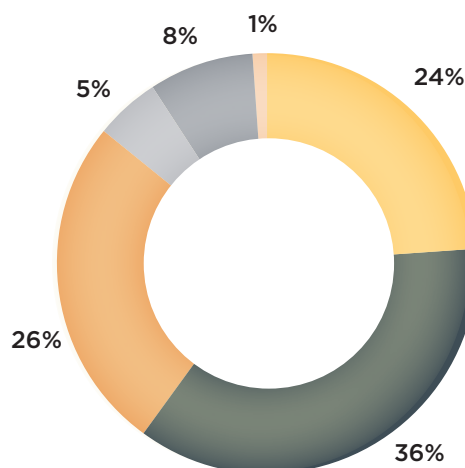
View more online at [www.stenprop.com/our-space/our-assets](http://www.stenprop.com/our-space/our-assets)

## Portfolio market sectors

Sector by lettable area



Sector by annual gross rental income



MLI Office Retail Other Nursing homes Industrial

## Largest assets by value making up 70.8% of Stenprop's portfolio:

Property/portfolio	Market value (£m)	Ownership interest (%)	Stenprop share of market value (£m)	Sector	Lettable area (m <sup>2</sup> )	Annualised gross rental (Stenprop share) (£m)	WAULT (years)
MLI portfolio, UK	147.8	100	147.8	MLI	215,299	10.4	3.1
Bleichenhof, Hamburg	130.8	94	124.2	Mixed use	19,320	4.6	4.7
Euston House, London	79.6	100	79.6	Office	10,204	4.0	4.5
Berlin daily needs retail centre portfolio	66.1	100	66.1	Retail	35,346	3.9	9.0
Trafalgar Court, Guernsey	59.9	100	59.9	Office	10,564	4.3	9.1
Argyll Street, London*	83.4	50	41.7	Office	6,134	2.1	1.8
<b>Total</b>	<b>567.6</b>		<b>519.3</b>		<b>296,867</b>	<b>29.3</b>	<b>5.1</b>

\* Sale completed 4 June 2018.



# Chief Executive's Report

**Communicating our story of how and why we have chosen to reposition Stenprop into a focused UK multi-let industrial business.**

**Paul Arenson**  
Chief Executive Officer



The past financial year has been an exceptional year of change and endeavour for Stenprop. Stenprop started the new financial year with a diversified portfolio spread across a range of asset classes in the UK, Germany and Switzerland. Whilst our portfolio was of excellent quality and well-let, it was evident that, after a lengthy period of robust capital and rental growth, future growth prospects in the portfolio were stagnating.

## Strategic MLI acquisition

In early 2017, we identified an opportunity to acquire a significant portfolio of 25 multi-let industrial ('MLI') estates spread across the United Kingdom. The opportunity met our investment criteria of fundamental value in terms of earnings enhancing initial income with real potential for future rental and capital growth. We also liked the asset class because tenant demand and value were dependent on location rather than lease contract, being situated in and around densely-populated towns and cities with good alternative use underpinning values. The range and number of tenants indicated that income was likely to be sustainable within tolerable bands as there was no binary lease event. Risk was managed through diversity and scale of the tenant base.

## Potential for outperformance

Our detailed due diligence of the portfolio and the MLI asset class in the UK led us to conclude that there was significant potential for outperformance in this asset class. It became clear to us that a structural shift in tenant demand was taking place. We noted that only 15% of all occupiers in the portfolio were in the manufacturing sector. The diverse range of other occupiers in other spheres of business activity was most surprising. We realised that, much like the e-commerce logistics revolution, a similar revolution was quietly taking place in the type of occupier utilising MLI space. Aided by the changes taking place in communications technology, the number and type of occupier of MLI space was growing rapidly; businesses were now able to operate more independently and access customers, suppliers, clients and other relationships through enhanced communications technology.

On the supply side we were equally surprised to discover that almost no MLI units had been built since 2007. Further investigation into this revealed that it was not economically viable to build MLI units at the current levels of rent and capitalisation rates. We estimated that for new economic development to be viable either rents would need to rise by more than 50% from current levels or capitalisation rates would need to reduce substantially. In line with this analysis, we noted that we were acquiring the portfolio at less than 60% of the estimated replacement cost.

It became obvious to us that this was an exceptional opportunity for Stenprop if we could overcome the two largest traditional barriers to entry into the sector: the need for economies of scale and the need for an excellent management platform to deal with the granular nature of the tenant base and short leases.

## Scalable platform

We felt confident that the acquisition of the portfolio would give us the initial base scale. To secure the management platform quickly we entered into discussions with C2 Capital Limited ('C2 Capital') to acquire their business. C2 Capital, founded and owned by Julian Carey, had assembled the portfolio and had been the operating partner managing the portfolio. They had in place the infrastructure and staff to manage and grow the portfolio. Julian shared our vision of growing the MLI portfolio through further acquisitions using our balance sheet of other assets which could be sold. Both parties were excited by the opportunity to use the permanent capital structure of Stenprop to change the way MLI had traditionally been managed and to invest in technology to enhance the management capability and platform. Julian was willing to take his entire consideration in Stenprop shares which was a big vote of confidence in our future strategy and confirmed his long-term commitment to our business.

The acquisition of the portfolio and management platform both completed on 30 June 2017. The portfolio was acquired with additional bridge finance, taking our overall loan-to-value ratio ('LTV') to over 55%. This has subsequently been reduced to 49.2% with further sales of properties. The acquisitions created an excellent base on which to add additional MLI assets which could be funded from further sale proceeds.

## UK REIT conversion and London listing

At the same time, we were investigating the possibilities to achieve UK REIT status and a listing on the LSE. These corporate objectives were driven by a need to minimise future tax leakage (as a result of changing tax legislation) and to try to eliminate the discount to net asset value ('NAV') by being on a more liquid exchange. It became clear that the Specialist Fund Segment ('SFS') on the Main Market of the LSE was a potential route to achieving strong investor support and real potential for narrowing the discount. The ability to convert to a UK REIT was also available. In addition, we were advised to migrate the Company from Bermuda to Guernsey.

## STENPROP'S JOURNEY SO FAR

**JUNE 2018**

STENPROP LISTS ON THE SPECIALIST  
FUND SEGMENT OF THE LONDON  
STOCK EXCHANGE

**MAY 2018**

STENPROP ACHIEVES  
UK REIT STATUS

**NOVEMBER 2017**

STENPROP ANNOUNCES PLANS TO  
TRANSITION INTO A UK FOCUSED  
MLI BUSINESS, REDUCE OVERALL  
LEVERAGE, LIST ON THE LSE  
AND CONVERT TO A UK REIT

**JUNE 2017**

STENPROP ACQUIRES THE INDUSTRIALS.  
CO.UK PORTFOLIO OF 25 MLI ESTATES  
TOGETHER WITH THE C2 CAPITAL  
MANAGEMENT TEAM AND PLATFORM  
FOUNDED BY JULIAN CAREY

**2014**

STENPROP TAKES CONTROL OF A  
VEHICLE LISTED ON THE JSE AND  
BERMUDA STOCK EXCHANGE. STENHAM  
PROPERTY INJECTS OVER £638M OF  
ASSETS INTO STENPROP FOR SHARES.  
MANAGEMENT INTERNALISED

**2007**

FUNDS UNDER MANAGEMENT EXCEED  
£2BN WITH OVER 2,000 PRIVATE  
CLIENT INVESTORS  
  
PATSY WATSON JOINS  
AS FINANCE DIRECTOR

**1995**

PAUL ARENSON JOINS THE STENHAM  
GROUP AS PART OF AN MBO WITH  
THE REMIT TO ESTABLISH A REAL  
ESTATE FUND BUSINESS

Our corporate strategy and our property strategy dovetailed neatly as we realised that investors on the LSE were attracted to UK REITs with a clear specialised focus in a sector which could offer sustainable and growing income. In an environment of low yields, this seemed to appeal to investors seeking reliable income and inflation protected growth.

**Strong MLI growth post-acquisition**

In the nine months following the acquisition of the MLI portfolio, we entered into 90 new lease renewals and lettings. This represented approximately 25% of our MLI tenant base, which is the approximate proportionate norm for new lettings and renewals on MLI portfolios of scale. On average, these new lettings and renewals achieved rentals which were 17.7% ahead of the previous passing rent on each unit.

**A focused MLI business**

As a result of the excellent performance of the acquired MLI portfolio and the exciting prospects around the management opportunity, we took a strategic decision to go 'all in' and transition our entire business to focus exclusively on the UK MLI sector. This decision was taken primarily as a result of our conviction on the favourable structural demand-supply fundamentals offered by the sector. In our view, this was a sector that was pregnant with long-term value. Our decision was reinforced by the success of the acquisitions and the ease with which the C2 Capital management team had integrated into our business. It was also driven by the potential for revolutionising the MLI space and the real possibility of becoming the leading MLI business in the UK as we had identified that the existing market was highly fragmented with no dominant long-term branded players. Discussions with brokers and fund managers confirmed a view that investors preferred specialist management teams who were focused on a single sector, particularly one likely to show sustainability and growth.

All of these factors together reinforced our conviction to sell all our other assets and use the proceeds to buy MLI assets. A material component of the strategy was also the need to reduce debt to bring Stenprop into line with its peer group on the LSE and to ensure that it would appeal to conservative investors seeking long-term sustainable income.

**Two-year transition plan**

In November 2017, Stenprop set out a two-year transition plan to move to a focused UK MLI business. This requires us to sell approximately £470 million of existing non-MLI assets in the period to 31 March 2020 and to acquire at least £220 million of MLI assets. In the same period, Stenprop plans to use part of the net sales proceeds to reduce overall leverage from historic levels of 55% to a targeted loan-to-value ratio of no more than 45% by 31 March 2019 and 40% of gross asset value by 31 March 2020.

As part of our transition plan, Stenprop intends to actively withdraw from management of third-party assets arising from its historic fund management business. The intention is to have sold all of these assets by 31 March 2020 and returned the funds to investors.

Based on these goals, MLI assets would comprise approximately 60 to 65% of Stenprop's total portfolio of properties by 31 March 2020. In the period following 31 March 2020, Stenprop intends to continue its programme of disposals and acquisitions, with the aim of having a portfolio of properties made up entirely of UK MLI assets.



# Chief Executive's Report

## Recycling of assets and deleverage

At the time of issuing our prospectus on 8 June 2018, our disposal target had reduced to c.£350 million, following the sale of the office building located in Pilgrim Street, London for £79.9 million, and the sale of our 50% interest in the office building located in Argyll Street, London at a price which valued the property at £83.4 million.

On 19 July 2018, Stenprop announced the disposal of seven of its eight remaining Swiss properties, being those located at Altendorf, Arlesheim, Chiasso, Baar, Vevey, Montreux and Sissach, for a gross purchase consideration of CHF103.65 million. This compares with the valuation of these properties at 31 March 2018 of CHF103.23 million, a gain of CHF420,000. After debt repayment, taxes and transaction costs, the disposal will release proceeds of approximately CHF41 million, which will be used for further MLI acquisitions and to reduce our leverage down to our target of 45% by 31 March 2019.

Following these disposals and using an exchange rate of £1:CHF1.3, this leaves a further £270 million of non-MLI disposals required to meet our two-year transition target.

On the acquisition side, we have acquired £40 million of MLI assets since announcing our two year transition plan, taking the total of MLI assets to approximately 26% of our portfolio from an initial 16%, and reducing our acquisition target from £220 million to £180 million.

## Dividend fully covered by property-related earnings

As Stenprop has decided to actively withdraw from its historic fund management business, we intend to make distributions going forward which are fully covered by property-related earnings only. Distribution of non-property-related earnings will be evaluated from time to time but these are more likely to be

retained and used for additional MLI investment. As more fully explained in the Financial Review section, we are guiding to pay a total dividend of 6.75 pence per share for the financial year ending 31 March 2019. This compares with 8.0 pence per share for the year ended 31 March 2018 which included 1.8 pence of non-property related earnings.

## New board members

We are also pleased to report that Stenprop achieved UK REIT status on 1 May 2018. Following this, Richard Grant was appointed as our independent non-executive chairman and Phil Holland as an independent non-executive director. Julian Carey was also appointed as executive property director. At the same time our Guernsey-based directors, Steve Ball and Neil Marais, resigned from the board after many years of service. We take this opportunity to thank Steve and Neil for their contributions to Stenprop and of welcoming Richard, Phil and Julian to our board.

On 15 June 2018, we successfully listed the shares of Stenprop on the SFS of the LSE. This was an important milestone for Stenprop and we take this opportunity to thank our team who worked on this project tirelessly for their efforts towards meeting Stenprop's overall plan.



Read more on **Our Board of Directors** on pages 44 and 45.

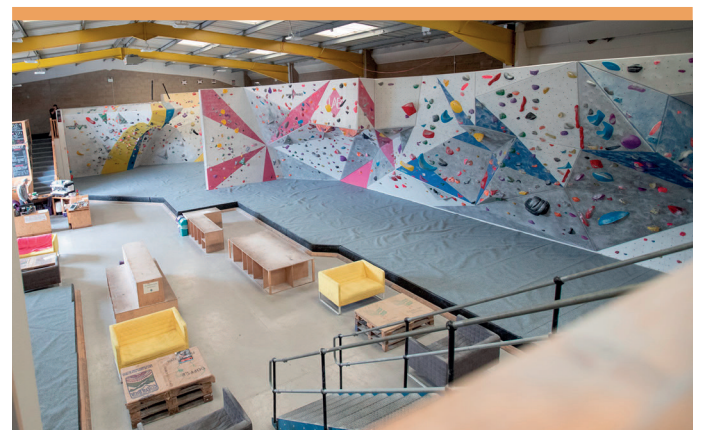
## Exciting prospects

We remain confident in our plan for Stenprop and look forward to implementing our transition strategy over the next two years. Everything we need to do is within our gift to achieve. We have an excellent portfolio of assets to sell over the period, which we are confident will achieve at least our current valuations. We are well positioned to acquire further MLI properties with the sale proceeds. We also have an excellent management team and platform and are well positioned to manage the MLI portfolio to extract maximum value over time. We believe in our strategy and are fully committed to becoming the leading MLI business in the UK.

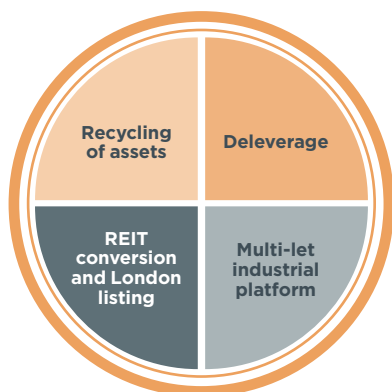
**Paul Arenson**  
Chief executive officer



View more online at [www.stenprop.com/news/stenprop-news/](http://www.stenprop.com/news/stenprop-news/)



# Strategy



## Our objective is to deliver sustainable and growing income to our shareholders.

In 2017 we identified UK multi-let industrial ('MLI') as a sector likely to deliver superior growth because of the strong underlying fundamentals and took a strategic decision to become a specialised UK MLI business. The acquisition of the C2 Capital business in 2017 and a management platform – operating under the brand [Industrials.co.uk](http://Industrials.co.uk) was the first step towards achieving this goal. UK MLI assets currently comprise 23% of Stenprop's total portfolio of properties. To achieve our goal to become the leading UK multi-let industrial business we adopted a 4-Point Plan for the period from 2018 to 2020.

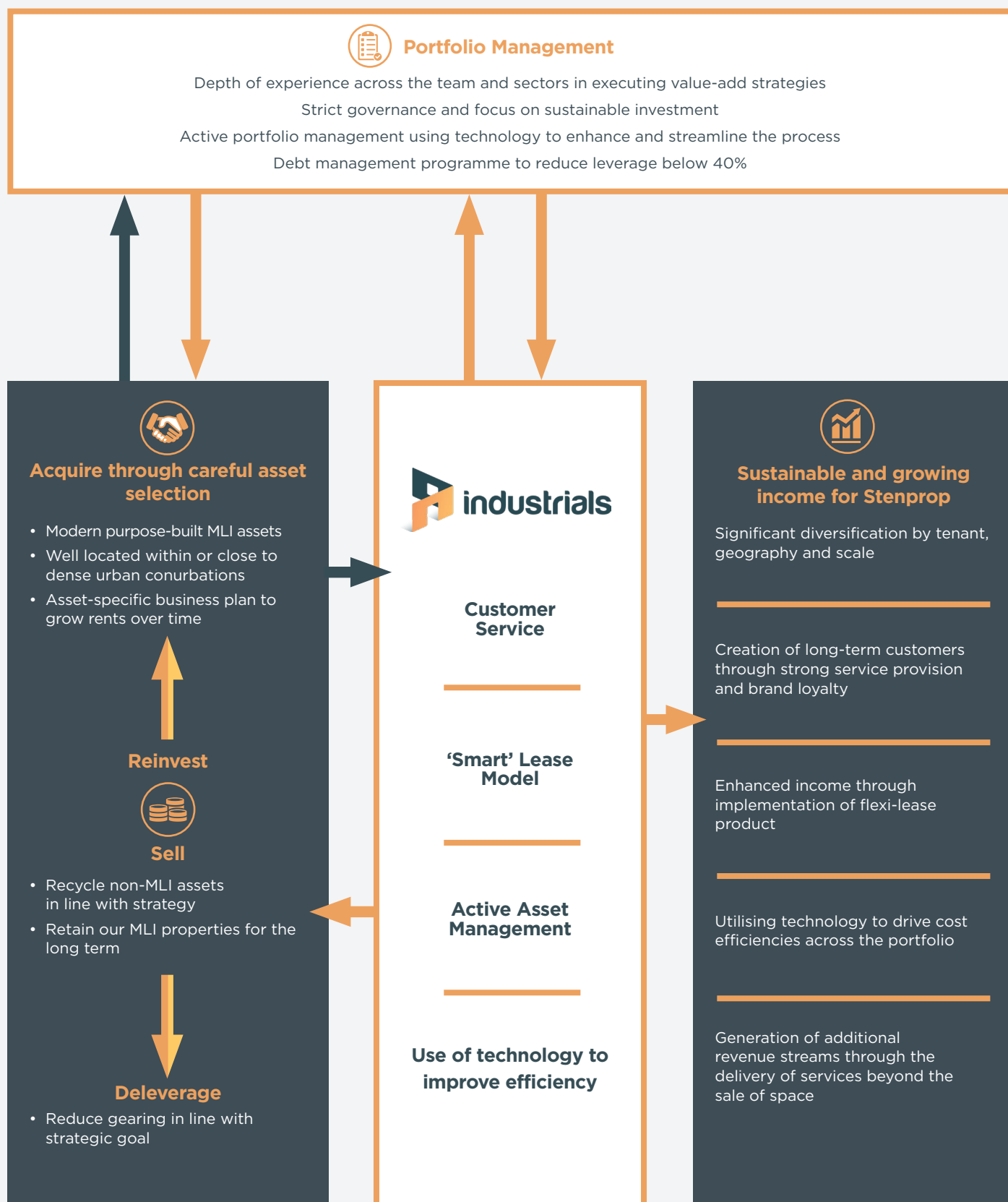
Strategic Pillar	Description	Performance in the year ended 31 March 2018	Priorities for the year ending 31 March 2019
<b>Recycling of assets</b>	<ul style="list-style-type: none"> <li>Planned disposal programme of £470 million of our existing non-MLI assets by March 2020.</li> <li>Acquire c. £220 million of MLI assets in the UK resulting in a portfolio weighting of 60–65% of our total assets by 31 March 2020.</li> </ul>	<p>Since acquisition of MLI portfolio of 25 assets totalling £127 million in June 2017:</p> <ul style="list-style-type: none"> <li>acquired five further MLI estates in separate transactions valued at £21.5 million and</li> <li>sold £114.8 million of non-MLI assets (£79.9m subsequent to announcing the two year transition plan).</li> </ul>	<ul style="list-style-type: none"> <li>Continue to develop and execute the investment pipeline.</li> </ul> <p>In FY19 to 20 July 2018:</p> <ul style="list-style-type: none"> <li>acquired 4 further MLI estates with a value of £18.1 million; and</li> <li>sold a further £121.4 million of identified non-MLI assets.</li> </ul>
<b>Deleverage</b>	<ul style="list-style-type: none"> <li>Use part of net sale proceeds of non-MLI assets to reduce gearing from 55% at September 2017 to a targeted loan-to-value ratio of no more than 40% of gross asset value by 31 March 2020.</li> <li>Target gearing of 30–40% thereafter.</li> <li>Utilise short-term bridging facility to facilitate the acquisitions and disposals process and minimise cash drag.</li> </ul>	<ul style="list-style-type: none"> <li>Gearing reduced from 51.6% at 31 March 2017 to 49.2% at 31 March 2018.</li> <li>Bridging facility secured with Investec plc.</li> </ul>	<ul style="list-style-type: none"> <li>Use sale proceeds to reduce gearing level to a 45% loan-to-value ratio by 31 March 2019.</li> <li>Investec plc drawdown to be kept short-term, repaid partly from sale proceeds and partly with longer-term debt.</li> </ul>
<b>Multi-let industrial platform</b>	<p>Revolutionise the MLI market by:</p> <ul style="list-style-type: none"> <li>getting 'Smart' about leasing;</li> <li>using cutting-edge technology to deliver class-leading customer service; and</li> <li>developing 'Serviced Industrial' model.</li> </ul>	<ul style="list-style-type: none"> <li>Acquired C2 Capital management platform in June 2017 with highly-skilled and experienced in-house asset management team.</li> <li>Established relationships with leading PropTech businesses to improve efficiencies and processes across the platform.</li> </ul>	<ul style="list-style-type: none"> <li>Launched the new <a href="http://www.industrials.co.uk">www.industrials.co.uk</a> website on 14 June 2018.</li> <li>Enhance customer experience and offer greater flexibility to tenants to drive rents, improve occupancy and unlock revenue streams by:               <ul style="list-style-type: none"> <li>building <a href="http://Industrials.co.uk">Industrials.co.uk</a> into a powerful and recognisable brand; and</li> <li>developing online leasing portal.</li> </ul> </li> </ul>
<b>UK REIT conversion and London listing</b>	<ul style="list-style-type: none"> <li>Convert to a UK REIT and list on LSE by June 2018.</li> <li>Position the Company for longer term independent financial advisers / wealth managers.</li> <li>Significantly increase liquidity and attract more European economic area shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>Migrated its jurisdiction of incorporation from Bermuda to Guernsey.</li> </ul>	<ul style="list-style-type: none"> <li>Converted to UK REIT status (1 May 2018).</li> <li>Listed on the SFS of the LSE (15 June 2018).</li> </ul>



Read more in **Why MLI?** on pages 13 to 17.



# Business Model



# Why Multi-Let Industrials?

- Long-term outperformance against other property asset classes
- Supply constrained while demand is increasing
- Structural shift in the number and range of occupiers operating from MLI units

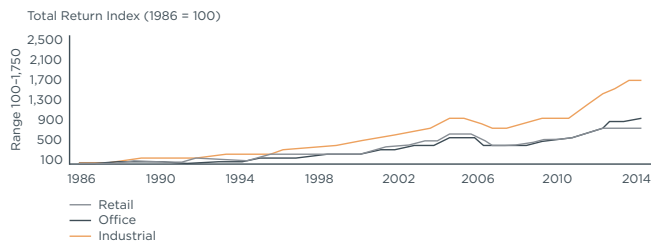
## Best-Performing Sector in UK Property

Long term outperformance against wider commercial property driven by rental income and low ongoing capex

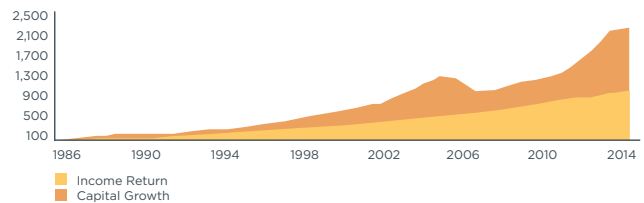
The industrial asset class has outperformed retail and office in terms of total return since 1986

Industrial property's success is due to consistently higher income returns over the period

Retail, office and industrial sectors total return index 1986–2017



Industrial sector total return index 1986–2017



Source: MSCI/IPD ©2018 MSCI Inc. All rights reserved. MSCI has no liability to any person for any loss, damage, cost or expense suffered as a result of any use of or reliance on any of the information.



View more online at [www.stenprop.com/investors/why-mli](http://www.stenprop.com/investors/why-mli)

## Our MLI Portfolio

31 March 2018

**779**

Units

**2,317,459**

sq ft

**£10.4m**

Annual gross rental income

**£5.28**

per sq ft average rent on let area

**£147.8m**

Gross asset value

**30**

Assets

**489**

Tenants

**3.1 years**

WAULT

**20%**

of total assets

**Target GAV:**

£250m March 2019  
£350m March 2020



# Why Multi-Let Industrials?

## Q&A session with Julian Carey, executive property director

**“MLI is a property sector where supply is inelastic due to competition from other land uses. Combined with a structural shift in tenant demand and active asset management we are confident of delivering sustainable and growing returns.”**



### What are MLI's key characteristics?

Multi-let industrial ('MLI') comprises multi-purpose, flexible space, with units typically of 500-10,000 sq ft arranged in terraces and let to multiple tenants on a serviced estate.

Units tend to be generic in nature, typically comprising a large open space accessed through a roller shutter door plus around 10% office content, toilet facilities and a small kitchenette. A typical estate will comprise 5-50 units and the majority have capital values from £2-20 million. Most leases are three – five years in duration, and rents will typically range from £3-8 per square foot ('psf') depending upon unit size, quality and location. The key features are:

- 1. Diversified income** – many tenants from many different sectors/industries, with each tenant accounting for a small percentage of total income.
- 2. Flexibility** – the units are generic in nature and can be easily adapted to different tenant requirements.
- 3. Low obsolescence** – MLI design has not changed significantly over the past 30 years. This means that units have enduring operational functionality. It also means that similar rents can be achieved on older, well-maintained units as can be achieved on new units.
- 4. Affordable rents** – rents are low in the MLI sector, and typically form a very small proportion of the overall turnover of tenant businesses. Rental growth is sustainable and affordable for tenants estimated to be between 1% and 2% of their turnover on average.
- 5. Ease of tenant engagement** – typically, MLI tenants are small privately-owned businesses and discussions are generally held directly with the principal owners. The close engagement with tenants can lead to opportunities for Stenprop to drive revenue by providing a greater level of customer service, benefiting both Stenprop and the tenants.
- 6. Build costs** – MLI estates are expensive industrial assets to build. An MLI estate will typically have a gross cost around £120 -£130 psf for a commercial manager to build. This significantly reduces the potential for new supply to come into the market as, based on current sale and purchase yields, rents would need to be around £8 psf or higher for this to be economically justifiable. Passing rents on most estates are currently £5-6 psf, so significant growth is required to reach these levels. In Stenprop's recent experience, existing MLI estates are typically trading at capital values well below gross build cost. Looking forward, Stenprop expects build costs to continue rising in line with historic trends, which will further compound this issue without significant rental growth or yield compression.

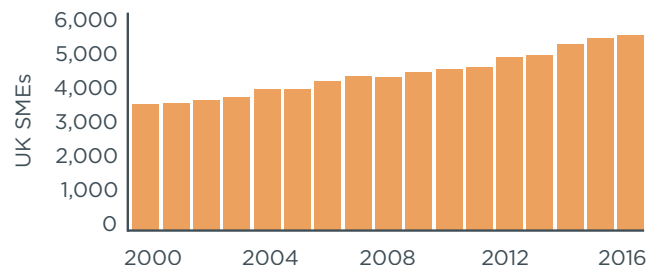
### Where will the growth come from?

We believe that there is a structural imbalance in demand and supply in the UK MLI market which will lead to medium/long-term rental growth. This is based upon the following thesis:

#### 1. Demand

Within Stenprop's MLI portfolio, the majority of tenants can be categorised as small-to-medium enterprises ('SMEs'). The Office for National Statistics estimates that UK SME numbers grew by 63% between 2000 and 2017. We believe that this growth is a result of a number of factors, but is principally a consequence of improvements in communication technologies and the Internet, which have enabled smaller companies to compete more readily with larger, more established organisations.

#### Private Sector Businesses in the UK

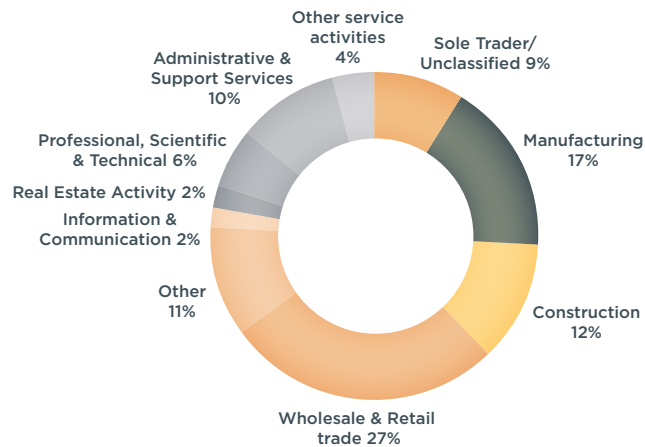


Source: Office for National Statistics

We believe the growth in SMEs has fuelled tenant demand for MLI property, helping to absorb the majority of available space in major towns and cities across the UK. This increased demand has led to significant rental growth in recent years and a reduction in tenant incentives.

In addition, e-commerce and technology have brought new types of tenants into the MLI space, driving demand from small companies seeking flexible, low-cost space for their various activities. We believe that future technological trends, such as 3D printing, virtual reality and driverless cars, have the potential to add further demand for ultra-localised, flexible accommodation. Ten to fifteen years ago manufacturing would have made up the biggest proportion of tenants whereas now it only accounts for 17% of our tenants.

### Our MLI Portfolio: Tenant sector breakdown at 31 March 2018



## 2. Supply and land

MLI properties tend to be located in and around areas of high population density (i.e. towns and cities). In the UK, land supply in such areas is extremely limited, with available land often prioritised for housing at land values where industrial development is not competitive. This makes new industrial development highly unlikely in urban areas, and hence supply will be highly inelastic in response to an increase in demand.

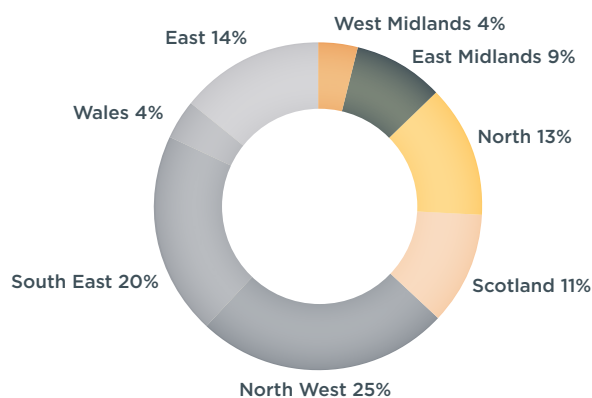
In addition, supply of industrial land is diminishing in some areas of the UK, as the Government targets the majority of new residential development to be on brownfield land.

Finally, in areas where industrial sites do exist and development can be sustained, it is highly unusual for new MLI space to be built. Instead, it is single-let, distribution property which tends to be constructed. Because the build costs for MLI property can be up to 50% higher than a comparably sized single-let industrial unit.

These factors have led to significant upward pressure on industrial land values and rents. While the issue is most acute in high-value residential areas such as London, in our view it is a nationwide phenomenon. We believe that sustainable new supply cannot enter the market until rents exceed £8 psf, which is around 50% higher than the average passing rent on our existing portfolio.



### Our MLI Portfolio: Geographic Breakdown at 31 March 2018





# Why Multi-Let Industrials?

## What are your buying criteria for MLI?

- Purpose-built estates. These are more affordable to maintain and will ensure that they are fit for purpose and able to maintain a high level of occupancy through the property cycle.
- Estates close to densely populated locations with good connectivity.
- Estates will be largely self-contained, with the common parts controlled by Stenprop. The ability to control the micro-environment at a property is an important factor in providing Stenprop with the ability to deliver a superior service to occupiers and thus optimise revenue generation.
- The investment focus will be upon single estates comprising 5–50 units. Scale and tenant diversity provides income stability and ongoing asset management opportunities to minimise gross-to-net leakage.
- Typical estate lot sizes will be between £2 million and £20 million, ensuring a good geographical coverage and not being overexposed to any one asset or location.
- Typical net initial yields on acquisition should be earnings enhancing taking into account the net cash-on-cash return after all costs and leverage at a property level alone.
- Where opportunities arise to earn superior risk-adjusted returns through engaging in intensive asset management activity, such as refurbishment projects or small-scale in-fill developments as part of a larger holding, these will be actively considered.

## What makes Stenprop different to other MLI property companies?

Stenprop believes that the most effective and profitable way to acquire and manage MLI property is via a dedicated management platform. We operate our MLI assets through our Industrials.co.uk platform, which brings with it the following five benefits:

- 1. Branding** – we believe that Industrials.co.uk is a very strong name, providing a powerful and recognisable brand to tenants and investors alike. We are seeking to leverage the brand further to grow the portfolio's reach, market penetration and customer retention.
- 2. Flexible leasing** – we are seeking to move away from the traditional leasing model to a short form, flexible lease structure that better meets the needs of our tenants and investors. We believe that the move to flexible leases will generate greater profits for investors and will also allow Industrials.co.uk to dramatically simplify the leasing process, saving time and money for all sides.

Our new short-form lease has been reduced from over forty pages to three pages in plush English.

- 3. Serviced MLI** – we intend to provide our tenants with industrial space as a service, offering a range of additional services and a high-quality service culture that will generate additional revenue psf across our portfolio.
- 4. Technology** – our objective is to use technology to improve efficiency, reduce irrecoverable expenditure and capture additional data which will help us to reduce our cost base.
- 5. Permanent capital** – our status as a listed UK REIT gives us the ideal long-term view from which to invest in and grow our management platform. In time, this will generate competitive advantage and long-term sustainable earnings growth.

## How are your MLI assets performing to date?

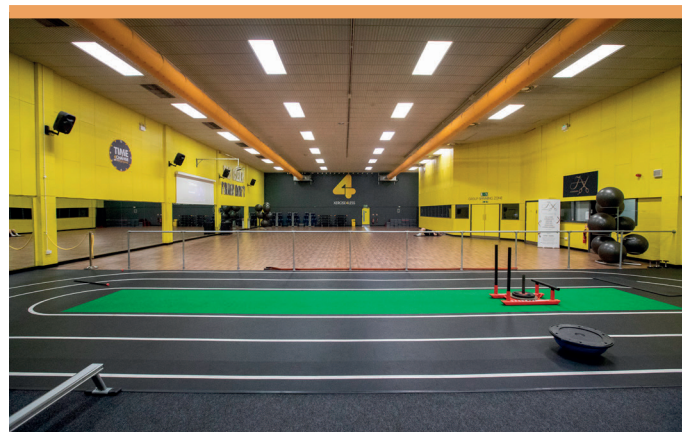
Very strongly. In the first nine months since Stenprop's first MLI acquisition we have completed 90 leasing transactions, at an average rent that was more than 10% ahead of our expectations. On average these lettings were 17.7% higher than the previous passing rent for each respective unit. That is delivering real growth in income, and as at 31 March 2018 we had a further 24 units under offer, which would deliver a further £271,000 of rent per annum. As a result of the strong growth, the portfolio is now significantly reversionary, with an estimated rental value 20% higher than the passing rent of £10.4 million as at 31 March 2018.

## MLI Portfolio 31 March 2018

Current Passing Rent	£10,363,825	£5.28 psf
Contractual Rent <sup>1</sup>	£10,679,639	£5.44 psf
Estimated Rental Value (ERV) at 100% occupancy	£12,484,854	£5.39 psf
Current Vacancy <sup>2</sup>	174,828 sq ft	8.2%

Notes:

6. Contractual rent includes contracted uplifts contained in existing leases over the period of the lease.
7. This excludes the vacant space at Coningsby Park, Peterborough, which was purchased in December 2017 and is undergoing refurbishment and hence is not available to let. If this is included, then total vacancy is 354,217 sq ft, reflecting 14.3%.



