THE CARDIFF PROPERTY plc

INTERIM REPORT 2015

www.cardiff-property.com

Stock code: CDFF

THE CARDIFF PROPERTY plc

The group, including Campmoss, specialises in property investment and development in the Thames Valley. The total portfolio under management, valued in excess of £34m, is primarily located to the west of London, close to Heathrow Airport and in Surrey and Berkshire.

HIGHLIGHTS

		Six months 31 March 2015 (Unaudited)	Six months 31 March 2014 (Unaudited)	Year 30 September 2014 (Audited)
Revenue	£'000	**296**	257	534
Net assets per share	£	**15.31**	13.13	15.00
Profit before tax	£'000	**548**	635	3,218
Earnings per share	pence	**38.6**	45.2	236.5
Interim/total dividend per share	pence	**3.50**	3.40	12.65
Gearing	%	**Nil**	Nil	Nil

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INTERIM MANAGEMENT REPORT

For the six months under review confidence in the Thames Valley commercial property market continued to gather momentum although letting activity remained at a low level. Rental levels experienced a marginal increase but overall the level of demand is still insufficient to support higher rents.

Investor confidence in the Thames Valley remains robust and a number of new commercial developments, located primarily to the west of London, have commenced. The availability of second hand office space is still evident.

Residential property values in Surrey and Berkshire have remained firm, albeit with signs of a flattening market. Sales and letting activity remain high.

FINANCIAL

For the half year ending 31 March 2015 profit before tax amounted to £0.55m (March 2014: £0.64m; September 2014: £3.22m) which included an after tax profit from Campmoss Property Company Limited, our 47.62% joint venture, of £0.34m (March 2014: £0.47m; September 2014: £2.08m). The figures for Campmoss included profit on sales of development properties as referred to in this report.

Revenue which represents gross annual income totalled £0.3m (March 2014: £0.26m; September 2014: £0.53m).

After taking into account the above figures, profit after tax attributable to shareholders for the 6 months to 31 March 2015 amounted to £0.51m (March 2014: £0.6m; September 2014: £3.1m) and earnings per share was 38.6p (March 2014: 45.2p; September 2014: 236.5p).

Net assets of the group as at 31 March 2015 were £20.06m (March 2014: £17.37m; September 2014: £19.66m) the company's share of net assets of Campmoss amounted to £9.7m (March 2014: £7.75m; September 2014: £9.4m).

Net assets of the group were equivalent to £15.31 per share (March 2014: £13.13; September 2014: £15.00).

Directors are of the opinion that in the current market the change in value of the group's property portfolio as at 31 March 2015 would not be material.

During the 6 months to 31 March 2015 the company did not purchase any of its own shares (March 2014: nil; September 2014: 12,241) and other than as mentioned in this report there have been no material events or material changes in assets, liabilities or related party relationships since 30 September 2014.

Current IFRS accounting recommends that deferred tax is chargeable on the difference between the indexed cost of properties held and the current market value. This practice is not adopted under IFRS in respect of investments held by the company. These are held at current market value, where applicable, or directors' valuation. Accounting for potential deferred taxation is not allowed in accordance with current IFRS rules. The investment in Campmoss is a substantial part of the company's net assets. For indicative purposes a disposal of the investment based, on the value in the company balance sheet at the half year, could generate a tax liability that would equate to £1.83m (March 2014: £1.44m; September 2014: £1.77m) equivalent to 140p per share (March 2014: 110p; September 2014: 135p). This information is provided as an additional, non-statutory, disclosure.

DIVIDEND

Your directors have declared an interim dividend of 3.5p (March 2014: 3.4p; September 2014: 12.95p) an increase of 3% which will be paid on 8 July 2015 to shareholders on the register on 5 June 2015.

INTERIM MANAGEMENT REPORT CONTINUED

INVESTMENT AND DEVELOPMENT PORTFOLIO

The group's freehold property portfolio including Campmoss continues to be located in the Thames Valley to the West of London and close to Heathrow Airport. The close proximity of the M25, M4 and M3 motorways provides essential transport links for businesses located in the Thames Valley.

