THE CARDIFF PROPERTY plc

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 MARCH 2018

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 £25m, is primarily located to the west of London, close to Heathrow Airport and in Surrey and Berkshire.

HIGHLIGHTS:

		Six months 31 March 2018 (Unaudited)	Six months 31 March 2017 (Unaudited)	Year 30 September 2017 (Audited)
Revenue	£'000	**336**	284	552
Net assets per share	£	**21.67**	19.07	21.26
Profit before tax	£'000	**715**	561	3,359
Earnings per share (basic and diluted)	pence	**52.4**	39.2	253.7
Interim/total dividend per share	pence	**4.4**	4.00	15.5
Gearing	%	**Nil**	Nil	Nil

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INTERIM MANAGEMENT REPORT

The Thames Valley commercial property market continues to experience a good level of tenant demand, although it is noticeable that a more cautious attitude is currently being taken leading to requests for shorter leases or break clauses. Office and industrial rental levels remain firm and it is particularly encouraging to report that in certain Thames Valley locations further growth is being predicted.

Concerns regarding Brexit, the UK economy and increases in interest rates are still apparent, yet the commercial property investment market remains active as investors seek to obtain higher rates of return than those available in other markets.

As anticipated last year, the slow down in activity in the residential market has resulted in lower values, particularly at the high end of the market. At the lower range the majority of properties have retained their value and it is noticeable that first time buyers are benefitting from the government's various Help to Buy schemes. This is particularly evident at our joint venture residential developments in Bracknell.

FINANCIAL

For the six months ending 31 March 2018 profit before tax amounted to £0.72m (March 2017: £0.56m; September 2017: £3.36m). This figure includes an after-tax profit from Campmoss Property Company Limited, our 47.62% joint venture, of £0.36m (March 2017: £0.27m; September 2017: £1.84m).

Revenue for the six months to 31 March 2018, represented by rental income, totalled £0.34m (March 2017: £0.28m; September 2017: £0.55m). The group's share of revenue from Campmoss was £0.80m (March 2017: £0.53m; September 2017: £1.22m), represented by rental income of £0.59m (March 2017: £0.53m; September 2017: £0.98m) and property sales of £0.21m (March 2017: £nil; September 2017: £0.24m). Rental income and sales figures for Campmoss are not included in group revenue.

The comparable figures in brackets relate to the periods six months ending 31 March 2017 and the year end 30 September 2017.

Net assets of the group as at 31 March 2018 were £27.26m (March 2017: £24.23m; September 2017: £26.86m), equivalent to £21.67 per share (March 2017: £19.07; September 2017: £21.26). The company's share of net assets of Campmoss, included on the group balance sheet, amounted to £15.22m (March 2017: £13.29m; September 2017: £14.86m).

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 2018.

During the six months to 31 March 2018 the company purchased 5,809 of its own shares (March 2017: nil; September 2017: 7,128 shares). There have been no material events or material changes in assets, liabilities or related party relationships since 30 September 2017.

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.

INTERIM MANAGEMENT REPORT CONTINUED

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 31 March 2018 could generate a tax liability of £2.59m (March 2017: £2.26m, September 2017: £2.53m), equivalent to 206p per share (March 2017: 178p, September 2017: 200p). This information is provided to shareholders as an additional, non-statutory disclosure.

DIVIDEND

Your directors have declared an interim dividend of 4.4p (interim March 2017: 4p; final September 2017: 11.5p), an increase of 10% which will be paid on 5 July 2018 to shareholders on the register at 1 June 2018.

INVESTMENT AND DEVELOPMENT PORTFOLIO

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

The office and retail investment at The White House, Egham, comprising five ground floor retail units with offices above, is fully occupied. The majority are let on medium term leases, some of which include annual rental increases. One of the upper floor office suites is anticipated to be vacated at the end of the year and discussions with prospective tenants are ongoing.

The Maidenhead Enterprise Centre, Maidenhead, offers six business units totalling 14,000 sq. ft., is fully let and negotiations with one of the tenants for a lease renewal is in progress.