## Multi-let industrial Portfolio Performance

9 months from 30 June 2017 (acquisition) to 31 March 2018



In the nine months since purchase, the average letting/renewal was 10% ahead of the Estimated Rental Value set in June 2017. The Estimated Rental Value set in June 2017 was approximately 10% ahead of the passing rent at that time.

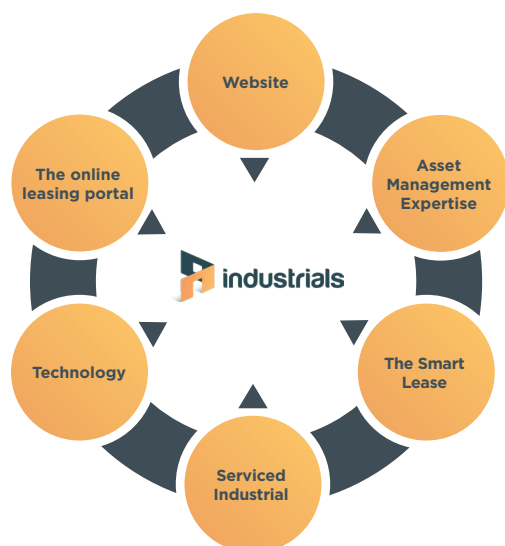


Read more in the **Property Report** on pages 20 to 23.

## How are we managing our assets?

Through the ownership of the industrials.co.uk platform, we benefit from an intensive and scalable asset management platform.

We are passionate about revolutionising the multi-let industrial market using the combination of cutting-edge technology and a fresh approach to leasing practices. The industry remains at an early stage of technological adoption, but we believe that technology provides huge potential to leverage existing landlord-tenant relationships for the benefit of all parties.



**Website** – The Industrials.co.uk website is separate from the Stenprop.com website, enabling it to be truly tenant-centric and focused on their needs.

**Asset Management Expertise** – Our team of dedicated asset managers has deep expertise in managing MLI property.

**The Smart Lease** – Our new Smart Lease allows tenants to sign up to an all-inclusive lease on a term of six weeks to six years in duration.

**Technology** – We have partnered with some of the leading PropTech businesses in the UK such as Realla, VTS and Coyote.

**The online leasing portal** – We have built our own online leasing portal which enables existing tenants to renew their leases or take additional space.

**Serviced Industrial** – Enhancing customer experience through provision of a 'one-stop' shop of additional services such as insurance, utilities, security and IT.



# Our Relationships

## Working in partnership with our stakeholders

At Stenprop we have more than 2,600 shareholders, hundreds of tenants, a team of colleagues and numerous business partners, service providers and lenders, with whom we have common interests or share risks or benefits. We are also a key part of each of the communities in which our properties are located.

These are our key stakeholders, and our ability to engage with each of them is fundamental to the successful implementation of our strategy. Partnerships have always been a key part of our business ethos, and we pride ourselves on our ability to form and keep strong relationships built on our core values of transparency, trust and integrity.



## 1 Shareholders

Communicating our progress to shareholders and the wider market is key to developing our reputation as a leader in our field. We aim to provide clear and timely updates on our business activities to our valued shareholder base.

We believe that shareholder engagement should be an ongoing process and should not be limited to the annual general meeting of shareholders. Particularly, as we implement the new MLI strategy of the Company, we are of the view that it is important to continue to engage with our shareholders to regularly update them on the progress and to communicate developments and trends relevant to our business. We communicate with shareholders through a variety of channels including:

- **The annual general meeting** – 32% of our shareholders participated in our 2017 AGM (in person or by proxy) and all resolutions were approved by majorities ranging from 76% to 100%. For the first time, our 2018 annual general meeting (to be held on 12 September 2018) will be held in London. We hope that this will make the meetings more accessible for shareholders.
- **Annual report and provisional annual results** – in our provisional annual results and in our integrated annual report we try to go beyond our regulatory obligations to provide a holistic view of the Group and our strategy. Our goal is to do so in simple language and in a way that is accessible, transparent and easy to understand.
- **Our Company website** – we have recently revamped our website to update it for our change in strategy and to ensure it provides an accessible and accurate snapshot of our Group and our strategy. The website includes links to new articles, announcements, presentations and all of our accounts and other communications with shareholders with the goal of providing a single, easily accessible source for relevant information about Stenprop.



View more online at [www.stenprop.com](http://www.stenprop.com)

- **Presentations and webinars** – Stenprop presents its final and interim results to shareholders, potential shareholders and analysts through an accessible webinar. The presentation is published on our website for shareholders not able to participate in the webinar.
- **Other engagements** – executive directors engage regularly with existing and potential shareholders through one-on-one and Group presentations, calls and property tours. The non-executive directors engage with shareholders on issues such as remuneration and governance, and there was significant engagement with shareholders prior to the adoption of the new share schemes in January 2018, which were approved by more than 90% of shareholders voting at the meeting.

## 2 Business Partners

Working with suppliers, professional firms and business partners enhances our ability to meet business objectives. We work together to innovate, benefit from efficiencies and provide business solutions. Stenprop demands the same level of integrity and transparency from its partners and focuses on sustainable business practices and risk management.

## 3 Tenants

Tenants are businesses, entrepreneurs and our valued customers. Everything we do is about our customers. We passionately believe that if we support their needs, then they will thrive and grow. We do this by offering our space as a service, rather than a commodity. We provide simpler and smarter products to differentiate ourselves from the competition. Our asset managers are accessible to our tenants and proactively deal with servicing our customers and improving the occupier experience.

## 4 Employees

Stenprop is a business with smart, hard-working and dedicated employees that are central to our ability to implement our strategy. It is critical to our success, particularly as we transition our strategy to focus on UK MLI, that all of our people understand and buy-in to our strategy and vision and their role in achieving both.

We have a motivated staff and promote a results driven, decisive and innovative culture. These drive the behavioural characteristics of the business.

## 5 Lenders

Access to debt finance is integral to delivering on our strategy. We have excellent relationships with a range of existing and potential lenders and a conservative approach to leverage. As part of our 4-Point Plan (referred to in the Strategy section on page 11), we plan to dispose of £270 million of non-MLI properties and use the proceeds to acquire £180 million of additional MLI properties and reduce our gearing to an LTV of 40% or below by 31 March 2020.

The identification of the significant areas that influence the Group's ability to enhance and protect shareholder value flows from recognising and responding to the interests and expectations of the Company's stakeholders. This process supports Stenprop's commitment to integrated reporting and the application of the principles of the frameworks in which it operates, such as the King IV code of corporate governance.

The board of directors of the Company is responsible for actively engaging stakeholders and understands the importance of this to ensure:

- that management has an up to date understanding of the operating environment in which it operates in order to focus on key risks facing the Company and ensure that resources are appropriately allocated to mitigate these risks;
- that trusting relationships are built and, should disputes arise, are resolved effectively and efficiently; and
- that the Company's strategy (and success in achieving this strategy) is clearly communicated.

The activities undertaken as part of the stakeholder engagement process occur through the normal course of business throughout the year. The quality of our relationship with stakeholders is continuously assessed and addressed through our engagement processes and drives our goal to act as a responsibly minded business in pursuit of our financial and non-financial objectives.

# Property Report

## United Kingdom

### Industrial - best-performing sector

Industrial was the best-performing sector in the UK commercial property market over the last 12 months and the outlook remains favourable.

Since announcing the plan to transition into a UK focused MLI business in November 2017, Stenprop has to 20 July 2018:

- sold two UK non-MLI assets in separate transactions for £121.6 million at a combined premium to valuation of 2.6%;
- sold seven of the remaining eight Swiss properties for CHF103.65 million, a gain of CHF420,000 against the 31 March 2018 valuation;
- acquired £39.6 million of MLI assets across nine estates.

Stenprop has a strong investment pipeline and is on course to meet its acquisition targets up to March 2020.

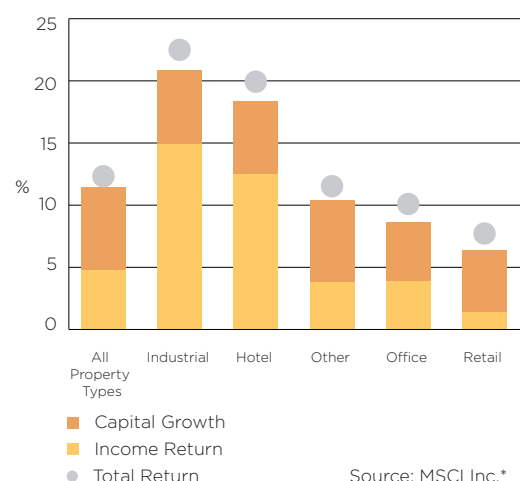
New lettings/renewals completed in the industrials portfolio over the last 12 months have been 17.7% ahead of the previous passing rent for each unit.

### Market Environment

The UK has continued to show resilient growth against geopolitical headwinds, in particular, the uncertainty created around Brexit. The UK economy grew by 1.8% in 2017, but the Bank of England forecasts growth to slow to 1.4% in 2018 as a result of slowing household spending and business investment. Despite a 25bps rise in interest rates to 0.5% last year, interest rates remain at historic lows. A further interest rate rise is expected later in the year, but will depend upon economic growth in the interim.

Weak sterling has boosted activity in the manufacturing sector, which in turn has helped the growing UK SME space. Inflation peaked during 2017 at just over 3% but has fallen back since and is predicted to continue to fall towards the government's long-term target of 2% over the next couple of years, which will be a helpful boost to consumers and small businesses. Unemployment continues to fall and was 4.2% as at May 2018, a level that was last achieved in 1975.

### Total Returns by Sector (12 months to March 2018)



The UK commercial property market has continued to show steady growth, with investors attracted by the attractive income component. The yield gap between property and government bond yields remains attractive at 400bps, with the decision to postpone interest rate rises a welcome boost to the sector. All UK property delivered a total return in excess of 10% for the 12 months to March 2018, driven by continued investor appetite for the sector with Industrial the best performing sector, returning in excess of 20% for the period.

\* All rights reserved. MSCI Inc. has no liability to any person for any loss, damage, costs or expense suffered as a result of any use of or reliance on any of the information.

The weight of capital seeking property exposure, particularly from overseas investors, continues to drive demand. Commercial investment transaction volumes were 25% up in 2017, according to Property Data. Transaction volumes are expected to level out in 2018 as available investment stock remains low. Despite the strength of investment demand, there are real disparities between sectors, driven by perceived impacts of Brexit and changing market trends. The rise of e-commerce and the move towards flexibility in the workplace has had a profound impact on the three main sectors, retail perhaps fared the worst through the evolution of trading models, with those failing to adapt their models (e.g. Toys R Us, Maplin and Carpetright) falling into administration. The weak sentiment in the retail space has led to a cautious view being adopted by many investors across the sector.

The industrial sector has been the principal beneficiary of these changes, with strengthening demand for space and lack of supply (driven by conversion of existing stock into high value uses and subdued pace of construction), promoting strong rental growth. While London and the south east have led the way in terms of rental growth, this is quickly spreading across the country and combined with a low rental base is leading to strong growth. Until rents rise to a level where new construction becomes feasible, this is likely to continue.

The London office market was again dominated by overseas capital in 2017, with 77% of transaction volume from non-domestic investors. Increased regulation within some jurisdictions may see some of this overseas capital pull back, but the increasing number of new participants, together with renewed appetite from UK institutions, has resulted in continued strong demand. Despite concerns around job losses from firms moving abroad as a result of Brexit, occupational demand in London and indeed across the wider office market has remained robust. Vacancy rates remain low across central London and below their long-term averages with a steady speculative development pipeline.

### Non-MLI Portfolio

#### Disposals

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

In December 2017, we sold an office in Worthing, West Sussex, for £3.7 million, an uplift of 12.7% from the 31 March 2017 valuation of £3.2 million.

In line with the re-positioning of our portfolio, Stenprop has made significant progress towards the sale of identified non-MLI assets.

Stenprop sold the first of its central London office buildings located in Pilgrim Street, on 11 January 2018 by way of a share sale. The consideration valued the property at £79.9 million (2.4% above the valuation of £78.0 million at 30 September 2017) and released cash proceeds of £42.1 million (after sales costs and repayment of external debt).

On 4 June 2018, Stenprop completed the sale of its 50% interest in the office building located in Argyll Street, London at a price which valued the property at £83.4 million, 3% higher than the September 2017 valuation, and released proceeds of £22.8 million.



We have identified Euston House, London, as an asset that we expect to sell in the first quarter of 2019. At 31 March 2018 it was valued at £79.6 million. This fully let office building, with a lettable area of 10,460 sq m (112,597 sq ft), occupies an island site of 0.45 acres opposite Euston Station. With Kings Cross and St Pancras approximately 500 metres to the east, it is located between two significant nodes of regeneration.

### Asset Management

We are actively looking to enhance the value of our non-MLI portfolio prior to sale through creative asset management. At Argyll Street we completed a regear of the 2nd and 3rd floor leases prior to the sale. In response to a proposed contribution of £100,000 from a tenant to remove a mutual break option, we restructured the deal to enhance the headline rent payable from £72.50 psf to £75.00 psf. This improved the income profile by £320,000 over the residual term of the lease and, moreover, enhanced the capital value.

We have also completed two new lettings at Euston House and the property is now fully let. On the 6th floor, following receipt of Network Rail's break notice, we agreed a tripartite agreement to a back to back letting to BE Offices (a serviced office provider) on the whole floor. This allowed Network Rail to downsize their occupational requirements and lease short term space from BE Offices instead. Headline rent increased by 18% from £46.50 psf to £55.00 psf, with no rental void incurred. Following the completion of the 8th floor refurbishment, the space was let to Landmark (existing tenant and serviced office provider).

### MLI Portfolio

Last summer, we acquired a portfolio of 25 MLI properties situated across the UK for £127 million. The portfolio comprised properties with a gross lettable area of approximately 2 million square feet and contractual rent of approximately £9.1 million per annum, representing an average passing rent of £5.15 psf. As part of the acquisition, a five-year stapled finance facility of £69 million was provided by The Royal Bank of Scotland PLC. As part of this transaction we also acquired the C2 Capital Limited management platform responsible for aggregating and managing the MLI portfolio.

In three separate transactions concluded in December 2017, Stenprop acquired Souterhead Industrial Estate in Aberdeen from M&G Real Estate, Venture Park in Peterborough from Catalyst Capital and Coningsby Park in Peterborough from Thomas Cook for an aggregate price of £13.5 million. The three estates comprise 63 purpose-built, multi-let industrial units and approximately 360,000 sq ft of lettable space.

Souterhead and Venture Park are well-let, income-producing estates in strong markets, with the prospect of excellent rental growth over time through active asset management. Coningsby Park was originally built as an MLI estate before being fitted out as a call centre by Thomas Cook. It was acquired for a purchase price which largely reflected vacant value and gave Stenprop the opportunity to reposition the estate to its former MLI use.

In the final quarter of the 2018 financial year, Stenprop also completed the acquisition of two further industrial estates. Globe Park in Rochdale is a modern and well located industrial estate near Manchester comprising 17 units and 38,000 sq ft of industrial space and was acquired on 16 January 2018 for £2.2 million. Ellis Hill in Huddersfield is a six unit scheme, comprising 76,140 sq ft of modern industrial space, on a busy main road and occupied by St Gobain, Sicame, Mercedes and VW dealerships and was acquired on 12 March 2018 for £5.8 million.

Post year end to 20 July 2018, Stenprop acquired a further four MLI estates for an aggregate price of £18.1 million. Greenwood Industrial Estate in Shrewsbury was acquired on 24 April 2018 for £2.9 million and comprises a 30-unit scheme, totalling 44,611 sq ft and is fully let to a number of local and national tenants. A further acquisition in Kirkstall, Leeds for £8.1 million completed on 1 June 2018 and comprises 14 units totalling 111,081 sq ft of industrial space. Estuary Court in Newport was acquired for £3.1 million on 22 June 2018. This estate was constructed in 2008 and has 20 units extending to 59,000 sq ft. The final acquisition was Trinity Court in Totton, Southampton which completed on 19 July 2018 at a purchase price of £3.9 million. The estate has 20 units over 59,000 sq ft of space and demonstrates a strong tenant mix.

Stenprop has a further three estates under offer. These are geographically diverse and have an aggregate price of £11.7 million.





# Property Report

## United Kingdom



### Investment Pipeline

Investment opportunities since July 2017:

	Number	Value
Single Assets	326	£2.19bn
Portfolios	26	£0.97bn
Total opportunities	352	£3.16bn

Since July 2017 Stenprop has reviewed in excess of £3 billion of potential MLI opportunities which represent a strong pipeline of potential acquisitions. Stenprop has appraised these with reference to our strict investment criteria. These include:

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

There continues to be a strong pipeline of portfolios currently in the market with a value in excess of £400 million. We are also reviewing 17 individual estates with a value in excess of £140 million and believe that our £100 million p.a. acquisition target is achievable in light of this strong pipeline.

This pipeline is driven by an excellent network of agents located both in London and regional centres. This provides us with the market coverage required to ensure we are aware of all potential opportunities.

With our focused investment strategy, strong balance sheet and proven track-record of performance and execution, we receive a substantial number of 'off-market' and opportunistic approaches. Our ability to analyse and conclude transactions efficiently and effectively is an important attribute and allows Stenprop to achieve value in a competitive market.



## Insurance

- Appointment of new broker
  - We have transferred oversight of our portfolio-wide insurance policy to a new broker.
  - The decision was driven by their scale and exposure to main insurance markets, together with their ability to negotiate more cost efficient and comprehensive cover for our assets.
  - They offer an on-line document and claim portal. This will improve the speed of dealing with claims and also allow our property managers and tenants easy access to up to date policy documentation.
- Building Cost Reinstatement Assessment (BCRA)
  - We performed a Building Cost Reinstatement Assessment (BCRA) across the whole Industrials portfolio to re-evaluate building costs for each asset.
  - As a result of this exercise we increased reinstatement cost across the portfolio to the equivalent of £156 psf.
  - This demonstrates the potential for rental growth in the sector, widening the point at which it is viable to build new industrial units.
  - BCRA is performed on all new acquisitions and will be repeated in 3 yearly cycles with annual uplifts in line with build cost inflation. The total cost of this exercise is fully recoverable from tenants.

## Reduction in irrecoverable costs

We continue to implement initiatives across the portfolio to reduce cost leakage. These include active management of void costs and regular service charge reviews. We actively seek to remove inherited service charge caps. Through this and revising the inherited security regime at Lion Business Park in Gravesend, we have reduced a service charge shortfall from £43,000 to £11,000. This will be reduced further as new lettings are secured.

## Sustainability

- EPC (Energy Performance Certificates)
  - We continue to review the energy efficiency of our units and have reduced the number of F or G rated units in our portfolio from 45 to 27, of which only 2 were vacant.
  - We have instructed the required upgrade works to the vacant units to improve energy efficiency but must wait until we have control of the remaining units (i.e. lease expiry etc) before we can tend to any works required to enhance ratings of those units.
- Carbon Credentials
  - We are liaising with sustainability advisors, Carbon Credentials, to review our current practices and identify the initiatives we could implement to reduce our energy consumption and minimise carbon output. As we progress through the initial stages of investigations, we will be able to establish potential opportunities and savings driven through sustainability led initiatives.





# Property Report

## Germany

### Market Environment

The German economy is expected to continue growing steadily on the back of robust domestic demand and strong trade. Private consumption growth is being fuelled by a rise in real wages, which should continue as labour market constraints become apparent. Investment, particularly business investment, is also set to remain strong. Economic growth is projected to support a rise in the budget surplus and a sizeable decline in public debt. According to the European Commission German GDP is expected to increase by 2.3% this year and 2.1% in 2019.

Despite an increasingly robust and ever broader economic upswing in the euro area, the European Central Bank's ('ECB') monetary policy remains expansionary, albeit with an end to that policy in sight. The ECB announced in early June that the 2.6 trillion euro bond purchase programme would cease by the end of the year. However, Mario Draghi the president of the ECB has indicated that interest rates are likely to remain unchanged until at least next summer.

Accordingly, short-term interest rates should remain at a low level over the course of the year while we anticipate a slight increase in longer-term rates. The impact that this will have on real estate yields in Germany should nevertheless be small given the ongoing strong demand for German real estate. Both domestic and international real estate investors single out Germany as one of the world's most sought after investment markets owing to its outstanding fundamental data.

Upbeat investor sentiment is receiving additional support from the very good performance of the occupier markets, reflected by strong letting activity, especially in the office and logistics markets. In times of ongoing geopolitical uncertainty, the German real estate market is seen as a safe haven of stability and security. As a result, investors ranked Germany in first place as Europe's most attractive real estate market in the CBRE EMEA Investor Survey over the past two years.

Transaction volumes are currently at record high levels for the German real estate market. The high sales proceeds that are being commanded have prompted profit-taking by some investors. According to CBRE the overall transaction volume in Germany exceeded €57 billion in 2017. Supply shortages are posing the biggest constraint on higher volumes, especially in the core segment, which is in strong demand despite historically low yields.

### Performance

The German portfolio (excluding associates and joint ventures) was independently valued at €284.6 million. This represents a like-for-like increase of 11.1% on the 31 March 2017 valuations of €256.1 million.

### Investment and asset management

The German Portfolio has performed extremely well over the course of the year and this is shown in the strong valuation uplift. A significant driver of the uplift in value was attributable to the Bleichenhof property where the re-positioning work is close to being completed. Once complete the Bleichenhof courtyard will be a new food and beverage destination in Hamburg.

Bleichenhof will boast approximately 2,500m<sup>2</sup> of prime refurbished space, predominately aimed at food and beverage tenants. This space should generate over €700,000 of additional revenue per annum once fully let. We have agreed a significant number of pre-lettings with very encouraging discussions taking place for the remaining space.

Of the remaining assets in Germany, we have had a solid year with some excellent asset management successes, especially for our three assets located in Berlin where the occupier market is exceptionally strong. Following several new lettings at both Hermann and Neukolln Carre we are now almost fully let and have seen strong rental growth on new lettings.

We are currently undertaking some work on the Victoria Centre asset in Berlin in order to modernise the centre and have generated strong interest in some of the vacant space on the back of this work. Of our remaining assets our BikeMax, Aldi and Care Homes Portfolios are all fully let and delivering strong returns.

We are well progressed in a transaction to dispose of the Aldi portfolio. We expect to complete the sale by the end of September 2018.



# Property Report Switzerland

## Market Environment

Switzerland's economy has exhibited stable fundamentals for some time. The country's GDP growth over the last decade has averaged out to around +1.6% per annum, which is low in international comparison, but achieved with high consistency and low variance.

The economic shock caused by the sharp appreciation of the Swiss franc in January 2015 bottomed out at the end of 2015. Even though the currency is still considered highly valued, it has been falling against the euro for some time. This, together with positive global economic activity, should underpin continued growth in Switzerland.

In its autumn forecast, the Swiss Federal Institute of Technology's KOF Swiss Economic Institute projected an increase in GDP growth to 2.2% for 2018 and 1.9% for 2019 after the Swiss economy showed a moderate growth figure of 0.8% for 2017. Switzerland's job market is also holding steady. The national unemployment rate has consistently hovered around the 3% mark the past few years.

JLL recorded transaction volumes for existing commercial properties of around CHF3.5 billion in 2017, but the true transaction volume probably significantly exceeds that figure. Swiss institutional investors in the pension and life insurance sector remain the most active group of buyers in the core real estate segment. Publicly traded real estate companies and Swiss real estate funds must meet higher return requirements, which constrains their willingness to pay high prices. Foreign institutional investors continue to exhibit limited investment activity.

According to JLL, prime office property yields held steady over the last 12 months at 2.7% in Zurich and 3.0% in Geneva, offering an attractive yield spread of approximately 250 to 300 basis points over government bonds. The current negative interest rate environment is driving demand for real estate which shows positive yields. Significant increases in interest rates, which would put upward pressure on yields, are not foreseen at present.

## Performance

The Swiss portfolio was valued at CHF124.2 million compared with the like-for-like 2017 year-end valuation of CHF129.9 million (excluding the sales of the Granges Paccot and Cham properties during the year). A weakening of market rents over the period has driven the decrease in valuation.

## Investment and asset management.

Following our decision to exit the Swiss market, we disposed of two assets during the year ended 31 March 2018. Both the Cham (CHF14.2 million) and Granges Paccot (CHF20.7 million) were sold at valuation with the proceeds invested into UK MLI.

Subsequent to year end, and as announced on 19 July 2018, we have disposed of seven of our remaining eight Swiss properties, being those located at Altendorf, Arlesheim, Chiasso, Baar, Vevey, Montreux and Sissach, for a gross purchase consideration of CHF103.65 million. This compares with the valuation of these properties at 31 March 2018 of CHF103.23 million, a gain of CHF420,000.

The remaining asset located in Lugano is undergoing re-positioning from a retail centre to a gym and wellness facility. The works are largely complete with the gym operational. The development is expected to be fully complete by the end of the year at which point we will look to dispose of the property.





# Creating Value Within Our Portfolio

## Greenway Business Park, Great Horwood



### Summary

- Market valuation at 31 March 2018 of £3.6 million.
- MLI estate located approximately 50 miles north of London.
- The estate comprises 30 units currently let to 20 tenants, providing 55,761 of space.
- Contractual headline rent as of 31 March 2018 was £267,981 p.a.

### Active asset management

There has been active maintenance and management of the asset including resurfacing the common estate road. This initiative substantially improved the overall estate environment and has been very well received by customers.

We have successfully concluded six lease negotiations between June 2017 and June 2018.

As a result of our pro-active management approach, the estate has been fully let for over 12 months and significant rental growth has been achieved (17% uplift between June 2017 and March 2018).

### Future Plans

We engage frequently with occupiers to understand their needs and aspirations.

The estate has significant vacant land which provides income producing opportunities.





## Bleichenhof, Hamburg



### Summary

- Market valuation at 31 March 2018 of €148.8 million.
- Mixed-use retail / office property with significant income derived from car parking.
- Passing rent as of 31 March 2018 was €5.6 million per annum and ERV as of 31 March 2018 of €7.2 million per annum.

### Active asset management

The property is currently undergoing a re-positioning to take advantage of its prime location in central Hamburg next to the new Stadthöfe development.

The re-positioning is set to create a new food and beverage destination in Hamburg with the Bleichenhof courtyard opening up the rear of the property to connect to the new Stadthöfe development.

Once complete the courtyard will boast approximately 2,500m<sup>2</sup> of prime refurbished space.

The refurbished space is to be predominately let to food and beverage tenants and will generate €700,000 in additional rent per annum.

Approximately 1,200m<sup>2</sup> of space has been pre-let with strong interest in the remaining space.

Popular restaurant concept L'Osteria has been secured as an anchor tenant and will take 575m<sup>2</sup> of space.

The excellent progress of the development has been a key driver in the 17% valuation increase over the past 12 months.

### Future plans

Discussions are progressing well and we are confident all remaining space will be let prior to completion of the development works by December 2018.

It is expected that the new tenants will require several months to fit-out their space, following which the courtyard should be open for business by early 2019.

Once fully let and operational Stenprop will look to dispose of the property in order to fund future MLI acquisitions in the UK.

## Euston House, London



### Summary

- Market valuation at 31 March 2018 of £79.6 million.
- Prime office building located opposite Euston Station providing 10,204 sq m.
- Passing rent as of 31 March 2018 was £4.0 million per annum and ERV as of 31 March 2018 of £5.5 million per annum.

### Active Asset Management

#### 6th Floor

Following receipt of a break option from Network Rail, we agreed a tripartite agreement to a back to back letting to BE Offices (a serviced office provider) on the whole floor. This allowed Network Rail to downsize their occupational requirements and lease short term space from BE Offices. Headline rent increased by 18% from £46.50 psf to £55.00 psf with no rental void incurred.

#### 8th Floor

8th floor now fully refurbished and let to Landmark (existing tenant and serviced office provider). The building is now fully let.

Given the plans to redevelop Euston Station and the proximity of the building to this substantial regeneration project, all of the leases in the building have a common expiry to enable vacant possession to be obtained. This will provide flexibility for asset re-positioning to potential buyers.

### Future Plans

As part of our strategy to specialise in the UK MLI sector, we will position this asset for disposal. Marketing is expected to commence in the first quarter of 2019.

We have received significant interest from a number of potential buyers seeking to capitalise on redevelopment angles and on the future development potential of Euston Station.

# Financial Review

**“In a year of intense activity, during which we unveiled our new MLI strategy, converted to a UK REIT and subsequently listed on the London Stock Exchange, we grew our dividend by 2.5% to 8 pence and our EPRA net asset value per share by 3.7% to £1.41.”**

**Patsy Watson**  
Chief Financial Officer



Stenprop's board of directors declared a dividend of 4.0 pence per share for the six months ended 31 March 2018, bringing the full year distribution to 8.0 pence, in line with market guidance. This was off the back of diluted adjusted European Public Real Estate Association ('EPRA') earnings per share of 9.09 pence, a 1.1% increase over the prior year.

Driven primarily by positive property valuation movements which resulted in a £21.2 million valuation increase over the prior year, the basic earnings attributable to ordinary shareholders for the year ended 31 March 2018 rose 168% to £39.4 million (2017: £14.7 million), equating to a diluted IFRS earnings per share ('EPS') of 13.89 pence (2017: 5.18 pence). Net rental income from continuing operations increased by 29.0% over the prior year to £32.9 million, mainly due to the inclusion of net rents from the acquisition of the Industrials.co.uk portfolio in June 2017.

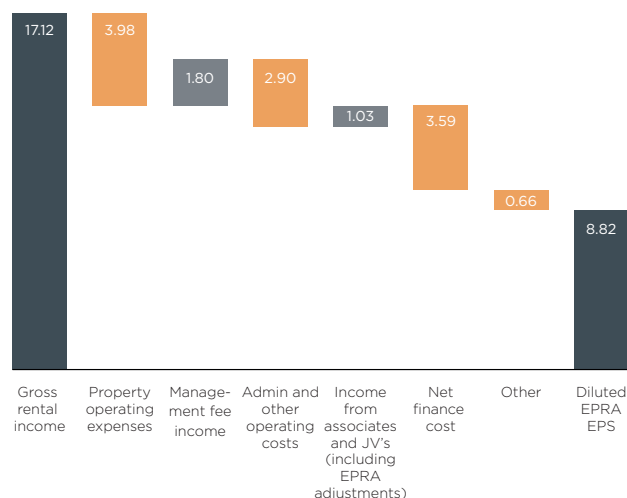
Diluted EPRA net asset value ('NAV') per share rose 3.7% to £1.41, and diluted IFRS NAV per share rose from £1.31 to £1.36. On a like-for-like basis, the valuation of the portfolio increased 3.9% over the prior year.

Stenprop has been steadily reducing its total borrowings from above 54% of gross assets (its 'LTV' ratio) in October 2014 to an LTV ratio of 49.2% at 31 March 2018. The Company's LTV ratio temporarily increased at 30 September 2017 to approximately 55% as a result of the bridge funding used to finance the acquisition of the Industrials.co.uk portfolio and C2 Capital. As planned, the bridge funding was repaid in January 2018 from part of the proceeds from the sale of Pilgrim Street.

## Earnings

The basic earnings attributable to ordinary shareholders for the year ended 31 March 2018 were £39.4 million (2017: £14.7 million). This equates to a diluted IFRS EPS of 13.89 pence (2017: 5.18 pence). The variance compared with the prior year is driven by positive property valuation movements, which, including Stenprop's share of joint ventures and associates, amounted to £21.2 million.

**EPRA earnings per share (pence)**  
Year to 31 March 2018



**“Our net rental income from continuing operations increased by 29.0% over the prior year and diluted EPRA NAV per share rose 3.7%.”**

**Patsy Watson**

### Change in presentation currency

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

### FX rates in period

Average foreign exchange rates in the year: £1.00:€1.134; £1.00:CHF1.287 (2017: £1.00:€1.190; £1.00:CHF1.290)

Year-end foreign exchange rates: £1.00:€1.137; £1.00:CHF1.337 (2017: £1.00:€1.169; £1.00:CHF1.250)

Diluted adjusted  
EPRA earnings  
per share

**9.09p**

**7.29p**

Property income

**1.80p**

Management income

Diluted adjusted  
EPRA net asset  
value per share

**£1.41**

Net rental income from continuing operations (excluding Switzerland) increased by 29.0% over the prior year to £32.9 million, of which 26.1% is due to net rents from the Industrials.co.uk portfolio and 1.7% due to different average exchange rates. Goodwill of £3.5 million attaching to the acquisition of the C2 Capital management platform was written off during the period. The increase in finance charges of 58.2% to £9.5 million was driven by the Industrials.co.uk portfolio bank debt interest (28.5%) and the interest and costs associated with the bridging finance used to acquire the industrials portfolio (36.3%).

In accordance with reporting standards widely adopted across the real estate industry in Europe, the board of directors feels it is appropriate and useful, in addition to providing the IFRS disclosed earnings, to disclose EPRA earnings as well. Adjusted EPRA earnings attributable to shareholders were £25.8 million (2017: £25.5 million), equating to a diluted adjusted EPRA EPS of 9.09 pence (2017: 8.99 pence) representing a 1.1% increase.

The diluted adjusted EPRA EPS attributable to the property rental business amounts to 7.29 pence per share, with the remaining amount of 1.80 pence being attributable to the management fee income.

Stenprop has considered the adoption of further EPRA metrics and in line with best practice believes it useful to disclose the EPRA cost ratio (including direct vacancy costs). The EPRA cost ratio includes all administrative and operating expenses in the IFRS statements (including share of joint ventures). The EPRA cost ratio (including direct vacancy costs) at 31 March 2018 was 28% (2017: 25.6%).

Management fee income totals £5.1 million for the period (2017: £3.1 million) and relates to fees earned by the management companies on management and administration services provided to certain managed property syndicates and funds. Included in the total are management fees of £1.8 million, which relate to a managed syndicate,

which holds the WestendGate property in Frankfurt. Sale contracts have been exchanged and it is expected that a performance fee will be earned by Stenprop in the financial year ended 31 March 2019.

### Dividends

On 6 June 2018, the board of directors declared a final dividend of 4.0 pence per share (2017: 3.9 pence) which, together with the interim dividend of 4.0 pence per share (2017: 3.9 pence) declared on 22 November 2017, results in a total dividend for the year ended 31 March 2018 of 8.0 pence per share (2017: 7.8 pence). For the avoidance of doubt, the final dividend comprises 100% ordinary dividend with no Property Income Distribution ('PID') component.

The directors have offered shareholders the option to receive, in respect of all or part of their Stenprop shareholding, either a scrip dividend by way of an issue of new Stenprop shares, or a cash dividend. An announcement containing details of the dividend, the timetable and the scrip dividend was made on 17 July 2018. The shares will commence trading ex-dividend on 25 July 2018 on the JSE and on 26 July 2018 on the LSE. The record date for the dividend is 27 July 2018 and the dividend payment date is 17 August 2018.