The office and retail investment at the White House, Egham, comprises 5 ground floor retail units with offices above, is fully let on short and medium term leases. Some leases have been negotiated to provide for rental increases over the next few years.

At the Maidenhead Business Centre all 5 business units are let on medium term leases with agreed rental increases.

At Heritage Court, Egham, all 4 retail units are let on leases of up to 5 years. The upper floor residential units were previously sold but continue to contribute modest income from ground rents.

At the Windsor Business Centre all 4 business units are let. Negotiations are in hand with 2 of the existing tenants to extend their leases.

The company retains a commercial property in Cardiff which is let on a medium term lease to the Royal Mail as a sorting facility.

In Egham, Surrey, the company occupies its own freehold office and retains a residential property which is let on an Assured Shorthold Tenancy.

CAMPMOSS PROPERTY COMPANY LIMITED

Management of the existing portfolio as well as completing the retail and residential development programme and progressing planning applications has ensured an active and busy six months.

At Westview, Market Street, Bracknell, the development of 8 new retail units over 2 floors has recently been completed. 3 of the units were pre-let with the remainder being actively marketed. Demolition of the adjoining property is expected to commence at the beginning of next year creating a further 10 retail units.

At the adjacent property in Bracknell, known as Gowring House, all 3 commercial units are let on short to medium term leases whilst the conversion to 18 residential units on the 3 upper floors is now complete. The individual apartments will either be sold on long leases or let on Assured Shorthold Tenancy Agreements. The current level of interest is encouraging.

At Worplesdon View, Worplesdon, the seventy eight bedroom care home is let to Barchester Healthcare on a thirty year institutional lease with rental linked to RPI. Discussions with the tenant to construct additional rooms are in progress.

The office letting market in Maidenhead, in the board's opinion, continues to be insufficient to encourage the commencement of any new, speculative office development. Highway House is currently let for car parking. Discussions with the Local Authority for a new residential scheme at Clivemont House are in progress.

At The Priory, Burnham, both office floors are let on medium term leases. The adjacent Business Centre has some small units available.

At Britannia Wharf, Woking, the majority of office space is let on a short term basis. A lease surrender on 2 of the floors was negotiated last year. Taking into account the increase in residential values a planning application for a residential scheme is currently being prepared.

At Kiln Lane, Bracknell, which comprises 16 business units and an adjacent office suite, all units are let on short and medium term leases.

The residential development of 37 apartments at Datchet Meadows located between Datchet and Slough has now been fully sold with the remaining two units being sold in this period. The company continues to receive income from ground rents.

QUOTED INVESTMENTS

The company retains an equity and bond portfolio all listed on either the London Stock Exchange or AIM. The portfolio has achieved a small increase in value over the period under review.

RELATIONSHIP AGREEMENT

The Company has entered into a written and legally binding relationship agreement with myself, its controlling shareholder, to address the requirements of LR 9.2.2AR of the Listing Rules.

OUTLOOK

The completion of our retail and residential schemes at Gowring House and Westview, Bracknell, should result in further revenue and enable Campmoss to re-invest the proceeds into future development.

Confidence in the property sector is improving and it is encouraging that many institutional funds are increasing their exposure to the commercial property market. Despite the well-rehearsed Eurozone problems further growth in the UK economy is anticipated with UK companies being given the opportunity to invest for the future a platform for a potential, albeit gradual recovery in rental levels is likely.

The group's portfolio is well placed to benefit from any further upturn in the Thames Valley property market and I therefore look forward to reporting to you at the end of the financial year.

VIABILITY STATEMENT

In accordance with provision C.2.2 of the 2014 revision of the Code, the directors have assessed the prospect of the company over a longer period than the 12 months required by the 'Going Concern' provision. The board conducted this review for a period of five years, which was selected for the following reasons:

- The group's strategic review covers a five-year period.
- For a major scheme five years is a reasonable approximation of the maximum time taken from obtaining planning permission to letting the property.
- Most leases contain a five-year rent review pattern and therefore five years allows for the forecasts to include the reversion arising from those reviews.