The Windsor Business Centre, Windsor, comprises four business units totalling 9,500 sq. ft., all of which are let. Planning permission was recently granted to increase the useable office area within one of the units and a further application to achieve additional space at the other three units is being prepared.

Cowbridge Road, Cardiff, comprises a 14,650 sq. ft. commercial property on two floors and is let to Royal Mail for use as a mail sorting office. The lease expires in June 2019 and discussions with Royal Mail to extend their lease are in progress. Plans to increase the useable floor space are under negotiations with the local authority.

Heritage Court, Egham, comprises four retail units with eight residential apartments on the upper three floors. The apartments were previously sold on long leaseholds. The retails units are fully let with one of the units recently re-let on a medium-term lease achieving an increase in rental.

The company occupies its own freehold office in Egham and retains as an investment a freehold residential property in Egham. Following the grant of planning permission, works to extend and upgrade the residential property are expected to complete in July this year.

At Tilehurst, Reading, our outline residential planning application was refused and further discussions are taking place with the local planning authority.

CAMPMOSS PROPERTY COMPANY LIMITED AND SUBSIDIARIES

Campmoss continues with its extensive programme of planning, re-development, sales and letting. Currently the main development and sales activity is in Bracknell, Berkshire. Bracknell has benefitted from the recent opening of the Lexicon Shopping Centre and the improvement of rail connections to Waterloo.

At Alston House, Market Street, Bracknell, the construction of ten new retail units on the ground and first floor and 12 residential units on the second and third floors is well advanced. This development is expected to complete by summer 2018 and the majority of retail units are under offer.

At Westview, adjacent to Alston House, the development of eight retail units on ground and first floors was completed last year and are all let on either medium or long term leases.

Gowring House, Market Street, Bracknell, previously an office building on ground and five upper floors, was converted to provide three retail units on the ground floor and 30 residential apartments on the upper floors. The retail units are all let on medium term leases and sales of 22 apartments have completed, five of which took place in the first half of this year. The remaining eight residential units include a show apartment and three apartments let on yearly lease agreements. Two units for sale are currently under offer.

Following the sale of Worplesdon View, Worplesdon, Campmoss continue to own an adjacent 2.5-acre site which, subject to planning, may be available for alternative uses.

At Britannia Wharf, Woking, planning permission was granted in July 2017 for an 82-bedroom care home and discussions with prospective management companies are taking place. An alternative residential scheme remains under detailed discussion with the Local Authority.

At Clivemont House and Highway House, Maidenhead, planning permissions were previously granted for separate office schemes together totalling over 90,000 sq. ft. In view of the uncertain local office market, commencement of these developments will only proceed when a significant pre-letting is achieved. A planning application for a residential scheme at Clivemont House has been submitted.

At The Priory, Burnham, the 26,000 sq. ft. building consists of new office premises on three floors totalling 17,000 sq. ft. and an adjoining Grade II listed office building of 9,000 sq. ft. which is used as a Business Centre. Following negotiations, two existing tenants have reorganised their space requirements and part of the office space in the new building and Business Centre is currently being marketed. Plans over the next few years include submitting a planning application for re-development of the site.

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 economy and the property market have performed significantly better than predicted at the time of the Brexit vote and the General Election. Interest rates remain low and projected increases are limited. If the economy remains resilient the property market should perform likewise.

The group should benefit from the completion of its current development programme and I therefore look forward to reporting further at the year end.

