

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS for the three months ended 30 June 2016

STENPROP LIMITED

(Incorporated in Bermuda)

(Registration number 47031)

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

("Stenprop" or "the Company" or "the Group")

€1.61

DILUTED EPRA² NAV
PER SHARE

2.62 CENTS

DILUTED ADJUSTED
EPRA EARNINGS
PER SHARE

2.7%

INCREASE ON THE
DILUTED ADJUSTED
EPRA EPS AT JUNE 2015

Stenprop Limited, a Bermuda company which has dual primary listings on the Johannesburg Stock Exchange ('JSE') and the Bermuda Stock Exchange ('BSX'), today announces its results for the three months ended 30 June 2016.

The company is required to publish financial results for the three months ended 30 June 2016 in terms of the rules of the BSX. Accordingly, this announcement presents the unaudited condensed consolidated financial results of the Group in respect of the financial period from 1 April 2016 to 30 June 2016 in a form compliant with the requirements of the BSX.

FINANCIAL REVIEW

Earnings

The basic earnings attributable to ordinary shareholders for the three month period to 30 June 2016 were €6.7 million¹ (2015: €7.1 million). This equates to a diluted IFRS EPS of 2.35 cents (2015: 2.60 cents). The headline earnings were €6.7 million (2015: €8.3 million) equating to a diluted headline EPS of 2.35 cents (2015: 3.04 cents).

Net operating income for the period was €8.7 million, 6.7% higher than the same period in the previous financial year (2015: €8.1 million). Income from associates was €1.8 million (2015: €1.0 million) and income from joint ventures was €0.6 million (2015: €0.6 million).

Net finance costs of €2.4 million were 11.8% lower than the previous year (2015: €2.8 million). Interest swap rates were significantly lower when compared with the same period last year. The associated fair value adjustment to the Group's interest rate hedges resulted in an expense of €1.2 million (2015: €0.6 million credit).

In accordance with reporting standards widely adopted across the real estate industry in Europe, the board of directors feels it is appropriate and useful, in addition to providing the IFRS disclosed earnings, to also disclose EPRA earnings.

¹ Average foreign exchange rates in period: £1:€1.270; CHF1:€0.912 (2015: £1:€1.384; CHF1:€0.960).

² European Public Real Estate Association

Adjusted EPRA earnings attributable to shareholders for the three month period were €7.4 million (2015: €7.0 million), equating to a diluted adjusted EPRA EPS of 2.62 cents (2015: 2.55 cents).

Net assets

The basic and diluted IFRS NAV per share at 30 June 2016 was €1.55³ (2015: €1.61 basic; €1.60 diluted). The basic and diluted EPRA NAV per share was €1.62 and €1.61 respectively (2015: €1.66).

REFINANCING

On 26 May 2016, two Stenprop subsidiaries, Davemount Properties Limited ('Davemount') and GGP1 Limited ('GGP1') refinanced their loan facilities with Santander. Santander has provided a single facility of £12.4 million for a five year period, split £4.0 million to Davemount and £8.4 million to GGP1. The all-in rate on this facility is 3.46% which compares to 2.7% on the previous Davemount facility and 3.72% on the previous GGP1 facility.

DIVIDENDS AND SHARE REPURCHASES

On 8 June 2016, the directors declared a final cash dividend of 4.7 cents per share in respect of the year ended 31 March 2016. The final dividend was paid on 29 July 2016.

Towards the end of June 2016 the Company began a limited programme of share repurchases and during the period to 30 June 2016, the Company repurchased 471,912 shares for an aggregate purchase price of €653,000. In July 2016 the Company repurchased a further 884,655 shares for an aggregate purchase price of €1,161,000. The combined average price per share of the repurchased shares was €1.337. The shares were purchased with the benefit of the dividend thereby effectively reducing the average price per share to €1.290. All shares repurchased are held as treasury shares.

PROSPECTS

Stenprop published its 2016 Integrated Annual Report (the 'Report') just over a month ago on 10 August 2016. The Report considered, *inter alia*, the potential impact of Brexit on its base case forecast of a minimum growth of 1.5% per annum on EPRA earnings per share and distributions. This would have resulted in diluted adjusted EPRA earnings per share of at least 10.58 cents for the year ending 31 March 2017. The Report commented that at an exchange rate of €1.20:£1 and with all other assumptions remaining constant, its forecast adjusted annual EPRA EPS for 2017 would drop from 10.58 cents to 10.29 cents per share. At an exchange rate of €1:15:£1.00, the number would drop further to 10.15 cents per share. Since the Report was published, Sterling has continued to come under downward pressure and Stenprop's assumptions will be reviewed over time once markets have been given time to absorb and react to the new environment.