The five-year strategic review considers the group's cash flows, dividend cover and other key financial ratios over the period. These metrics are subject to sensitivity analysis which involves flexing a number of the main assumptions underlying the forecast both individually and in unison. Where appropriate, this analysis is carried out to evaluate the potential impact of the group's principal risks actually occurring. The five-year review also makes certain assumptions about the normal level of capital recycling likely to occur and considers whether additional financing facilities will be required.

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

J Richard Wollenberg
Chairman
11 May 2015

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT for the six months ended 31 March 2015

	Six months 31 March 2015 (Unaudited) £'000	Six months 31 March 2014 (Unaudited) £'000	Year 30 September 2014 (Audited) £'000
Revenue	**296**	257	534
Cost of sales	**3**	(17)	(65)
Gross profit	**299**	240	469
Administrative expenses	**(292)**	(236)	(452)
Other operating income	**175**	120	358
Operating profit before gains on investment properties and other investments	**182**	124	375
Surplus on revaluation of investment properties	**–**	–	667
Surplus on revaluation of other properties	**–**	–	4
Operating profit	**182**	124	1,046
Financial income	**31**	46	90
Share of results of joint venture	**335**	465	2,082
Profit before taxation	**548**	635	3,218
Taxation	**(43)**	(37)	(102)
Profit for the period attributable to equity holders	**505**	598	3,116
Earnings per share on profit for the period – pence			
Basic and diluted	**38.6**	45.2	236.5
Dividends			
Final 2014 paid 9.55p (2013: 9.25p)	**125**	122	122
Interim 2014 paid 3.4p (2013: 3.3p)	**–**	–	45
	125	122	167
Final 2014 proposed 9.55p	**–**	–	125
Interim 2015 proposed 3.5p (2014: 3.4p)	**46**	45	–
	46	45	125

The above results relate entirely to continuing activities. There were no acquisitions or disposals of businesses during these periods.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

at 31 March 2015

	31 March 2015 (Unaudited) £'000	31 March 2014 (Unaudited) £'000	30 September 2014 (Audited) £'000
Non-current assets			
Freehold investment properties	**4,510**	3,843	4,510
Investment in joint venture	**9,703**	7,751	9,368
Property, plant and equipment	**214**	209	213
Other financial assets	**744**	432	725
Deferred tax asset	**5**	4	5
Total non-current assets	**15,176**	12,239	14,821
Current assets			
Stock and work in progress	**668**	668	668
Trade and other receivables	**244**	1,146	764
Financial assets	**2,380**	2,017	2,204
Cash and cash equivalents	**2,254**	1,940	1,857
Total current assets	**5,546**	5,771	5,493
Total assets	**20,722**	18,010	20,314
Current liabilities			
Corporation tax	**(140)**	(118)	(100)
Trade and other payables	**(463)**	(467)	(497)
Total current liabilities	**(603)**	(585)	(597)
Non-current liabilities			
Deferred tax liability	**(62)**	(60)	(59)
Total non-current liabilities	**(62)**	(60)	(59)
Total liabilities	**(665)**	(645)	(656)
Net assets	**20,057**	17,365	19,658
Equity			
Called up share capital	**262**	264	262
Share premium account	**5,076**	5,076	5,076
Other reserves	**2,513**	2,545	2,494
Investment property revaluation reserve	**536**	(1,031)	577
Retained earnings	**11,670**	10,511	11,249
Shareholders' funds attributable to equity holders	**20,057**	17,365	19,658
Net assets per share	**£15.31**	£13.13	£15.00

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS for the six months ended 31 March 2015

