

THE CARDIFF PROPERTY plc
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 MARCH 2019



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 £26m, is primarily located to the west of London, close to Heathrow Airport and in Surrey and Berkshire.

HIGHLIGHTS:

		Six months 31 March 2019 (Unaudited)	Six months 31 March 2018 (Unaudited)	Year 30 September 2018 (Audited)
Revenue	£'000	320	336	650
Net assets per share	£	21.84	21.67	21.78
Profit before tax	£'000	304	715	1,114
Earnings per share (basic and diluted)	pence	20.1	52.4	80.6
Interim/total dividend per share	pence	4.6	4.4	16.6
Gearing	%	Nil	Nil	Nil

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INTERIM MANAGEMENT REPORT

Dear Shareholder,

Investment and letting activity in the Thames Valley commercial property market has seen a slowdown during the first half of the year. Businesses and investors are understandably reluctant to commit expenditure until the current political and economic uncertainties are resolved.

As a result, rental growth in the office market has taken a pause with tenants benefitting from competitive rentals. The first few months of the second half of the financial year has not seen any obvious improvement.

The commercial property investment market continues to remain firm as private and overseas investors are attracted to the high rate of return available compared to other asset classes. As always location, covenant and length of term remain an important factor in determining demand and values. Large industrial units used as distribution centres and located on the outskirts of major conurbations are sought after, especially as planning continues to restrict the availability of such new developments.

The Thames Valley retail market is mainly unchanged with some towns suffering increased vacant property whilst others continue to trade well despite obvious pressures. The group's retail assets are primarily based in Egham and Bracknell with both locations benefitting from recent town centre developments.

Activity in the residential market has experienced further slowdowns although with asking prices having already reduced typically by some 10% it is yet to be seen if this will stimulate demand. Although subject to recent criticism, various government Help to Buy schemes and the availability of lower cost mortgage finance continues to offer an attractive package to first time buyers. The group's residential activity falls very much within this category. The letting market remains fairly active with rental values holding firm.

FINANCIAL

For the six months ending 31 March 2019 profit before tax amounted to £0.30m (March 2018: £0.72m; September 2018: £1.11m). This figure includes an after-tax loss from Campmass Property Company Limited, our 47.62% joint venture, of £0.05m (March 2018: after-tax profit £0.36m; September 2018: after-tax profit £0.34m).

Revenue for the six months to 31 March 2019, represented by rental income, totalled £0.32m (March 2018: £0.34m; September 2018: £0.65m). The group's share of revenue from Campmass was £0.27m (March 2018: £0.80m; September 2018: £1.37m), represented by rental income of £0.27m (March 2018: £0.59m; September 2018: £0.47m) and property sales of nil (March 2018: £0.21m; September 2018: £0.90m). Rental income and sales figures for Campmass are not included in group revenue.

The comparable figures in brackets relate to the periods six months ended 31 March 2018 and the year ended 30 September 2018.

Net assets of the group as at 31 March 2019 were £27.20m (March 2018: £27.26m; September 2018: £27.29m), equivalent to £21.84 per share (March 2018: £21.67; September 2018: £21.78). The company's share of net assets of Campmass, included on the group balance sheet, amounted to £15.15m (March 2018: £15.22m; September 2018: £15.20m).

Your directors are of the opinion that, other than as mentioned in this report, there is no material change in the value of the group's property portfolio as at 31 March 2019.

During the six months to 31 March 2019 the company purchased 6,950 of its own shares (March 2018: 5,809; September 2018: 10,809 shares). There have been no material events or material changes in assets, liabilities or related party relationships since 30 September 2018.

INTERIM MANAGEMENT REPORT CONTINUED

Current IFRS accounting recommends that deferred tax is chargeable on the difference between the indexed cost of properties and quoted investments and their current market value. However, current IFRS accounting does not require the same treatment in respect of the Group's unquoted investment in Campmoss Property, our 47.62% owned joint venture. The investment in Campmoss is a substantial part of the company's net assets and for indicative purposes a disposal of this investment based on the value in the company's balance sheet at the 31 March 2019 could generate a tax liability of £2.58m (March 2018: £2.59m, September 2018: £2.58m), equivalent to £2.07 per share (March 2018: £2.06, September 2018: £2.06). This information is provided to shareholders as an additional, non-statutory disclosure.

DIVIDEND

Your directors have declared an interim dividend of 4.6p (interim March 2018: 4.4p; final September 2018: 12.2p), an increase of 5% which will be paid on 4 July 2019 to shareholders on the register at 31 May 2019.