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

**“The Board declared a total dividend for the year ended 31 March 2018 of 8.0 pence per share.”**

**Patsy Watson**

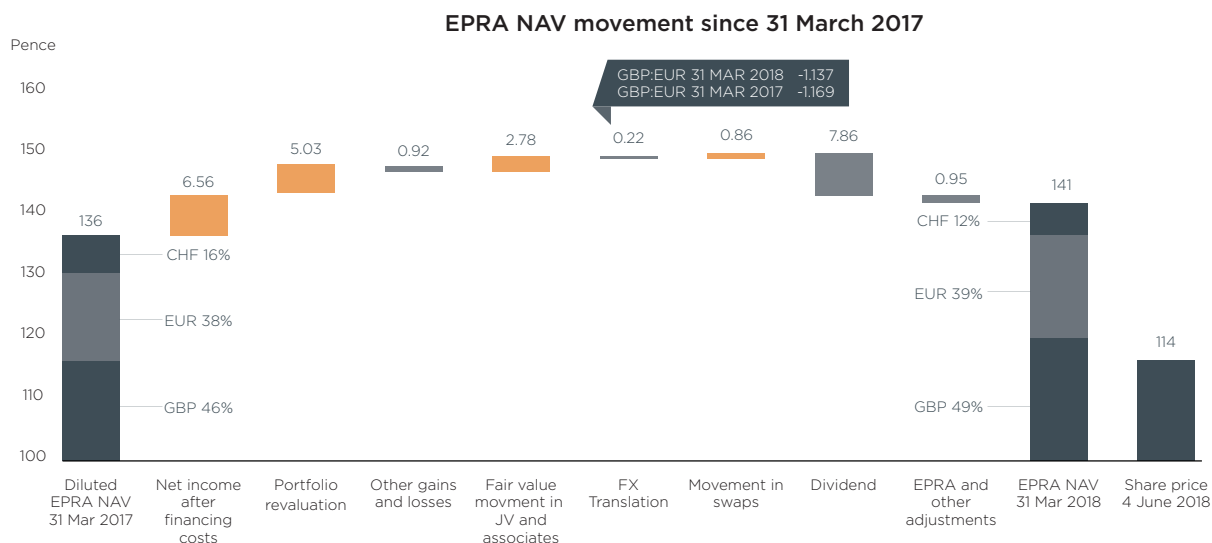
*The European Public Real Estate Association ("EPRA") issued Best Practices Policy Recommendations in November 2016, which provide guidelines for performance measures relevant to real estate companies. Their recommended reporting standards are widely applied across this market, aiming to bring consistency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



# Financial Review

## Net asset value

The IFRS basic and diluted net asset value per share at 31 March 2018 was £1.37 and £1.36 respectively (2017: basic and diluted £1.31).



As is the case with regard to the disclosure of EPRA earnings, the directors feel that it is appropriate and useful, in addition to IFRS NAV, to disclose EPRA NAV. The diluted EPRA NAV per share at 31 March 2018 was £1.41 (2017: £1.36). This represents a 3.7% increase on the diluted EPRA NAV per share of £1.36 at 31 March 2017 and is driven by the increase in property valuations reported at the year-end.

Including the Company's share of associates and joint ventures, its investment properties were valued at £733.6 million (31 March 2017: £725.5 million), of which £163.5 million were classified as assets held for sale at 31 March 2018 (31 March 2017: £133.4 million). Assets held for sale consist of the remainder of the Swiss portfolio, the German Aldi portfolio and Stenprop's joint venture share of the office building in the centre of London known as Argyll Street. On a like for like basis, excluding the impact of additions and disposals in the period, the valuation of the portfolio since 31 March 2017 increased by 3.9% of which 0.2% resulted from currency movements.

## United Kingdom

The UK portfolio (excluding Stenprop's joint venture share of 25 Argyll Street), was independently valued at £314.2 million. On a like for like basis, after excluding the sales of Pilgrim Street, Worthing and Uxbridge, and the acquisition of the Industrials portfolio and the six MLI acquisitions in the year, the valuation of the UK portfolio decreased by £0.9 million, or 0.6%, on the valuation at 31 March 2017. Although virtually flat in total, the variance is made up of a £1.9 million increase at Euston House (2.4%) and a downward valuation of £2.7 million (4.3%) of the Trafalgar Court property in Guernsey, driven by a softening of yields on the island.

On 30 June 2017, the 25 estates comprising the Industrials.co.uk portfolio were acquired at a cost of £127.0 million as a corporate transaction. In line with accounting standards and the RICS red book valuation guide, the assets are required to be valued on an individual basis in the financial statements. This valuation was undertaken by third party valuers, JLL, and was £122.4 million at 30 September 2017. The 31 March 2018 valuation of the same

assets was £125.6 million, an increase of 2.6% over the six month period.

Five further MLI estates were acquired between December 2017 and March 2018 for a combined purchase price (excluding costs) of £21.5 million. At 31 March 2018, these five estates were valued by JLL at £22.2 million, an increase of 3.3%.

As at 31 March 2018, JLL valued our industrial properties at £147.8 million. JLL also provided a like-for-like valuation which valued the industrial portfolio as a whole at £157.5 million, an increase of 6.6% on the acquisition valuation.

## Germany

The German portfolio (excluding associates and joint ventures) was independently valued at €284.6 million. This represents a like for like increase of 11.1% on the year-end valuation of €256.1 million. The increase of €28.5 million was driven mainly by a €21.3 million (16.7%) uplift at Stenprop's Bleichenhof property in central Hamburg, an asset which is benefiting from positive market development seen in core assets in prime cities and which has been accentuated by decreasing vacancy and increased market rents. The asset management work being done to reposition this asset in conjunction with the adjacent city centre redevelopment is now reaping rewards.

Elsewhere, it is pleasing to report higher valuations at the three Central Berlin retail centres which experienced a combined uplift of €3.9 million and are now valued at €75.2 million, an increase of 5.5% on the prior year.

## Switzerland

The Swiss portfolio was valued at CHF124.2 million compared with the like for like 2017 year end valuation of CHF129.9 million (excluding the sales of Granges Paccot and Cham during the year for a combined sales price of CHF34.2 million). The decrease in valuation has been driven by a weakening of market rents over the period. As previously reported, following a decision to sell these lower yielding and more mature assets, the Swiss portfolio was classified as held for sale in the financial statements.

*The objective of the EPRA NAV measure is to highlight the fair value of net assets on an ongoing, long-term basis. EPRA NAV is used as a reporting measure to better reflect underlying net asset value attributable to shareholders. Assets and liabilities that are not expected to crystallise in normal circumstances such as the fair value of financial derivatives and deferred taxes on property valuation surpluses are therefore excluded. The EPRA measure thus takes into account the fair value of assets and liabilities as at the balance sheet date, other than fair value adjustments to financial instruments, deferred tax and goodwill. As the Group has adopted fair value accounting for investment property per IAS40, adjustments to reflect the EPRA NAV include only those relating to the revaluation of financial instruments and deferred tax.*

## Portfolio valuations at 31 March 2018

In functional currencies

**Total**  
**3.9%** ▲

0.2% currency  
3.7% values

**United  
Kingdom**  
**0.1%** ▲

**Germany**  
**10.0%** ▲

**Switzerland**  
**4.4%** ▼

On 19 July Stenprop announced the disposal of seven of its eight remaining Swiss properties, being those located at Altendorf, Arlesheim, Chiasso, Baar, Vevey, Montreux and Sissach, for a gross purchase consideration of CHF103.65 million. This compares with the valuation of these properties at 31 March 2018 of CHF103.23 million, a gain of CHF420,000.

### Joint ventures and associates

The Care Homes portfolio in Germany was independently valued at €39.3 million, an increase of 11.0% on the 31 March 2017 valuation of €35.4 million.

Stenprop's 50% interest in 25 Argyll Street, a property located in the heart of London's West End, was externally valued at £41.7 million, an increase of £1.2 million from that at 31 March 2017. The interest was sold on 4 June 2018 by way of a share sale at a price which valued the property at its 31 March 2018 valuation of £83.4 million.

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

### Debt management

The value of the property portfolio as at 31 March 2018, including the Group's share of joint venture properties and assets held for sale, was £733.6 million. Senior bank debt at the same date was £360.9 million resulting in an average loan to value ratio of 49.2% (31 March 2017: 51.6%). Short-term bridge funding of €39 million was repaid in January 2018 with part of the net sales proceeds received following the sale of the property at Pilgrim Street in the City of London.

The weighted average debt maturity stood at 2.9 years at 31 March 2018 compared with 2.4 years at 31 March 2017. Excluding assets held for sale, the weighted average debt maturity at 31 March 2018 stands at 3.4 years.

Excluding assets held for sale, annual amortisation payments are £3.3 million (31 March 2017: £1.2 million). The increase since the prior year relates to the Trafalgar Court loan facility, and will be removed once the additional amount of £6.1 million, used in the acquisition of the Industrial portfolio in June 2017, has been repaid.

The all-in contracted weighted average cost of debt was 2.44% at year-end, down from 2.53% at 31 March 2017.

At 31 March 2018, the Swiss portfolio was being marketed for sale; consequently, loans secured against these assets amounting to CHF57.9 million were refinanced as a three month rolling facility, and loans amounting to CHF7.8 million were refinanced with a one year term until 31 March 2019. As mentioned, seven of the remaining eight properties were sold subsequent to year end.

The Care Homes bank facility with Deutsche Postbank totalled €22.1 million at year end and was refinanced on 31 March 2018 until December 2023. The new margin of 1.25% and a swap of 0.52% give an all-in rate of 1.77% and have annual combined amortisation payments of €549,000. The facility covers all four care homes, with the new terms for two of the loans not commencing until 1 January 2019, when they were due to mature. All four loans now have a coterminous maturity date. The all-in rate prior to this refinance was 2.61% pa.

The €12.6 million bank facility relating to the five German Bikemax properties was refinanced with the existing lender in December 2017 for a five year term at a margin of 1.55%. The current LTV ratio of the loan is 46% and, as part of the refinancing, annual amortisation of €400,000 has been removed. An interest rate cap was purchased in order to provide flexibility over future disposals whilst also allowing Stenprop to benefit from the current low interest rate environment.

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

During the transition phase, when existing assets are being sold and the proceeds reinvested in MLI assets, depending on the timing of such disposals and acquisitions, new acquisitions may be funded by drawing down on a £50 million revolving credit facility ('RCF') from Investec Bank plc. It is intended that drawdowns under the Investec RCF will be short term and will be replaced as soon as possible from a combination of disposal proceeds and longer term debt finance at an average of 40% of the purchase price.

# Financial Review

## Foreign exchange

At 31 March 2018, approximately 39% of Stenprop's net asset value and 35% of its net rents are denominated in Euros. Consequently the GBP:EUR exchange rate has a material impact on reported GBP earnings and net asset values. At the start of April 2017, the GBP:EUR rate was £1.00:€1.169 and the Euro strengthened over the year by 3.1% to £1.00:€1.134 as at 31 March 2018.

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.

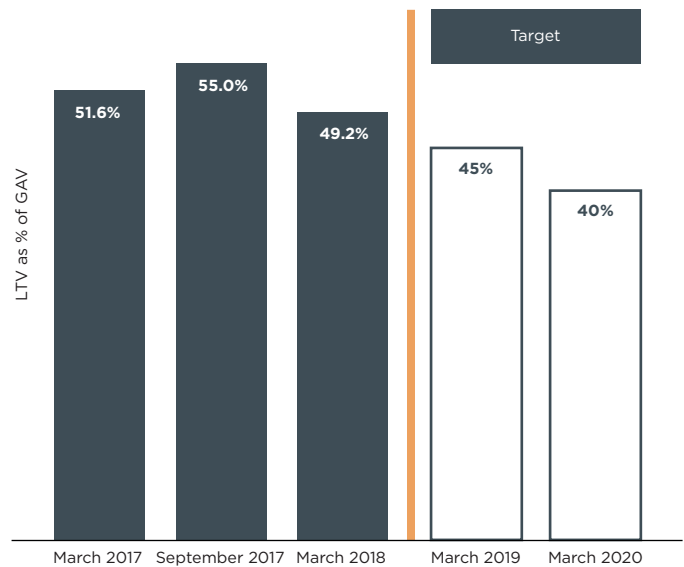
Stenprop's diversification across the UK, Germany and Switzerland (until the Swiss portfolio is sold) continues to provide a natural spread of currencies and it remains our policy not to hedge this natural spread, thereby maintaining a multi-currency exposure.

## Strategic changes

Elsewhere in this report, Stenprop has expanded on its key strategic decisions to establish itself as the leading MLI business in the UK and to sell all or substantially all of its non-MLI assets over the next few years and utilise the sale proceeds to build a focused UK MLI business.

## Reduction in gearing

In view of its changed strategy, the Group is targeting to reduce its level of total borrowings (at a Group level) to approximately 45% of its gross asset value by 31 March 2019, and 40% by 31 March 2020, by utilising part of the proceeds of disposals of its existing portfolio. Thereafter the directors will employ a level of borrowing that they consider to be prudent for the asset class, taking into account prevailing market conditions.



## Withdrawal from third party management

With the focus of the business now on growing the MLI portfolio and actively embracing technology to improve cost efficiencies and unlock additional sustainable income streams, Stenprop intends to actively withdraw from involvement in its historic fund management arm. Many of these managed funds are coming to a natural end, and, at the year end, have delivered management fee income of £5.1 million (2017: £3.1 million). Further material fees may arise during the next six to twelve months, particularly in view of the exchange of contracts on the sale of the interests in the WestendGate property in Frankfurt. Thereafter, management fee income is expected to decline to insignificant levels.

In future, we will report so as to distinguish between EPRA earnings attributable to the property rental business and those attributable to the historic fund management business.





## Future distributions

As previously reported, Stenprop has historically pursued a distribution policy whereby it distributed at least 85% of its EPRA earnings on a bi-annual basis. Following the successful conversion to UK REIT status on 1 May 2018 and the listing on the LSE on 15 June 2018, Stenprop intends to distribute at least 90% of its property-related EPRA earnings. Distribution of non-property-related earnings will be evaluated from time-to-time by the board of directors. Stenprop intends to pay dividends in cash on a bi-annual basis, but may offer a scrip equivalent from time to time.

## Prospects

Stenprop remains confident in its strategic decision that its objective to deliver sustainable growing income to shareholders is best achieved by transforming the business into a focused UK MLI business. This strategic re-positioning means that Stenprop, over the next few years, intends to sell all, or substantially all, of its non-MLI assets and utilise the sale proceeds to build a focused UK MLI business and to reduce leverage to no more than 40% by 31 March 2020. Simultaneously, Stenprop will also exit from its third party management activity.

Whilst Stenprop is confident that its increasing investment in the multi-let industrial sector will, over time, position it to achieve its core objective of delivering sustainable growing income to its shareholders, the full impact on its earnings and distributions during the transition period will depend on a number of factors. These include the timing and commercial terms of acquisitions and disposals, and the implementation of its deleveraging strategy. Fluctuations from changes in exchange rates resulting from its holdings in Germany and Switzerland will diminish and eventually be eliminated.

As a result of its strategic re-positioning, the board of directors has taken a decision to rebase the level of distributions going forward, to ensure that they are fully covered by property-related earnings only. Distribution of non-property related earnings will be evaluated from time to time, but these are more likely to be utilised for additional MLI investment.

This approach aligns the dividend policy with the more predictable contractual rental income streams derived from the properties owned by Stenprop, rather than the less predictable management fee income from third party fund management activities. It also takes into account the directors' view that, with yields on income producing property having contracted over the past 12 months, reflecting the low interest rate environment and increasing competition for income producing property, yields on MLI property may contract further as the Company transitions into a fully focused MLI specialist. This reflects Stenprop's view of the MLI property fundamentals, and the likelihood for further strong rental growth materialising in

the sector. If Stenprop is to remain competitive in the market place for acquisitions of additional MLI property and to pay a sustainable and growing dividend, it is necessary to rebase the dividend.

Stenprop will no longer provide guidance on its earnings; instead, it will provide guidance on its anticipated distributions per share. Assuming that current trade conditions will prevail and based on average exchange rates of €1.13:£1.00 and CHF1.30:£1.00 for the year ended 31 March 2019, Stenprop is targeting to pay a total dividend of 6.75 pence per share, a 15.6% reduction over the 8 pence total dividend paid in respect of the year ended 31 March 2018. This target can be evaluated against the diluted adjusted EPRA EPS attributable to the property rental business of 7.29 pence per share for the year ended 31 March 2018, with a further amount of 1.80 pence per share attributable to the non-property-related earnings.

The Company intends to pay an interim dividend of 3.375 pence in January 2019 and the remainder by way of a final dividend in late July or early August 2019. A 6.75 pence dividend would represent a dividend yield of 4.8% on the Company's diluted EPRA NAV per share at 31 March 2018 of £1.41. Part of the distributions will be a Property Income Distribution (known as a PID) which, subject to certain exemptions, will attract UK withholding tax.

This general forecast has been based on the Group's forecast and has not been reported on by the external auditors. There can be no assurance that these targets will be met or that the Company will make any distributions at all.

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

### Patsy Watson

Chief financial officer

# Risk Management

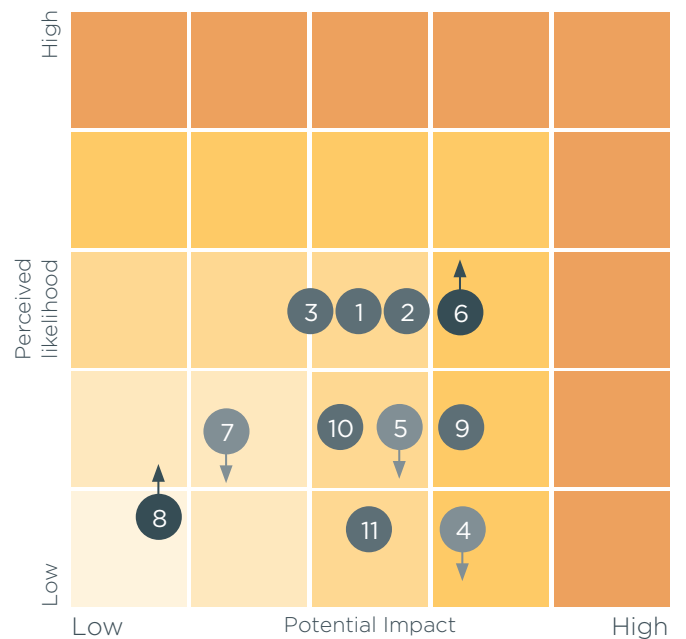
The Group has established a risk management framework which allows the early identification and management of risks. The Board recognises that the process of understanding and mitigating risks is crucial to achieving the Group's strategic objectives. The aim of the risk management process is to achieve an appropriate balance between the potential adverse impact of risks on the business and the pursuit of business opportunities that have the potential to create value.

With this in mind the Board has overall responsibility for determining the risk appetite of the Company and for the oversight of the risk management plan.

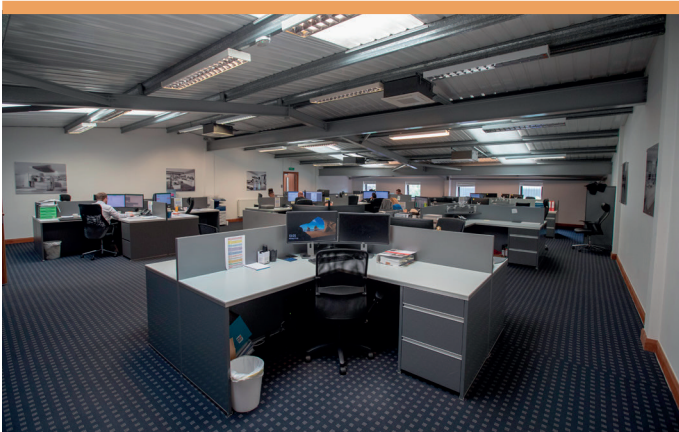
The audit and risk committee is responsible for providing oversight and advice to the Board in relation to current and potential future risk exposures of the Group. The audit and risk committee ensures that risk exposures across the business are effectively managed and reduced to acceptable levels. It reviews a detailed risk matrix which includes an assessment of the effectiveness of controls and mitigating factors on a quarterly basis and ensures that an effective system of internal financial control is maintained. The risk matrix included on pages 36 to 38 presents an overview of the principal risks currently facing the business.

Management promotes a risk awareness culture in which all employees at all levels of the organisation are encouraged to participate in the risk identification process.

## Risk heat map post mitigation



1. Macroeconomic and political uncertainty
2. Growing the Industrials.co.uk portfolio
3. MLI platform
4. Indebtedness
5. Debt funding
6. Cash flow management
7. Asset management
8. IT Systems
9. Reliance on service providers
10. People
11. Compliance and tax



## Stenprop's five-step risk management plan

### 1. Identify

Risk identification is supervised by the executive directors and senior managers but involves every individual staff member in the Group. Meetings are held at least twice a year and all employees are reminded on a quarterly basis to consider/review potential risks in their specific area of expertise. Consideration is given to potential risks in respect of specific projects/transactions to increase the probability of identifying risks in a constantly changing environment.

### 2. Assess

All risks identified are assessed on a continuous basis. They are awarded an inherent risk rating which may lead to the implementation of controls/actions to mitigate them. Risks are then assessed and awarded a residual risk rating after considering the adequacy and effectiveness of such controls, the financial and non-financial impact, as well as the probability of occurrence of a risk.

### 3. Manage

Identified risks can be avoided, transferred, accepted or mitigated. The executive team will assess risks against potential benefits when considering how to manage risks. Decisions and actions are recorded and identified, weaknesses are highlighted and rectified with the aim to bring the risk back within the acceptable limit.

### 4. Monitor

Risks and the effectiveness of the corresponding actions to manage these risks are monitored on an ongoing basis by management and on a quarterly basis by the audit and risk committee.

### 5. Report

Significant risks, key controls, details of risk management decisions and all relevant management actions implemented as part of the risk assessment process are reported to the audit and risk committee on a quarterly basis for their review and approval. Key risks which may have a material impact on the ability of the Company to achieve its strategic objectives are reviewed and considered by the Board.

## Viability statement

The directors have assessed the prospects of the Group for a period of five years to 31 March 2023. The Board considers this period to be appropriate as the Group's financial review and business plan forecasts cover a five-year look forward period.

The Group's five-year plan is supported by a detailed financial model which considers the effects of the investment strategy of the Group on earnings and dividends and which is based on prudent assumptions regarding, among others, disposals and acquisitions, transaction costs, gearing levels, lease periods, vacancies and renewals. It includes budgeted profits and cash flows and also considers capital commitments, dividend cover, loan to value, financial covenants and REIT compliance metrics. The model is kept under regular review by management and the Board and is updated at least on a quarterly basis against actual performance.

The major risks and uncertainties identified as relevant to the model and viability assessment over the five-year period related to the timing and quantum of disposals and acquisitions, rental growth rates, exchange rates, interest rates and void periods and levels. The model was subjected to sensitivity analysis to consider the impact of downside assumptions around the above factors taking into account the likely effectiveness of mitigating actions that the Group would have at its disposal. The model also assessed the impact of downside movements in assumptions on cash resources and financial covenants.

Based on that analysis, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.



Read more in the **Audit and Risk Committee Report** on pages 50 and 51.





# Risk Management




	Principal risk	Potential impact:	Controls and mitigating factors:	Commentary:	Trend:
<b>Strategy and Performance</b>					
1	<b>Macroeconomic conditions and political uncertainty. Impact on the economy and the property markets in general</b>	Potential impact on the businesses of our tenants, which may lead to lower rents and higher vacancy rates especially across the UK MLI portfolio of the Group. Decrease in property values, pressure on cash flows and potential difficulties in meeting bank covenants as well as impact on the Group's ability to recycle its existing non-MLI assets into the UK MLI market.	The Board considers economic conditions and political uncertainty when setting strategy. It continuously challenges the executive team to ensure effective forecasting and scenario planning as well as the maintenance of appropriate liquidity levels.  These risks are being managed in the MLI sector by the scale and diversification of the tenant base coupled with a reduction in leverage.	See the Property Reports on pages 20 to 25 for additional information on the UK, German and Swiss property market.	↔
2	<b>Inability to identify and acquire suitable properties to grow the industrial.co.uk portfolio</b>	Impact on the Group's ability to become the leading UK MLI business and subsequent impact on the Company's ability to deliver sustainable and growing dividends.	The Company benefits from an experienced asset management team that continuously monitors and researches the multi-let industrial space to identify acquisitions opportunities. The Company makes use of technology to gain a competitive advantage in bids and is also able to rely on an existing revolving credit facility to finance acquisitions quickly to the extent cash resources are not immediately available.	See 'Multi-let Industrial Portfolio Performance' on page 17 and pages 20 and 21 of the UK Property Report for further information on the MLI Portfolio and investment pipeline.	↔
3	<b>Inability to develop and maintain the MLI asset management platform</b>	Impact on the Group's ability to become the leading UK MLI business resulting in poorer than expected performance and earnings.	Stenprop has invested into a team of experienced and dedicated asset managers with deep expertise in managing MLI properties. It has also partnered with some of the leading PropTech businesses in the UK and the executive team invests time and resources in researching and considering how innovative solutions can contribute to better and more effective asset management as well as improve efficiencies in all areas of the business.	See page 17 for further information on the MLI asset management platform.	↔
<b>Financial Risks</b>					
4	<b>Risks relating to indebtedness. e.g. difficulties in meeting bank covenants and inability to refinance when facilities expire</b>	Acceleration of the Group's obligations to repay borrowings and disposal of assets at discounted values.	Loan facilities usually incorporate covenant headroom and cure provisions. Management closely monitors compliance with bank covenants and continuously assesses the likelihood of future breaches based on valuation and rental income. Strategic targeted deleverage will further mitigate this risk.	See the Financial Review on pages 28 to 33 for further information on portfolio valuations and targeted reduction in gearing.	↓

## Trends key:





	Principal risk	Potential impact:	Controls and mitigating factors:	Commentary:	Trend:
5	<b>Inability to raise adequate debt funding</b>	Potential impact on the ability of the Group to transition into a UK MLI focused business and increase in the costs of borrowing.	The Group maintains strong relationships with top-rated financial institutions through a solid track record at achieving its strategy. It operates a conservative gearing policy and plans on further reducing its gearing levels over the next three years, in accordance with its investment strategy.	See Financial Review on pages 28 to 33.	
6	<b>Inadequate timing of sales and acquisitions and poor cash flow management</b>	Inability to re-invest in a timely manner the proceeds of disposal into UK MLI assets causing cash drags and impacting on earnings.	Management actively and continuously monitors the cash flow position of the Group and constant communication is maintained between the asset management team and the finance team to plan the timings of acquisitions and disposals and minimise cash drag. In addition, a £50 million revolving credit facility is available to the Group which allows quick and easy drawdowns when necessary to finance acquisitions on a short-term basis.	See Financial Review on pages 28 to 33.	

### Operational Risks

7	<b>Poor asset management leading to long void periods, low retention rate, reduced tenant demand, as well as breach of tenancy terms by tenants</b>	Inability to meet rental growth targets and negative impact on earnings.	The Group relies on an experienced team of asset managers who actively engage with tenants, monitor payments and address potential breaches early. All prospective tenants go through a robust credit check and deposits are usually required. Technology is used to facilitate the interaction with tenants, improve efficiency, reduce irrecoverable expenditure and capture additional revenue streams.	See the Property Reports on pages 20 to 25 for further details on the work of our asset management team.	
8	<b>Disruption or breakdown of IT systems including those specific to the MLI Platform and security breach</b>	Disruption in effective asset management, impeded access to systems for tenants and business partners, loss of business data and reputational damage.	IT systems are tested periodically and a comprehensive business continuity and disaster recovery plan is in place and regularly reviewed to ensure that it remains adequate. All staff receive regular training.		
9	<b>Reliance on key service providers</b>	Potential interruptions to effective operations and delayed reporting.	The Group has established and maintains a comprehensive system of procedures and controls. The Company's asset managers as well as a team of qualified in-house finance managers work in close collaboration with property managers and accountants to ensure an appropriate level of oversight.		

# Risk Management

	Principal risk	Potential impact:	Controls and mitigating factors:	Commentary:	Trend:
<b>People</b>					
10	<b>Inability to recruit and retain key personnel</b>	Impact on the ability of the Group to source adequate UK MLI acquisitions, develop its MLI platform and realise its vision of becoming the leading UK MLI asset. Subsequent impact on performance and earnings.	The Company maintains a wide number of policies and procedures to support and develop all employees. The remuneration structure of executive directors is aligned to long term performance targets for the business. Executive directors and senior managers are eligible to receive awards of options under the Company's deferred share bonus plan and long term incentive plan. Succession planning is in place for the executives.	See page 40 for additional information on the support provided to the Group's employees and the remuneration report on pages 52 to 57 for additional information on the remuneration structure and incentives to key personnel.	
<b>Compliance and tax</b>					
11	<b>Failure to meet an increased regulatory burden, including risk of not adequately maintaining UK REIT status</b>	Rental income and gains becoming subject to UK corporation tax. Impact on earnings and the level of dividend. Fines and reputational damage.	The Company has retained the services of Deloitte LLP as independent tax advisers. Internal systems and procedures have been created and implemented and are closely monitored by the senior management team to ensure continued compliance with UK REIT tax legislation. The Company adopted a series of policies to ensure compliance with Market Abuse Regulation, DTR, the UK Corporate Governance Code, King IV and the JSE Listings Requirements.	See the Corporate Governance Overview on pages 46 to 49 for further information on the governance framework to which the Company is subject.	

## Trends key:



Increase



Decrease



No change







# Responsible Business

Stenprop is committed to implementing its strategy in a responsible and ethical manner that creates value not just for the business, but also for its stakeholders and society. It is actively engaging with staff, business partners and tenants in order to achieve this.

The three main areas which the Company focuses on are:

- minimising the impact of the business on the environment;
- supporting our workforce; and
- supporting society and the communities in which we operate.

## The Environment

Stenprop is focused on reducing the environmental impact of its business and assets. We believe that it is an important driver to becoming the leading UK MLI business and that we can use our expertise in asset management to help our tenants reduce their energy consumption and costs and offer environmentally friendly solutions and services.

In May 2018, the Company engaged with Carbon Credentials, specialists in developing sustainability strategies for real estate companies. With their support, Stenprop is currently working towards producing a roadmap with potential targets for carbon and waste reduction as well as environmentally friendly initiatives for implementation across its MLI portfolio in the UK.

Within this framework Stenprop is in the process of completing a feasibility study to determine the economic viability of installing solar panels on certain assets. We are in discussion with one of our tenants, a leading provider of solar panels in the UK, about how we might roll this out across our portfolio. We believe solar panels could help reduce Stenprop's carbon footprint and provide cheaper electricity from a renewable source to the occupiers. We are also exploring options to install electric charging units on our assets given increasing demand from users of electric vehicles. We are assisting a tenant at Rivermead Estate in Thatcham to install two electric charging stations to help future proof their business.

We have continued to review our portfolio and identified those assets which do not meet the new Energy Performance Certificate (EPC) requirements i.e. a minimum of an E rating or higher for vacant units from 1 April 2018 and implemented measures to achieve this on all applicable vacant units – including replacing conventional light bulbs with LED bulbs.

## People

We value the contribution made by all our employees to the business and we recognise that their well-being is critical to our success. We wish to support them and seek to operate in a manner that ensures a deep commitment and engagement from all. Developing and promoting our workforce is at the heart of the Company's activities.

Stenprop has a wide number of policies and procedures in place to support, develop and protect its employees. They include family friendly policies, expectations around standard of performance and behaviour at work and Stenprop's equal opportunities policy which demonstrates the Company's commitment for valuing diversity and dignity at work. All employees receive 'Respect at Work' training to raise awareness of unconscious bias and how to address them to ensure that no employee or potential employee receive less favourable treatment because of gender, race, marital status, age, disability, sexuality, religion or belief or any other factor irrelevant to an employee's position within the Group.

## Training and support

Stenprop supports employees through professional qualifications and other training to improve performance and engagement.

The Group subscribes to an employee assistance programme so employees can seek free confidential advice at times when they may require additional support. Stenprop also invests in private medical insurance for all employees. We have a flexible approach to the working space and will happily provide 'standing desks' where required. In addition, employees are encouraged to use their lunch break to participate in various sports such as football and running.

## Strategic sessions and updates

The Company held a series of strategic sessions early in 2018 with the goal of settling, clearly articulating and ensuring buy-in from all of our people to our vision, goals and values as a business. We continue to hold regular business updates where we communicate and assess our progress as a business and hold ourselves accountable to the strategic and operational commitments made as a business.

## KPIs, reviews and remunerations

Remuneration is more fully dealt with in the remuneration report in the Corporate Governance section of this report. The setting of KPIs, periodic employee reviews and remuneration are all important elements of our engagement with our people. KPIs are designed to reflect and reinforce both the Company's goals and particular employees' role in achieving those goals. Performance reviews are intended to provide employees with constructive and honest feedback and remuneration policies are intended to recognise and reward both individual efforts and corporate success.

## Community

As part of our asset management policies, we facilitate short term and seasonal occupier requirements, including charities. This is how, before Christmas 2017, Samaritan's Purse occupied a unit in Compass Industrial Park in Speke which they used to package gifts for distribution to underprivileged children worldwide.

In addition, a new charitable initiatives policy was adopted by the Group in November 2017 introducing the following three initiatives for all staff.

## Matched Giving

Every member of staff is entitled to claim up to £1,000 in each financial year through the Matched Giving Scheme. Every pound raised by any employee for any registered charities of their choice is matched by the Company.

## Volunteering

Stenprop offers the opportunity for all staff to take paid time off to volunteer their time and knowledge for a charitable initiative. Certain employees are already actively participating in mentoring programmes for young people interested in a career in their respective field of expertise. This includes volunteering time with the Reading Real Estate Foundation at the University of Reading.



## Company Charity of the Year

Each year Stenprop will have a “Stenprop Charity of the Year”. In January 2018, all employees were given the opportunity to nominate a charity to become the ‘2018 Stenprop Charity of the Year’. After reviewing all nominations, Stenprop elected to support the Bokamoso Education Trust, which provides access to world-class education and a mentorship programme to disadvantaged children in South Africa.

In July 2018 two Stenprop employees will be riding a gruelling 100km cycle race in London to raise funds for this worthy cause. Currently the trust provides support to 56 children. The money raised by the employees in this initiative alone will pay for a further beneficiary’s education for a year.

The Company plans to get involved in further initiatives to help give children like Leago Mokoala, a grade 7 beneficiary who lives in a township on the outskirts of Johannesburg, the best start in life and in turn build future leaders and pillars of society.



**“ My name is Leago and my surname is Mokoala. I live at Alexandra. I go to School at Vuleka Jellicoe. My experience at school is one of the best times of my life. At first, when I heard the English my class mates spoke, I didn’t want to go back there but I realized that it is better than my previous school, because we get more subjects and also get to do sports. I started by setting goals for myself that I wanted to achieve. I am really glad that I managed to do one of my goals which was to be a school prefect. ”**

**Leago Mokoala**





# Governance

## Governance

Chairman's Statement	43
Our Board of Directors	44
Corporate Governance Overview	46
Audit and Risk Committee Report	50
Remuneration Report	52
Social and Ethics Committee Report	58
Directors' Report	59

# Chairman's Statement

**“At a pivotal time for Stenprop, I look forward to leading the Board and delivering on our strategic re-positioning and vision to become the UK's leading MLI business.”**

**Richard Grant**  
Independent non-executive Chairman



On behalf of the board of directors (the 'Board'), I am pleased to present to you the 2018 integrated annual report. This is the first time that I am writing to shareholders since my appointment on 1 May 2018 and follows a period of intense activity for the Stenprop team.

Subsequent to the year-end, the Company converted to UK REIT status and listed on the SFS of the London Stock Exchange. This followed a key strategic decision to enter the MLI space with the acquisition of the £130.5 million Industrials.co.uk portfolio and management platform at the end of June 2017. As at the end of the financial year, Stenprop had made a total investment of £147.8 million in the sector and we look forward to increasing this investment as we deliver on our strategy to transition into a fully focused UK MLI business.

The Group reported strong results for the year ended 31 March 2018 over a period of UK and European uncertainty in both the political and business spheres. Against this backdrop, the Group delivered diluted adjusted EPRA earnings in line with guidance of 9.09 pence per share and announced distributions totalling 8.0 pence per share. The value of our property portfolio at the year end stood at £733.6 million with 48.5% by value in the United Kingdom, 38.8% in Germany and 12.7% in Switzerland. Our balance sheet is strong and group leverage decreased from 51.6% to 49.2% over the year which we expect to further reduce as we implement our strategy.

Stenprop has re-shaped the composition of the Board to meet the requirements of being a UK REIT. Accordingly, on 1 May 2018, shareholders were advised of the resignation of Stephen Ball as independent non-executive chairman and Neil Marais as executive director. I would like to thank both Stephen and Neil for the significant contributions that they have made since their appointments in 2014. On the same date, Julian Carey was appointed as executive property director and Philip Holland and I were appointed as independent non-executive directors. I look forward to working with my fellow Board members over the coming years and promoting an environment of strong corporate governance, constructive debate and effective decision-making.

Stenprop is committed to operating in line with best practice corporate governance. The Board's responsibility, and those of its committees, is detailed in the subsequent pages of this governance section. Strong governance is an essential framework to delivering our objectives and is integral to our culture and the management of the business.