	Six months 31 March 2015 (Unaudited) £'000	Six months 31 March 2014 (Unaudited) £'000	Year 30 September 2014 (Audited) £'000
Cash flows from operating activities			
Profit for the period	**505**	598	3,116
Adjustments for:			
Depreciation	**–**	1	1
Financial income	**(31)**	(46)	(90)
Share of profit of joint venture	**(335)**	(465)	(2,082)
Surplus on revaluation of investment properties	**–**	–	(667)
Surplus on revaluation of other properties	**–**	–	(4)
Taxation	**43**	37	102
Cash flows from operations before changes in working capital	**182**	125	376
Decrease/(increase) in trade and other receivables	**520**	(292)	90
(Decrease)/increase in trade and other payables	**(34)**	49	79
Cash generated from operations	**668**	(118)	545
Tax paid	**–**	–	(85)
Net cash flows from operating activities	**668**	(118)	460
Cash flows from investing activities			
Interest received	**31**	46	90
Acquisition of investments, and property, plant and equipment	**(1)**	(28)	(378)
Held to maturity deposits	**(176)**	17	(170)
Net cash flows from investing activities	**(146)**	35	(458)
Cash flows from financing activities			
Purchase of own shares	**–**	–	(123)
Dividends paid	**(125)**	(122)	(167)
Net cash flows from financing activities	**(125)**	(122)	(290)
Net increase/(decrease) in cash and cash equivalents	**397**	(205)	(288)
Cash and cash equivalents at beginning of period	**1,857**	2,145	2,145
Cash and cash equivalents at end of period	**2,254**	1,940	1,857

OTHER PRIMARY STATEMENTS

for the six months ended 31 March 2015

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

	Six months 31 March 2015 (Unaudited) £'000	Six months 31 March 2014 (Unaudited) £'000	Year 30 September 2014 (Audited) £'000
Profit for the financial period	**505**	598	3,116
Other items recognised directly in equity			
Net change in fair value of available for sale assets	**19**	–	(57)
Total comprehensive income and expense for the period attributable to equity holders of the parent company	**524**	598	3,059

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium account £'000	Other reserves £'000	Investment property revaluation reserve £'000	Retained earnings £'000	**Total equity £'000**
At 1 October 2013	264	5,076	2,545	(1,031)	10,035	**16,889**
Profit for the period	–	–	–	–	598	**598**
Transactions with equity holders						
Dividends	–	–	–	–	(122)	**(122)**
Total transactions with equity holders	–	–	–	–	(122)	**(122)**
At 31 March 2014	264	5,076	2,545	(1,031)	10,511	**17,365**
Profit for the period	–	–	–	–	2,518	**2,518**
Other comprehensive income	–	–	(57)	–	–	**(57)**
Transactions with equity holders						
Dividends	–	–	–	–	(45)	**(45)**
Purchase of own shares	(2)	–	2	–	(123)	**(123)**
Total transactions with equity holders	(2)	–	2	–	(168)	**(168)**
Transfer on revaluation of investment properties	–	–	–	1,608	(1,608)	**–**
Transfer on revaluation of other properties	–	–	4	–	(4)	**–**
At 30 September 2014	262	5,076	2,494	577	11,249	**19,658**
Profit for the period	–	–	–	–	505	**505**
Other comprehensive income	–	–	19	–	–	**19**
Transactions with equity holders						
Dividends	–	–	–	–	(125)	**(125)**
Total transactions with equity holders	–	–	–	–	(125)	**(125)**
Realisation of revaluation reserve	–	–	–	(41)	41	**–**
At 31 March 2015	262	5,076	2,513	536	11,670	**20,057**

STATEMENT OF RESPONSIBILITY

for the six months ended 31 March 2015

The directors are responsible for preparing the condensed consolidated interim financial statements for the six months ended 31 March 2015 and they confirm, to the best of their knowledge and belief, that:

- the condensed consolidated set of interim financial statements for the six months ended 31 March 2015 has been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of interim financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and

  b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the group during that period; and any changes in the related party transactions described in the last annual report that could do so.