THE INVESTMENT AND DEVELOPMENT PORTFOLIO

The group's freehold property portfolio, including those held by Campmoss, continues to be concentrated in the Thames Valley close to Heathrow Airport and to the west of London.

The office and retail investment at The White House, Egham, consists of five ground floor retail units and 5,100 sq. ft. net of air-conditioned office space on the upper floor. All retail units are fully occupied. Part of the upper floor office area has recently undergone extensive refurbishment and is now available to let.

The Windsor Business Centre, Windsor, comprises four business units totalling 9,500 sq. ft. and The Maidenhead Enterprise Centre, Maidenhead, six

business units totalling 14,000 sq. ft. All units are fully let on medium term leases. A recent planning application to extend three of the business units at Windsor has been granted and whilst these units continue to be occupied and available for sale, future development plans are currently being advanced and a decision on works will be made when the opportunity arises.

At Cowbridge Road, Cardiff, the property comprises a 14,650 sq. ft. commercial property and is currently let to Royal Mail for use as a mail sorting office. The lease is due to expire shortly and discussions with the tenant are in progress for a renewal of their lease. A planning application to extend the upper floor was submitted last year and discussions with the local authority are being progressed.

A freehold residential property in Egham has recently been refurbished and following the grant of planning permission additional space has been created in the roof area as well as an extension of the living space. The property has recently been placed on the market for sale.

At Tilehurst, Reading, detailed discussions are taking place with the local planning authority for a revised residential scheme.

At Heritage Court, Egham four ground floor retail units are all let on medium term leases. The upper floors were previously sold on a long leasehold basis.

CAMPMOSS PROPERTY COMPANY LIMITED AND SUBSIDIARIES

Campmoss continues to implement its development programme and work towards achieving planning permissions for existing assets in the portfolio. As expected rental income has been affected by obtaining vacant possession of Britannia Wharf, Woking, ahead of achieving a planning permission. The building has now been demolished.

New lettings at The Priory Burnham are for similar reasons being restricted to short lease terms.

At Alston House, Market Street, Bracknell the development of 10 retail units on ground and first floor and 12 residential units on the 2nd and 3rd floor is expected to complete shortly. Long term leases for five of the retail units have been contracted and the apartments will be marketed for sale following completion of the show home.

In Bracknell development of the adjoining building to Alston House known as Westview, Market Street, was completed last year and all retail units on ground and first floor are now let on medium term leases to national and local businesses.

At Gowring House, Market Street, Bracknell, three apartments are let on Assured Shorthold Tenancies with two available for sale. The three ground floor retail units are all let on medium term leases.

At Britannia Wharf, Woking, Campmoss has been successful in achieving planning permissions for a 83-bedroom care home and as an alternative a residential scheme for 52 apartments. The residential scheme has attracted a number of approaches from developers and discussions are in progress with regard to a joint venture scheme. As mentioned previously vacant possession of the building was achieved last year and the building subsequently demolished.

At Clivemont House and Highway House, Maidenhead planning permissions were previously granted for separate office schemes of 48,000 sq. ft. net and 45,000 sq. ft. net. respectively. At Clivemont House as an alternative to a speculative office scheme further discussion are taking place with the local authority with regard to a residential scheme. The cleared site at Highway House is currently let as car parking to a local business.

At the Priory, Burnham the 26,000 sq. ft. building comprises new office premises on three floors totalling 17,000 sq. ft. and an adjoining grade II Listed Office Building of 9,000 sq. ft. used as a Business Centre. Part of the offices and Business Centre are currently available on a short-term basis whilst the company is preparing a planning application for re-development of the property.

QUOTED INVESTMENTS

The company retains a small portfolio of quoted retail bonds and equity investments. The market value of the portfolio marginally declined 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 LR9.2.2AR of the Listing Rules.

OUTLOOK

The group continues to work towards achieving beneficial planning grants for existing property assets and to complete lease renewals. Completion of the retail and residential scheme at Alston House, Bracknell is expected to provide additional income and plans to develop the residential scheme at Britannia Wharf, Woking are being advanced.

Inevitably prospects will be influenced by the resolution or otherwise of the current political and economic uncertainty. The group's strong financial position will allow it to both manage its property assets within a difficult environment and take advantage of opportunities that might become available.

I look forward to reporting progress at the financial year end.