It is hoped that the move to the LSE and the conversion to a UK REIT will attract new investors, narrow the NAV discount in our share price and re-rate the shares as the Company sells down a valuable European portfolio to focus on UK MLI properties. Throughout this period of important changes, the Board is committed to providing key updates and creating an environment of effective communication with shareholders.

The Company is showing considerable momentum and I look forward to engaging with shareholders over the coming months and years as our journey continues.

**Richard Grant**  
Independent Non-Executive Chairman

**“We are dedicated to strong corporate responsibility in all of our activities”**

**Richard Grant**

# Our Board of Directors

## Executive Directors



**Paul Arenson**  
Chief executive officer

Paul founded Stenham Property Limited, a property fund management business, for the Stenham Group in 1995. As managing director he was responsible for driving the development of the business and, by the time that the Stenham Group was sold to Peregrine Holdings Limited (a financial services business listed on the JSE) in 2007, Stenham Property had in excess of £2 billion of assets under management. In 2014 Paul, together with CFO Patsy Watson, orchestrated the sale of Stenham Property and a substantial part of the assets under management, by way of a share deal to a JSE and BSX listed entity, now known as Stenprop. Paul was appointed as the CEO of Stenprop and continues in that position. Paul qualified as a lawyer at Edward Nathan & Friedland Inc. In 1990 he moved from South Africa to London where he joined Titmuss Sainer Dechert (now called Dechert) in their corporate department. He subsequently became a partner at the London office of Sonnenberg Hoffman & Galombik in 1994, prior to joining the Stenham Group in 1995.



**Patsy Watson**  
Chief financial officer

Patsy is Chief Financial Officer of Stenprop, having joined Stenham Property Limited in May 2007 as Finance Director. Alongside Paul, she has played a pivotal role in developing and implementing the strategy which has transformed the business from a multi-sector fund management business into a listed UK REIT focused on becoming the leading MLI specialist in the UK. Patsy graduated from the University of Witwatersrand in South Africa with Bachelor degrees in Commerce and Accountancy, where she also completed a two year postgraduate course in taxation. She qualified as a Chartered Accountant in Johannesburg, after serving articles with PricewaterhouseCoopers. Patsy joined the project finance division of a South African merchant bank for three years, prior to becoming a founding partner in Neil Thomas & Associates, a boutique firm of corporate finance specialists in Johannesburg. There she had thirteen years of experience in corporate finance and project structuring. Following a move to the UK in 1999 and some time off to raise her children, Patsy spent three years as Finance Director of a division of Regus before leaving to join Stenham Property Limited.



**Julian Carey**  
Executive property director

Julian currently serves as executive property director of the Company. He joined Stenprop in July 2017 following the acquisition by Stenprop of C2 Capital Limited ("C2 Capital"), a private real estate fund management business. Julian established C2 Capital in 2009 in joint venture with the Ellis Campbell Group, a UK Family Office. He subsequently acquired the Ellis Campbell stake in the business in 2015 at the same time as C2 Capital launched Industrials.co.uk, a joint venture with Morgan Stanley Real Estate Investment. Between 2015 and 2017 the Industrials.co.uk portfolio grew to comprise 25 multi-let industrial estates, and was sold to Stenprop in June 2017 along with C2 Capital. Julian previously worked in the leveraged opportunity funds team at LaSalle Investment Management from 2007-2009, prior to which he worked at Jones Lang LaSalle in the auction and private investment team. He has extensive experience in asset management, fund structuring, third party finance and investment. Julian is a qualified chartered surveyor.



# Non-executive Directors



**Richard Grant**   
Independent non-executive chairman

Richard was the chief financial officer of Cadogan Group Limited from 1994 until his retirement in 2017. Cadogan is a property investment business operating in Chelsea and Knightsbridge in West London with a holding extending to 93 acres, built on the foundations of a traditional landed estate which has been in the ownership of the Cadogan family since 1753. Richard is currently the non-executive deputy chairman of Helical plc, a UK property investment and development company listed on the London Stock Exchange. He has been a director of Helical since July 2012 and is also currently the chairman of Helical's audit committee



**Warren Lawlor**   
Non-executive director

Warren is a co-founder of Ferryman Capital Partners, an investment company established in 2017. He graduated from the University of Witwatersrand in 1998 with Bachelor degrees in Arts and Law and is an admitted attorney and CFA charter holder. In 2000 he joined the newly started corporate finance division of Corpcapital Limited and participated in the 2003 buy-out of the business to form Java Capital, where he was an executive director until his departure at the end of 2016. During his 17 years of corporate finance experience he advised a number of listed and unlisted property companies.



**Paul Miller**   
Independent non-executive director





Paul is an English qualified solicitor with over 24 years' international experience, with particular expertise in cross border mergers and acquisitions, joint ventures, international offerings, listed and unlisted funds and related governance and securities laws issues. A large part of his practice has always been focused on the real estate sector. Paul graduated from the University of Cape Town with Bachelor degrees in Commerce and Law. He went on to build his legal career at Berwin Leighton Paisner LLP, where he became a senior partner and led the capital markets team for a number of years. Paul is the Chief Executive Officer of Everglen Capital Proprietary Limited and a non-executive director of Transaction Capital Limited, a company listed on the Johannesburg Stock Exchange. He is also a consultant to Bryan Cave Leighton Paisner LLP. Paul was appointed to the Board as a non-executive director in 2016.



**Philip Holland**   
Independent non-executive director

Philip is a qualified chartered accountant with more than 20 years' experience in the property sector. Having qualified in professional practice, he moved to specialise in property investment and development in 1996, and since 1998 has worked at board level within listed and private real estate companies and funds across Europe, leading the sourcing and investment of over £1 billion of equity. Philip is currently the Chief Investment Officer at Prime plc, the UK's leading healthcare real estate company, having joined the group in April 2017. For six years prior to joining Prime plc, Philip was Finance Director and Deputy Managing Director of Primary Health Properties plc, a Real Estate Investment Trust listed on the Main Market of the LSE. Philip's previous senior roles were as CFO of Natixis Capital Partners Limited, a private equity real estate fund manager, CFO of Atlas Estates Limited, leading their listing on AIM and capital raising in 2007, and as Finance Director of Estates & General plc, a Main Market LSE listed real estate group that Philip helped to sell and de-list in 2004. Philip is currently a non-executive director and chairman of the audit committee of TP Group plc, an AIM listed specialist services and advanced engineering company that operates in the defence, industrial and government sectors.

## Key

-  Remuneration Committee
-  Audit and Risk Committee
-  Social and Ethics Committee
-  Nomination Committee

# Corporate Governance Overview

The Company was incorporated in Bermuda on 26 October 2012. On 23 March 2018, it migrated its jurisdiction of domiciliation from Bermuda to Guernsey and adopted new articles of incorporation. The Group then converted to a UK REIT structure, with the Company becoming the principal company of the Group REIT, on 1 May 2018, and on 15 June 2018, Stenprop's shares were admitted to trading on the Specialist Fund Segment of the London Stock Exchange. At the same time the Company's shares ceased to trade on the Bermuda Stock Exchange. The Company maintains its primary listing on the Main Board of the Johannesburg Stock Exchange.

## Governance framework

Whilst it is not required to do so, at a meeting held on 6 June 2018, the Board decided that from the date of that meeting the Company would voluntarily comply with the UK Corporate Governance Code published by the Financial Reporting Council as it relates to "smaller companies" (companies which are outside the FTSE350 throughout the year immediately prior to the reporting year).

The Company also adheres to the governance principles contained in the King IV Report on Corporate Governance for South Africa ('King IV') with regards to ethical culture, good performance, effective control and legitimacy in South Africa. The Board confirms that at the date of this integrated annual report, the Company has applied the principles of King IV in all material respects. A report setting out how the King IV principles and recommended practices were applied during the year ended 31 March 2017 is available on the Company's website. An updated report related to the year ended 31 March 2018 will be uploaded in mid-September after approval at the next Board meeting.

The Company has adopted policies and procedures to comply with the Market Abuse Regulation (Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse), including the adoption of a group share dealing policy and a share dealing code which apply to the directors and all employees of the Group.

The Company is not subject to any code of corporate governance in Guernsey.

## The Board

Mandy Yachad, an independent non-executive director and chairperson of the audit committee, resigned from the Board with effect from 28 February 2018. The Board then took the strategic decision not to immediately fill the vacancy created by his resignation but to actively seek candidates who would bring to the Board the wealth of experience and expertise required to assist with further developing the Company's strategy.

Following the end of the financial year, the composition of the Board further changed as a result of the conversion to a UK REIT. Stephen Ball, Stenprop's non-executive chairman, and Neil Marais, executive director, resigned from the Board with effect from 1 May 2018. From the same date, Richard Grant was appointed independent non-executive chairman, Philip Holland joined the Board as independent non-executive director and chairman of the audit committee, and Julian Carey, who joined the Stenprop group following the acquisition of the asset management platform C2 Capital by Stenprop in June 2017, was appointed executive property director.

Following these changes, the Board comprises three executive directors (including the chief executive officer) and four non-executive directors (including the chairman). The Company regards Richard Grant, Paul Miller and Philip Holland as independent non-executive directors, within the meaning of "independent" as defined in the UK Corporate Governance Code and King IV. Paul Miller is the Company's "lead independent director" and "senior independent director".



Read more on Stenprop's journey in the **Chief Executive's Report** on pages 8 to 10.

The chairman of the Board has no executive responsibilities but leads the Board and is responsible for the governance of the Board. He facilitates constructive relations between the executive and the non-executive directors. There is a clear division between the role of the chairman and the CEO who is fully responsible and accountable for the operations of the Company. The lead independent director acts as a sounding board for the chairman and as an intermediary between the chairman and the other directors if necessary. He is also available to deal with shareholders' concerns which cannot be resolved via the normal channels of the Chairman and/or CEO or where such channels are not appropriate. Where appropriate, the non-executive directors constructively challenge the executives and ensure that the obligations towards the Company's shareholders are met. They actively help in developing the strategy of the Company. The directors hold a diverse range of skills and a wealth of business experience in property, including the MLI sector, finance and governance.

The Board has adopted a charter that sets out the practices and processes it follows to discharge its responsibilities. The Board charter also clearly sets out the matters reserved for decision-making by the directors which cannot be delegated to management. These matters include the determination and review of the Group's strategy, including its investment strategy, any changes to the Group's capital or corporate structure, the review and monitoring of internal controls and risk management processes, the consideration and approval of significant acquisitions and disposals, the approval of budgets and the regular review of the financial position of the Group.

The directors believe that there is a clear balance of power and authority at board level, such that no one individual or block of individuals can dominate the Board's processes and decisions.

All directors may take independent professional advice at the Company's expense in the furtherance of their duties in accordance with a procedure adopted by the Board. In addition, all directors have full access to the Company secretary and the Company maintains director's and officer's liability insurance cover.

### Appointments to the Board

The Board may appoint directors but all such appointments are confirmed by the shareholders at the following annual general meeting in accordance with the articles of incorporation. In addition, one third of the non-executive directors retire by rotation at each annual general meeting. The retirement of directors is determined by who have been longest in office since their last election. Those directors who retire are eligible for re-election. Accordingly, the appointment of Richard Grant, Philip Holland and Julian Carey is subject to confirmation of the shareholders at the 2018 annual general meeting and Paul Miller and Warren Lawlor will retire and stand for re-election. Paul Arenson and Patsy Watson will also retire and offer themselves for re-election in accordance with the UK Corporate Governance Code which stipulates that all directors, including executive directors, shall retire and offer themselves for re-election at intervals of no more than three years. The terms and conditions of appointment of all non-executive directors are available for inspection upon request.

The Board had previously resolved that the full Board would consider nominations for the appointment of new directors and that a separate nomination committee was not needed. However, following the structural changes experienced by the Company in the past 12 months, a formal nomination committee was constituted by the Board on 1 May 2018. Further details on the role of the nomination committee are set out below. All nominations are considered and appointments by the Board

made in a formal and transparent manner, published on the respective exchanges on which the Company's shares are listed and included on the Company's website.

Neither external search consultancy nor open advertising was used in the appointment of Richard Grant as independent non-executive chairman and Philip Holland as non-executive director. However, their nomination and appointment were carefully considered by the Board following the recommendation of the Company's broker and financial adviser and after taking into consideration their extensive experience as directors of London listed companies in the property sector.

It is core to the Company's success that the most qualified people for any job should be employed and that the working environment be free from discrimination, harassment, intimidation or coercion based on race, religion, gender, age, nationality or disability. The Board also recognises that it should be comprised of individuals with diverse backgrounds (including age, core expertise, gender and social diversity) who have a high degree of competency, integrity, skill, capacity, experience and commitment to discharge their duties and responsibilities. At present, there is one female director on the Board, with the aim being to have females constituting at least 20% of the total number of directors by 31 March 2020. The nomination committee and the Board evaluate all nominations and appointments with the aim to improving the constitution of the Board with respect to gender diversity in accordance with the above target and the Company's gender diversity policy and taking into account the above-mentioned criteria of competency, integrity, skill, capacity and experience.

### Board performance and evaluation

The Board's effectiveness is assessed through an annual assessment process of its own performance, that of its committees and of individual directors. The evaluation of the Board for the year ended 31 December 2017 was led by Stephen Ball, as chairman of the Board, with Paul Miller, as lead independent director, leading the performance evaluation of the chairman. It took the form of performance evaluation questionnaires and discussions. Most of the concerns raised by the directors during the process related to the size of the Board, deemed too small, and the need to appoint additional directors with relevant experience. These concerns were addressed with the changes to the composition of the Board made on 1 May 2018. The results of the evaluation were otherwise very positive with the key strengths of the Board identified as:

- a high degree of ethics and integrity;
- robust debates; and
- open communication and rigorous decision-making.

### Conflicts of interest

Each of the executive directors has agreed that he or she will not directly or indirectly enter into, or be concerned or interested in, any trade, business or occupation other than the business of the Group except with the prior consent of the chairman. Each of the executive directors is required to avoid situations and not accept gifts in the form of benefits or otherwise from third parties that could give rise to a conflict of interest with the Company.

The non-executive directors may be involved in other financial, investment or other professional activities which may cause conflicts of interest with the Company. However, they are required to disclose any potential conflicts to the chairman (or, in the case of the chairman, to the senior independent director) and to the Company secretary as soon as they become apparent. The Company maintains a register of directors' conflicts of interest. The directors do not vote on matters on which they have a conflict of interest.



# Corporate Governance Overview

## Internal controls and financial reporting

The directors acknowledge that they are responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. The directors promote a strong control environment. Ensuring adequate and effective control procedures is a key deliverable and this is instilled into staff at all levels of the business. This approach flows through to external service providers who are monitored and reviewed with regards to the accuracy of their output at least quarterly.

The key procedures established to provide internal control and support the directors' review of the financial position and prospects of the Group are set out below.

- The Stenprop finance team is managed by a Head of Finance who, with the CFO, assumes overall responsibility for the accuracy of financial reporting.
- The Group has established a systematic review process of all financial reporting. Even though property accounting as well as the consolidation of the Group's financial information are outsourced, the Group employs a team of qualified finance managers who work in close collaboration with property manager and accountants to ensure the appropriate level of oversight and analysis is provided to the financial reporting process.
- Financial reporting standards are considered for all transactions and where necessary, the Group's auditor is consulted. Memos are produced for the benefit of the audit and risk committee and the Board for material transactions and accounting policy decisions.
- Management accounts are produced quarterly and reviewed by the Head of Finance and the CFO. They are presented to the audit and risk committee and Board on a quarterly basis. The accounts include variances to prior periods, budget and narrative thereon.

The Board has reviewed the need for an internal audit function and remains of the view that it is not suitable for the Group considering its size and structure. The Board will continue to review periodically whether an internal audit function is desirable.

It should be noted that internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting. They can only provide reasonable but not absolute assurance against the risk of material misstatement or loss.

## Principal risks

The Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. For additional information regarding the five-step risk management process followed by the Company, the principal risks facing the Group and how they are being managed and mitigated, see the Risk Management section on page 34 to 38 of this report.

## Board meetings and attendance

The Board met seven times during the financial year. The meetings follow a formal agenda with time allocated to discuss any special business. Supporting documents and background information are circulated to all the directors in advance of the meetings to allow sufficient time for the directors to familiarise themselves with the businesses to be considered and all key issues.

Dates of the appointment and resignation for those directors who served during the year are set out in the table below, together with their individual attendance at Board meetings whilst in office.

Directors	Appointed	Change in appointment	Meetings attended during the relevant director's tenure
<b>Non-executive</b>			
Stephen Ball (Chairman)	2/10/2014	Resigned 1/5/2018	7/7
Mandy Yachad	10/12/2014	Resigned 28/2/2018	6/6
Paul Miller	14/9/2016		7/7
Warren Lawlor	5/4/2017		6/7
<b>Executive</b>			
Paul Arenson	2/10/2014		7/7
Patsy Watson	2/10/2014		7/7
Neil Marais	2/10/2014	Resigned 1/5/2018	7/7

## Board committees

As at the date of this report, the Board has established the following committees (as envisaged by the UK Corporate Governance Code and/or King IV):

- audit and risk committee;
- remuneration committee;
- nomination committee; and
- social and ethics committee.

Full transparency and disclosure of committee deliberations is encouraged and the minutes of all committee meetings are available to all directors. The terms of reference of all the committees are available on request from the Company Secretary and are published in the Governance section of the Company's website.

The Board considers that a separate disclosure committee is not required and will not be constituted. Despite not having a disclosure committee, the Board will ensure that the Company complies with the legal and regulatory obligations and requirements to which the Company is subject in accordance with the inside information disclosure policy adopted by the Company.

During the financial year, an investment committee constituted by the Board and comprising Stephen Ball, Paul Miller and Paul Arenson considered all material transactions to be entered by the Company including proposed purchases, sales and material expenditure projects. Following the recent structural changes in the Company, the Board considers that an investment committee is no longer needed. The Board has clearly set out in writing the transactions that would need to be considered and approved by the Board and those that would be delegated to the board of directors of the Company's subsidiaries and management. Acquisitions, disposals and capital expenditures exceeding certain thresholds generally require the approval of the Board as well as any transaction outside of the investment strategy of the Group. The investment committee ceased to operate with effect from 30 April 2018.

## Audit and Risk Committee

Throughout the financial year, a separate audit committee and risk committee operated under the authority of the Board. However, on 1 May 2018, following a review of its composition and processes, the Board concluded that the oversight of the risk function would be conducted in a more effective manner by the audit committee and decided to combine the existing audit committee and risk committee into one audit and risk committee.

On 7 March 2018, Paul Miller was appointed to chair the audit committee in order to fill the vacancy created by the resignation of Mandy Yachad. Following the creation of a combined audit and risk committee, Paul Miller stood down from the chair and was replaced by newly appointed independent non-executive director Philip Holland. In accordance with the requirements of the UK Corporate Governance Code and King IV, the audit and risk committee consists as at the date of this report of Philip Holland (the chairperson), Richard Grant and Paul Miller, all of whom are independent non-executive directors, and includes one member with recent and relevant financial experience. Appointments to the audit and risk committee are for a period of up to three years, which may be extended by no more than two additional periods of up to three years, provided that the members continue to remain independent.

The terms of reference of the audit committee and of the risk committee were reviewed and updated in September 2017 following the adoption of King IV. They were then replaced with terms of reference for the newly combined audit and risk committee which were adopted by the Board on 6 June 2018. Further information on the responsibilities of the committee are set out in the audit and risk committee report.



Read more in the **Audit and Risk Committee Report** on page 50.

## Remuneration Committee

Following the changes introduced by King IV, Warren Lawlor was appointed to the remuneration committee on 13 September 2017, bringing the total number of members of the committee to three in full compliance with the requirements of King IV and the JSE Listings Requirements. The other members of the committee during the financial year were Stephen Ball and Paul Miller, both independent non-executive directors. Following the resignation of Stephen Ball from the Board on 1 May 2018, Richard Grant and Philip Holland, both independent non-executive directors, joined the committee which continues to be chaired by Paul Miller.

Appointments to the remuneration committee are for a period of up to three years, which may be extended for no more than two additional three-year periods. Please see the remuneration committee report for further information on the responsibilities of the committee and its activities throughout the year under review. The terms of reference of the committee were reviewed and updated in September 2017 following the adoption of King IV.



Read more in the **Remuneration Report** on page 52.

## Nomination Committee

The nomination committee was constituted on 1 May 2018 and consists of Richard Grant, Paul Miller and Philip Holland, all of whom are independent non-executive directors, as well as Warren Lawlor, non-executive director. The committee is chaired by Richard Grant, the chairman of the Company. The committee meets at least twice a year at appropriate times in the reporting cycle.

The nomination committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board, the Board committees and the chairmanship of the Board committees.

It is also responsible for keeping the structure, size and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary. The nomination committee also considers succession planning, taking into account the skills and expertise that will be needed on the Board in the future.

## Social and Ethics Committee

The social and ethics committee was established by the Board on 13 September 2017. Its initial members were Paul Miller and Stephen Ball, both independent non-executive directors, and Sarah Bellilchi, a member of senior management, in compliance with King IV. Paul Miller chaired the committee until the end of the financial year. Following Stephen Ball's resignation on 1 May 2018, Paul Miller also stood down as the chair and as a member of the committee, and Philip Holland and Richard Grant were both appointed. The current chairperson of the committee is Philip Holland.



Read more in the **Social and Ethics Committee Report** on page 58.

## Company Secretary

Apex Corporate Services Limited resigned from its position as Company secretary with effect from 30 April 2018 and was replaced by Sarah Bellilchi, appointed with effect from 1 May 2018. The Company secretary provides guidance to the Board and to individual directors on corporate governance matters and is responsible for ensuring that Board procedures are complied with.

The Board confirms that it considered and satisfied itself on the competence, qualifications and experience of the staff responsible for discharging company secretarial duties at Apex during the year under review. The Board further confirms that it has satisfied itself on the competence, qualifications and experience of Sarah Bellilchi.

## Engagement with shareholders

The Board is committed to providing key updates to shareholders on the implementation of its investment strategy and objectives. All significant events and transactions as well as the Group's financial performance are timely announced.

The CEO, CFO and Executive Property Director are responsible for the Company's interaction with existing shareholders, potential new investors and analysts and regularly meet with them. Regular tours of the Company's portfolio are organised for analysts and shareholders. In addition, the chairman and senior independent non-executive director are available to shareholders to discuss governance, strategy or any concern that they may have. Any queries can be directed via the Company secretary.

Shareholders are encouraged to attend the Company's annual general meeting which all the directors normally attend and which provides an opportunity for shareholders to ask questions and discuss matters with the Board and the executive team.

## Governance of information technology

The Board believes that good information technology governance is core to achieving the strategic objectives of the Group. During the financial year, it has undertaken a review of its IT systems and has decided to appoint a new third party IT service provider to support all the IT needs of the business in order to drive efficiencies and stay at the fore-front of technology developments. The transition of all IT systems is expected to complete during the current financial year.

Whilst the Board is ultimately responsible for the governance of information technology, it is management's responsibility to ensure that appropriate processes exist for timely, complete, accurate and appropriate IT reporting.

# Audit and Risk Committee Report

**“The strategic re-positioning of the Company and specifically the conversion to a UK REIT and the listing on the LSE resulted in a key focus for the audit and the risk committee during the year. “**

**Philip Holland**

Chairman of the audit and risk committee



This has been a year of change for the committee. Stenprop previously operated two separate committees which merged with effect from 1 May 2018, the day that the Company converted to a UK REIT.

## Key focus areas for the year under review ended 31 March 2018

- Reviewing and recommending for approval the interim and annual financial statements and overseeing the external audit process.
- Reviewing and considering compliance with regulatory and listing obligations.
- Considering and recommending the going-concern assumption adopted by the Board.
- Keeping under review the adequacy and effectiveness of the Company's financial reporting and internal control policies and procedures for the identification, assessment and reporting of risks, fraud risk as it relates to financial reporting, IT risk as it relates to financial reporting as well as the Company's process of risk management.
- Reviewing the integrated annual report with regard to all factors and risks that may impact on the integrity of the report.
- Consideration and confirmation that it was satisfied as to the expertise and experience of the Chief Financial Officer.

- Consideration of risks associated with hardware and IT security, including cyber security, as well as the Business Continuity Plan and Disaster Recovery Plan.
- Ongoing assessment of the risk matrix and its approach to considering the levels of risk tolerance, monitoring and mitigation.
- Ongoing monitoring of the Risk Management Plan and the communication of issues to the Board.

The strategic re-positioning of the Company and specifically the conversion to a UK REIT and the listing on the LSE resulted in a key focus for the audit and the risk committee during the year.

## Composition of the audit and risk committee

Three members serve the committee, all of whom are independent non-executive directors. They are suitably qualified and have the necessary financial literacy, skills and experience to execute their duties effectively.

The committee is chaired by Philip Holland since his appointment on 1 May 2018. The other members of the committee are Richard Grant (appointed 1 May 2018) and Paul Miller.

Composition of the respective audit committee and risk committee for the duration of the financial year:

Audit committee			Risk committee		
Members	Changes in appointment	Meetings attended	Members	Changes in appointment	Meetings attended
<b>S Ball</b>	Resigned 1/5/18	4/4	<b>S Ball</b>	Resigned 1/5/18	4/4
<b>M Yachad</b>	Appointed chairman 25/7/17 Resigned 28/2/18	3/3	<b>P Watson</b>	Resigned 1/5/18	4/4
<b>P Miller</b>	Appointed interim chairman 7/3/18 Resigned as interim chairman 1/5/18	4/4	<b>P Miller</b>	Resigned as chairman 1/5/18	4/4
			<b>N Marais</b>	Resigned 13/9/17	3/3

Following Mandy Yachad's resignation effective 28 February 2018, the composition of the audit committee no longer complied with the JSE Listings Requirements which require a minimum of three members. The Company actively sought suitable candidates for appointment to the Board and the committee and appointments were made as detailed above, on 1 May 2018.

Regular attendees at the audit committee during the year included the CFO, various members of senior management and

non-executive board members and representatives from the external auditor, Deloitte LLP. These attendees were invited to attend the meetings to complement the skill set of the respective committees but do not attend as members and as such have no voting rights.

During the reporting year, the committee met four times. Minutes are circulated to the Board after every meeting.



## Role and operation

The overall objective of the committee is to assist the directors to discharge their responsibilities relating to the safeguarding of assets, the operation of adequate and effective systems and internal and financial control processes, the preparation of materially accurate financial reporting information and statements in compliance with all applicable legal and regulatory requirements and accounting standards, and the oversight of the external and internal audit appointments and functions.

The committee operates within prescribed terms of reference with the following key responsibilities:

## Independence and annual assessment of external auditor

Deloitte LLP was appointed to the audit on 3 December 2012 and has expressed its willingness to continue in office.

A resolution to reappoint them as auditor of the Group will be proposed at the forthcoming annual general meeting.

The committee is responsible for monitoring the level of non-audit services provided by Deloitte and asks the auditor to confirm its continued independence. Deloitte has confirmed to the directors that it remains independent and has maintained the necessary internal safeguards to ensure the objectivity of the audit partner and staff.

The committee further confirms that it has assessed the suitability for appointment of Deloitte and John Clancy as new audit partner to act as auditor of the Company for the year ending 31 March 2019, and has requested from Deloitte, and reviewed the information detailed in paragraph 22.15(h) of the JSE Listings Requirements.

During the year under review, Deloitte undertook certain non-recurring work relating to Stenprop's conversion to UK REIT status and listing on the LSE. The following fees were recognised by the Group for the year:

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Audit fees	226	248
Non-audit fees		
Interim review fees	30	31
Tax compliance and advisory services	405*	66
<b>Total</b>	<b>661</b>	<b>345</b>

\* The increase since the prior year is driven by the one off costs associated with advice sought in regard to the LSE listing and UK REIT conversion (£197,000) and the purchase of the MLI business in June 2017 (£99,000).

## Risk management policy

The Board considers effective risk management to be at the centre of delivering the Group's strategy and integral to its success.

The risk management process which is carefully maintained, is detailed in the risk management section of this integrated annual report and forms an integral part of the Group's approach to best practice corporate governance.

The risk management process serves to identify, assess and respond to the principal risks facing our business by ensuring that:

- appropriate risk management recommendations are made for board approval;
- adequate progress is made against the risk management plan;
- key risks are being identified, analysed and assessed;
- management's risk responses are appropriate and adequate;

- the risk management process is effective and continuously developed; and
- appropriate combined assurance is provided.

The committee considers disclosure regarding risk management and ensures that it is both comprehensive and relevant. The approach is such that risk is not likely to be eliminated in its entirety; however, it is intended to ensure that risk exposures across the business are effectively managed and reduced to acceptable levels.

## Internal Controls

In its role in reviewing the effectiveness of the Company's internal control systems the Board has approved a risk matrix designed to identify and manage the principal risks to which the Company is exposed and internal controls in place to manage these risks.

It is noted that the Board has decided not to make use of an internal audit function but rather to make use of an external service provider to perform extended assurance work. In the past this has been undertaken by the Group's external auditor. The independence of the external auditor in light of any extended assurance work performed, as well as the need for the appointment of an internal auditor, is reviewed by the committee and the Board at least once a year.

During the financial year, and driven by the requirements of progressing our London listing, extended assurance work was undertaken on the financial position and prospects procedures of the Group. BDO was engaged to review this work and concluded that Stenprop's procedures were appropriate.

## Financial reporting

The committee examines and reviews and monitors the integrity of the Company's results or other financial information to be made public, prior to submission and approval by the Board. It hereby confirms that the Company has established appropriate financial reporting procedures and that these procedures are operating effectively.

## Significant areas of judgement and estimates

In assessing the integrity of the financial statements, the committee has reviewed the appropriateness of accounting policies, estimates and areas of judgement. The following key areas have been identified and were disclosed accordingly in note 4 to the annual financial statements:

- **Investment property** – The Group's investment properties are valued based on external independent appraisals.
- **Deferred tax assets and liabilities** – Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable.
- **Assets held for sale** – A number of non-MLI assets including the entire Swiss portfolio have been classified as Held for Sale and the value thereof estimated at fair value, determined by the directors, based on an independent external appraisal.
- **Business combinations and asset acquisitions** – Following consideration of IFRS 3 directives, management concluded that the acquisition of the Industrials portfolio be accounted for as an asset acquisition and the acquisition of C2 Capital be accounted for as a business combination on the basis that processes and inputs were acquired in the later.

Following challenge of management and the auditor, the committee was satisfied that the processes and pertinent assumptions used in areas of judgement were reasonable and applied appropriately. The committee was further satisfied that areas of judgement had been reviewed and discussed with the external auditor who agreed with the accounting treatment adopted.

## Philip Holland

Chairman, audit and risk committee

# Remuneration Report

**“Significant alignment now exists between the interests of executive directors, employees and shareholders and we believe that the remuneration policies drive and reward the right executive behaviour.”**

**Paul Miller**

Chairman of the remuneration committee



## Part 1 - Letter from the Chairman of the remuneration committee

On behalf of the Board, and as Chairman of the remuneration committee, I am pleased to present our remuneration committee report for the year ended 31 March 2018. The report is split into three parts:

- Part 1 – being this letter to shareholders, setting out some background to our remuneration strategy and policy;
- Part 2 – being the key elements of Stenprop’s remuneration policy; and
- Part 3 – being a report explaining how the remuneration policy and strategy were implemented during the financial year.

We hope that this report is transparent, understandable and gives you the information you need about Stenprop’s remuneration policy and decision making around remuneration.

### Key remuneration principles

Fair, appropriate and market related remuneration is key to finding, retaining and motivating high calibre executives. These executives are in turn key to achieving Stenprop’s objectives of delivering sustainable growing income to shareholders.

Stenprop applies the same approach to remuneration for executive directors as that used for all employees of the Company. In broad terms, executive and employee remuneration comprises two elements. There is a fixed element, made up of a market related salary with reasonable benefits. Then there is a variable element, which aims to align remuneration with Stenprop’s objective and strategies, and to drive and reward behaviour that will create value for shareholders.

The variable element for executive directors and senior members of the management team also has two parts. The short term incentive, which is an annual discretionary bonus, part of which is paid in deferred shares subject to pre-set performance indicators (‘KPIs’); and the long-term incentive, which is a share award (in the form of options) under the Company’s long term incentive plan, subject to certain pre-set vesting conditions.

Both the deferred shares that form part of the discretionary bonus, and the conditional awards under the long term incentive plan are subject to clawback in the case of malus.

More detail on these schemes and on the KPIs and vesting conditions is set out in Parts 2 and 3 of this report.

## A year of strategic change

This year was a significant one in the evolution of the Company. The strategic re-positioning discussed in detail in the strategic report means that, over the next few years, Stenprop is targeting the sale of all of its non-MLI assets, with the sale proceeds being used to build a focused UK MLI business and to reduce gearing (to a targeted LTV of no more than 40% by 31 March 2020). The strategy also focuses on the Company’s intention to build an intensive and scalable asset management platform using cutting edge technology.



Read more in the **Strategy** section on page 11.

### Key focus areas

The key focus areas of the committee during the year and up to the signing of this report, were:

<b>Review of executive remuneration and remuneration policies and schemes</b>	This resulted in some changes to the short term incentive scheme and a complete overhaul of the Company’s long term incentive scheme. Additional information is included below.
<b>Determining KPIs and vesting conditions under the bonus scheme and the long term incentive scheme</b>	These were set with particular attention to driving and rewarding behaviour consistent with the Company’s strategic re-positioning and the achievement of its objectives and are detailed in Part 3 of this remuneration report.
<b>Reconstitution of the remuneration committee</b>	Given the changes made to the Board in the lead up to the LSE listing it was necessary to reconstitute the remuneration committee.
<b>Annual review of the terms of reference for the remuneration committee</b>	Amendments to the terms of reference for the remuneration committee were adopted by the Board on 13 September 2017 to reflect certain changes introduced by King IV. More details on the terms of reference are contained in Part 2.
<b>Amendments to executive directors’ service contracts</b>	Also as part of the lead up to the LSE listing, certain amendments to the service contracts with all executive directors were agreed, as detailed later in this Part 1.

## Changes to the Company's short and long-term incentive schemes

Given the significance of the Company's strategic repositioning, the Board and the remuneration committee felt that it was important to undertake an exercise to assess the Company's remuneration policy and incentive schemes.

This exercise, which included benchmarking the Company's remuneration and incentive schemes against a number of companies that were considered comparable, resulted in the remuneration committee recommending changes to the Company's short term incentive scheme and a complete overhaul of the long term incentive scheme – with the Company's share purchase plan being discontinued and replaced by an option scheme.

The changes, and the reasons that they were proposed, were as follows:

Position before the change	Proposed changes	Reasons for the proposed changes	Benefits of the proposed changes
<b>Short term incentive scheme</b>	The maximum award under the short term incentive scheme be increased for executive directors from 125% to 150% of annual gross basic salary.	The benchmarking exercise showed that awards were on the lower end of the range.	Stenprop's executive remuneration was brought more in line with market.
<b>Long term incentive scheme – Share purchase plan</b>	The share purchase plan be discontinued and replaced with the Company's long term incentive scheme.	The adoption of the long term incentive scheme is to ensure that the Company's incentive schemes remain relevant and in line with best practice with particular regard to Stenprop's strategic decisions.	Alignment of executive directors' remuneration with the Company's strategic objectives and with best practice.

The remuneration committee's proposals were accepted by the Board and, following engagement with a number of key shareholders, were approved by more than 90% of shareholders voting at a meeting held on 24 January 2018.

## Conversion to a UK REIT and listing on the LSE

The conversion to a UK REIT (which took place on 1 May 2018) and the listing of Stenprop on the LSE (which took place on 15 June 2008) were significant steps by the Company toward the achievement of its strategic objectives.

The Company also made a number of changes to the Board and Board committees. On 1 May 2018, amongst other changes, Stephen Ball, the Stenprop chairman and a member of the remuneration committee, resigned from the Board and two new independent non-executives, Richard Grant and Philip Holland were appointed to both the Board and the remuneration committee. Both Richard and Philip have significant London listed company experience and, in addition to their overall contribution on the Board, we are very happy to have the benefit of their experience and perspective on the remuneration committee.