Stenprop expects to declare an interim dividend in November 2016, which maintains the historic payout ratio of 85% of diluted adjusted EPRA EPS.

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

³ Quarter end foreign exchange rates: £1:€1.206; CHF1:€0.920 (2015: £1:€1.417; CHF1:€0.965).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited for the three months ended 30 June 2016 €'000	Unaudited for the three months ended 30 June 2015 €'000
Net rental income		9,656	9,768
Management fee income		737	1,192
Operating costs		(1,706)	(2,821)
Net operating income		8,687	8,139
Income from associates		1,829	1,035
Income from joint ventures		586	599
Profit from operations		11,102	9,773
Net (loss)/gain from fair value of financial liabilities		(1,228)	564
Net finance costs		(2,433)	(2,757)
Net foreign exchange gains		72	68
Profit for the period before taxation		7,513	7,648
Taxation		(782)	(502)
Profit for the period after taxation		6,731	7,146
Profit attributable to:			
Equity holders		6,694	7,099
Non-controlling interest		37	47
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value movement on interest rate swaps		–	853
Foreign currency translation reserve		(9,579)	8,525
Total comprehensive (loss)/profit for the period		(2,848)	16,524
Total comprehensive (loss)/profit attributable to:			
Equity holders		(2,885)	16,476
Non-controlling interest		37	48
Earnings per share			
IFRS EPS	(cents) 2	2.36	2.61
Diluted IFRS EPS	(cents) 2	2.35	2.60

Results derive from continuing operations

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited as at 30 June 2016 €'000	Unaudited as at 30 June 2015 €'000	Audited as at 31 March 2016 €'000
ASSETS				
Investment properties		715,891	708,988	729,782
Investment in associates		41,125	40,952	39,298
Investment in joint ventures		36,243	35,887	37,620
Other debtors		12,677	–	7,403
Property, plant and equipment		3	1	3
Derivative financial instruments		–	496	–
Total non-current assets		805,939	786,324	814,106
Cash and cash equivalents		41,392	64,420	36,811
Trade and other receivables		6,387	13,320	6,367
Total current assets		47,779	77,740	43,178
Total assets		853,718	864,064	857,284
Equity and liabilities				
Capital and reserves				
Share capital and share premium	4	395,141	381,601	389,927
Equity reserve		23	303	480
Retained earnings		56,710	33,008	63,426
Foreign currency translation reserve		(7,915)	30,668	1,664
Cash flow hedge reserve		–	334	–
Total equity attributable to equity shareholders		443,959	445,914	455,497
Non-controlling interest		2,169	1,862	2,132
Total equity		446,128	447,776	457,629
Non-current liabilities				
Bank loans		187,741	362,586	178,708
Derivative financial instruments		5,566	3,959	4,173
Other loan and interest		12	25	12
Deferred tax		9,855	7,627	9,705
Total non-current liabilities		203,174	374,197	192,598
Current liabilities				
Bank loans		172,457	11,447	188,785
Derivative financial instruments		1,201	1,030	1,769
Accounts payable and accruals		30,758	29,614	16,503
Total current liabilities		204,416	42,091	207,057
Total liabilities		407,590	416,288	399,655
Total equity and liabilities		853,718	864,064	857,284
IFRS net asset value per share	3	1.55	1.61	1.61
EPRA net asset value per share	3	1.62	1.66	1.67

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital and share premium €'000	Equity reserve €'000	Retained earnings €'000	Foreign currency translation reserve €'000	Cash flow hedge reserve €'000	Attributable to equity shareholders €'000	Non-controlling interest €'000	Total equity €'000
Balance at 1 April 2016	389,927	480	63,426	1,664	–	455,497	2,132	457,629
Issue of share capital	5,214	(72)	–	–	–	5,142	–	5,142
Credit to equity for equity-settled share based payments	–	268	–	–	–	268	–	268
Purchase of treasury shares	–	(653)	–	–	–	(653)	–	(653)
Total comprehensive profit/(loss) for the period	–	–	6,694	(9,579)	–	(2,885)	37	(2,848)
Ordinary dividends	–	–	(13,410)	–	–	(13,410)	–	(13,410)
Balance at 30 June 2016	395,141	23	56,710	(7,915)	–	443,959	2,169	446,128
Balance at 1 April 2015	374,127	–	37,561	22,143	(519)	433,312	1,815	435,127
Issue of share capital	7,474	(25)	–	–	–	7,449	–	7,449
Credit to equity for equity-settled share based payments	–	328	–	–	–	328	–	328
Total comprehensive profit for the period	–	–	7,099	8,525	853	16,477	47	16,524
Ordinary dividends	–	–	(11,652)	–	–	(11,652)	–	(11,652)
Balance at 30 June 2015	381,601	303	33,008	30,668	334	445,914	1,862	447,776