J Richard Wollenberg
Chairman
8 May 2018

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT for the six months ended 31 March 2018

	Six months 31 March 2018 (Unaudited) £'000	Six months 31 March 2017 (Unaudited) £'000	Year 30 September 2017 (Audited) £'000
Revenue	**336**	284	552
Cost of sales	**(25)**	(9)	(57)
Gross profit	**311**	275	495
Administrative expenses	**(295)**	(272)	(511)
Other operating income	**314**	261	577
Operating profit before gains on investment properties and other investments	**330**	264	561
Surplus on revaluation of investment properties	**–**	–	905
Operating profit	**330**	264	1,466
Financial income	**25**	27	54
Share of results of joint venture	**360**	269	1,839
Profit before taxation	**715**	561	3,359
Taxation	**(53)**	(62)	(141)
Profit for the period attributable to equity holders	**662**	498	3,218
Earnings per share on profit for the period - pence			
Basic and diluted	**52.4**	39.2	253.7
Dividends			
Final 2017 paid 11.5p (2016: 10.4p)	**145**	132	132
Interim 2017 paid 4.0p	**–**	–	51
	145	132	183
Final 2017 paid 11.5p	**–**	–	145
Interim 2018 proposed 4.4p (2017: 4.0p)	**55**	51	–
	55	51	145

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 2018

	Six months 31 March 2018 (Unaudited) £'000	Six months 31 March 2017 (Unaudited) £'000	Year 30 September 2017 (Audited) £'000
Profit for the financial period	**662**	498	3,218
Other items recognised directly in equity			
Net change in fair value of available for sale assets	**(13)**	27	72
Net change in fair value of other properties	**–**	–	30
Total comprehensive income and expense for the period attributable to equity holders of the parent company	**649**	525	3,320

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

at 31 March 2018

	31 March 2018 (Unaudited) £'000	31 March 2017 (Unaudited) £'000	30 September 2017 (Audited) £'000
Non-current assets			
Freehold investment properties	**5,863**	4,880	5,792
Property, plant and equipment	**301**	275	303
Investment in joint venture	**15,224**	13,294	14,864
Other financial assets	**1,058**	969	1,071
Deferred tax asset	**–**	2	5
Total non-current assets	**22,446**	19,420	22,035
Current assets			
Stock and work in progress	**668**	668	668
Trade and other receivables	**150**	405	91
Financial assets	**1,851**	1,070	1,370
Cash and cash equivalents	**2,991**	3,405	3,485
Total current assets	**5,660**	5,548	5,614
Total assets	**28,106**	24,968	27,649
Current liabilities			
Trade and other payables	**(701)**	(599)	(629)
Total current liabilities	**(701)**	(599)	(629)
Non-current liabilities			
Deferred tax liability	**(143)**	(137)	(160)
Total non-current liabilities	**(143)**	(137)	(160)
Total liabilities	**(844)**	(736)	(789)
Net assets	**27,262**	24,232	26,860
Equity			
Called up share capital	**252**	254	253
Share premium account	**5,076**	5,076	5,076
Other reserves	**2,760**	2,696	2,772
Investment property revaluation reserve	**997**	2,935	997
Retained earnings	**18,177**	13,271	17,762
Shareholders' funds attributable to equity holders	**27,262**	24,232	26,860
Net assets per share	**£21.67**	£19.07	£21.26

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS for the six months ended 31 March 2018

	Six months 31 March 2018 (Unaudited) £'000	Six months 31 March 2017 (Unaudited) £'000	Year 30 September 2017 (Audited) £'000
Cash flows from operating activities			
Profit for the period	**662**	498	3,218
Adjustments for:			
Depreciation	**3**	3	5
Financial income	**(25)**	(27)	(54)
Share of profit of joint venture	**(360)**	(269)	(1,839)
Surplus on revaluation of investment properties	**–**	–	(905)
Taxation	**53**	62	141
Cash flows from operations before changes in working capital	**333**	267	566
(Increase)/decrease in trade and other receivables	**(57)**	(61)	1
Increase/(decrease) in trade and other payables	**6**	(21)	57
Cash generated from operations	**282**	185	624
Tax paid	**–**	(1)	(107)
Net cash flows from operating activities	**282**	184	517
Cash flows from investing activities			
Interest received	**23**	28	56
Acquisition of investments, and property, plant and equipment	**(71)**	(100)	(164)
(Increase)/decrease in cash deposits with a maturity of > 90 days	**(481)**	(23)	(323)
Net cash flows from investing activities	**(529)**	(95)	(431)
Cash flows from financing activities			
Purchase of own shares	**(102)**	–	(116)
Dividends paid	**(145)**	(132)	(183)
Loan repaid by Joint Venture	**–**	1,250	1,500
Net cash flows from financing activities	**(247)**	1,118	1,201
Net (decrease)/increase in cash and cash equivalents	**(494)**	1,207	1,287
Cash and cash equivalents at beginning of period	**3,485**	2,198	2,198
Cash and cash equivalents at end of period	**2,991**	3,405	3,485