As highlighted in the table above, in the lead up to the listing the directors' service contracts were considered by the remuneration committee and certain changes proposed. The key changes comprised (i) including wording, in line with market practice, making it clear that the executive directors could not entice away any other key employees, including other executive directors, from the Group; and (ii) amending the service contract of Paul Arenson, the CEO, to extend the period of notice that he would be required to give to end his employment from three months to six months, bringing it in line with the Company's notice period.

## Feedback

We are satisfied that, particularly with the changes made, the overall remuneration structure continues to be appropriate. Significant alignment exists between the interests of executive directors, employees and shareholders and we believe that the remuneration policies drive and reward the right executive behaviour.

We will continue to review the remuneration policy regularly to ensure that it remains effective, relevant and aligned with the Company's objectives. We also remain mindful of the regulatory environment and evolving conversations concerning best practice with respect to executive remuneration.

In terms of King IV and the JSE Listings Requirements, the remuneration policy and the remuneration implementation report should be tabled for separate non-binding advisory votes annually at the annual general meeting of shareholders. The non-binding votes allow shareholders to express their views on the remuneration structures adopted by the Company. In the event that 25% or more of the votes are cast against either, or both the remuneration policy or the remuneration implementation report, the Board is committed to engage actively with dissenting shareholders to address all reasonable objections or concerns.

On behalf of the committee, thank you for your continued support. We are always looking to improve and would welcome any comments you may have on the report, or any concerns you may have about our remuneration policy or the way we have implemented it.

**Paul Miller**  
Chairman, remuneration committee



# Remuneration Report

## Part 2 – Remuneration Policy

### Composition of the remuneration committee

The terms of reference for the remuneration committee provide amongst other things that the committee must have at least three members, all of whom must be non-executive directors and the majority of whom must be independent. A copy of the terms of reference of the committee is available on the Company website.

The terms of reference of the Committee also provide that no individual can be involved in any decisions as to their own remuneration.

### Remuneration committee responsibilities

As set out in the terms of reference, the remuneration committee's responsibilities include:

- determining the Company's general policy for remuneration of executive directors and other senior executives and agreeing the policy with the Board;
- reviewing the ongoing appropriateness and relevance of the policy; and
- together with the Board, overseeing the implementation and execution of the remuneration policy so as to ensure achievement of its objectives, including by determining each year:
  - the remuneration packages for the executive directors and other senior executives; and
  - what awards should be made under the bonus scheme and the long term incentive plan, as well as the relevant KPIs and vesting conditions to be used in determining or calculating those awards.

The committee is also required to review, at least on an annual basis, the terms and conditions of executive directors' service agreements, taking into account information from comparable companies where relevant.

### Key elements of the remuneration policy

As set out in Part 1, we believe that fair, appropriate and market related remuneration is key to finding, retaining and motivating high calibre executives. The Company's executives are, in turn, key to achieving Stenprop's objective of delivering sustainable growing income to shareholders.

Stenprop's remuneration policy is aligned with this principle and seeks to ensure that the remuneration of executive directors and other key executives:

- is aligned to the Company's long term strategic goals;
- encourages executive behaviour that improves Company performance, limits loss and promotes an ethical culture and responsible corporate citizenship; and

- fairly and responsibly rewards executives for their individual contributions.

The committee considers pay and employment conditions across the Group and applies the same approach to remuneration for executive directors as that used for all employees of the Company.

Stenprop's remuneration policy provides that a significant proportion of the remuneration of executives should be structured so as to link rewards to corporate and individual performance and be designed to promote the long term success of the Company. This is achieved by dividing executive and employee remuneration into two elements, a fixed element, made up of a market related salary with reasonable benefits, and a variable element.

The variable element, which is in turn broken up into short term and long term incentives, is the element of executive remuneration that is linked to corporate and individual performance – through KPIs (for the annual bonus scheme) and vesting conditions (for the long term incentive plan) that are determined by the committee and approved by the Board.

### Fixed remuneration

The fixed component of the remuneration of executive directors and other key executives, representing a basic salary and reasonable benefits, should be market related so that the Company is able to attract and retain high calibre executives.

In determining whether remuneration is market related the committee is required to obtain regular, reliable, up-to-date information about remuneration in other comparable companies.

In considering increases to fixed remuneration, the committee applies the following principles:

- where fixed remuneration is market related then increases will typically be inflation or market linked increases; and
- above inflation or market increases will typically only be considered where the base salary is below market or where the scope, role and/or responsibility of the executive have increased in a way that justifies such an increase.

### Variable remuneration

The operation of the long term incentive plan ('LTIP') and the short term incentive plan ('STIP') are detailed in the table below:

	Deferred Share Bonus Plan (STIP – executive directors and senior management)		
		LTIP for executive directors	LTIP for senior management
<b>Nature of awards</b>	Nil-cost options	Nil-cost options	Options with an exercise price equal to the share price (see below)
<b>Maximum awards</b>	<ul style="list-style-type: none"> <li>• <b>For executive directors:</b> up to 150% of base salary (increased from 125% of base salary under existing plan).</li> <li>• <b>For senior management:</b> up to 50% of base salary (unchanged).</li> </ul> <p>Even though the committee sets KPIs each year as guidance to calculate annual awards for each individual (see below), ultimately the Board has absolute discretion over the grant of any awards (subject to the rules of the plan).</p>	Nil-cost options with a value equivalent to 200% of base salary (at the time of the grant, i.e. taking into account any salary increase decided in June of the same year) to be granted automatically (but vesting subject to vesting conditions – see below).	Options with a value equivalent to up to 100% of base salary (as at the end of the financial year to which the KPIs relate, i.e. without taking into account salary increase for the new financial year), based on KPIs (similar to share bonus plan).

	Deferred Share Bonus Plan (STIP – executive directors and senior management)		
		LTIP for executive directors	LTIP for senior management
<b>KPIs/Vesting Conditions</b>	To be determined each year by the Board following the committee's recommendation and to be used to determine the amount of awards to be granted (subject to Board's discretion).	To be determined each year by the Board following the committee's recommendation. These will serve as vesting conditions.  The committee and the Board retain discretion to adjust or set different performance measures or targets where appropriate (e.g. to reflect a change in strategy or market conditions and/or to remain fair and consistent).	Same as for senior management under the deferred share bonus plan.
<b>Share price</b>	Relevant to the determination of the number of nil-cost options to be granted: 10-day volume weighted average price ('VWAP') on grant date.	Relevant to the determination of the number of nil-cost options to be granted: 10-day VWAP on grant date.	This is the share price for determining the number of options to be granted on grant date. It should also be the exercise price: 10-day VWAP on grant date.
<b>Vesting</b>	Vesting of award: 1/3 on the grant date; 1/3 on first anniversary of year end; 1/3 on second anniversary of year end.  Vesting subject to participant still being employed.  Standard good/bad leaver provisions (note that the Board has absolute discretion to determine that a participant is a good leaver (causing all unvested options to vest in full) except in case of gross misconduct).	On third anniversary of grant date or as otherwise decided by the committee and the Board (to allow sufficient time after the end of the financial year to determine whether the vesting conditions have been met).  The number of nil-cost options vesting will depend on the pre-determined vesting conditions being met (as detailed above). All options not vesting on the vesting date will automatically lapse.  Vesting subject to participant still being an executive director but subject to Board discretion for good leavers.	<ul style="list-style-type: none"> <li>• 1/3 vesting on the first anniversary of year end;</li> <li>• 1/3 vesting on the second anniversary of year end, and</li> <li>• 1/3 vesting on the third anniversary of year end.</li> </ul> No vesting conditions other than participant still being employed.  Standard good/bad leaver provisions (subject to Board's discretion to determine that a participant is a good leaver (causing all unvested options to vest in full) except in case of gross misconduct).
<b>Reduction for Malus</b>	Yes, at any time before exercise of the options.	Yes, at any time before vesting and after vesting during the lock-in period (claw-back provision).	Yes, at any time before exercise of the options.
<b>Lock-in period</b>	None. Once vested, options can be freely exercised and sold.	Two years following vesting.	None. Once vested, options can be freely exercised and sold.
<b>Dividend equivalents</b>	The Board may increase an award by the value of dividends paid on the shares comprised in the award, until the award is exercised.	Same as for deferred share bonus plan.	Same as for deferred share bonus plan.
<b>Corporate Events</b>	In the event of a general offer, scheme or acquisition of 50% or more of the Company, all unvested awards automatically will (i) vest in full and be exercisable for a one-month period; or (ii) be exchanged against equivalent awards.  Adjustments can be made in certain circumstances relating to a change in the share capital structure subject to the auditors certifying that the adjustments are fair and reasonable (existing plan).	Same as for deferred share bonus plan.	Same as for deferred share bonus plan.

# Remuneration Report

## Policy for determining KPIs and vesting conditions:

In setting KPIs and vesting conditions for the short term bonus scheme and the long term incentive plan respectively for the year ending 31 March 2019, the committee applied the following principles:

- All KPIs and vesting conditions should be aligned with Stenprop's objectives and strategies.
- In setting financial and/or total return goals or targets, preference should be given to measures of financial performance and returns relative to an appropriate peer group, except where this is considered inappropriate for any reason.
- In setting KPIs and vesting conditions, achieving the top end of the performance range for any given KPI and condition should typically require outperformance against the Company's budgets and business plan. Performance in line with budget and business plan should typically result in a 50% weighting.
- Recognising the need to drive and reward individual performance, KPIs under the short term scheme should comprise a combination of corporate and personal goals, in the following proportions:
  - For executive directors – a weighting of 80% for corporate goals and 20% for personal goals; and
  - For other key executives – a weighting of 50% for corporate goals and 50% personal goals.

The relatively higher weighting of corporate goals for the executive directors recognises that they have more control over, and are more directly responsible for, the achievement or non-achievement of the corporate goals.

Vesting conditions under the long term incentive plan:

- should comprise corporate goals only; and
- must be objective, so that they do not require subjective determination by the remuneration committee or the Board as to whether, and the extent to which, any of the conditions have been met.

## Proportion of fixed and variable remuneration

The effect of Stenprop's current remuneration policies is that:

- in the case of outperformance that results in the meeting of all of the KPIs and vesting conditions, the variable component of an executive directors' remuneration would be 3.5 times the value of the fixed component, with a short term bonus scheme award equivalent to 1.5 times the fixed remuneration, and share awards under the long term incentive scheme equivalent to twice the value of the fixed remuneration; and
- in the case of performance in line with budgets and business plan, the variable component of an executive director's remuneration would be 1.75 times the value of the fixed component, with a short term bonus scheme award equivalent to  $\frac{3}{4}$  of the fixed remuneration, and share awards under the long term incentive scheme equivalent to one times the value of the fixed remuneration.

The variable component of the remuneration of other members of senior management is relatively lower than that of the executive directors, with a maximum award under the short term bonus scheme equivalent to 50% of total fixed remuneration and awards under the LTIP for senior management being limited to options with a value (at the strike price) equivalent to 100% of total fixed remuneration.

## Non-executive remuneration

The terms of reference provide that the committee does not determine the remuneration or terms of engagement of the non-executive directors. Remuneration of non-executive directors is a matter that is determined by the Board, subject to the approval of shareholders to the extent required, and reflects the time commitment and responsibilities of each role.

The Board sets the fees of non-executive directors at a level commensurate with fees prevailing amongst its peer group.

## Part 3 – Remuneration Implementation Report

Stenprop's remuneration committee during the year was made up as follows:

Members	Meetings attended in 2018 (during the relevant member's tenure)
Paul Miller (Chairman)	5/5
Stephen Ball*	5/5
Warren Lawlor*	2/2

\* Warren Lawlor was appointed to the remuneration committee on 13 September 2017. Stephen Ball resigned from the Board on 1 May 2018 and was replaced on the committee by Richard Grant and Philip Holland.

Other than Warren Lawlor, who is a non-executive director but is not independent, all of the members of the committee are independent non-executive directors.

## Directors remuneration

Please refer to note 8 of the annual financial statements for details on executive and non-executive remuneration.

## Salary increases

As part of a benchmarking exercise undertaken by the remuneration committee, the committee considered the remuneration of Stenprop's executive directors in the context of those of a number of comparable companies. This exercise showed that salaries of Stenprop's executive directors were at the low end of the scale.

As indicated in Part 1, the committee chose to partially address this by increasing the maximum awards under the short term incentive scheme (which was also at the lower end of the scale) from 125% to 150% of total fixed remuneration, rather than by providing above inflation increases.

The sole exception to this was the remuneration of the Chief Financial Officer, Patsy Watson, which was considered out of step not just with the market but also when compared to the remuneration of other members of the executive. As a result Patsy Watson's basic salary increased by 23.7% since the prior year.

For the year ended 31 March 2019 the committee recommended that the executive directors receive increases of 3% in line with inflation, which was approved by the Board.



The average salary increase for members of senior management was 2.7% in the 12 months ended 31 March 2018.

All above inflation increases were considered by the committee which was satisfied that these increases were justified, primarily because of changes in the role and increase in responsibilities of the employee concerned.

As the Company continues to implement its strategic plan to establish itself as the leading UK MLI business, the committee and the Board will continue to assess the remuneration and salaries of its executive directors and other key executives against comparable companies.

### Awards under the short term bonus scheme

The KPIs for executive directors in terms of the short term bonus scheme for the year ended 31 March 2018 comprised the following corporate objectives, each of which had a 25% weighting:

- achieving growth in diluted EPRA EPS in a range around the budgeted growth in diluted EPRA EPS (both taking into account and ignoring exchange rate movements);
- achieving growth in dividends per share in a range around the budgeted dividend per share (both taking into account and ignoring exchange rate movement); and
- growing the MLI portfolio through acquisitions in a range calculated with reference to the business plan of Stenprop and the anticipated pipeline,

with, in each case, a 20% apportionment for achieving the bottom end of the target range, growing to 100% at the top end of the range.

In respect of the remaining 25%, individual personal objectives, aligned to Stenprop's objectives and the particular roles and responsibilities of the executive director concerned were agreed.

As a result of the performance under the KPIs, each of the executive directors received bonuses equivalent to 108% of their total fixed remuneration, or 72% of the maximum bonus that they could have received under the bonus scheme.

For other members of senior management their corporate KPIs (with a total weighting of 50%) were the same as those of the executive directors, with the remaining 50% weighting comprising individual personal objectives.

In respect of the bonuses for the 2019 financial year end the following corporate objectives have been set for executive directors, each of which have a 20% weighting:

- growing sustainable EPRA earnings per share in a range around the budgeted sustainable earnings per share;
- increasing the size of the MLI portfolio so that it constitutes 38% to 40% of the Group's total portfolio of properties as at 31 March 2019 (with a maximum allocation for achieving a 40% ratio and no allocation for a ratio of 38% or less);
- increasing the net rent on the MLI portfolio in line with the budgeted increase in passing rent (for a 50% allocation) or in excess of such budgeted increase (for up to 100% allocation); and
- decreasing LTV levels to 45% or less by year end.

In respect of the remaining 20%, individual personal objectives, aligned to Stenprop's objectives and the particular roles and responsibilities of the executive director concerned were agreed.

Again, the KPIs for senior management mirror those of the executive directors, with personal objectives having a higher weighting – at 50%.

### Conditional awards under the long term incentive scheme

The financial year ended 31 March 2018 saw the first conditional awards to executive directors under the long term executive scheme being awarded for the three year period ending 31 March 2020. The awards are subject to achievement of the following vesting conditions over the three years, each of which has a 1/3 weighting:

- achieving growth in diluted EPRA EPS and dividend per share (measured separately) in a range around the business plan forecasts (both taking into account and ignoring exchange rate movements);
- growing the MLI portfolio through acquisitions in a range calculated with reference to the business plan of Stenprop and the anticipated pipeline; and
- achieving a total shareholder return that results in the total shareholder return of the Company being between the 50th and 75th percentile of the total shareholder return of the European EPRA index.

In each case, 25% of the relevant proportion of the award will vest on achieving the lower end of the range and will increase proportionally to 100% at the top end of the range.

Post year end, conditional awards were made for the three year period ending 31 March 2021. The 2021 awards are subject to achievement of the following vesting conditions over the three years, each of which has a 20% weighting:

- growing sustainable EPRA EPS per share in a range around the business plan forecasts;
- increasing the size of the MLI portfolio so that it constitutes between 75% and 85% of the Group's total portfolio of properties;
- increasing the net rent on the MLI portfolio in a range around the business plan forecasts;
- decreasing LTV levels to between 35% and 40% by the end of the period; and
- achieving a total shareholder return that results in the total shareholder return of the Company being between the 50th and 85th percentile of the total shareholder return of the European EPRA index.

In each case, except in respect of the targeted increase in net rents, the proportion of the award vesting will increase proportionally from 0% at the lower end of the range to 100% at the top of the range. In the case of the targeted increase in net rents, 50% of the relevant proportion of the award will vest at the lower end of the range (which is equal to the current budgeted increase in passing rent) and this will increase proportionally to 100% at the top end of the range.

# Social and Ethics Committee Report

**“We are committed to implementing our strategy in a responsible and ethical manner that creates value not only for the business, but for all stakeholders.”**

**Philip Holland**  
Chairman of the social and ethics committee



I am pleased to present our first social and ethics committee report since it was established by the Board in September 2017. As explained throughout this document, the reporting period has been an exceptional year of change for the Company and we are proud to confirm that the Board considers being a responsible business an essential component of our goal of becoming the leading MLI business in the UK.

## Key areas of focus during the reporting period

At its first meeting in November 2017 the committee adopted a corporate social responsibility policy which sets out the three main areas of focus for the committee:

- environmental impact of the activities of the Stenprop group;
- stakeholders' relationships including rights and well-being of employees as well as general ethics at the work place and in working relationships; and
- support to local communities.

More information about the work of the committee during the reporting period around these three main areas is included in Responsible Business.



Read more in the **Responsible Business** on pages 40 and 41.

## Membership and meetings

The individual attendance of members at meetings of the Committee is set out in the table below.

Members	Meetings attended
Paul Miller (Chairman)*	2/2
Stephen Ball*	2/2
Sarah Bellilchi	2/2

\* Paul Miller and Stephen Ball were members of the social and ethics committee until 1 May 2018, with Paul Miller chairing the committee. They both stood down with effect from 1 May 2018 and as at the date of the integrated annual report, the social and ethics committee consists of Philip Holland, Richard Grant and Sarah Bellilchi (Company secretary). The committee must be chaired by a non-executive director and is currently chaired by Philip Holland.

All members are nominated by the Board for a term of up to three years and have sufficient qualifications and experience to fulfil their duties.

The Social and Ethics Committee will normally meet at least once a year, during which an annual work plan is established to ensure that all relevant matters are covered by the agendas of the meeting planned for the year. The committee met twice during the reporting period.

## Role and operation

The social and ethics committee is responsible for matters relating to social and economic development, responsible corporate citizenship, sustainable development, consumer relationships and labour and employment relationships.

The terms of reference of the social and ethics committee cover such issues as membership and frequency of meetings, together with the requirements for quorum for and the right to attend meetings. The principal duties of the social and ethics committee covered in the terms of reference are in relation to: monitoring the Company's activities with regards to the matters listed above, drawing matters within its mandate to the attention of the Board and formulating and monitoring the group's ethics policy. A copy of the terms of reference is available on the Company's website.

We look forward to continuing the work of the committee during the current financial year, especially with regards to the growth of the UK MLI portfolio and the development of the MLI platform in a sustainable manner.

**Philip Holland**  
Chairman, social and ethics committee

# Directors' Report

The directors present their report and the audited consolidated financial statements for the year ended 31 March 2018.

## Principal activities

The principal activity of the Group is that of a property investment company. Stenprop Limited is incorporated in Guernsey. The address of the registered office is Kingsway House, Havilland Street, St Peter Port, Guernsey, GY1 2QE.

## Results and dividends

The results of the Group for the year are set out in the consolidated statement of comprehensive income. A final dividend was declared on 6 June 2018 of 4.0 pence per share, which together with the interim dividend declared on 22 November 2017 of 4.0 pence per share, results in a total dividend for the year ended 31 March 2018 of 8.0 pence per share (2017: 7.8 pence per share).

## Capital structure

Details of the authorised and issued share capital are shown in Note 12. The Company has one class of share; all shares rank equally and each share carries the right to one vote at general meetings of the Company.

## Going concern

The financial statements of the Group have been prepared on a going concern basis. At the date of signing these accounts, the Group has positive operating cash flow forecasts and positive net assets. Management have reviewed the Group's cash flow forecasts for the 18 months to 30 September 2019 and, in light of this review and the current financial position, they are satisfied that the Company and the Group have access to adequate resources to meet the obligations and continue in operational existence for the foreseeable future, and specifically the 12 months subsequent to the signing of these financial statements. Further details are set out in note 1.

## Directors

The directors of the Company who served during the year and to the date of this report were as follows:

### Executive Directors

P Arenson	
P Watson	
N Marais	(resigned 1 May 2018)
J Carey	(appointed 1 May 2018)

### Non-executive Directors

S Ball	(resigned 1 May 2018)
M Yachad	(resigned 28 February 2018)
P Miller	
W Lawlor	
R Grant	(appointed 1 May 2018)
P Holland	(appointed 1 May 2018)

## Independent auditor

A resolution to reappoint Deloitte LLP as independent auditor will be provided at the next annual general meeting.

## Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law, 2008 (as amended) requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards ('IFRS'). The financial statements are required to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility statement

To the best of the directors' knowledge, the financial statements, prepared in accordance with IFRS; give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.

## Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

## Approval of annual financial statements

The consolidated annual financial statements of Stenprop Limited were approved by the Board of Directors on 6 June 2018 and are signed on their behalf by:



**Paul Arenson**  
Chief Executive Officer



**Patsy Watson**  
Chief Financial Officer









# Financials

## Financials

Independent Auditor's Report	62
Consolidated Statement of Comprehensive Income	65
Consolidated Statement of Financial Position	66
Consolidated Statement of Changes in Equity	67
Consolidated Statement of Cash Flows	68
Notes to the Consolidated Financial Statements	69

## Additional Information

Property Summary	112
Portfolio Analysis	113
Consolidated Portfolio	114
Assets Held for Sale	116
Jointly Controlled Entities	118
Tenants Analysis	119
Analysis of Shareholders	120
EPRA Key Performance Measures	121
Shareholder Diary	122

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS's) as issued by the IASB, the JSE Listings Requirements and applicable Guernsey law. They were audited by Deloitte LLP who signed their Independent auditor's report on 6 June 2018 with an unqualified opinion thereon.

These audited annual financial statements were approved by the board of directors on 6 June 2018 and contain no changes from the provisional annual results which were released on SENS on 7 June 2018.

# Independent Auditor's Report

## to the shareholders of Stenprop Limited

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Stenprop Limited and its subsidiaries (together "the Group"), which comprise the statement of financial position as at 31 March 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements numbers 1 to 35, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Group as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements including the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investment property valuation	
<p>The valuation of investment properties is inherently judgmental and there can be complexities surrounding the key inputs and assumptions used in valuation models, for example market rents, market yields, tenancy arrangements, vacancy rates, the credit-worthiness of tenants, as well as discount and capitalisation rates used in the discounted cash flows.</p> <p>The Group's property portfolio, as disclosed in notes 3 and 16, is valued at £535.5m as at 31 March 2018 and is independently valued by professionally-qualified valuers in each geographic location.</p> <p><b>How the scope of our audit responded to the key audit matter</b></p> <p>We have:</p> <ul style="list-style-type: none"> <li>• Evaluated the design and the implementation of the Group's internal controls over the valuation process, including the provision of data to valuers and management's challenge of valuation reports;</li> <li>• Reconciled all property valuations to the financial statements;</li> <li>• Discussed and challenged key inputs and assumptions with the valuers and management;</li> <li>• Obtained the tenancy schedules used in the valuations and verified tenancy details, on a sample basis, to tenancy agreements;</li> <li>• Selected a sample of properties which we considered to be of most audit interest and engaged with our real estate valuations specialists in both the UK and Germany to challenge those properties' valuations in detail;</li> <li>• Enquired whether the valuers are independent of the Group and assessed the reliability and competency of the valuers; and</li> <li>• Evaluated the disclosures in the financial statements are in compliance with IFRS 13 Fair Value Measurement, and IAS 40 Investment Property.</li> </ul>	<p><b>Key observations</b></p> <p>We concluded that the assumptions applied in arriving at the fair value of the Group's investment properties were appropriate and that the resulting valuations were within a reasonable range.</p>



Accounting for acquisitions of investment properties	
<p>As disclosed in notes 3, 4 and 16, the group acquired £149.8m of investment property in the year. Of this amount, £127m of investment property was acquired at the same time as the acquisition of the management company C2 Capital Limited.</p> <p>The accounting for these transactions can be complex and involved management making significant judgements as to whether to classify the acquisitions as asset acquisitions or business combinations.</p> <p>Specifically, management had to decide whether the acquisitions of the property-owning structures were inherently connected to – and dependent on – the acquisition of C2 Capital Limited.</p> <p><b>How the scope of our audit responded to the key audit matter</b></p> <p>We have:</p> <ul style="list-style-type: none"> <li>• Evaluated the design and the implementation of the Group's internal controls over the accounting processes for acquisitions and the review thereof;</li> <li>• Reviewed management's memo on the acquisition accounting and their significant judgments made;</li> <li>• Assessed whether the assets and liabilities acquired met the definition of a business under the requirements of IFRS 3 Business Combinations in terms of identifying inputs, outputs and business processes acquired during a combination;</li> <li>• Reviewed the relevant sales agreements in order to understand the terms and conditions of the acquisitions in order to challenge management on the accounting treatment adopted;</li> <li>• Traced the costs of the acquisitions to cash payments made; and</li> <li>• Reviewed the completeness and accuracy of disclosures surrounding the acquisitions in the financial statements.</li> </ul>	<p><b>Key observations</b></p> <p>We concluded that management's decision to account for the acquisition of C2 Capital Limited as a business combination was appropriate.</p> <p>We concluded that the acquisitions of other property owning structures were correctly accounted for as asset acquisitions.</p> <p>We concluded that the acquisitions of the property structures and C2 Management Limited were not dependent on each other and so were not linked.</p>

## Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. The materiality that we used in the current year was £7.4m (2017, £7.4m) which was determined on the basis of 2% of the Group's net assets as of December 2017. We adopted a lower threshold for testing balances that affect the Group's EPRA earnings. This was set at £2.7m (2017, £2.4m), which was 10% of the Group's 31 March 2018 EPRA earnings.

## An overview of the scope of our audit

We performed a full scope audit to respond to the risks of material misstatement for the Group and have performed an audit of specified account balances for subsidiaries of the Group. Together these elements account for 100% of the Group's net assets and 100% of profit before tax. At the group level we tested the consolidation process. All audit work was performed by the Group audit team.

## Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the Highlights, Commentary, the unaudited notes to the financial statements and the other elements of the Integrated Annual Report, which is expected to be made available to us after the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Integrated Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

# Independent Auditor's Report

## to the shareholders of Stenprop Limited

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is David Becker.



**Deloitte LLP**  
Guernsey  
6 June 2018

# Consolidated Statement of Comprehensive Income

for the year ended 31 March 2018

	Note	31 March 2018 £'000	*31 March 2017 £'000
<b>Net rental income</b>	6	<b>32,861</b>	25,468
Rental Income		42,349	34,028
Property expenses		(9,488)	(8,560)
Management fee income		5,092	3,109
Operating costs	7	(8,290)	(5,019)
<b>Net operating income</b>		<b>29,663</b>	23,558
Fair value movement of investment properties	16	20,223	2,431
Gain/(loss) from associates	18	292	(9,838)
Income from joint ventures	19	7,624	3,430
Loss on disposal of subsidiaries	29	(26)	-
<b>Profit from operations</b>		<b>57,776</b>	19,581
Net gain from fair value of derivative financial instruments	26	2,453	489
Interest receivable		356	245
Finance costs	9	(9,843)	(6,241)
Net foreign exchange (loss)/gain		(492)	274
Gain on disposal of property	16	1,046	-
Goodwill impairment	27	(3,500)	-
<b>Profit for the year before taxation</b>		<b>47,796</b>	14,348
Current tax	10	(563)	(970)
Deferred tax	10	(4,286)	(1,282)
<b>Profit for the year from continuing operations</b>		<b>42,947</b>	12,096
<i>Discontinued operations</i>			
(Loss)/profit for the year from discontinued operations	20	(2,712)	2,814
<b>Profit for the year</b>		<b>40,235</b>	14,910
<b>Profit attributable to:</b>			
Equity holders		39,357	14,687
Non-controlling interest derived from continuing operations		878	223
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation reserve		(154)	16,827
<b>Total comprehensive profit for the year</b>		<b>40,081</b>	31,737
<b>Total comprehensive profit attributable to:</b>			
Equity holders		39,203	31,514
Non-controlling interest		878	223
<b>Earnings per share</b>		<b>Pence</b>	Pence
<i>From continuing operations</i>			
IFRS EPS	14	14.94	4.20
Diluted IFRS EPS	14	14.85	4.19
<i>From continuing and discontinued operations</i>			
IFRS EPS	14	13.98	5.20
Diluted IFRS EPS	14	13.89	5.18

\* The comparatives have been restated to reflect the change in presentational currency. See note 1.



# Consolidated Statement of Financial Position

as at 31 March 2018

	Note	31 March 2018 £'000	*31 March 2017 £'000	*31 March 2016 £'000
<b>ASSETS</b>				
Investment properties	16	535,509	470,603	576,757
Investment in associates	18	303	17,863	31,057
Investment in joint ventures	19	14,660	31,435	29,731
Other debtors	21	13,617	11,634	5,853
Derivative financial instruments	26	712	-	-
<b>Total non-current assets</b>		<b>564,801</b>	<b>531,535</b>	<b>643,398</b>
Cash and cash equivalents	22	24,549	25,202	29,093
Trade and other receivables	21	8,208	4,069	5,032
Assets classified as held for sale	20	147,408	135,373	-
<b>Total current assets</b>		<b>180,165</b>	<b>164,644</b>	<b>34,125</b>
<b>Total assets</b>		<b>744,966</b>	<b>696,179</b>	<b>677,523</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital and share premium	12	315,551	310,141	305,999
Equity reserve		(8,453)	(8,976)	353
Retained earnings		57,947	40,945	48,021
Foreign currency translation reserve		22,286	22,440	5,613
<b>Total equity attributable to equity shareholders</b>		<b>387,331</b>	<b>364,550</b>	<b>359,986</b>
<b>Non-controlling interest</b>		<b>2,939</b>	<b>2,051</b>	<b>1,685</b>
<b>Total equity</b>		<b>390,270</b>	<b>366,601</b>	<b>361,671</b>
<b>Non-current liabilities</b>				
Bank loans	24	256,697	216,047	141,236
Derivative financial instruments	26	699	2,853	3,298
Other loan and interest	25	-	-	9
Deferred tax	30	9,379	5,794	7,670
<b>Total non-current liabilities</b>		<b>266,775</b>	<b>224,694</b>	<b>152,213</b>
<b>Current liabilities</b>				
Bank loans	24	2,800	13,004	149,198
Derivative financial instruments	26	-	119	1,398
Taxes payable		2,792	2,294	1,403
Accounts payable and accruals	23	14,622	13,266	11,640
Liabilities directly associated with assets classified as held for sale	20	67,707	76,201	-
<b>Total current liabilities</b>		<b>87,921</b>	<b>104,884</b>	<b>163,639</b>
<b>Total liabilities</b>		<b>354,696</b>	<b>329,578</b>	<b>315,852</b>
<b>Total equity and liabilities</b>		<b>744,966</b>	<b>696,179</b>	<b>677,523</b>
		£	£	£
IFRS net asset value per share	15	1.37	1.31	1.27

\*The comparatives have been restated to reflect the change in presentational currency. See note 1.

The consolidated financial statements were approved by the board of directors on 6 June 2018 and signed on its behalf by



**Patsy Watson**  
Chief Financial Officer

# Consolidated Statement of Changes in Equity

for the year ended 31 March 2018

	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
<b>Balance at 1 April 2017</b>	<b>310,141</b>	<b>(8,976)</b>	<b>40,945</b>	<b>22,440</b>	<b>364,550</b>	<b>2,051</b>	<b>366,601</b>
Issue of share capital	5,410	(16)	-	-	5,394	-	5,394
Credit to equity for equity-settled share-based payments	-	539	-	-	539	-	539
Total comprehensive profit/(loss) for the year	-	-	39,357	(154)	39,203	888	40,091
Ordinary dividends	-	-	(22,355)	-	(22,355)	-	(22,355)
<b>Balance at 31 March 2018</b>	<b>315,551</b>	<b>(8,453)</b>	<b>57,947</b>	<b>22,286</b>	<b>387,331</b>	<b>2,939</b>	<b>390,270</b>
<b>Balance at 1 April 2016</b>	305,999	353	48,021	5,613	359,986	1,685	361,671
Issue of share capital	4,142	(11)	-	-	4,131	-	4,131
Credit to equity for equity-settled share-based payments	-	268	-	-	268	-	268
Repurchase of own shares	-	(9,586)	-	-	(9,586)	-	(9,586)
Total comprehensive profit for the year	-	-	14,687	16,827	31,514	366	31,880
Ordinary dividends	-	-	(21,763)	-	(21,763)	-	(21,763)
<b>Balance at 31 March 2017</b>	<b>310,141</b>	<b>(8,976)</b>	<b>40,945</b>	<b>22,440</b>	<b>364,550</b>	<b>2,051</b>	<b>366,601</b>

# Consolidated Statement of Cash Flows

for the year ended 31 March 2018

	Note	31 March 2018 £'000	31 March 2017 £'000
<b>Operating activities</b>			
Profit from operations from continuing operations		57,776	19,581
(Loss)/profit from operations from discontinued operations		(2,127)	4,254
		<b>55,649</b>	<b>23,835</b>
Share of (gain) /loss from associates		(292)	9,838
Increase in fair value of investment property		(14,305)	(1,573)
Share of profit in joint ventures		(7,624)	(3,430)
Loss on disposal of subsidiaries		26	-
Exchange rate (gains)/losses		(492)	274
Increase in trade and other receivables		(416)	(83)
(Decrease)/Increase in trade and other payables		(594)	3,338
Interest paid		(9,098)	(7,781)
Interest received		976	1,090
Net tax paid		(855)	(865)
<b>Net cash from operating activities</b>		<b>22,975</b>	<b>24,643</b>
Contributed by: Continuing operations		20,552	22,354
Discontinued operations		2,423	2,289
<b>Investing activities</b>			
Dividends received from joint ventures		563	1,521
Asset acquisitions	27	(57,858)	-
Purchases of investment property	16	(22,831)	-
Capital expenditure		(5,553)	(1,641)
Proceeds on disposal of investment property	16	35,850	5,346
Acquisition of investment in joint venture		1	-
Proceeds on disposal of investment in associate		18,345	5,745
Disposal of subsidiary	29	42,608	-
Net cash disposed of in subsidiary		(1,831)	-
<b>Net cash from investing activities</b>		<b>9,294</b>	<b>10,971</b>
<b>Financing activities</b>			
New bank loans raised		20,703	-
New third party loans raised	25	34,080	-
Dividends paid		(22,355)	(21,763)
Repayment of borrowings		(29,509)	(7,680)
Repayment of third party loans	25	(34,591)	-
Repurchase of shares		-	(9,586)
Financing fees paid		(1,247)	(169)
Payments made on swap break		-	(84)
New loan advances		-	(1,045)
Repayment of loan advances		-	210
<b>Net cash used in financing activities</b>		<b>(32,919)</b>	<b>(40,117)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(650)</b>	<b>(4,503)</b>
Effect of foreign exchange rate changes		110	1,237
Cash and cash equivalents at beginning of the period		25,827	29,093
<b>Cash and cash equivalents at end of the period</b>		<b>25,287</b>	<b>25,827</b>
Contributed by: Continuing operations		24,549	25,202
Discontinued operations and assets held for sale		738	625



# Notes to the Consolidated Financial Statements

for the year ended 31 March 2018

## 1. General Information

Stenprop Limited (the 'Company' and together with its subsidiaries the 'Group') was registered in Guernsey with effect from 23 March 2018 (Registration number 64865) and has adopted new articles of incorporation. The registered address of the Company is Kingsway House, Havilland Street, St Peter Port, GY1 2QE, Guernsey. The Company was formerly registered in Bermuda under number 47031. With effect from 1 May 2018, the Company converted to a UK real estate investment trust ('REIT').