J Richard Wollenberg

Chairman
8 May 2019

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

for the six months ended 31 March 2019

	Six months 31 March 2019 (Unaudited) £'000	Six months 31 March 2018 (Unaudited) £'000	Year 30 September 2018 (Audited) £'000
Revenue	320	336	650
Cost of sales	(25)	(25)	(30)
Gross profit	295	311	620
Administrative expenses	(256)	(295)	(536)
Other operating income	287	314	671
Operating profit before gains on investment properties and other investments	326	330	755
(Deficit)/surplus on revaluation of investment properties	–	–	(25)
Operating profit	326	330	730
Financial income	29	25	48
Share of results of joint venture	(51)	360	336
Profit before taxation	304	715	1,114
Taxation	(53)	(53)	(101)
Profit for the period attributable to equity holders	251	662	1,013
Earnings per share on profit for the period – pence			
Basic and diluted	20.1	52.4	80.6
Dividends			
Final 2018 paid 12.2p (2017: 11.5p)	153	145	145
Interim 2018 paid 4.4p	–	–	55
	153	145	200
Final 2018 proposed 12.2p	–	–	153
Interim 2019 proposed 4.6p (2018: 4.4p)	57	55	–
	57	55	153

These results relate entirely to continuing operations. There were no acquisitions or disposals during these periods.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

for the six months ended 31 March 2019

	Six months 31 March 2019 (Unaudited) £'000	Six months 31 March 2018 (Unaudited) £'000	Year 30 September 2018 (Audited) £'000
Profit for the financial period	251	662	1,013
Other items recognised directly in equity			
Net change in fair value of available for sale assets	(62)	(13)	(185)
Net change in fair value of other properties	–	–	(4)
Total comprehensive income and expense for the period attributable to equity holders of the parent company	189	649	824

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

at 31 March 2019

	31 March 2019 (Unaudited) £'000	31 March 2018 (Unaudited) £'000	30 September 2018 (Audited) £'000
Non-current assets			
Freehold investment properties	5,962	5,863	5,927
Property, plant and equipment	296	301	298
Investment in joint venture	15,150	15,224	15,200
Other financial assets	824	1,058	886
Total non-current assets	22,232	22,446	22,311
Current assets			
Stock and work in progress	675	668	672
Trade and other receivables	108	150	142
Financial assets	3,597	1,851	200
Cash and cash equivalents	1,375	2,991	4,718
Total current assets	5,755	5,660	5,732
Total assets	27,987	28,106	28,043
Current liabilities			
Trade and other payables	(685)	(701)	(645)
Total current liabilities	(685)	(701)	(645)
Non-current liabilities			
Deferred tax liability	(98)	(143)	(108)
Total non-current liabilities	(98)	(143)	(108)
Total liabilities	(783)	(844)	(753)
Net assets	27,204	27,262	27,290
Equity			
Called up share capital	249	252	251
Share premium account	5,076	5,076	5,076
Other reserves	2,525	2,760	2,585
Investment property revaluation reserve	827	997	827
Retained earnings	18,527	18,177	18,551
Shareholders' funds attributable to equity holders	27,204	27,262	27,290
Net assets per share	£21.84	£21.67	£21.78

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS for the six months ended 31 March 2019

	Six months 31 March 2019 (Unaudited) £'000	Six months 31 March 2018 (Unaudited) £'000	Year 30 September 2018 (Audited) £'000
Cash flows from operating activities			
Profit for the period	251	662	1,013
Adjustments for:			
Depreciation	2	3	5
Financial income	(29)	(25)	(48)
Share of loss/(profit) of joint venture	51	(360)	(336)
(Deficit)/surplus on revaluation of investment properties	–	–	25
Taxation	53	53	101
Cash flows from operations before changes in working capital	328	333	760
Decrease/(increase) in trade and other receivables	36	(57)	(51)
(Decrease)/increase in trade and other payables	(24)	6	(19)
Cash generated from operations	340	282	690
Tax paid	–	–	(112)
Net cash flows from operating activities	340	282	578
Cash flows from investing activities			
Interest received	28	23	47
Acquisition of investments, and property, plant and equipment	(39)	(71)	(168)
(Increase)/decrease in financial assets	(3,397)	(481)	1,170
Net cash flows from investing activities	(3,408)	(529)	1,049
Cash flows from financing activities			
Purchase of own shares	(122)	(102)	(194)
Dividends paid	(153)	(145)	(200)
Net cash flows from financing activities	(275)	(247)	(394)
Net (decrease)/increase in cash and cash equivalents	(3,343)	(494)	1,233
Cash and cash equivalents at beginning of period	4,718	3,485	3,485
Cash and cash equivalents at end of period	1,375	2,991	4,718