J Richard Wollenberg, Chairman

David A Whitaker, Finance director

Nigel D Jamieson, Independent non-executive director

11 May 2015

1. BASIS OF PREPARATION

This condensed set of financial statements has been prepared in accordance with IAS 34 - Interim Financial Reporting as adopted by the EU.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the group's published consolidated financial statements for the year ended 30 September 2014.

The comparative figures for the financial year ended 30 September 2014 are not the group's statutory accounts for that financial year. Those accounts have been reported on by the group's auditor and delivered to the registrar of companies. The report of the auditor was: unqualified; did not give any reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and did not contain a statement under sections 498 (2) or (3) of the Companies Act 2006.

Accounting policies

The condensed consolidated interim financial statements have been prepared applying the accounting policies that were applied in the preparation of the group's published financial statements for the year ended 30 September 2014. Whilst numerous other IFRSs and Interpretations have been endorsed in the period to 31 March 2015 and have been adopted by the group, none of them has had a material impact on these interim financial statements.

Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The key areas in which estimates have been used and the assumptions applied are in valuing investment properties and properties in the joint venture, in valuing available for sale assets, in classifying properties and in the calculating of provisions.

An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the company's property portfolio at the end of each financial year. The directors of the joint venture value its portfolio each year; such valuation takes into account yields on similar properties in the area, vacant space and covenant strength. The directors of the group and joint venture review the valuations for the interim financial statements.

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Going concern

The group has sufficient financial resources to enable it to continue in operational existence for the foreseeable future, to complete the current maintenance and development program and meet its liabilities as they fall due. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these interim financial statements.

2. SEGMENTAL ANALYSIS

The group manages its operations in two segments, being property and other investments and property development. The results of these segments are regularly reviewed by the board as a basis for the allocation of resources, in conjunction with individual site investment appraisals and to assess their performance. Information regarding the revenue and profit before taxation for each reportable segment is set out below:

	Six months 31 March 2015 (Unaudited) £'000	Six months 31 March 2014 (Unaudited) £'000	Year 30 September 2014 (Audited) £'000
Revenue (wholly in the United Kingdom)			
Property and other investments being gross rents receivable	**296**	257	534
Profit before taxation			
Property and other investments	**412**	389	3,074
Property development	**136**	246	144
	548	635	3,218

The operations of the group are not seasonal.

3. TAXATION

The tax position for the six month period is estimated on the basis of the anticipated tax rates applying for the full year.

4. DIVIDENDS

The interim dividend of 3.5p per share will be paid on 8 July 2015 to shareholders on the register on 5 June 2015. Under accounting standards this dividend is not included in the condensed consolidated interim financial statements for the six months ended 31 March 2015.

5. EARNINGS PER SHARE

Earnings per share has been calculated using the profit after tax for the period of £505,000 (March 2014: £598,000; September 2014: £3,116,000) and the weighted average number of shares as follows:

	Weighted average number of shares		
	31 March 2015	31 March 2014	30 September 2014
Basic and diluted	**1,310,046**	1,322,287	1,317,592

DIRECTORS AND ADVISERS

DIRECTORS

J Richard Wollenberg
Chairman and chief executive

David A Whitaker FCA
Finance director

Nigel D Jamieson BSc, FCSI
Independent non-executive director

SECRETARY

David A Whitaker FCA

NON-EXECUTIVE DIRECTOR OF WHOLLY OWNED SUBSIDIARY FIRST CHOICE ESTATES PLC

Derek M Joseph BCom, FCIS

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AUDITOR

KPMG LLP

STOCKBROKERS AND FINANCIAL ADVISERS

Westhouse Securities Limited

BANKERS

HSBC Bank plc

SOLICITORS

Blake Morgan LLP

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REGISTERED NUMBER

22705

FINANCIAL CALENDAR

2015	12 May	Interim results for 2015 announced
	4 June	Ex-dividend date for interim dividend
	5 June	Record date for interim dividend
	8 July	Interim dividend to be paid
	30 September	End of accounting year
	December	Final results for 2015 announced
2016	January	Annual general meeting
	February	Final dividend to be paid

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