## 2. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS's) as issued by the IASB, the JSE Listings Requirements 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, are set out below.

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

## Going concern

At the date of signing these consolidated financial statements, the Group has positive operating cash flow forecasts and positive net assets. Management have reviewed the Group's cash flow forecasts for the 18 months to 30 September 2019 and, in light of this review and the current financial position, they are satisfied that the Company and the Group have access to adequate resources to meet the obligations and continue in operational existence for the foreseeable future, and specifically the 12 months subsequent to the signing of these financial statements.

The remaining Swiss portfolio is currently being marketed for sale (note 20) and are at various stages in the sale process. As such, the loans at 31 March 2018, were refinanced on a short-term basis as a rolling credit facility or will mature on 31 March 2019. Should a decision be taken not to sell the properties for any reason, or if the sale process is delayed, the directors anticipate that, given the quality of the properties and the strong and proven relationships with Swiss lenders, a refinancing can be secured on favourable terms where necessary.

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

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

## Change in presentation currency

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

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

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

## Adoption of new and revised standards

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

- |                       |   |
|-----------------------|---|
| • IAS 7 (amendments)  | Disclosure Initiative   |
| • IAS 12 (amendments) | Recognition of Deferred Tax Assets for Unrealised Losses              |
| • IAS 40 (amendments) | Transfers of investment property                                      |
| • IFRS 2 (amendments) | Classification and Measurement of Share-based Payment Transactions    |
| • IFRS 4 (amendments) | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts |
| • IFRS 9              | Financial Instruments   |
| • IFRS 14             | Regulatory Deferral Accounts  |
| • IFRS 15             | Revenue from Contracts with Customers                                 |
| • IFRS 16             | Leases  |
| • IFRIC 22            | Foreign Currency Transactions and Advance Consideration               |

# Notes to the Consolidated Financial Statements

## 2. Basis of preparation continued

### Impact assessment of adopting new accounting standards

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

IFRS 9: Financial instruments is effective for financial years commencing on or after 1 January 2018. This standard replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 outlines an impairment model which reflects expected credit losses. This differs from IAS 39 which only recognised those credit losses which have been incurred. The new impairment model will apply to the Group's financial assets including trade and other receivables and cash and cash equivalents. The Directors will apply a simplified approach to recognise expected credit losses for these current assets. The Directors do not expect there to be any material impact on the adoption of IFRS 9. The Directors note that there will be no change in the accounting for financial liabilities as derivative financial instruments continue to qualify for designation as at fair value through profit and loss under IFRS 9.

IFRS 15: Revenue from Contracts with Customers is effective for financial years commencing on or after 1 January 2018. The standard combines a number of previous standards, setting out a five-step model for the recognition of revenue as well as establishing principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue. The standard applies to service charge income, car park income and asset management income. The Directors do not consider that its adoption will have a material impact on the financial statements.

IFRS 16: Leases is effective for financial years commencing on or after 1 January 2019 and requires lessees to recognise a right-of-use asset and related obligation to make lease payments. Related interest and depreciation will be recognised in the statement of comprehensive income. The Group does not anticipate that the adoption of this standard will have a material impact on the financial statements.

## 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 IAS 39 Financial instruments: recognition and measurement or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

### Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant interest is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and discontinued operations. Under the equity method, an investment in associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

### Joint ventures

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

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

### 3. Significant accounting policies continued

#### Business combinations and asset acquisitions

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

#### Revenue recognition

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

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

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

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

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

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

Management fees are recognised in the income statement on an accruals basis.

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 balance sheet 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.



# Notes to the Consolidated Financial Statements

## 3. Significant accounting policies continued

### 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 for capital appreciation are classified as investment properties. Investment properties comprise both freehold and leasehold land and buildings.

Investment properties are recognised as assets when:

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

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

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

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

### Cash and cash equivalents

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

### Expenditure

Expenses are accounted for on an accrual basis.

### Financial instruments

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

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

### 3. Significant accounting policies continued

Transactions 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 are 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 as loans and receivables.

Loans and receivables 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 greater than 12 months after the reporting dates which are classified as non-current assets.

Loans and receivables, including those relating to the purchase of Stenprop shares (note 21), are measured at amortised cost using the effective interest method, less impairment losses which are recognised in the statement of comprehensive income. In the case of short-term trade receivables and payables, the impact of discounting is not material and cost approximates amortised costs.

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 assets, specifically accounts receivable and other debtors, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investments have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

For financial assets measured at amortised cost if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### 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.

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 re-measured at fair value in accordance with IAS 39, Financial Instruments: Recognition and Measurement. They have been entered into in order to hedge against the exposure to variable interest rate loans as described in note 26. They have been valued by an independent valuer in line with internationally accepted practice.

# Notes to the Consolidated Financial Statements

## 3. Significant accounting policies continued

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.

### Trade and other receivables

These are valued at their nominal value (less accumulated impairment losses) as the time value of money is immaterial for these current assets. Impairment losses are estimated at the year end by reviewing amounts outstanding and assessing the likelihood of recoverability.

### Trade and other payables

Trade and other payables are valued at their nominal value as the time value of money is immaterial for these current liabilities.

### Dividends

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

### Earnings/(loss) per share

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

### Share-based payments

#### Deferred Share Bonus Plan and Long term incentive plans

Share options are granted to key management. The cost of equity settled transactions is measured with reference to the fair value at the date at which they were granted. The Company accounts for the fair value of these options on a straight-line basis over the vesting period in the income statement, 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 (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 IAS. The participants must charge their shares by way of security for the loan. The loans have full recourse to the participants who waive all rights to compensation for any loss in relation to the Plan. No further awards will be made under the Share Purchase Plan.

### Repurchase of share capital (Own Shares)

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

## 4. Critical accounting judgements and key sources of estimation uncertainty

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

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



## 4. Critical accounting judgements and key sources of estimation uncertainty continued

### Significant estimates

#### Investment properties

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

#### Deferred tax assets and liabilities

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

### Significant judgements

#### Assets held for sale

The directors have disclosed a number of properties which met the criteria defined in IFRS 5 as Assets held for sale. In the case of the Swiss Portfolio 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 initial one-year period, circumstances arose that were previously considered unlikely. As a result, the properties which were previously classified as held for sale were not sold; however:

- (i) during the initial one-year period the entity took action necessary to respond to the change in circumstances;
- (ii) the properties are still being actively marketed at a price that is reasonable, given the change in circumstances, and
- (iii) all other criteria in paragraphs 7 & 8 of IFRS 5 are met.

The value of the Assets held for sale are estimated at fair value, determined by the directors, based on an independent external appraisal.

#### Business combinations and asset acquisitions

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

# Notes to the Consolidated Financial Statements

## 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 primarily geographically diversified across Germany, the United Kingdom and Switzerland, with a further sub-division within the UK between industrial and non-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	Total £'000
	Germany £'000	UK Non Multi-let Industrial £'000	UK Multi-let Industrial £'000	Switzerland £'000	
<b>For the year ended 31 March 2018</b>					
Net rental income	11,589	14,628	6,644	-	32,861
Fair value movement of investment properties	23,969	448	(4,194)	-	20,223
Net gain from fair value of financial liabilities	346	1,370	737	-	2,453
Income from associates	292	-	-	-	292
Income from joint ventures	4,678	2,880	-	-	7,558
Loss on disposal of subsidiaries	-	(26)	-	-	(26)
Net finance costs	(2,081)	(5,403)	(1,713)	-	(9,197)
Operating costs	(735)	(853)	(342)	-	(1,930)
Net foreign exchange loss	(25)	(321)	-	-	(346)
Other gains	-	1,046	-	-	1,046
Loss for the year from discontinued operations (see note 20)	-	-	-	(2,712)	(2,712)
Taxation	(4,325)	156	(570)	-	(4,739)
<b>Total profit/(loss) per reportable segment</b>	<b>33,708</b>	<b>13,925</b>	<b>562</b>	<b>(2,712)</b>	<b>45,483</b>
<b>As at 31 March 2018</b>					
Investment properties	221,354	166,400	147,755	-	535,509
Investment in associates	303	-	-	-	303
Investment in joint ventures	14,617	-	-	-	14,617
Cash	12,074	4,460	5,853	-	22,387
Other	15,091	1,724	2,331	-	19,146
Assets classified as held for sale (see note 20)	28,987	23,546	-	94,875	147,408
<b>Total assets</b>	<b>292,426</b>	<b>196,130</b>	<b>155,939</b>	<b>94,875</b>	<b>739,370</b>
Borrowings – bank loans	110,889	70,800	77,808	-	259,497
Other	13,289	5,676	5,238	-	24,203
Liabilities directly associated with assets classified as held for sale (see note 20)	14,063	-	-	53,644	67,707
<b>Total liabilities</b>	<b>138,241</b>	<b>76,476</b>	<b>83,046</b>	<b>53,644</b>	<b>351,407</b>

## 5. Operating segments continued

	Continuing operations			Discontinued operations	
	Germany £'000	UK Non Multi-let Industrial £'000	UK Multi-let Industrial £'000	Switzerland £'000	Total £'000
<b>For the year ended 31 March 2017</b>					
Net rental income	10,470	14,998	-	-	25,468
Fair value movement of investment properties	4,928	(2,496)	-	-	2,431
Net gain from fair value of financial liabilities	363	127	-	-	489
Loss from associates	(9,838)	-	-	-	(9,838)
Income from joint ventures	2,270	854	-	-	3,124
Net finance costs	(2,349)	(3,655)	-	-	(6,004)
Operating costs	(656)	(140)	-	-	(795)
Net foreign exchange gain	54	-	-	-	54
Profit for the year from discontinued operations (see note 20)	-	-	-	2,814	2,814
Taxation	(1,319)	(812)	-	-	(2,131)
<b>Total profit per reportable segment</b>	<b>3,923</b>	<b>8,876</b>	<b>-</b>	<b>2,814</b>	<b>15,612</b>
<b>As at 31 March 2017</b>					
Investment properties	219,057	251,546	-	-	470,603
Investment in associates	17,863	-	-	-	17,863
Investment in joint venture	10,283	21,115	-	-	31,398
Cash	11,693	12,280	-	-	23,973
Other	12,999	2,347	-	-	15,346
Assets classified as held for sale	2,541	-	-	132,832	135,373
<b>Total assets</b>	<b>274,436</b>	<b>287,288</b>	<b>-</b>	<b>132,832</b>	<b>694,556</b>
Borrowings – bank loans	122,898	106,153	-	-	229,051
Other	11,365	11,245	-	-	22,610
Liabilities directly associated with assets classified as held for sale (see note 20)	-	-	-	76,201	76,201
<b>Total liabilities</b>	<b>134,263</b>	<b>117,398</b>	<b>-</b>	<b>76,201</b>	<b>327,862</b>



# Notes to the Consolidated Financial Statements

## 5. Operating segments continued

### ii) Reconciliation of reportable segment profit or loss

	31 March 2018 £'000	31 March 2017 £'000
<b>Rental income</b>		
Net rental income for reported segments	32,861	25,468
<b>Profit or loss</b>		
Fair value movement of investment properties	20,223	2,431
Net gain from fair value of financial liabilities	2,453	489
Gain/(loss) from associates	292	(9,838)
Income from joint ventures	7,558	3,124
Loss on disposal of subsidiaries	(26)	-
Net finance costs	(9,197)	(6,004)
Operating costs	(1,930)	(795)
Net foreign exchange (loss)/gain	(346)	54
Other gains	1,046	-
Profit for the year from discontinued operations (see note 20)	(2,712)	2,814
Taxation	(4,739)	(2,131)
<b>Total profit per reportable segments</b>	<b>45,483</b>	<b>15,612</b>
<b>Other profit or loss – unallocated amounts</b>		
Management fee income	5,092	3,109
Income from joint ventures	66	305
Net finance income	(290)	8
Tax, legal and professional fees	(295)	(200)
Audit fees	(194)	(223)
Administration fees	(764)	(216)
Investment advisory fees	(73)	-
Non-executive directors costs	(405)	(133)
Staff remuneration costs	(3,375)	(2,284)
Other operating costs	(1,255)	(1,166)
Net foreign exchange (loss)/gain	(145)	220
Other losses	(3,500)	-
Taxation	(110)	(122)
<b>Consolidated profit before taxation</b>	<b>40,235</b>	<b>14,910</b>

## 5. Operating segments continued

### iii) Reconciliation of reportable segment financial position

	31 March 2018 £'000	31 March 2017 £'000
<b>ASSETS</b>		
Investment properties	535,509	470,603
Investment in associates	303	17,863
Investment in joint venture	14,617	31,398
Cash	22,387	23,973
Other	19,146	15,346
Assets classified as held for sale (see note 20)	147,408	135,373
<b>Total assets per reportable segments</b>	<b>739,370</b>	<b>694,556</b>
<b>Other assets – unallocated amounts</b>		
Investment in joint ventures	43	37
Cash	2,162	1,229
Other	3,391	357
<b>Total assets per consolidated statement of financial position</b>	<b>744,965</b>	<b>696,179</b>
<b>LIABILITIES</b>		
Borrowings – bank loans	259,497	229,051
Other	24,203	22,610
Liabilities directly associated with assets classified as held for sale (see note 20)	67,707	76,201
<b>Total liabilities per reportable segments</b>	<b>351,407</b>	<b>327,862</b>
<b>Other liabilities – unallocated amounts</b>		
Other	3,289	1,716
<b>Total liabilities per consolidated statement of financial position</b>	<b>354,696</b>	<b>329,578</b>

## 6. Net rental income

	31 March 2018 £'000	31 March 2017 £'000
Rental income	40,293	34,863
Other income – tenant recharges	7,413	6,558
Other income	806	98
Discontinued Operations Adjustment (note 20)	(6,163)	(7,491)
<b>Rental income</b>	<b>42,349</b>	<b>34,028</b>
Direct property costs	(11,262)	(10,499)
Discontinued Operations Adjustment (note 20)	1,774	1,939
<b>Property expenses</b>	<b>(9,488)</b>	<b>(8,560)</b>
<b>Total net rental income</b>	<b>32,861</b>	<b>25,468</b>

## 7. Operating costs

	31 March 2018 £'000	31 March 2017 £'000
Tax, legal and professional fees	2,402	655
Audit fees	226	248
Interim review fees	30	31
Administration fees	553	338
Investment advisory fees	431	429
Non-executive directors costs	405	133
Staff remuneration costs	3,375	2,284
Other operating costs	1,466	1,341
Discontinued Operations Adjustment (note 20)	(598)	(440)
	<b>8,290</b>	<b>5,019</b>

The increase in Tax, legal and professional fees is driven by the costs associated with the London listing (£488,000) and the selling costs and fees associated with the share sale of Normanton Properties Ltd (Pilgrim Street) of £593,000.

# Notes to the Consolidated Financial Statements

## 8. Employees' and directors' emoluments

The Group had 20 employees at 31 March 2018 (2017: 11). The aggregate remuneration paid to employees during the period, including that to executive directors, was:

	31 March 2018 £'000	31 March 2017 £'000
Wages and salaries (including key management)	2,760	1,742
Social security costs	201	184
Pension costs	137	92
Share-based payments	277	266
	<b>3,375</b>	<b>2,284</b>

As at 31 March 2018, the Group had six directors (2017: six). The directors of the Company during the financial year and at the date of this report were as follows:

Non-executive directors	Appointed	Change in appointment
S Ball	2/10/2014	resigned 1/05/2018
M Yachad	10/12/2014	resigned 28/02/2018
P Miller	14/09/2016	
W Lawlor	5/04/2017	
R Grant	1/05/2018	
P Holland (chairman)	1/05/2018	

Executive directors	Appointed	Change in appointment
P Arenson (CEO)	2/10/2014	
P Watson (CFO)	2/10/2014	
N Marais	2/10/2014	resigned 1/05/2018
J Carey	1/05/2018	

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

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

	Basic salary £'000	Pension £'000	Other benefits <sup>^</sup> £'000	Cash bonus £'000	Vested share options £'000	Total remuneration 31 March 2017 £'000
<b>Executive directors</b>						
P Arenson	253	25	2	118	144	542
P Watson	202	20	-	95	115	432
N Marais	126	13	2	32	16	189
	<b>581</b>	<b>58</b>	<b>4</b>	<b>245</b>	<b>275</b>	<b>1,163</b>

<sup>^</sup> Other benefits relates to the provision of private medical insurance.



## 8. Employees' and directors' emoluments continued

	31 March 2018 £'000	31 March 2017 £'000
<b>Non-executive directors</b>		
S Ball-paid to Sphere Management Limited	50	38
M Yachad-paid to Peregrine SA Holdings Proprietary Limited (resigned 28 February 2018)	21	15
P Miller	44	23
W Lawlor-paid to Ferryman Capital Partners (Pty) Limited (appointed 5 April 2017)	28	-
G Leissner (passed away 16 December 2016)	-	21
M Fienberg (resigned 14 September 2016)	-	18
J Keyes (resigned 23 November 2016)	-	11
P Hughes (resigned 23 November 2016)	-	7
Share-based payments	262	-
	<b>405</b>	<b>133</b>

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

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

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

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

	Bonuses in respect of the year ended 31 March 2018				
	Cash bonus £'000	Deferred Share Bonus Plan £'000	Number of share options (estimated)	LTIP for executive directors £'000	Number of share options (estimated)
<b>Executive directors</b>					
P Arenson	156	125	113,800	536	487,100
P Watson	150	120	109,400	515	468,200
N Marais	33	20	18,400	83	75,500
	<b>339</b>	<b>265</b>	<b>241,600</b>	<b>1,134</b>	<b>1,030,800</b>

On 24 January 2018, the board of directors, on the recommendation of the remuneration committee, approved the following:

	Share incentives in respect of the year ended 31 March 2017	
	LTIP for executive directors £'000	Number of share options
<b>Executive directors</b>		
P Arenson	520	484,623
P Watson	500	465,804
	<b>1,020</b>	<b>950,427</b>

On 7 June 2017, the board of directors, on the recommendation of the remuneration committee, approved the following:

	Bonuses in respect of the year ended 31 March 2017			Share Purchase Plan <sup>^</sup>	
	Cash bonus £'000	Deferred Share Bonus Plan £'000	Number of share options	Loans £'000	Number of share options
<b>Executive directors</b>					
P Arenson	118	-	-	916	881,897
P Watson	95	-	-	733	705,517
N Marais	32	12	11,024	84	80,855
	<b>245</b>	<b>12</b>	<b>11,024</b>	<b>1,733</b>	<b>1,668,269</b>

<sup>^</sup> 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 (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 paid to 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.

# Notes to the Consolidated Financial Statements

## 8. Employees' and directors' emoluments continued

### Directors' Interests - Beneficial direct and indirect holdings in the Company

As at 31 March 2018:

	Direct number of shares	% of shares	Indirect number of shares	% of shares in issue	Number of share options held	% of shares
S Ball (Chairman)	-	-	250,000	0.09	-	-
P Arenson (CEO)	-	-	12,523,096	4.29	959,531	0.33
P Watson (CFO)	-	-	4,364,027	1.50	887,722	0.30
N Marais	-	-	280,600	0.10	12,632	0.00
W Lawlor	-	-	1,154,100	0.40	2,000,000	0.69
P Miller	-	-	21,898	0.01	-	-

The above Directors' interests have not changed from 31 March 2018 to the date of the signing of these financial statements.

As at 31 March 2017:

	Direct number of shares	% of shares	Indirect number of shares	% of shares in issue	Number of share options held	% of shares
S Ball (Chairman)	-	-	250,000	0.09	-	-
M Yachad	-	-	150,000	0.06	-	-
P Miller	-	-	21,898	0.01	-	-
P Arenson (CEO)	-	-	9,955,994	3.47	474,908	0.17
P Watson (CFO)	-	-	3,658,510	1.28	412,918	0.14
N Marais	-	-	219,663	0.08	15,345	0.01

## 9. Finance costs

	31 March 2018 £'000	31 March 2017 £'000
Bank interest payable	(9,443)	(7,838)
Amortisation of facility costs	(1,087)	(399)
Discontinued Operations Adjustment (note 20)	687	1,996
<b>Net finance costs</b>	<b>(9,843)</b>	<b>(6,241)</b>

## 10. Taxation

### (i) Tax recognised in statement of comprehensive income

	31 March 2018 £'000	31 March 2017 £'000
Income tax in respect of current year	1,354	1,227
Deferred tax (see note 30)	3,260	1,714
Discontinued Operations Adjustment (see note 20)	235	(689)
<b>Total tax expense</b>	<b>4,849</b>	<b>2,252</b>

The Company converted to UK REIT status on 1 May 2018.

No tax was recognised on other comprehensive income during the period (2017: Nil).

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

**10. Taxation continued****(ii) Reconciliation of tax charge for the year**

	31 March 2018 £'000	31 March 2017 £'000
<b>Continuing operations</b>		
Profit for the year before taxation	47,796	14,348
Tax provided at applicable rate in Bermuda and Guernsey	-	-
Current tax charge in respect of other jurisdictions	(563)	(970)
Deferred tax charge in respect of other jurisdictions	(4,286)	(1,282)
<b>Profit for the year after taxation</b>	<b>42,947</b>	<b>12,096</b>
	31 March 2018 £'000	31 March 2017 £'000
<b>For discontinued operations</b>		
(Loss)/profit for the year before taxation	(2,947)	3,503
Tax provided at applicable rate in Bermuda and Guernsey	-	-
Tax charge in respect of other jurisdictions	235	(689)
<b>(Loss)/Profit for the year after taxation</b>	<b>(2,712)</b>	<b>2,814</b>

**11. Dividends**

	31 March 2018 £'000	31 March 2017 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the prior year	11,047	11,266
Interim dividend for the current year	11,308	10,496
<b>Total dividends</b>	<b>22,355</b>	<b>21,762</b>

On 18 July 2017, the directors of the Company declared a final dividend of 3.95 pence per share in respect of the year ended 31 March 2017 equating to £11,047,000 (2016: £11,266,000). This was paid in cash on 1 August 2017. An interim dividend of 4.00 pence per share equating to £11,308,000 (2017: £10,496,000) was declared on 23 November 2017 and paid in cash on 26 January 2018.

The directors declared a final dividend on 6 June 2018, for the year ended 31 March 2018, of 4.00 pence per share, which is detailed in note 35.

**12. Share capital****Authorised**

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

	31 March 2018	31 March 2017
<b>Issued share capital</b>	<b>(no. shares)</b>	<b>(no. shares)</b>
Opening balance	286,681,880	282,984,626
Issue of new shares	5,036,596	3,697,254
<b>Closing number of shares issued</b>	<b>291,718,476</b>	<b>286,681,880</b>
	£'000	£'000
<b>Authorised share capital</b>		
Share capital	1	1
Share premium	317,781	312,371
Less: Acquisition/transaction costs	(2,231)	(2,231)
<b>Total share capital and share premium</b>	<b>315,551</b>	<b>310,141</b>

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

The Company has 291,718,476 (March 2017: 286,681,880) ordinary shares in issue at the reporting date. On 8 June 2017, 1,752,359 and 13,737 new ordinary shares were issued on the JSE and the BSX at an issue price of €1.22 per share in respect of the Share Purchase Plan and Deferred Share Bonus Plan respectively. On 7 July 2017, 3,270,500 new ordinary shares were issued on the JSE and the BSX at an issue price of €1.22 per share in order to fund the acquisition of C2 Capital Limited (refer to note 27). The total cost of issuing the 5,036,596 shares was £5,410,000.

As at 31 March 2018, the Company held 9,026,189 treasury shares (March 2017: 9,026,189).



# Notes to the Consolidated Financial Statements

## 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 £539,000 in the year (2017: £268,000) in relation to the share option schemes. As at 31 March 2018, the Equity Reserve held £1,133,000 in relation to share-based payment transactions (2017:£610,000).

The incentive plans are discussed in more detail below.

### Deferred Share Bonus Plan

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

The fair value of this nil-cost option is determined using the Black-Scholes model. The key inputs used in determining the award granted on 7 June 2017 are shown below:

Share price at date of grant	£1.08
Expected option life in years	2
Risk free rate	1.50%
Standard Deviation (annualized)	11%
Value per option	£1.08

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

Date of grant	At 1 April 2017		Dividend equivalents	Exercised	Outstanding at 31 March 2018	Exercisable at 31 March 2018	Fair Value at Grant date in GBP	Exercise dates	
	Granted							From	To
10 June 2015	395,590	-	31,464	(4,780)	422,274	422,274	£1.08	10 June 2015	10 June 2025
8 June 2016	269,031	-	12,888	(5,282)	276,637	276,637	£1.05	8 June 2016	8 June 2026
7 June 2017	-	41,970	762	(3,675)	39,057	25,067	£1.08	7 June 2017	7 June 2027

### 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 24 January 2018 are shown below:

Share price at date of grant	£1.13
Exercise price at grant date	£1.07
Expected option life in years	10
Risk free rate	1.50%
Expected volatility	29.01%
Value per option	£0.47

Date of grant	At 1 April 2017		Dividend equivalents	Exercised	Outstanding at 31 March 2018	Exercisable at 31 March 2018	Fair Value at Grant date	Exercise dates	
	Granted							From	To
24 January 2018	-	142,887	-	-	142,887	47,629	£0.47	31 March 2018	24 January 2028

### 13. Share-based payments continued

#### 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 and once vested may not be exercised for two years. 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 24 January 2018 are shown below:

Share price	£1.07
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	£0.68

Date of grant	At 1 April 2017		Dividend equivalents	Exercised	Outstanding at 31 March 2018	Exercisable at 31 March 2018	Fair Value at Grant date	Exercise dates	
	Granted							From	To
24 January 2018	-	1,416,231	-	-	1,416,231	-	£0.68	8 June 2022*	8 June 2027

\* lock-in period of two years applies after vesting.

#### Other share options

On 30 March 2017, the Company agreed to grant to Ferryman Capital Partners Limited, a company in which Warren Lawlor, a non-executive director, has a one-third beneficial interest, an option to subscribe for two million Stenprop shares. The exercise price was £1.31 (€1.53), with a seven month vesting period. The full cost of this option was therefore recognised in the current year. The option lapses should the individual cease to be a director, or after five years, whichever is sooner. The option only has a dilutive effect when the average market price of ordinary shares exceeds the exercise price of the options. The share price at year end was £1.07, 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 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 2017		Granted	Exercised	Outstanding at 31 March 2018	Exercisable at 31 March 2018	Fair Value at Grant date	Exercise dates	
								From	To
30 March 2017	2,000,000	-	-	-	2,000,000	2,000,000	£0.13	30 December 2017	30 March 2022

#### Share Purchase Plan

Loans advanced under the share purchase plan are interest-bearing at a rate equal to the average interest rate incurred by the Group from time to time. Interest is payable six monthly in arrears. Loans are repayable within 30 days of cessation of employment (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 2018	31 March 2017
Brought forward at start of year	(number of shares)	8,656,219	5,209,109
Share Purchase Plan shares issued in year	(number of shares)	1,752,358	3,687,191
Share Purchase Plan shares redeemed	(number of shares)	(197,432)	(240,081)
Carried forward at end of year	(number of shares)	10,211,145	8,656,219
Stock price at advancement	(€)	1.24	1.41
Share Purchase Plan loans advanced (including accrued interest)	(£'000)	12,536	10,590

# Notes to the Consolidated Financial Statements

## 13. Share-based payments continued

### 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 one million 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 arrear. The loan has full recourse to the participant who must charge their shares by way of security for the loans.

		31 March 2018	31 March 2017
Brought forward at start of year	(number of shares)	1,000,000	-
Shares issued in year	(number of shares)	-	1,000,000
Shares redeemed	(number of shares)	-	-
Carried forward at end of year	(number of shares)	1,000,000	1,000,000
Stock price at advancement	(€)	-	1.22
Loan advanced (including accrued interest)	(£'000)	1,081	1,044

## 14. Earnings per ordinary share

	31 March 2018 £'000	31 March 2017 £'000
<b>Reconciliation of profit for the period to adjusted EPRA<sup>1</sup> earnings</b>		
<b>Earnings per IFRS income statement attributable to shareholders</b>	<b>39,357</b>	14,687
Adjustment to exclude profit/(loss) from discontinued operations	2,712	(2,814)
<b>Earnings per IFRS income statement from continuing operations attributable to shareholders</b>	<b>42,069</b>	11,873
<b>Earnings per IFRS income statement attributable to shareholders</b>	<b>39,357</b>	14,687
<i>Adjustments to calculate EPRA earnings, exclude:</i>		
Changes in fair value of investment properties	(14,305)	(1,573)
Changes in fair value of financial instruments	(2,453)	(1,734)
Deferred tax in respect of EPRA adjustments	3,728	3,084
Goodwill impairment	3,500	-
Profit on disposal of properties	(507)	-
Cost associated with disposal of property company	679	-
<i>Adjustments above in respect of joint ventures and associates</i>		
Changes in fair value	(5,802)	10,908
Deferred tax in respect of EPRA adjustments	800	(638)
<b>EPRA earnings attributable to shareholders</b>	<b>24,997</b>	24,734
<i>Further adjustments to arrive at adjusted EPRA earnings</i>		
Straight-line unwind of purchased swaps	239	767
Cost associated with group listing and REIT conversion	528	-
<b>Adjusted EPRA earnings attributable to shareholders</b>	<b>25,764</b>	25,502
Weighted average number of shares in issue (excluding treasury shares)	281,494,114	282,644,639
Share-based payment award	1,796,978	956,185
<b>Diluted weighted average number of shares in issue</b>	<b>283,291,092</b>	283,600,824
<b>Earnings per share from continuing operations</b>	<b>pence</b>	pence
IFRS EPS	14.94	4.20
Diluted IFRS EPS	14.85	4.19
<b>Earnings per share</b>	<b>pence</b>	pence
IFRS EPS	13.98	5.20
Diluted IFRS EPS	13.89	5.18
EPRA EPS	8.88	8.75
Diluted EPRA EPS	8.82	8.72
Adjusted EPRA EPS	9.15	9.02
Diluted adjusted EPRA EPS	9.09	8.99

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



## 14. Earnings per ordinary share continued

As at 31 March 2018, the Company held 9,026,189 treasury shares (March 2017: 9,026,189).

### Straight-line unwind of purchased swaps

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

### Costs associated with Group Listing and REIT conversion

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

### Reconciliation of profit for the period to headline earnings

	31 March 2018 £'000	31 March 2017 £'000
<b>Earnings per IFRS income statement from continuing operations attributable to shareholders</b>	<b>39,357</b>	14,687
<i>Adjustments to calculate headline earnings, exclude:</i>		
Changes in fair value of investment properties	(14,305)	(1,573)
Deferred tax in respect of headline earnings adjustments	3,675	2,834
Goodwill impairment	3,500	-
Cost associated with disposal of property company	679	-
<i>Adjustments above in respect of joint ventures and associates</i>		
Changes in fair value of investment properties	(4,857)	13,655
Deferred tax	757	(696)
<b>Headline earnings attributable to shareholders</b>	<b>28,806</b>	28,906
<b>Earnings per share</b>	<b>pence</b>	pence
Headline EPS	10.23	10.23
Diluted headline EPS	10.17	10.19

## 15. Net asset value per ordinary share

	31 March 2018 £'000	*31 March 2017 £'000	*31 March 2016 £'000
<b>Net assets attributable to equity shareholders</b>	<b>387,331</b>	364,550	359,986
<i>Adjustments to arrive at EPRA net asset value:</i>			
Derivative financial instruments	(13)	2,972	5,885
Deferred tax	13,276	10,138	11,192
Adjustments above in respect of non-controlling interests	1,641	1,573	2,243
<b>EPRA net assets attributable to shareholders</b>	<b>402,235</b>	379,233	379,306
<b>Number of shares in issue (excluding treasury shares)</b>	<b>282,692,287</b>	277,655,691	282,984,626
Share-based payment award	1,796,978	956,185	647,806
<b>Diluted number of shares in issue</b>	<b>284,489,265</b>	278,611,876	283,632,432
<b>Net asset value per share (basic and diluted)</b>	<b>£</b>	£	£
IFRS net asset value per share	1.37	1.31	1.27
Diluted IFRS net asset value per share	1.36	1.31	1.27
EPRA net asset value per share	1.42	1.37	1.34
Diluted EPRA net asset value per share	1.41	1.36	1.34

\*The comparatives have been restated to reflect the change in presentational currency. See note 1.

As at 31 March 2018, the Company held 9,026,189 treasury shares (March 2017: 9,026,189).

# Notes to the Consolidated Financial Statements

## 16. Investment property

The fair value of the consolidated investment properties at 31 March 2018 was £535,508,774 (31 March 2017: £470,603,000). This excludes an amount of £121,763,592 (31 March 2017: £133,645,000) for properties which have been classified as Held for Sale, including the entire Swiss portfolio, the German Aldi Properties and the UK joint venture, Stenprop Argyll Limited. The carrying amount of investment property is the fair value of the property as determined by registered independent appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued ('valuers').

The fair value of each of the properties for the period ended 31 March 2018 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 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 bi-annual basis. The audit committee reviews the valuation results and, provided the committee is satisfied with the results, recommends them to the board for approval.

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

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

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

The key unobservable inputs used in the valuation of the Group's investment properties at 31 March 2018 are detailed in the table below:

Combined Portfolio (including share of jointly controlled entities)	Portfolio by market value (%)	Market value 31 March 2018 (£ million)	Properties (number)	Area (sq m)	Annualised gross rental income (£ million)	Net initial yield (Weighted average) (%)	Voids by area (%)	Market rent range per month (£/sq m)
UK non multi-let Industrial	22.7	166.4	10	50,280	10.9	5.76	1.6	3.0-60.6
UK multi-let Industrial	20.1	147.8	30	215,299	10.4	6.50	15.3	3.6-9.0
Germany	30.2	221.3	9	72,674	10.4	4.16	7.8	4.4-66.0
Assets Held for Sale	16.6	121.8	22	54,455	7.8	4.90	3.0	5.0-26.2
	89.6	657.3	71	392,708	39.5	5.23	10.5	-
Share of joint ventures and associates	4.7	34.6	4	19,330	2.4	5.95	0.0	7.0-14.1
Share of joint ventures and associates Held for Sale	5.7	41.7	1	3,067	2.1	4.61	0.0	20.2-67.3
<b>Total</b>	<b>100.0</b>	<b>733.6</b>	<b>76</b>	<b>415,105</b>	<b>44.0</b>	<b>5.23</b>	<b>9.9</b>	<b>-</b>

	31 March 2018 £'000	31 March 2017 £'000
Opening balance	470,603	576,757
Properties acquired	149,831	-
Capitalised expenditure	5,549	1,643
Disposals through the sale of property	(34,946)	(5,346)
Disposals through the sale of subsidiary (see note 29)	(79,900)	-
Foreign exchange movement in foreign operations	(1,814)	29,621
Net fair value gain on investment property - continuing operations	20,223	2,431
Net fair value loss on investment property - discontinued operations (note 20)	(5,918)	(858)
Assets Held for Sale (note 20)	11,881	(133,645)
<b>Closing balance</b>	<b>535,509</b>	<b>470,603</b>

## 16. Investment property continued

		31 March 2018 £'000	31 March 2017 £'000
<b>Acquisitions</b>			
<b>UK</b>			
Stenprop Industrials 1 + 2 Limited	25 properties	127,000	-
Stenprop Industrials 3 Limited	4 properties	16,715	-
Stenprop Industrials 4 Limited	1 property	6,116	-
<b>Total</b>		<b>149,831</b>	<b>-</b>
<b>Disposals</b>			
<b>Germany</b>			
Hermann (Burger King)		(2,931)	-
<b>Swiss</b>			
Kantone (Granges-Paccot)		(15,414)	-
David (Cham)		(10,711)	-
Clint (Interlaken)		-	(5,346)
<b>UK</b>			
GGP1 - Uxbridge		(3,000)	-
GGP1 - Worthing		(2,890)	-
<b>Disposals through the sale of property</b>		<b>(34,946)</b>	<b>-</b>
Normanton - Pilgrim Street		(79,900)	-
Disposals through the sale of subsidiary		(79,900)	-
<b>Total</b>		<b>(114,846)</b>	<b>(5,346)</b>

## Gain on disposal of property

	Sales proceeds £'000	Disposal costs £'000	Net Sales proceeds £'000	Carrying value £'000	Foreign exchange movement £'000	Gain/(loss) on disposal £'000
<i>Continuing Operations</i>						
Dolphin Bridge House, Uxbridge, UK	3,400	(64)	3,336	(3,000)	-	336
Wicker House & Studios, Worthing, UK	3,650	(50)	3,600	(2,890)	-	710
	<b>7,050</b>	<b>(114)</b>	<b>6,936</b>	<b>(5,890)</b>	<b>-</b>	<b>1,046</b>
<i>Discontinued Operations</i>						
Granges-Paccot, Switzerland	15,953	(581)	15,372	(15,414)	(3)	(45)
Cham, Switzerland	10,783	(167)	10,616	(10,711)	(1)	(96)
Burger King, Germany	2,931	-	2,931	(2,931)	-	-
	<b>29,667</b>	<b>(748)</b>	<b>28,919</b>	<b>(29,056)</b>	<b>(4)</b>	<b>(141)</b>

# Notes to the Consolidated Financial Statements

## 17. Subsidiaries, associates and joint ventures

The Group consists of a parent company, Stenprop Limited, incorporated in Guernsey (formerly Bermuda) and a number of subsidiaries, associates and joint ventures held directly and indirectly by Stenprop Limited which operate and are incorporated around the world.