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2019

	Share capital £'000	Share premium account £'000	Other reserves £'000	Investment property revaluation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 October 2017	253	5,076	2,772	997	17,762	26,860
Profit for the period	–	–	–	–	662	662
Other comprehensive income – revaluation of investments	–	–	(13)	–	–	(13)
<i>Transactions with equity holders</i>						
Dividends	–	–	–	–	(145)	(145)
Purchase of own shares	(1)	–	1	–	(102)	(102)
Total transactions with equity holders	(1)	–	1	–	(247)	(247)
At 31 March 2018	252	5,076	2,760	997	18,177	27,262
Profit for the period	–	–	–	–	351	351
Other comprehensive income – revaluation of investments	–	–	(172)	–	–	(172)
Revaluation of other property	–	–	(4)	–	–	(4)
<i>Transactions with equity holders</i>						
Dividends	–	–	–	–	(55)	(55)
Purchase of own shares	(1)	–	1	–	(92)	(92)
Total transactions with equity holders	(1)	–	1	–	(147)	(147)
Transfer on revaluation of investment properties – Cardiff	–	–	–	(25)	25	–
Transfer on revaluation of investment properties – Campmoss	–	–	–	(145)	145	–
At 30 September 2018	251	5,076	2,585	827	18,551	27,290
Profit for the period	–	–	–	–	251	251
Other comprehensive income – revaluation of investments	–	–	(62)	–	–	(62)
<i>Transactions with equity holders</i>						
Dividends	–	–	–	–	(153)	(153)
Purchase of own shares	(2)	–	2	–	(122)	(122)
Total transactions with equity holders	(2)	–	2	–	(275)	(275)
At 31 March 2019	249	5,076	2,525	827	18,527	27,204

STATEMENT OF RESPONSIBILITY

for the six months ended 31 March 2019

The directors are responsible for preparing the condensed consolidated interim financial statements for the six months ended 31 March 2019 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 2019 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

Karen L Chandler, Finance director

Nigel D Jamieson, Independent non-executive director

8 May 2019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 March 2019

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 2018.

The comparative figures for the financial year ended 30 September 2018 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 will be applied in the preparation of the group's financial statements for the year ended 30 September 2019.

The only changes to International Financial Reporting Standards which are relevant to the group which have arisen since the last year end are the implementation of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts with customers). The directors have concluded that the impact of these new Standards is unlikely to be material to the Group and, consequently, in all other respects these condensed consolidated interim financial statements have been prepared on the same basis as the group's financial statements for the year ended 30 September 2019.

The directors are still evaluating the impact of IFRS 16 (Leases) which is effective from 1 January 2019.

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 programme 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

for the six months ended 31 March 2019

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 2019 (Unaudited) £'000	Six months 31 March 2018 (Unaudited) £'000	Year 30 September 2018 (Audited) £'000
Revenue (wholly in the United Kingdom)			
Property and other investments being gross rents Receivable	320	336	650
Profit before taxation			
Property and other investments	206	595	416
Property development	98	120	698
	304	715	1,114

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 4.6p per share will be paid on 4 July 2019 to shareholders on the register on 31 May 2019. Under accounting standards this dividend is not included in the condensed consolidated interim financial statements for the six months ended 31 March 2019.

5. EARNINGS PER SHARE

Earnings per share has been calculated using the profit after tax for the period of £251,000 (March 2018: £662,000; September 2018: £1,013,000) and the weighted average number of shares as follows:

	Weighted average number of shares		
	31 March (Unaudited) 2019	31 March (Unaudited) 2018	30 September (Audited) 2018
Basic and diluted	1,250,872	1,261,654	1,258,139

DIRECTORS AND ADVISERS

DIRECTORS

J Richard Wollenberg
Chairman and chief executive

Karen L Chandler FCA
Finance director

Nigel D Jamieson BSc, FCSI
Independent non-executive director

SECRETARY

Karen L Chandler FCA

NON-EXECUTIVE DIRECTOR OF WHOLLY OWNED SUBSIDIARY

First Choice Estates plc
Derek M Joseph BCom, FCIS

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FINANCIAL CALENDAR

2019	8 May	Interim results for 2019 announced
	30 May	Ex-dividend date for interim dividend
	31 May	Record date for interim dividend
	4 July	Interim dividend to be paid
	30 September	End of accounting year
	December	Final results for 2019 announced
2020	January	Annual General Meeting
	February	Final dividend to be paid

AUDITOR

Crowe U.K. LLP

STOCKBROKERS AND FINANCIAL ADVISERS

Shore Capital

BANKERS

HSBC Bank plc

SOLICITORS

Blake Morgan LLP

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