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY for the six months ended 31 March 2018

	Share capital £'000	Share premium account £'000	Other reserves £'000	Investment property revaluation reserve £'000	Retained earnings £'000	**Total equity £'000**
At 1 October 2016	254	5,076	2,669	3,749	12,091	**23,839**
Profit for the period	–	–	–	–	498	**498**
Other comprehensive income – revaluation of investments	–	–	27	–	–	**27**
Transactions with equity holders						
Dividends	–	–	–	–	(132)	**(132)**
Total transactions with equity holders	–	–	–	–	(132)	**(132)**
Realisation of revaluation reserve	–	–	–	(814)	814	**–**
At 31 March 2017	254	5,076	2,696	2,935	13,271	**24,232**
Profit for the period	–	–	–	–	2,720	**2,720**
Other comprehensive income – revaluation of investments	–	–	45	–	–	**45**
Revaluation of other property	–	–	30	–	–	**30**
Transactions with equity holders						
Dividends	–	–	–	–	(51)	**(51)**
Purchase of own shares	(1)	–	1	–	(116)	**(116)**
Total transactions with equity holders	(1)	–	1	–	(167)	**(167)**
Realisation of revaluation reserve	–	–	–	(3,136)	3,136	**–**
Transfer on revaluation of investment properties – Cardiff	–	–	–	905	(905)	**–**
Transfer on revaluation of investment properties – Campmoss	–	–	–	293	(293)	**–**
At 30 September 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)**
Transactions with equity holders						
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**

STATEMENT OF RESPONSIBILITY

for the six months ended 31 March 2018

The directors are responsible for preparing the condensed consolidated interim financial statements for the six months ended 31 March 2018 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 2018 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 2018

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 March 2018

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 2017.

The comparative figures for the financial year ended 30 September 2017 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 2017.

There are no IFRSs and Interpretations which have been endorsed in the period to 31 March 2018, which have 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 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 2018

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 2018 (Unaudited) £'000	Six months 31 March 2017 (Unaudited) £'000	Year 30 September 2017 (Audited) £'000
Revenue (wholly in the United Kingdom)			
Property and other investments being gross rents Receivable	**336**	284	552
Profit before taxation			
Property and other investments	**595**	472	3,211
Property development	**120**	89	148
	715	561	3,359

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 4.4p per share will be paid on 5 July 2018 to shareholders on the register on 1 June 2018. Under accounting standards this dividend is not included in the condensed consolidated interim financial statements for the six months ended 31 March 2018.

5. EARNINGS PER SHARE

Earnings per share has been calculated using the profit after tax for the period of £662,000 (March 2017: £498,000; September 2017: £3,218,000) and the weighted average number of shares as follows:

	Weighted average number of shares		
	31 March 2018	31 March 2017	30 September 2017
Basic and diluted	**1,261,654**	1,270,709	1,278,420

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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KPMG LLP
Stockbrokers and financial advisers
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BANKERS

HSBC Bank plc

SOLICITORS

Blake Morgan LLP

REGISTRAR AND TRANSFER OFFICE

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REGISTERED NUMBER

00022705

FINANCIAL CALENDAR

2018	9 May	Interim results for 2018 announced
	31 May	Ex-dividend date for interim dividend
	1 June	Record date for interim dividend
	5 July	Interim dividend to be paid
	30 September	End of accounting year
	December	Final results for 2018 announced
2019	January	Annual General Meeting
	February	Final dividend to be paid

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