Details of the Group's subsidiaries as at 31 March 2018 are as follows:

Name	Place of incorporation	Principal activity	% equity owned by	
			Company	Subsidiary
BVI				
Davemount Properties Limited	BVI	Property Investment		100.00
Laxton Properties Limited	BVI	Property Investment		100.00
Loveridge Properties Limited	BVI	Dormant		100.00
Ruby Red Holdings Limited	BVI	Management		100.00
SP Corporate Services Limited	BVI	Management		100.00
SP Nominees Limited	BVI	Management		100.00
SP Secretaries Limited	BVI	Management		100.00
Stenprop Management Holdings Limited	BVI	Holding Company	100.00	
Stenprop (UK) Limited	BVI	Holding Company	100.00	
Leatherback Property Holdings Limited	BVI	Holding Company		100.00
Stenprop Hermann Limited	BVI	Property Investment		100.00
Stenprop Victoria Limited	BVI	Property Investment		100.00
Stenprop Industrials 1 Limited	BVI	Holding Company		100.00
Stenprop Industrials 2 Limited	BVI	Holding Company		100.00
Stenprop Industrials 3 Limited	BVI	Property Investment		100.00
Stenprop Industrials 4 Limited	BVI	Property Investment		100.00
Curacao				
Anarosa Holdings N.V.	Curacao	Holding Company		94.90
C.S. Property Holding N.V.	Curacao	Holding Company		94.90
Lakewood International N.V.	Curacao	Holding Company		89.00
T.B. Property Holdings N.V.	Curacao	Holding Company		100.00
Guernsey				
APF1 Limited (in liquidation)	Guernsey	Dormant	100.00	
Bernina Property Holdings Limited	Guernsey	Holding Company		100.00
GGP1 Limited	Guernsey	Property Investment	100.00	
Kantone Holdings Limited	Guernsey	Property Investment		100.00
KG Bleichenhof Grundtuscksverwaltung GmbH & Co. KG	Germany	Property Investment		94.90
LPE Limited	Guernsey	Property Investment		100.00
Stenprop Advisers Limited	Guernsey	Management		100.00
Stenprop (Germany) Limited	Guernsey	Holding Company	100.00	
Stenprop (Swiss) Limited	Guernsey	Holding Company	100.00	
Stenprop Trafalgar Limited	Guernsey	Holding Company		100.00
Stenprop Arsenal Limited	Guernsey	Dormant		100.00
Stenprop (Guernsey) Limited	Guernsey	Dormant		100.00
Jersey				
Industrials Investment Unit Trust	Jersey	Holding Company		100.00
Luxembourg				
Algy Properties S.a.r.l.	Luxembourg	Property Investment		100.00
Bruce Properties S.a.r.l.	Luxembourg	Property Investment		100.00
Clint Properties S.a.r.l.	Luxembourg	Property Investment		100.00
David Properties S.a.r.l.	Luxembourg	Property Investment		100.00
Jimmy Investments S.a.r.l.	Luxembourg	Holding Company		100.00
Spike Investments S.A.	Luxembourg	Holding Company		100.00



**17. Subsidiaries, associates and joint ventures** continued

Name	Place of incorporation	Principal activity	% equity owned by	
			Company	Subsidiary
Netherlands				
Century 2 BV	Netherlands	Property Investment		94.90
Century BV	Netherlands	Property Investment		94.90
Isabel Properties BV	Netherlands	Property Investment		94.90
Mindel Properties BV	Netherlands	Holding Company		94.50
Isle of Man				
Stenham Beryl Limited	IoM	Property Investment		100.00
Stenham Crystal Limited	IoM	Property Investment		100.00
Stenham Jasper Limited	IoM	Property Investment		100.00
Gemstone Properties Limited (formerly Stenham Properties (Germany) Limited)	IoM	Holding Company		100.00
Switzerland				
Polo Property GmbH	Switzerland	Property Investment		100.00
United Kingdom				
Stenprop Management Limited	England	Management		100.00
C2 Capital Limited	England	Management		100.00
Stenprop Limited	England	Dormant		100.00
United States				
Industrials UK GP LLC	United States	Holding Company		100.00
Industrials UK LP	United States	Property Investment		100.00

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

# Notes to the Consolidated Financial Statements

## 18. Investment in associates

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

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

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

During the period, both SESCOF and Leatherback Property Holdings Limited disposed of their investment in the underlying property.

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

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

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

	Stenham European Shopping Centre Fund Limited £'000	Stenham Berlin Residential Fund Limited £'000	Total £'000
<b>31 March 2018</b>			
Non-current assets	-	-	-
Assets Held for Sale	-	-	-
Current assets	1,298	-	1,298
Non-current liabilities	-	-	-
Current liabilities	(523)	-	(523)
Equity attributable to owners of the Company	775	-	775
Revenue	3,415	21,351	24,766
Profit from continuing operations and total comprehensive income	786	1,568	2,354
<b>31 March 2017</b>			
Non-current assets	141	-	141
Assets Held for Sale	177,637	16,865	194,502
Current assets	6,725	19,317	26,042
Non-current liabilities	-	-	-
Current liabilities	(128,328)	(498)	(128,826)
Equity attributable to owners of the Company	56,175	35,684	91,859
Revenue	15,984	50,230	66,214
(Loss)/Profit from continuing operations and total comprehensive income	(42,506)	19,598	(22,908)

## 18. Investment in associates continued

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

	Stenham European Shopping Centre Fund Limited £'000	Stenham Berlin Residential Fund Limited £'000	Total £'000
<b>31 March 2018</b>			
Opening balance as at 1 April 2017	15,994	1,869	17,863
Share of associates' profit *	221	71	292
Share in associates disposed of during the period	(16,353)	(1,992)	(18,345)
Distribution received from associates	-	-	-
Foreign exchange movement in foreign operations	441	52	493
<b>Closing balance</b>	<b>303</b>	<b>-</b>	<b>303</b>
<b>31 March 2017</b>			
Opening balance as at 1 April 2016	26,095	4,962	31,057
Share of associates' (loss)/profit *	(12,041)	2,203	(9,838)
Associate balance sheet adjustment	16	-	16
Share in associates disposed of during the year	-	(5,745)	(5,745)
Distribution received from associates	(6)	-	(6)
Foreign exchange movement in foreign operations	1,930	449	2,379
<b>Closing balance</b>	<b>15,994</b>	<b>1,869</b>	<b>17,863</b>

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

### Stenham European Shopping Centre Fund Limited ('SESCF')

SESCF, in which the Group has a 28.42% interest, completed the sale of its investment in the Nova Eventis Shopping Centre on 22 June 2017. The sale price of the property was €208.5 million less selling costs (equivalent to the value at 31 March 2017) and any fair value movement in the underlying investment is reflective of the movement in the net asset value of SESCOF and the property company which was sold. There are no restrictive conditions on the distribution of the remaining balance due subsequent to release of the final amount in escrow.

### Stenham Berlin Residential Fund Limited ('SBRF')

At 31 March 2017, SBRF's sole investment was its remaining holding of 623,868 shares in ADO Properties Limited. All of these shares were sold by 31 May 2017 and monies subsequently distributed to the SBRF shareholders by way of a share buyback in June 2017. SBRF's share price at 31 March 2017 was €1.85. This had risen to €1.92 at the date of share buyback in June 2017. Stenprop Germany Limited disposed of its entire shareholding of 1,180,251 shares at €1.92 per share realising €2,268,002. This represented a gain of €82,687 for the year to 31 March 2018. The 'rounded' GBP equivalent thereof, as shown above, is £71k.

# Notes to the Consolidated Financial Statements

## 19. Investment in joint ventures

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

Name	Place of incorporation	Principal activity	% equity owned by subsidiary
<b>Luxembourg</b>			
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
<b>Guernsey</b>			
Stenpark Management Limited	Guernsey	Management company	50.00
<b>BVI</b>			
Stenprop Argyll Limited	BVI	Holding company	50.00
Regent Arcade House Holdings Limited	BVI	Property company	50.00
<b>Republic of Ireland</b>			
Ardale Industrials Limited	Republic of Ireland	Management company	50.00

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

	ElySION S.A. £'000	Stenpark Management Limited £'000	Stenprop Argyll Limited £'000	Ardale Industrials Limited £'000	Total £'000
<b>31 March 2018</b>					
Investment property	34,878	-	83,400	-	118,278
Current assets	607	151	5,751	18	6,527
<b>Assets</b>	<b>35,485</b>	<b>151</b>	<b>89,151</b>	<b>18</b>	<b>124,805</b>
Bank loans	(19,454)	-	(37,373)	-	(56,827)
Shareholder loan	(13,463)	-	-	-	(13,463)
Deferred tax	(1,104)	-	-	-	(1,104)
Financial liability	(137)	-	(453)	-	(590)
Current liabilities	(172)	(82)	(4,235)	(1)	(4,490)
<b>Liabilities</b>	<b>(34,330)</b>	<b>(82)</b>	<b>(42,061)</b>	<b>(1)</b>	<b>(76,474)</b>
Net assets of joint ventures	1,155	69	47,090	17	48,331
<b>Net assets of joint ventures excluding shareholder loans</b>	<b>14,618</b>	<b>69</b>	<b>47,090</b>	<b>17</b>	<b>61,777</b>
<b>Group share of net assets</b>	<b>14,618</b>	<b>34</b>	<b>23,545</b>	<b>8</b>	<b>38,205</b>
Net assets directly associated with assets classified as held for sale adjustment (see note 20)	-	-	(23,545)	-	(23,545)
<b>Group share of joint ventures' net assets</b>	<b>14,618</b>	<b>34</b>	<b>-</b>	<b>8</b>	<b>14,660</b>
Revenue	2,450	381	4,794	35	7,660
Interest payable	(1,795)	-	(1,115)	-	(2,910)
Tax expense	(713)	-	-	-	(713)
Profit from continuing operations and total comprehensive income excluding interest due to Group	4,678	101	5,760	30	10,569
<b>Share of joint ventures' profit due to the Group</b>	<b>4,678</b>	<b>51</b>	<b>2,880</b>	<b>15</b>	<b>7,624</b>



## 19. Investment in joint ventures continued

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

**ElySION S.A.**

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

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

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

	<b>ElySION S.A. £'000</b>	<b>Stenpark Management Limited £'000</b>	<b>Stenprop Argyll Limited £'000</b>	<b>Ardale Industrials Limited £'000</b>	<b>Total £'000</b>
<b>31 March 2018</b>					
Opening balance	<b>10,283</b>	<b>37</b>	<b>21,115</b>	<b>-</b>	<b>31,435</b>
Share in associates acquired during the period	-	-	-	(1)	(1)
Share of joint venture profit	<b>4,678</b>	<b>51</b>	<b>2,880</b>	<b>15</b>	<b>7,624</b>
Distribution received from joint venture	<b>(613)</b>	<b>(54)</b>	<b>(450)</b>	<b>(6)</b>	<b>(1,123)</b>
Foreign exchange movement in foreign operations	<b>270</b>	-	-	-	<b>270</b>
Transfer to Assets Held for Sale (note 20)	-	-	<b>(23,545)</b>	-	<b>(23,545)</b>
<b>Closing balance</b>	<b>14,618</b>	<b>34</b>	<b>-</b>	<b>8</b>	<b>14,660</b>
<b>31 March 2017</b>					
Opening balance	8,163	32	21,536	-	29,731
Share of joint venture profit	2,270	306	854	-	3,430
Distribution received from joint venture	(864)	(301)	(1,275)	-	(2,440)
Foreign exchange movement in foreign operations	714	-	-	-	714
<b>Closing balance</b>	<b>10,283</b>	<b>37</b>	<b>21,115</b>	<b>-</b>	<b>31,435</b>

# Notes to the Consolidated Financial Statements

## 20. Assets held for sale and discontinued operations

Management consider 23 properties (the entire Swiss portfolio, the Aldi portfolio and the joint venture interest in Argyll Street, London) to meet the conditions relating to Assets Held for Sale, as per IFRS 5: Non-current Assets Held for Sale. The properties are expected to be disposed of during the next 12 months. As part of the Swiss portfolio, the property at Lugano, which is valued at year end at CHF20.9 million (GBP15.7 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 assets Held for Sale have been determined by a third party valuer, Jones Lang LaSalle.

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

	31 March 2018 £'000	31 March 2017 £'000
Investment properties	121,764	133,646
Investment in joint ventures	23,545	-
Cash and cash equivalents	738	625
Trade and other receivables	1,361	1,102
<b>Total assets classified as held for sale</b>	<b>147,408</b>	<b>135,373</b>
Bank loans	62,225	70,783
Derivative financial instruments	14	-
Deferred tax	3,897	4,344
Accounts payable and accruals	1,571	1,074
<b>Liabilities directly associated with assets classified as held for sale</b>	<b>67,707</b>	<b>76,201</b>

Nine properties (the entire Swiss portfolio) have been recognised as discontinued operations in accordance with IFRS 5.32.

The results of the discontinued operations were as follows:

	31 March 2018 £'000	31 March 2017 £'000
<b>Net rental income</b>	<b>4,389</b>	<b>5,552</b>
Rental income	6,163	7,491
Property expenses	(1,774)	(1,939)
Operating costs	(598)	(440)
<b>Net operating income</b>	<b>3,791</b>	<b>5,112</b>
Fair value movement of investment properties	(5,918)	(858)
<b>(Loss)/Profit from operations</b>	<b>(2,127)</b>	<b>4,254</b>
Loss on disposal of property	(141)	-
Net gain from fair value of derivative financial instruments	-	1,245
Net finance costs	(687)	(1,996)
Net foreign exchange gains	8	-
<b>(Loss)/Profit for the year before taxation</b>	<b>(2,947)</b>	<b>3,503</b>
Taxation	235	(689)
<b>(Loss)/Profit for the year from discontinued operations</b>	<b>(2,712)</b>	<b>2,814</b>

### Disposals

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

On 30 October 2017, the Group disposed of the property known as Cham which was the sole property owned by David Properties S.a.r.l for CHF14.2million (equating to CHF14.1 million after disposal costs). At disposal, there was a loss of CHF0.1 million to the Group equating to the disposal costs, as the property was already held at a fair value equivalent to the sale price.

## 21. Trade and other receivables

	31 March 2018 £'000	31 March 2017 £'000
<b>Non-current receivables</b>		
Other debtors	13,617	11,634
	<b>13,617</b>	<b>11,634</b>

Non-current other debtors includes £12.52 million (2017: £10.59 million) of loans advanced under the Share Purchase Plan (see note 13; share-based payments) and a £1.1 million (2017: £1.04 million) loan advanced on 30 March 2017 used to purchase one million 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.

	31 March 2018 £'000	31 March 2017 £'000
<b>Current receivables</b>		
Accounts receivable*	7,089	4,149
Other debtors	1,755	507
Prepayments	725	515
Transfer to assets held for sale (see note 20)	(1,361)	(1,102)
	<b>8,208</b>	<b>4,069</b>

\* Included in this balance are provisions for doubtful debts of £260,918 (2017: £232,677).

## 22. Cash and cash equivalents

	31 March 2018 £'000	31 March 2017 £'000
Cash at bank	25,287	25,827
Transfer to assets held for sale (see note 20)	(738)	(625)
	<b>24,549</b>	<b>25,202</b>

### Restricted cash

At year end funds totalling £11.1 million (2017: £12.4 million) were restricted. Tenant deposits of £2.58 million (2017: £2.4 million) are included in this amount as are net rents held in bank accounts which are secured by the lenders for the purposes of debt repayments and redevelopment, including £8.0 million (2017: £9.4 million) for the redevelopment of Bleichenhof. As the Group is in compliance with all the terms and conditions of its loans as at the date of signing these financial statements, there are no further restrictions, and any surplus will flow to the Group.

## 23. Accounts payable and accruals

	31 March 2018 £'000	31 March 2017 £'000
Accruals	4,745	2,885
Deferred income	4,883	4,930
Other payables	6,565	6,525
Liabilities directly associated with assets classified as held for sale adjustment (see note 20)	(1,571)	(1,074)
	<b>14,622</b>	<b>13,266</b>

# Notes to the Consolidated Financial Statements

## 24. Borrowings

	31 March 2018 £'000	31 March 2017 £'000
Opening balance	229,051	290,434
Loan repayments	(60,808)	(4,143)
New loans	89,703	-
Amortisation of loans	(5,751)	(3,536)
Capitalised borrowing costs	(505)	(161)
Amortisation of transaction fees	401	392
Foreign exchange movement in foreign operations	(1,152)	16,848
Adjustment for liabilities directly associated with assets classified as Held for Sale adjustment (see note 20)	8,558	(70,783)
<b>Total borrowings</b>	<b>259,497</b>	<b>229,051</b>
Amount due for settlement within 12 months	65,025	83,787
Amount due for settlement between one to three years	76,258	79,265
Amount due for settlement between three to five years	180,439	136,782
Liabilities directly associated with assets classified as Held for Sale adjustment (see note 20)	(62,225)	(70,783)
	<b>259,497</b>	<b>229,051</b>
<b>Non-current liabilities</b>		
Bank loans	256,697	216,047
<b>Total non-current loans and borrowings</b>	<b>256,697</b>	<b>216,047</b>
The maturity of non-current borrowings is as follows:		
Amount due for settlement between one to three years	76,258	79,265
Amount due for settlement between three to five years	180,439	136,782
	<b>256,697</b>	<b>216,047</b>
<b>Current liabilities</b>		
Bank loans	65,025	83,787
Liabilities directly associated with assets classified as Held for Sale adjustment (see note 20)	(62,225)	(70,783)
<b>Total current loans and borrowings</b>	<b>2,800</b>	<b>13,004</b>
<b>Total loans and borrowings</b>	<b>259,497</b>	<b>229,051</b>



## 24. Borrowings continued

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

						Nominal value		Carrying value*	
			Loan interest rate		Maturity date	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Entity	Note	Amortising		Currency		£'000	£'000	£'000	£'000
United Kingdom									
Laxton Properties Limited		No	LIBOR +1.4%	GBP	8/05/2020	27,540	27,540	27,410	27,348
Normanton Properties Limited		No	LIBOR +1.4%	GBP	25/03/2019	-	37,050	-	36,958
Davemount Properties Limited		No	LIBOR +2.25%	GBP	26/05/2021	4,000	4,000	3,975	3,967
LPE Limited	1	Yes	LIBOR +2.5%	GBP	31/03/2020	34,708	30,000	34,317	29,620
GGP1 Limited		No	LIBOR +2.25%	GBP	26/05/2021	5,175	8,360	5,099	8,260
Industrials UK	2	No	LIBOR +2.25%	GBP	2/06/2022	77,984	-	77,808	-
Switzerland									
Algy Properties S.a.r.l.	3	Yes	LIBOR +2.47%	CHF	31/03/2019	2,310	2,590	2,310	2,590
Bruce Properties S.a.r.l.	3	No	LIBOR +1.35%	CHF	29/03/2019	3,557	3,804	3,557	3,804
David Properties S.a.r.l.	3	Yes	LIBOR +1.4%	CHF	31/03/2018	-	6,181	-	6,181
Kantone Holdings Limited	3	Yes	LIBOR +1.15%	CHF	Note 1	26,296	39,205	26,296	39,205
Polo Property GmbH	3	Yes	LIBOR +1.15%	CHF	Note 1	17,019	19,002	17,020	19,003
Germany									
Century BV		Yes	Euribor +1.55%	EUR	31/12/2022	7,290	8,254	7,205	8,238
Century 2 BV		Yes	Euribor +1.55%	EUR	31/12/2022	3,791	3,573	3,742	3,567
Century 2 BV		Yes	Euribor +1.65%	EUR	31/12/2022	-	748	-	746
Stenham Beryl Limited		Yes	Euribor +1.85%	EUR	30/04/2018	4,565	4,599	4,565	4,599
Stenham Crystal Limited		Yes	Euribor +1.85%	EUR	30/04/2018	3,812	3,841	3,812	3,841
Stenham Jasper Limited		Yes	Euribor +1.85%	EUR	30/04/2018	4,665	4,700	4,665	4,700
Isabel Properties BV		No	Euribor +2.32%	EUR	30/12/2021	7,915	7,699	7,915	7,699
Bleichenhof GmbH & Co. KG		No	1.58%	EUR	28/02/2022	74,694	72,655	74,694	72,655
Stenprop Hermann Ltd		No	Euribor +1.13%	EUR	30/06/2020	8,293	8,066	8,274	8,042
Stenprop Victoria Ltd		No	Euribor +1.28%	EUR	31/08/2020	9,058	8,811	9,058	8,811
						322,672	300,678	321,722	299,834

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

# Notes to the Consolidated Financial Statements

## 24. Borrowings continued

- On 2 June 2017, LPE Limited entered into an amendment agreement with RBSI to extend their facility by a further £6.1 million. Per the amended facility agreement the full loan is repayable in March 2020. The margin on the debt increased by 0.5% to 2.5% for the period until the extended debt is repaid. The all-in rate on this facility is 3.85% (including a swap of 1.35%). Finance costs associated with this transaction amounted to £189,000.
- On 2 June 2017, an amount of £69.1 million was lent to Industrials UK by RBS for a period of five years, until 2 June 2022. £60.375 million of the loan is covered by means of a swap at an all-in interest rate of 3.2% per annum (the balance incurs interest at LIBOR + a margin of 2.25% per annum). On 16 January 2018, this loan facility was increased to £77,984,375 with the margin and the amount covered by the swap remaining unchanged.
- All of the bank loans in respect of the Swiss properties were due for expiry on 31 March 2017. Given that all of the properties in the Swiss portfolio were held for sale at this date, the loans were re-financed on a short-term basis as follows:
  - Algy Properties S.a.r.l extended its loan with Credit Suisse in the sum of CHF3,237,500, for a period of one year from 1 April 2017 at a loan interest rate of LIBOR +1.5 % and no swap (previous facility: LIBOR + 1.3% + 0.91% swap). The loan was extended for a further period of one year from 1 April 2018 at an interest rate of LIBOR+2.47% with no swap.
  - Bruce Properties S.a.r.l extended its loan with Credit Suisse in the sum of CHF4,755,000, for a period of one year from 1 April 2017 at a loan interest rate of LIBOR +1.35 % and no swap (previous facility: LIBOR + 1.25% + 1.90% swap). The loan was extended for a further period of one year from 30 March 2018 at an interest rate of LIBOR+1.35% with no swap.
  - David Properties S.a.r.l sold its sole property, Cham, in October 2017 and repaid its loan at that time. In the prior year it had extended its loan with Credit Suisse in the sum of CHF7,725,000, for a period of one year from 1 April 2017 at a loan interest rate of LIBOR +1.4 % and no swap.
  - Kantone Holdings Limited entered into a rolling credit facility with its existing lender, Union Bank of Switzerland ('UBS'). The credit facility was for CHF 49,000,000 at a loan interest rate of LIBOR +1.05 % and no swap (previous facility: LIBOR + 1.05% + 0.7% swap). As each property within the Kantone portfolio is sold, partial repayments of the loan are to be made. In December 2017, a supplemental agreement was entered into whereby the revised loan amount was amended to CHF 36,000,000 at an interest rate of LIBOR +1.15% with no swap. Amortisation was reduced from CHF 500,000 per quarter to CHF 425,000 per quarter.
  - Polo Properties GmbH entered into a rolling credit facility with its existing lender, Union Bank of Switzerland ('UBS'). The credit facility was for CHF 23,750,000 at a loan interest rate of LIBOR +1.15 % and no swap.

## 25. Other loans

	31 March 2018 £'000	31 March 2017 £'000
Loans	34,080	-
Loan repayments including foreign exchange movement	(34,591)	-
Foreign exchange movement	518	-
Interest	1,503	-
Interest repayments including foreign exchange movement	(1,510)	-
	-	-

On 2 June 2017 and 23 June 2017 the Group secured a bridging loan of €31 million from Bellerive SPV5 Limited, which attracted interest at 7% per annum. The loan was subject to a Group loan-to-value covenant of 65% and was repaid in full on 17 January 2018. A further 12 month facility of €8 million was secured at an interest rate of 7% per annum from Peregrine Direct Limited. Drawdown was on 23 June 2017 and the loan was repaid in full on 24 January 2018.

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

## 26. Derivative financial instruments

In accordance with the terms of the borrowing arrangements and Group policy, the Group has entered into interest rate swap agreement 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 profit in fair value of financial instruments from continuing and discontinuing operations of £2,453,000 (2017: £489,000 loss) and £nil (2017: £1,245,000) respectively.

The following table sets out the interest rate swap agreements at 31 March 2017 and 31 March 2018.

Entity	Effective date	Maturity Date	Swap rate %	Notional value	Fair value	Notional value	Fair value
				31 March 2018	31 March 2018	31 March 2017	31 March 2017
				£'000	£'000	£'000	£'000
<b>UK</b>							
Laxton Properties Limited	14/04/2014	8/05/2020	1.62	27,540	(361)	27,539	(945)
Normanton Properties Limited	1/04/2014	25/03/2019	1.50	-	-	37,049	(825)
LPE Limited	26/03/2015	31/03/2020	1.35	30,000	(207)	29,999	(746)
Industrials UK LP	2/06/2017	2/06/2022	0.95	60,375	691	-	-
<b>Germany</b>							
Century BV	31/12/2017	30/12/2022	2.50	7,156	14	8,254	(81)
Century 2 BV	31/12/2017	30/12/2022	2.50	3,924	7	3,573	(38)
Century 2 BV	1/04/2014	29/12/2017	1.85	-	-	748	-
Stenham Beryl Limited	1/04/2014	30/04/2018	0.83	4,565	(5)	4,568	(56)
Stenham Crystal Limited	1/04/2014	30/04/2018	0.83	3,812	(4)	3,814	(46)
Stenham Jasper Limited	1/04/2014	30/04/2018	0.83	4,665	(5)	4,667	(57)
Isabel Properties BV	30/01/2015	30/12/2021	0.48	7,915	(131)	7,699	(178)
Adjustment for liabilities directly associated with assets classified as Held for Sale adjustment (see note 20)					14		-
<b>Total swaps</b>				<b>149,952</b>	<b>13</b>	<b>127,910</b>	<b>(2,972)</b>
Liabilities maturing within 12 months					-		(119)
Assets maturing after 12 months					712		-
Liabilities maturing after 12 months					(699)		(2,853)
<b>Derivative financial instruments - on balance sheet</b>					<b>13</b>		<b>(2,972)</b>
<b>Swaps included in investments in associates and joint ventures</b>							
Regent Arcade House Holdings Ltd	20/05/2015	20/05/2020	1.57	37,500	(453)	37,499	(1,236)
Elyson Braunschweig S.a.r.l	1/04/2014	29/03/2018	2.43	-	-	5,101	(98)
Elyson Dessau S.a.r.l	1/04/2014	29/03/2018	2.43	-	-	4,929	(94)
Elyson Kappeln S.a.r.l	1/04/2014	31/12/2018	2.80	5,346	(82)	5,348	(186)
Elyson Winzlar S.a.r.l	1/04/2014	31/12/2018	2.80	3,564	(55)	3,565	(124)
<b>Derivative financial instruments - associates and joint ventures</b>				<b>46,410</b>	<b>(590)</b>	<b>56,442</b>	<b>(1,738)</b>

# Notes to the Consolidated Financial Statements

## 27. Acquisitions of subsidiaries (business combinations and asset acquisitions)

### Business combinations

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

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

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

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

C2 Capital Limited's revenue for the period from acquisition, being 30 June 2017 to 31 March 2018 was £0.2 million with a net loss of £0.3 million. C2 Capital Limited's revenue for the period from 1 April 2017 to 31 March 2018 was £0.6 million with a net loss of £0.6 million.

### Asset acquisitions

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

The total purchase consideration for the acquisition was calculated with reference to the net asset value of the three entities as at 30 June 2017 and which valued the properties at £127 million. The acquisition was financed by a loan of £69 million, proceeds from the sale of Prejan Enterprises Limited (Nova Eventis Shopping Centre) and bridging loan facilities.

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

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



## 28. Acquisition of subsidiaries and joint ventures

During the year the Group incorporated the following companies:

Name	Jurisdiction	Incorporation date	Cost £'000	Net assets acquired £'000
<b>Acquisition of Industrials UK LP (refer to note 27):</b>				
Stenprop Industrials 1 Limited	BVI	11/05/2017	-	-
Stenprop Industrials 2 Limited	BVI	11/05/2017	-	-
<b>Acquisition of industrial properties</b>			-	-
Stenprop Industrials 3 Limited	BVI	17/10/2017	-	-
Stenprop Industrials 4 Limited	BVI	16/01/2018	-	-

No companies were incorporated in the prior year.

## 29. Disposal of subsidiaries

### Normanton

On 11 January 2018, the Group disposed of its 100% shareholding in Normanton Properties Limited for a consideration of £42,607,525. Normanton Properties Limited owned the property Pilgrim Street, London. The impact of the disposal on the Group is shown below:

	31 March 2018 £'000
<b>Carrying value of net assets at disposal date</b>	
Investment property	79,900
Trade and other receivables	205
Cash and cash equivalents	1,831
Borrowings	(37,608)
Trade and other payables	(1,694)
<b>Net assets disposed</b>	<b>42,634</b>
<b>Cash consideration</b>	<b>42,608</b>
<b>Loss on disposal of subsidiaries</b>	<b>(26)</b>

There were no disposals of subsidiaries made in the prior year.

# Notes to the Consolidated Financial Statements

## 30. Deferred tax

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

	31 March 2018 £'000	31 March 2017 £'000
Opening balance	(5,794)	(7,670)
Deferred tax recognised on investment properties	(3,675)	(2,834)
Deferred tax recognised on revaluation of financial liabilities	(53)	(250)
Deferred tax on tax losses	590	615
Adjustment for liabilities directly associated with assets classified as held for sale adjustment (see note 20)	(447)	4,345
<b>Closing balance</b>	<b>(9,379)</b>	<b>(5,794)</b>

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 2018 £'000	31 March 2017 £'000
Deferred tax liabilities	(18,040)	(14,361)
Deferred tax assets	4,764	4,223
Adjustment for liabilities directly associated with assets classified as held for sale adjustment (see note 20)	3,897	4,344
<b>Closing balance</b>	<b>(9,379)</b>	<b>(5,794)</b>
Deferred tax opening balance	10,139	7,670
Exchange movements	(123)	754
Deferred tax liability closing balance	(13,276)	(10,138)
<b>Movement in deferred tax</b>	<b>(3,260)</b>	<b>(1,714)</b>

## 31. Financial Risk Management (i)

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

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

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

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

### 31. Financial Risk Management (i) continued

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 monitor 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. A summary of the European financial institutions credit ratings for the six banks in which 80% of the Group's cash is held, are as follows:

	31 March 2018	31 March 2017
• ABN AMRO Bank NV	A	A
• Barclays Private Clients International Limited	A	A-
• Berliner Sparkasse	A+	AA-
• Deutsche Bank AG	A-	A-
• HSBC Bank plc	AA-	AA-
• Royal Bank of Scotland Group plc	BBB+	BBB-
• Santander UK plc	A	A
• UBS AG	A+	A+

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

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

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

At 31 March 2018, trade and other receivables and cash and cash equivalents amounts to £32,757,000 (March 2017: £29,271,000) as shown in the statement of financial position.

# Notes to the Consolidated Financial Statements

## 31. Financial Risk Management (ii) continued

### 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	56,358	-	8,667	76,261	180,436	-	321,722
Loan interest	825	1,912	5,509	15,684	-	(23,076)	854
Financial liabilities	14	-	-	699	-	-	713
Deferred tax	-	-	3,898	9,379	-	-	13,277
Other payables (incl. Tax)	-	2,177	7,180	-	-	-	9,357
Accruals	-	-	3,891	-	-	-	3,891
Deferred income	-	4,883	-	-	-	-	4,883
Liabilities directly associated with assets classified as held for sale	(56,405)	(286)	(11,016)	-	-	-	(67,707)
<b>As at 31 March 2018</b>	<b>792</b>	<b>8,686</b>	<b>18,129</b>	<b>102,023</b>	<b>180,436</b>	<b>(23,076)</b>	<b>286,990</b>

	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	-	-	83,783	216,051	-	-	299,834
Loan interest	492	1,668	4,798	12,079	-	(18,507)	530
Financial liabilities	-	-	119	2,853	-	-	2,972
Deferred tax	-	-	4,344	5,795	-	-	10,139
Other payables (incl. Tax)	-	3,614	5,204	-	-	-	8,818
Accruals	-	-	2,355	-	-	-	2,355
Deferred income	-	4,930	-	-	-	-	4,930
Liabilities directly associated with assets classified as held for sale	-	(659)	(76,344)	-	-	802	(76,201)
<b>As at 31 March 2017</b>	<b>492</b>	<b>9,553</b>	<b>24,259</b>	<b>236,778</b>	<b>-</b>	<b>(17,705)</b>	<b>253,377</b>



**31. Financial Risk Management (iii) continued****Fair value of financial instruments**

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

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

	Held at fair value through profit and loss £'000	Held at amortised cost £'000	Total carrying amount 31 March 2017 £'000
<b>Financial assets</b>			
Cash and cash equivalents	-	25,202	25,202
Accounts receivable	-	4,149	4,149
Other debtors	-	15,372	15,372
<b>31 March 2017</b>	<b>-</b>	<b>44,723</b>	<b>44,723</b>
<b>Financial liabilities</b>			
Bank loans	-	229,051	229,051
Derivative financial instruments	2,972	-	2,972
Accounts payable and accruals	-	15,560	15,560
<b>31 March 2017</b>	<b>2,972</b>	<b>244,611</b>	<b>247,583</b>

# Notes to the Consolidated Financial Statements

## 31. Financial Risk Management (iv) continued

### Market risk

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

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

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

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

### Foreign currency risk

The Group's functional 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 2018 £'000	31 March 2017 £'000
<b>Assets</b>		
CHF	94,875	132,832
EUR	292,426	274,436
<b>Liabilities</b>		
CHF	53,644	76,201
EUR	138,241	134,263

### 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	(4,123)	248
EUR impact	(15,418)	(3,371)
	(19,542)	(3,123)

The following exchange rates against GBP were applied during the year:

	Effective average rate for twelve months to 31 March 2018	Period end 31 March 2018
CHF	0.7599	0.7481
EUR	0.8859	0.8794

### 31. Financial Risk Management (iv) continued

#### Interest rate risk

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

### 31. Financial Risk Management (v)

#### Fair value hierarchy

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

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

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

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

	Total financial instruments recognised at fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
<b>31 March 2018</b>				
<b>Assets</b>				
Derivative financial instruments	712	-	712	-
<b>Total assets</b>	712	-	712	-
<b>Liabilities</b>				
Derivative financial instruments	699	-	699	-
<b>Total liabilities</b>	699	-	699	-
<b>31 March 2017</b>				
<b>Liabilities</b>				
Derivative financial liabilities	2,972	-	2,972	-
<b>Total liabilities</b>	2,972	-	2,972	-

#### Details of changes in valuation techniques

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

#### Significant transfers between Level 1 Level 2 and Level 3

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

#### Unobservable inputs

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

#### Capital risk management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 24, cash and cash equivalents and equity attributable to ordinary shareholders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity. Stenprop's average loan-to-value ratio ('LTV') ratio at 31 March 2018 was 49.2% (March 2017: 51.6%), 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 50% LTV in respect of secured external borrowings is an appropriate target for the Group, given the current market conditions.