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited for the three months ended 30 June 2016 €'000	Unaudited for the three months ended 30 June 2015 €'000
Operating activities		
Profit from operations	11,102	9,773
Share of profit in associates	(1,829)	(1,035)
Increase in fair value of joint ventures	(586)	(599)
Exchange rate gains	72	68
(Increase)/decrease in trade and other receivables	(20)	783
Increase in trade and other payables	546	502
Interest paid	(2,494)	(2,713)
Interest received	580	8
Net tax (paid)/received	(172)	48
Net cash from operating activities	7,199	6,835
Investing activities		
Dividends received from associates	2	617
Dividends received from joint ventures	100	–
Purchases of investment property	(216)	–
Acquisition of investment in joint venture	–	(26,782)
Net cash used in investing activities	(114)	(26,165)
Financing activities		
New bank loans raised	–	39,019
Repayment of borrowings	(1,453)	(35,401)
Purchase of treasury shares	(653)	–
Financing fees paid	(192)	(740)
SWAP break fee	(63)	(571)
Net cash (used in)/from financing activities	(2,361)	2,307
Net increase/(decrease) in cash and cash equivalents	4,724	(17,023)
Effect of foreign exchange rate changes	(143)	1,013
Cash and cash equivalents at beginning of the period	36,811	80,430
Cash and cash equivalents at end of the period	41,392	64,420

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial results (the 'IFRS Statements') for the three months ended 30 June 2016 have been prepared in accordance with the recognition and measurements principles of the International Financial Reporting Standards ('IFRS') and its interpretations adopted by the International Accounting Standards Board ('IASB'), specifically IAS 34 'Interim Financial Reporting' and the JSE Listings Requirements and the BSX Listing Regulations as applicable.

The accounting policies and methods of computation are consistent with those applied in the preparation of the annual financial statements for the year ended 31 March 2016 which were audited and reported on by the Group's external auditors, except for the new standards adopted during the period.

These financial results have not been audited or reviewed by the Company's external auditors. They have been prepared by, and are the responsibility of, the directors of Stenprop.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. EARNINGS PER ORDINARY SHARE

Reconciliation of profit for the period to adjusted EPRA¹ earnings

	Unaudited for the three months ended 30 June 2016 €'000	Unaudited for the three months ended 30 June 2015 €'000
Earnings per IFRS income statement attributable to shareholders	6,694	7,099
<i>Adjustments to calculate EPRA earnings, exclude:</i>		
Changes in fair value of financial instruments	1,228	(564)
Deferred tax in respect of EPRA adjustments	122	355
<i>Adjustments above in respect of joint ventures and associates</i>		
Changes in fair value	(1,039)	(503)
Deferred tax in respect of EPRA adjustments	142	75
EPRA earnings attributable to shareholders	7,147	6,462
<i>Further adjustments to arrive at adjusted EPRA earnings</i>		
Straight-line unwind of purchased swaps	300	505
Adjusted EPRA earnings attributable to shareholders	7,447	6,967
Weighted average number of shares in issue (excluding treasury² shares)	283,625,775	272,236,146
Share-based payment award	920,287	649,829
Diluted weighted average number of shares in issue	284,546,062	272,885,975
Earnings per share		
IFRS EPS (cents)	2.36	2.61
Diluted IFRS EPS (cents)	2.35	2.60
EPRA EPS (cents)	2.52	2.37
Diluted EPRA EPS (cents)	2.51	2.37
Adjusted EPRA EPS (cents)	2.63	2.56
Diluted adjusted EPRA EPS (cents)	2.62	2.55

1 The European Public Real Estate Association (EPRA) issued Best Practices Policy Recommendations in December 2014, which provide guidelines for performance measures relevant to real estate companies. Their recommended reporting standards are widely applied across this market, aiming to bring consistency and transparency to the sector. The EPRA earnings measure is intended to show the level of recurring earnings from core operational activities with the purpose of highlighting the Group's underlying operating results from its property rental business and an indication of the extent to which current dividend payments are supported by earnings. The measure excludes unrealised changes in the value of investment properties, gains or losses on the disposal of properties and other items that do not provide an accurate picture of the Group's underlying operational performance. The measure is considered to accurately capture the long term strategy of the Group, and is an indication of the sustainability of dividend payments.