# Notes to the Consolidated Financial Statements

## 32. Related party transactions

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

Other than those further referred to below, there were no other related party transactions during the period ended 31 March 2018.

Until his resignation on 2 August 2017, P Arenson a director of the Company, was also a director of Stenham Limited which at his resignation had an indirect beneficial interest of 4.76% in Stenprop Limited through its wholly-owned subsidiary, Stenham Group Limited (March 2017: 4.85%).

At 31 March 2018, P Arenson held no interest in the share capital of Stenham Limited (March 2017: 1.13%). His interest in Stenprop Limited is separately disclosed in note 8.

M Yachad was a non-executive director of the Company until his resignation on 28 February 2018. During the period he was also a non-executive director of Sandown Capital Limited ('SCL'), owned by Sandown Capital International Limited ('SCIL'). He resigned from the board of SCL on 29 November 2017 at which time SCIL had a direct beneficial interest of 6.93% in the shares of the Company (March 2017: 5.98% direct and indirect beneficial interest via Peregrine Holdings Limited on whose board M Yachad sat).

## 33. Minimum lease payments

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

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

	31 March 2018 £'000	31 March 2017 £'000
<b>Continuing operations</b>		
Within one year	30,006	32,536
Between one and two years	26,849	30,531
Between two and five years	57,087	76,284
After five years	42,336	63,304
	<b>156,278</b>	<b>202,656</b>
<b>Discontinuing operations</b>		
Within one year	7,086	9,210
Between one and two years	6,516	8,282
Between two and five years	17,779	20,792
After five years	27,621	30,030
	<b>59,002</b>	<b>68,314</b>

## 34. Contingent liabilities and commitments

As at 31 March 2018, the Group was contractually committed to CHF2.45 million (GBP1.83 million). This reflects a contribution towards capital expenditure in respect of an investment property in Switzerland.



### 35. Events after the reporting period

#### (i) Disposal of Argyll Street

On 4 June 2018, Stenprop completed the sale of its joint venture interest in Argyll Street in the West End of London by way of a sale of shares. The sale valued the property at £83.4 million and generated net proceeds of £22.8 million.

#### (ii) MLI Acquisitions

On 24 April 2018, Stenprop completed the acquisition of a fully-let industrial estate in Shrewsbury for £2.9 million. The estate comprises 30 units totalling 44,611 sq ft of industrial space.

On 1 June 2018, Stenprop completed the acquisition of a multi-let industrial estate in Kirkstall, Leeds for £8.1 million. The estate comprises 14 units totalling 111,081 sq ft of industrial space.

#### (iii) Refinancing

Subsequent to the year end, the €14.8 million loan with DGHyp was refinanced. The loan, relating to the Aldi portfolio, was extended until 30 April 2020. Loan interest is calculated at 1.85% p.a. over the three month Euribor and the terms of the facility allow the borrower to benefit from negative interest rates. At the date of refinance this reduced the all-in interest rate for the first three month interest period to 1.52%.

In May 2018, an amount of £8.4 million was drawn down from The Royal Bank of Scotland plc, secured against the MLI properties located in Shrewsbury, Leeds and Huddersfield, with a term of five years and an interest rate equal to three month LIBOR plus a margin of 2.25 per cent per annum.

#### (iv) REIT conversion and changes to the board of directors

The Company converted to a UK REIT on 1 May 2018. Following the conversion there have been a number of changes to the board of directors. With effect from the date of conversion, the independent non-executive chairman, Stephen Ball, and executive director, Neil Marais resigned from the board of directors of Stenprop. With effect from the same date, Julian Carey was appointed as executive group property director, Richard Grant was appointed as independent non-executive chairman and Philip Holland was appointed as independent non-executive director and chairman of the audit committee of Stenprop.

#### (v) Declaration of dividend

On 6 June 2018, the Board declared a final dividend of 4.0 pence per share. The final dividend will be payable in cash or as a scrip dividend by way of an issue of new Stenprop shares. An announcement containing details of the dividend and the timetable will be made in due course.

#### (vi) Share incentive awards

On 6 June 2018, 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.

# Property Summary

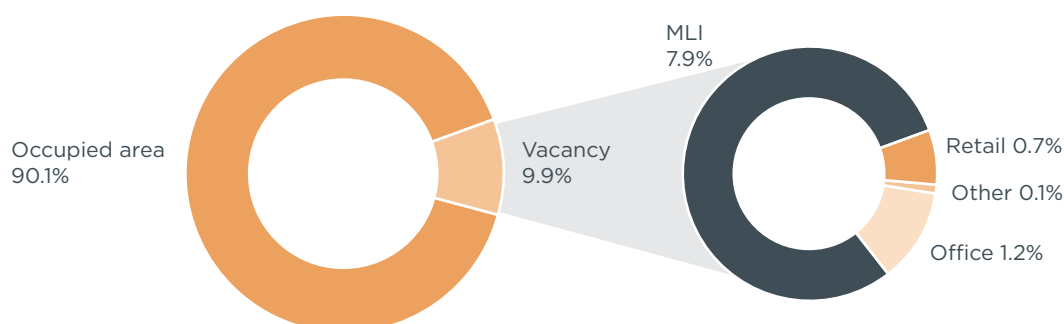
(unaudited)

		Asset value £m	Asset value as % of portfolio	Gross lettable area sq m	Occupancy (by area) %	Annual gross rental income £m	WAULT (by revenue) Years	WAULT (by area) Years	W.A. rental (per sq m) £/sq m
UK	Office	153.0	20.9%	28,289	97.2%	9.4	6.6	6.2	333
	MLI	147.8	20.1%	215,299	84.7%	10.4	3.1	3.1	48
	Retail	6.6	0.9%	7,678	100.0%	0.9	2.4	2.4	119
	Other Industrial	6.8	0.9%	14,314	100.0%	0.6	2.4	2.4	40
	<b>Total</b>	<b>314.2</b>	<b>42.8%</b>	<b>265,580</b>	<b>87.3%</b>	<b>21.3</b>	<b>4.6</b>	<b>3.4</b>	<b>80</b>
Germany	Retail	103.2	14.1%	56,543	96.9%	6.0	7.1	7.2	107
	Office	58.4	8.0%	15,040	75.6%	2.2	4.7	5.1	145
	Nursing Homes	34.6	4.7%	19,330	100.0%	2.4	11.4	11.1	124
	Other	59.7	8.1%	1,090	75.6%	2.2	4.7	5.1	2,043
	<b>Total</b>	<b>255.9</b>	<b>34.9%</b>	<b>92,003</b>	<b>93.8%</b>	<b>12.8</b>	<b>7.1</b>	<b>7.7</b>	<b>140</b>
Held for sale	Office	71.4	9.7%	15,430	96.3%	4.0	3.1	3.4	257
	Retail	70.0	9.5%	33,433	97.1%	4.6	6.4	7.5	136
	Other	22.1	3.0%	8,659	99.1%	1.3	16.2	16.7	153
	<b>Total</b>	<b>163.5</b>	<b>22.3%</b>	<b>57,522</b>	<b>97.2%</b>	<b>9.9</b>	<b>6.4</b>	<b>7.8</b>	<b>171</b>
Total	Office	<b>282.8</b>	<b>38.6%</b>	<b>58,759</b>	<b>91.4%</b>	<b>15.5</b>	<b>5.4</b>	<b>5.2</b>	<b>265</b>
	MLI	<b>147.8</b>	<b>20.1%</b>	<b>215,299</b>	<b>84.7%</b>	<b>10.4</b>	<b>3.1</b>	<b>3.1</b>	<b>48</b>
	Retail	<b>179.8</b>	<b>24.5%</b>	<b>97,654</b>	<b>97.2%</b>	<b>11.5</b>	<b>6.5</b>	<b>7.0</b>	<b>118</b>
	Other Industrial	<b>6.8</b>	<b>0.9%</b>	<b>14,313</b>	<b>100.0%</b>	<b>0.6</b>	<b>2.4</b>	<b>2.4</b>	<b>40</b>
	Nursing Homes	<b>34.6</b>	<b>4.7%</b>	<b>19,330</b>	<b>100.0%</b>	<b>2.4</b>	<b>11.4</b>	<b>11.1</b>	<b>124</b>
	Other	<b>81.8</b>	<b>11.2%</b>	<b>9,750</b>	<b>96.5%</b>	<b>3.6</b>	<b>9.0</b>	<b>15.4</b>	<b>364</b>
	<b>Total</b>	<b>733.6</b>	<b>100.0%</b>	<b>415,105</b>	<b>90.1%</b>	<b>44.0</b>	<b>5.7</b>	<b>4.9</b>	<b>106</b>

## Rental Escalation profile

Stenprop operates in countries with low inflation rates. The annual inflation rate during the 2017 calendar year was 2.9% for the UK, 1.6% for Germany and nil for Switzerland. Rental escalation clauses vary across the portfolio, irrespective of sector or lettable area. In the UK, a majority of leases are subject to periodic upwards-only rent reviews, at different stages of the tenancy. Leases in the German and Swiss properties are generally adjusted for CPI with a hurdle rate before an increase can be applied, with the exception of the Aldi portfolio, which sees increases of 1.66% annually. Rental escalation clauses within leases, as in previous years, currently have a minor impact on rents. Rental growth is rather driven by lease events such as new lettings and regears when passing rent realigns with estimated rental value.

## Vacancy profile, by sector by rentable area



# Portfolio Analysis

(unaudited)

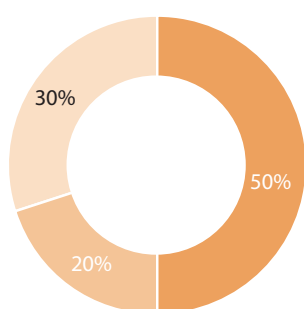
Property/ Portfolio	Portfolio by market value (%)	Market value 31 March 2018 (£m)	Properties	Area (sq m)	Annualised Gross Rental Income (£m)	Net Initial Yield 31 March 2018 (%)	WAULT (by rental) (years)	Voids (by area) (%)	Rental per sq m (£/sq m)
UK non-MLI	22.7%	166.4	10	50,280	10.9	5.76%	6.0	1.6%	217
UK MLI	20.1%	147.8	30	215,299	10.4	6.50%	3.1	15.3%	48
Germany	30.2%	221.3	9	72,674	10.4	4.16%	6.1	7.8%	144
Held for sale	16.6%	121.8	22	54,455	7.8	4.90%	7.6	3.0%	143
<b>Total</b>	<b>89.6%</b>	<b>657.3</b>	<b>71</b>	<b>392,708</b>	<b>39.5</b>	<b>5.23%</b>	<b>5.6</b>	<b>10.5%</b>	<b>101</b>
Share of Joint Ventures and Associates (JV&A)	4.7%	34.6	4	19,330	2.4	5.95%	11.4	0.0%	124
Share of JV&A – held for sale	5.7%	41.7	1	3,067	2.1	4.61%	1.8	0.0%	671
<b>Total</b>	<b>100.0%</b>	<b>733.6</b>	<b>76</b>	<b>415,105</b>	<b>44.0</b>	<b>5.23%</b>	<b>5.7</b>	<b>9.9%</b>	<b>106</b>

**Note:** The German portfolio includes the minority interest in Bleichenhof

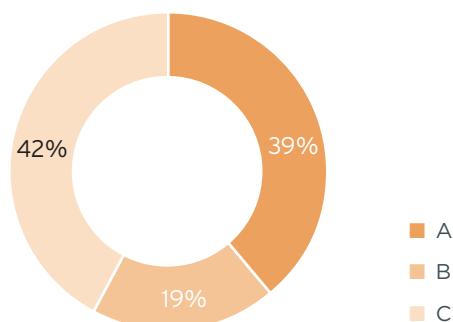
## Tenant profile

Stenprop's tenants are classified into three groups as follows:

### Tenant profile by annual rent



### Tenant profile by lettable area



**Type A:** Large tenants with a national presence or multi-national tenants, government and major franchisees.

**Type B:** Nationally recognised tenants, listed tenants, franchisees, and medium to large professional firms.

**Type C:** 477 other tenants.

\* includes Stenprop's share of joint ventures and associates

# Consolidated Portfolio

(unaudited)

Sector	Company	Property/ Portfolio	Owner- ship interest %	Market value 31 March 2018 (£m)	Properties	Area (sq m)	Annual- ised Gross Rental Income (£m)	Net Initial Yield 31 March 2018 (%)	WAULT (by rental) (years)	Voids (by area) (%)	Rental per sq m (£/sq m)
<b>UK MLI</b>											
MLI	Industrials UK LP	Rawdon Network Centre	100.0%	2.2	1	3,008	0.2	6.36%	1.9	0.0%	54
MLI	Industrials UK LP	Shire Court	100.0%	3.3	1	5,844	0.2	7.01%	1.1	0.0%	41
MLI	Industrials UK LP	Sherwood Network Centre	100.0%	2.8	1	4,960	0.2	7.50%	1.6	16.5%	44
MLI	Industrials UK LP	Caldene Business Centre	100.0%	5.5	1	7,718	0.5	7.62%	2.5	5.3%	60
MLI	Industrials UK LP	Imex Business Centre	100.0%	4.5	1	4,346	0.4	7.45%	1.3	0.9%	84
MLI	Industrials UK LP	Boaler Street	100.0%	2.5	1	4,480	0.2	6.38%	2.5	11.9%	37
MLI	Industrials UK LP	Croft Business Park	100.0%	2.7	1	3,099	0.2	7.06%	1.3	8.3%	62
MLI	Industrials UK LP	Eurolink 31	100.0%	3.0	1	4,573	0.1	2.44%	1.7	65.6%	19
MLI	Industrials UK LP	Dana Trading Estate	100.0%	18.0	1	20,966	1.1	6.50%	3.9	0.0%	59
MLI	Industrials UK LP	Wharton Street Industrial Estate	100.0%	1.4	1	2,104	0.1	5.60%	1.3	19.7%	39
MLI	Industrials UK LP	Wainright Street Industrial Estate	100.0%	1.4	1	1,746	0.1	7.04%	3.6	0.0%	60
MLI	Industrials UK LP	Argyle Business Centre	100.0%	0.9	1	746	0.1	7.02%	1.3	0.0%	81
MLI	Industrials UK LP	Cuckoo Trade Park	100.0%	0.7	1	565	0.1	6.74%	4.3	0.0%	94
MLI	Industrials UK LP	Sovereign Business Park	100.0%	2.9	1	4,528	0.2	6.61%	1.9	14.0%	45
MLI	Industrials UK LP	Poulton Close Business Centre	100.0%	3.5	1	4,389	0.3	6.97%	1.4	0.0%	61
MLI	Industrials UK LP	Rivermead Estate	100.0%	2.8	1	2,527	0.2	5.41%	1.7	13.5%	64
MLI	Industrials UK LP	Wholesale District Nottingham	100.0%	2.9	1	3,326	0.2	7.05%	1.5	4.3%	64
MLI	Industrials UK LP	Davey Close Trade Park	100.0%	5.3	1	5,042	0.3	5.88%	2.4	0.0%	65
MLI	Industrials UK LP	Redbrook Business Park	100.0%	6.5	1	15,215	0.5	6.76%	2.4	5.7%	32
MLI	Industrials UK LP	Lion Business Park	100.0%	5.8	1	4,983	0.4	6.13%	2.1	4.6%	72
MLI	Industrials UK LP	Greenway Business Park	100.0%	3.6	1	4,762	0.2	6.27%	2.6	0.0%	52
MLI	Industrials UK LP	Compass Industrial Park	100.0%	14.8	1	22,595	1.0	6.70%	4.8	10.5%	45
MLI	Industrials UK LP	Lea Green Business Park	100.0%	9.5	1	14,179	0.6	6.62%	7.1	6.0%	45
MLI	Industrials UK LP	Anniesland	100.0%	11.7	1	16,913	0.8	7.15%	3.1	19.1%	55
MLI	Industrials UK LP	Capital Business Park	100.0%	7.4	1	8,845	0.6	6.78%	3.2	3.4%	65
MLI	Stenprop Industrials 3 Ltd	Southerhead Industrial Estate	100.0%	4.1	1	3,736	0.4	7.65%	1.6	14.7%	97
MLI	Stenprop Industrials 3 Ltd	Venture Park	100.0%	3.8	1	6,530	0.3	6.71%	3.2	0.0%	42



Sector	Company	Property/ Portfolio	Owner- ship interest %	Market value 31 March 2018 (£m)	Properties	Area (sq m)	Annual- ised Gross Rental Income (£m)	Net Initial Yield 31 March 2018 (%)	WAULT (by rental) (years)	Voids (by area) (%)	Rental per sq m (£/sq m)
MLI	Stenprop Industrials 3 Ltd	Coningsby Park	100.0%	6.2	1	22,967	0.3	3.39%	1.0	72.6%	12
MLI	Stenprop Industrials 3 Ltd	Globe Park	100.0%	2.3	1	3,535	0.1	4.60%	1.0	35.6%	31
MLI	Stenprop Industrials 4 Ltd	Ellis Hill	100.0%	5.8	1	7,072	0.5	7.41%	4.7	0.0%	65
<b>Total UK MLI</b>				<b>147.8</b>	<b>30</b>	<b>215,299</b>	<b>10.4</b>	<b>6.50%</b>	<b>3.1</b>	<b>15.3%</b>	<b>48</b>

**UK non-MLI**

Retail	Davemount Properties	Hemel Hempstead	100.0%	1.6	1	2,262	0.2	11.80%	2.0	0.0%	88
Retail	Davemount Properties	Walsall	100.0%	3.5	1	2,747	0.4	10.27%	3.7	0.0%	131
Retail	Davemount Properties	Grimsby	100.0%	1.5	1	2,667	0.4	13.52%	1.2	0.0%	131
Office	Laxton Properties Ltd	Euston	100.0%	79.5	1	10,205	3.9	3.94%	4.5	7.4%	392
Office	GGP1 Limited	Reading	100.0%	8.1	1	2,803	0.7	8.31%	4.1	0.0%	256
Office	GGP1 Limited	Ashby de la Zouch	100.0%	5.5	1	4,718	0.4	6.44%	4.1	0.0%	78
Industrial	GGP1 Limited	Sheffield	100.0%	3.0	1	6,860	0.3	7.83%	2.3	0.0%	36
Industrial	GGP1 Limited	Merthyr Tydfil	100.0%	1.2	1	3,739	0.1	10.65%	3.3	0.0%	36
Industrial	GGP1 Limited	Worcester	100.0%	2.6	1	3,714	0.2	6.95%	2.0	0.0%	52
Office	LPE Ltd	Trafalgar	100.0%	59.9	1	10,566	4.3	6.90%	9.1	0.3%	410
<b>Total UK non-MLI</b>				<b>166.4</b>	<b>10</b>	<b>50,281</b>	<b>10.9</b>	<b>5.76%</b>	<b>6.0</b>	<b>1.6%</b>	<b>217</b>

**Germany**

Retail	Century BV	Ludwigsburg	100.0%	6.3	1	5,061	0.3	6.44%	2.6	0.0%	64
Retail	Century BV	Frankfurt	100.0%	7.2	1	4,379	0.5	6.16%	4.1	0.0%	117
Retail	Century BV	Marburg	100.0%	2.0	1	1,513	0.2	7.47%	3.6	0.0%	114
Retail	Century 2 BV	Sindelfingen	100.0%	7.6	1	5,255	0.5	5.92%	3.2	0.0%	99
Retail	Century 2 BV	Kassel	100.0%	1.4	1	1,800	0.1	7.36%	4.1	0.0%	69
Retail	KG Bleichenhof GmbH	Bleichenhof	94.9%	130.7	1	3,189	0.5	3.33%	4.7	24.4%	148
Office	KG Bleichenhof GmbH	Bleichenhof				15,040	2.2				145
Other	KG Bleichenhof GmbH	Bleichenhof				1,090	0.0				31
Carpark	KG Bleichenhof GmbH	Bleichenhof				-	2.1				n/a
Retail	Isabel Properties B.V	Isabel	100.0%	19.3	1	13,365	1.2	5.37%	7.0	0.0%	87
Retail	Stenprop Hermann Ltd	Hermann	100.0%	20.7	1	8,272	1.3	5.23%	6.2	2.7%	155
Retail	Stenprop Victoria Ltd	Victoria	100.0%	26.1	1	13,710	1.5	4.57%	13.0	5.5%	107
<b>Total Germany</b>				<b>221.3</b>	<b>9</b>	<b>72,674</b>	<b>10.4</b>	<b>4.16%</b>	<b>4.1</b>	<b>2.4%</b>	<b>144</b>

# Assets Held for Sale

(unaudited)

Sector	Company	Property/ Portfolio	Owner- ship interest %	Market value 31 March 2018 (£m)	Properties	Area (sq m)	Annual- ised Gross Rental Income (£m)	Net Initial Yield 31 March 2018 (%)	WAULT (by rental) (years)	Voids (by area) (%)	Rental per sq m (£/sq m)
<b>Germany</b>											
Retail	Stenham Beryl Limited	Dingolfing	100.0%	2.2	1	1,325	0.2	6.20%	8.9	0.0%	110
Retail	Stenham Beryl Limited	Brackenheim	100.0%	2.3	1	1,287	0.2	6.32%	8.9	0.0%	122
Retail	Stenham Beryl Limited	Jettingen	100.0%	1.5	1	1,255	0.1	6.17%	8.9	0.0%	81
Retail	Stenham Beryl Limited	Neuburg an der Donau	100.0%	2.0	1	1,214	0.1	5.54%	8.9	0.0%	102
Retail	Stenham Beryl Limited	Endingen	100.0%	2.1	1	1,400	0.1	5.86%	8.9	0.0%	99
Retail	Stenham Crystal Limited	Neckartenzlingen	100.0%	2.6	1	1,309	0.2	6.03%	8.9	0.0%	135
Retail	Stenham Crystal Limited	Gaertringen	100.0%	2.2	1	1,255	0.1	5.65%	8.9	0.0%	110
Retail	Stenham Crystal Limited	Rain an der Lech	100.0%	1.5	1	1,296	0.2	6.44%	8.9	0.0%	80
Retail	Stenham Crystal Limited	Kehl	100.0%	2.3	1	1,504	0.1	5.37%	8.9	0.0%	93
Retail	Stenham Jasper Limited	Pleisweiler- Oberhofen	100.0%	2.0	1	1,140	0.2	6.10%	8.9	0.0%	121
Retail	Stenham Jasper Limited	Oehringen	100.0%	2.3	1	1,616	0.1	5.81%	8.9	0.0%	91
Retail	Stenham Jasper Limited	Untermeitingen	100.0%	1.6	1	1,612	0.1	6.37%	8.9	0.0%	71
Retail	Stenham Jasper Limited	Lorsch	100.0%	2.1	1	1,315	0.1	6.04%	8.9	0.0%	107
Retail	Stenham Jasper Limited	Pfaffenhofen	100.0%	2.2	1	1,315	0.1	5.97%	8.9	0.0%	107
<b>Total Aldi</b>				<b>28.9</b>	<b>14</b>	<b>18,843</b>	<b>1.9</b>	<b>5.97%</b>	<b>8.9</b>	<b>0.0%</b>	<b>101</b>

Sector	Company	Property/ Portfolio	Owner- ship interest %	Market value 31 March 2018 (£m)	Properties	Area (sq m)	Annual- ised Gross Rental Income (£m)	Net Initial Yield 31 March 2018 (%)	WAULT (by rental) (years)	Voids (by area) (%)	Rental per sq m (£/sq m)
<b>Switzerland</b>											
<b>Credit Suisse</b>											
Office	Bruce Properties S.a.r.l.	Chiasso	100.0%	6.4	1	4,183	0.4	4.07%	1.5	10.8%	107
Retail	Algy Properties S.a.r.l.	Sissach	100.0%	2.9	1	1,694	0.2	2.62%	3.2	52.0%	97
<b>Total Credit Suisse</b>				<b>9.3</b>	<b>2</b>	<b>5,877</b>	<b>0.6</b>	<b>3.63%</b>	<b>1.9</b>	<b>22.7%</b>	<b>104</b>
<b>Polo</b>											
Retail	Polo Property GmbH	Altendorf	100.0%	19.8	1	8,228	1.2	5.35%	8.7	0.0%	147
Office	Polo Property GmbH	Arlenheim	100.0%	9.5	1	4,834	0.8	6.54%	5.5	0.0%	163
<b>Total Polo</b>				<b>29.3</b>	<b>2</b>	<b>13,062</b>	<b>2.0</b>	<b>5.74%</b>	<b>7.4</b>	<b>0.0%</b>	<b>153</b>
<b>Kantone</b>											
Retail	Kantone Holdings Ltd	Baar	100.0%	15.3	1	3,995	1.1	4.77%	0.8	2.0%	279
Retail	Kantone Holdings Ltd	Lugano	100.0%	15.7	1	6,974	1.0	4.38%	19.5	0.0%	145
Office	Kantone Holdings Ltd	Montreux	100.0%	18.9	1	2,513	0.6	3.70%	5.3	4.6%	239
Other	Kantone Holdings Ltd	Montreux	100.0%			1,685	0.3				185
Retail	Kantone Holdings Ltd	Vevey	100.0%	4.4	1	673	0.2	2.47%	2.1	0.9%	241
Office	Kantone Holdings Ltd	Vevey	100.0%			833	1.0				76
<b>Total Kantone</b>				<b>54.3</b>	<b>4</b>	<b>16,673</b>	<b>3.3</b>	<b>4.10%</b>	<b>7.4</b>	<b>1.2%</b>	<b>196</b>
<b>Total Switzerland</b>				<b>92.9</b>	<b>8</b>	<b>35,612</b>	<b>5.9</b>	<b>4.57%</b>	<b>6.8</b>	<b>4.3%</b>	<b>165</b>
<b>Total held for sale</b>				<b>121.8</b>	<b>22</b>	<b>54,455</b>	<b>7.8</b>	<b>4.90%</b>	<b>7.3</b>	<b>2.8%</b>	<b>143</b>
<b>Total Wholly- Owned Portfolio</b>				<b>657.3</b>	<b>71</b>	<b>392,708</b>	<b>39.5</b>	<b>5.23%</b>	<b>5.0</b>	<b>9.4%</b>	<b>101</b>

# Jointly Controlled Entities

(unaudited)

Sector	Company	Property/ Portfolio	Owner- ship interest %	Market value 31 March 2018 (£m)	Properties	Area (sq m)	Annual- ised Gross Rental Income (£m)	Net Initial Yield 31 March 2018 (%)	WAULT (by rental) (years)	Voids (by area) (%)	Rental per sq m (£/sq m)
<b>UK</b>											
Office	Stenprop Argyll Ltd	Argyll Street	50.0%	83.4	1	6,134	4.1	4.61%	1.8	0.0%	671
<b>Germany</b>											
Nursing Homes	Elysion Braunschweig	Braunschweig	100.0%	9.6	1	4,131	0.7	6.18%	10.0	0.0%	160
Nursing Homes	Elysion Dessau	Dessau	100.0%	7.9	1	6,195	0.6	5.55%	8.3	0.0%	91
Nursing Homes	Elysion Kappeln	Kappeln	100.0%	12.0	1	5,225	0.6	5.14%	15.8	0.0%	137
Nursing Homes	Elysion Winzlar	Winzlar	100.0%	5.1	1	3,778	0.5	8.08%	10.3	0.0%	123
Total Germany			100.0%	34.6	4	19,329	2.4	5.95%	11.4	0.0%	124
Total Of Jointly Owned Interests				118.0	5	25,463	6.5	5.00%	5.4	0.0%	256
<b>Total Jointly Owned Interests (Stenprop share)</b>				<b>76.3</b>	<b>5</b>	<b>22,397</b>	<b>4.5</b>	<b>5.22%</b>	<b>7.0</b>	<b>0.0%</b>	<b>199</b>



# Tenant Analysis

(unaudited)

## Top 15 tenants

Tenant		Total rent	% of portfolio rent	WAULT
1	Northern Trust (Gsy) Ltd	3,185,319	7.25%	10.5
2	Apcoa Autoparking GmbH	2,194,550	5.00%	3.7
3	Aldi	1,903,940	4.33%	8.9
4	i2	1,504,588	3.43%	4.6
5	Bike + OUTDOOR COMPANY	1,372,951	3.13%	4.1
6	Unipart Group Limited	1,246,374	2.84%	3.9
7	Close Brothers Properties Guernsey Ltd	1,117,540	2.54%	5.3
8	The Planet Wellness SA	1,009,950	2.30%	18.5
9	Top Tip	1,005,125	2.29%	10.3
10	Live Nation (Music) UK Ltd	818,245	1.86%	1.6
11	Lipomed AG	747,713	1.70%	5.5
12	Thames Water Utilities Ltd	718,458	1.64%	4.0
13	Kappeln	713,288	1.62%	15.8
14	Kaufland	694,201	1.58%	13.4
15	Braunschweig	662,499	1.51%	10.0
Grand Total		18,894,741	43.01%	7.7

## Number of tenants

	Number of tenants	Annual rental income %
UK	512	53%
Germany	96	34%
Switzerland	86	13%
	694	100%

# EPRA Key Performance Measures

(unaudited)

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

A summary of the Group's Key performance indicators as recommended by EPRA is provided in the tables below for the years ended 31 March 2018 and 31 March 2017:

Indicator	Description	31/03/2018	31/03/2017
<b>EPRA Earnings</b>	Dilutive adjusted earnings from operational activities	£25.8 million	£25.5 million
<b>EPRA Earnings per share</b>	Dilutive adjusted earnings per share from operational activities	9.09 pence	8.99 pence
<b>EPRA Net Asset Value (NAV)</b>	NAV adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to be realised in a long-term investment property business model	£402.2 million	£379.2 million
<b>EPRA Net Asset Value (NAV) per share</b>	Diluted EPRA NAV per share	£1.41	£1.36
<b>EPRA Triple Net Asset Value (NNNAV) per share</b>	EPRA NAV adjusted to include the fair value of (i) financial instruments, (ii) debt and (iii) deferred taxes	£1.40	£1.33
<b>EPRA Net Initial Yield (NIY)</b>	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, expressed as a percentage of the market value of property	5.27%	*
<b>EPRA "topped up" NIY</b>	EPRA NIY adjusted for the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents)	5.37%	*
<b>EPRA Occupancy Rate</b>	Estimated Market Rental Value (ERV) of occupied space divided by ERV of the portfolio as a whole	94.2%^	97.7%
<b>EPRA Cost Ratio (including direct vacancy costs)</b>	Administrative and operating costs expressed as a percentage of gross rental income	28.0%	25.6%

\* Not available for the year in question.

^ Excluding assets being re-positioned, Conningsby Estate, Peterborough.

Accounting policies adopted in relation to the Group's property portfolio is included in note 3 to the financial statements. Valuation information is included in note 16 of the financial statements.

# Analysis of Shareholders

(unaudited)

Shareholder spread	Number of shareholdings	%	Number of shares	%
1 - 1,000 shares	445	16.63	168,950	0.06
1,001- 10,000 shares	1,001	37.41	4,095,985	1.40
10,001- 100,000 shares	780	29.15	30,601,230	10.49
100,001- 1,000,000 shares	403	15.06	112,164,042	38.45
1,000,001 shares and over	47	1.75	144,688,269	49.60
<b>Totals</b>	<b>2,676</b>	<b>100.00</b>	<b>291,718,476</b>	<b>100.00</b>

Distribution of shareholders	Number of shareholdings	%	Number of shares	%
Banks/Brokers	59	2.20	42,845,626	14.69
Close Corporations	30	1.12	724,703	0.25
Control Account	2	0.07	254,592	0.09
Endowment Funds	15	0.56	1,245,881	0.43
Individuals	1,736	64.87	58,188,811	19.95
Insurance Companies	14	0.52	2,344,446	0.80
Investment Companies	5	0.19	20,964,632	7.19
Medical Scheme	1	0.04	1,604	0.00
Mutual Funds	81	3.03	28,559,196	9.79
Other Corporations	10	0.37	279,771	0.10
Private Companies	183	6.84	44,112,569	15.12
Public Companies	40	1.49	21,997,625	7.54
Retirement Funds	19	0.71	5,842,190	2.00
Treasury Stock	1	0.04	9,026,189	3.09
Trusts	480	17.95	55,330,641	18.96
<b>Totals</b>	<b>2,676</b>	<b>100.00</b>	<b>291,718,476</b>	<b>100.00</b>

Public/Non-public Shareholders	Number of shareholdings	%	Number of shares	%
<b>Non - Public Shareholders</b>	<b>13</b>	<b>0.49</b>	<b>27,598,781</b>	<b>9.46</b>
Directors and Associates of the Company holdings	12	0.45	18,572,592	6.37
Treasury Stock	1	0.04	9,026,189	3.09
<b>Public Shareholders</b>	<b>2,663</b>	<b>99.51</b>	<b>264,119,695</b>	<b>90.54</b>
<b>Totals</b>	<b>2,676</b>	<b>100.00</b>	<b>291,718,476</b>	<b>100.00</b>

## Major Shareholders

As at the financial year end there were 2,676 shareholders in the Company. As at 31 March 2018 Sandown Capital Limited held a direct and indirect interest of 6.93% in the issued share capital of the Company. The Company does not know of any other shareholder which has a beneficial interest of greater than 5% of the Company's issued share capital as at 31 March 2018.

# Shareholder Diary

Financial year end	31 March
Integrated Annual Report posted	July
Annual general meeting	September

## Announcement of results

Interim	November
Annual	June

## Dividends

Interim
Annual

## Declared

November
June

## Paid

January
July/August



# Corporate Information

## STENPROP LIMITED

(Registered in Guernsey)  
(Registration number 64865)  
LSE share code: STP  
JSE share code: STP  
ISIN: GG00BFWMR296

### Registered office of the Company

Stenprop Limited  
(Registration number 64845)  
Kingsway House  
Havilland Street  
St Peter Port  
GY1 2QE  
Guernsey

### Postal address of the Company

180 Great Portland Street  
London, W1W 5QZ  
United Kingdom

### Company secretary

Sarah Bellichi

### JSE sponsor

Java Capital Trustees and Sponsors  
Proprietary Limited  
(Registration number  
2006/005780/07)  
6A Sandown Valley Crescent  
Sandown  
Sandton, 2196  
South Africa  
(PO Box 522606, Saxonwold, 2132)

## SA transfer secretaries

Computershare Investor Services  
Proprietary Limited  
(Registration number  
2004/003647/07)  
Rosebank Towers, 15 Biermann  
Avenue,  
Rosebank, Johannesburg, 2196,  
South Africa

### Correspondence address

PO Box 61051  
Marshalltown, 2107  
South Africa

### Legal advisors

Bryan Cave Leighton Paisner LLP  
Adelaide House  
London Bridge  
London, EC4R 9HA  
United Kingdom

### South African corporate advisor

Java Capital Proprietary Limited  
(Registration number  
2012/089864/07)  
6A Sandown Valley Crescent  
Sandown  
Sandton, 2196  
South Africa  
(PO Box 522606, Saxonwold, 2132)

## Broker and financial adviser

Numis Securities Limited  
The London Stock Exchange  
Building  
10 Paternoster Square  
London, EC4M 7LT

### Guernsey registrars

Computershare Investor Services  
(Guernsey) Limited  
1st Floor, Tudor House  
Le Bordage  
St Peter Port  
Guernsey  
GY1 1DB

### Correspondence address

2nd Floor, Queensway House  
Hilgrove Street  
St. Helier  
Jersey  
JE1 1ES  
Channel Islands

### Auditor

Deloitte LLP  
Regency Court  
Gategny Esplanade  
St Peter Port  
GY1 3HW  
Guernsey  
Channel Islands