2 As at 30 June 2016, the Company held 471,912 treasury shares (June 2015: nil).

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.

2. EARNINGS PER ORDINARY SHARE CONTINUED

Reconciliation of profit for the period to headline earnings

	Unaudited for the three months ended 30 June 2016 €'000	Unaudited for the three months ended 30 June 2015 €'000
Earnings per IFRS income statement attributable to shareholders	6,694	7,099
<i>Adjustments to calculate headline earnings, exclude:</i>		
Changes in fair value of financial instruments	–	853
Deferred tax in respect of headline earnings adjustments	–	355
Headline earnings attributable to shareholders	6,694	8,307
Earnings per share		
Headline EPS (cents)	2.36	3.05
Diluted headline EPS (cents)	2.35	3.04

3. NET ASSET VALUE PER SHARE

	Unaudited as at 30 June 2016 €'000	Unaudited as at 30 June 2015 €'000	Audited as at 31 March 2016 €'000
Net assets attributable to equity shareholders	443,959	445,914	455,497
<i>Adjustments to arrive at EPRA net asset value:</i>			
Derivative financial instruments	6,767	4,493	5,942
Deferred tax	9,855	7,627	9,705
Adjustments above in respect of non-controlling interests	3,110	2,401	2,838
EPRA net assets attributable to shareholders	463,691	460,435	473,982
Number of shares in issue (excluding treasury shares)	286,209,968	277,463,048	282,984,626
Share-based payment award	920,287	649,829	647,806
Diluted number of shares in issue	287,130,255	278,112,877	283,632,432
Net asset value per share (basic and diluted)¹			
IFRS net asset value per share (cents)	1.55	1.61	1.61
Diluted IFRS net asset value per share (cents)	1.55	1.60	1.61
EPRA net asset value per share (cents)	1.62	1.66	1.67
Diluted EPRA net asset value per share (cents)	1.61	1.66	1.67

1 As at 30 June 2016, the Company held 471,912 treasury shares (June 2015 and March 2016: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

	Unaudited as at 30 June 2016 €'000	Unaudited as at 30 June 2015 €'000	Audited as at 31 March 2016 €'000
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4. SHARE CAPITAL

Authorised

1,000,000,000 ordinary shares with a par value of €0.000001258 each	1	1	1
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	Unaudited as at 30 June 2016	Unaudited as at 30 June 2015	Audited as at 31 March 2016
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Issued share capital

Opening balance	282,984,626	272,236,146	272,236,146
Issue of new shares	3,697,254	5,226,902	10,748,480
Closing number of shares issued	286,681,880	277,463,048	282,984,626

Share capital

Share premium	(€'000)	397,999	384,459	392,785
Less: Acquisition/transaction costs	(€'000)	(2,858)	(2,858)	(2,858)
Total share premium	(€'000)	395,141	381,601	389,927

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 had 286,681,880 (March 2016: 282,984,626) ordinary shares in issue at the reporting date. On 9 June 2016, 3,687,191 and 10,063 new ordinary shares were issued on the JSE and the BSX at an issue price of €1.41 per share in respect of the Share Purchase Plan and Deferred Share Bonus Plan respectively.

As at 30 June 2016, the Company held 471,912 treasury shares (June 2015 and March 2016: nil).

5. EVENTS AFTER THE REPORTING PERIOD

On 8 June 2016, the directors declared a final cash dividend of 4.7 cents per share in respect of the year ended 31 March 2016. The final dividend was paid on 29 July 2016.

The Company began a limited programme of share repurchases towards the end of June 2016 and, during the period to 30 June 2016, the Company repurchased 471,912 shares for an aggregate purchase price of €653,000. In July 2016 the Company repurchased a further 884,655 shares for an aggregate purchase price of €1,161,000. The combined average price per share of the repurchased shares was €1.337. The shares were purchased with the benefit of the dividend thereby effectively reducing the average price per share to €1.290. All shares repurchased are held as treasury shares.

On 4 April 2016 David Brown resigned from the Board as non-executive director. On the same date Peter Hughes was appointed as a non-executive director.

Stenprop has dual primary listings on the BSX and the JSE.

Date: 15 September 2016

JSE sponsor



BSX sponsor

Esteria Securities (Bermuda) Limited

