



# GLENSTONE

Property Group

## **Chairman's Interim Statement 2018**

Whilst there haven't been any significant changes to the property portfolio in the first 6 months of the current financial year the executive team have been actively managing the portfolio with a focus on maintaining rental income. With a challenging economic outlook and political uncertainty, the first half year results are pleasing.

### **Financial Highlights**

The highlights of the first 6 months of the current financial year are:

Rental income was marginally down to £4,764,249 from £4,782,335 on the previous equivalent 6 month period. This small drop represents the effects of strategic sales of non core low yielding and high management intensive properties. Void rates remain low at 4 % and we have had no property tenants fall into administration or receivership. With property assets down approximately £6m over the equivalent period last year it is indeed pleasing to see overall rental income steady.

The profit on ordinary activities was £2,638,974 compared to £3,859,585 in the previous equivalent 6 month period. The profit includes rental income, profits or losses on disposals of properties and proceeds of development property sales.

The profit on the disposal of tangible assets is down to £68,252 from £877,252 in the previous equivalent 6 month period. Sales in the current period have been largely been strategic non core asset sales rather than opportunistic disposals that previously provided healthy profits. Since the half year however the sale of a mixed use retail/residential property in Tooting was sold at auction and yielded approximately £310,000 of profit.

There have been no development stock sales in the period and it is likely that it will be well into the next financial year before any occur. During the equivalent reporting period last year £455,000 of development stock sales were recorded.

At the March 2018 year end the property assets value was £144,387,324 and at the end of September it was £148,372,165. A further reduction of £750,000 (sold for £1,080,000) is due in November on the completion of the sale of the aforementioned Tooting retail/residential property. It is worth pointing out that the property assets represent the March 2018 valuations and only at the March 2019 year end will

an updated independent valuation be carried out. In line with the market the Directors are anticipating some downward pressures on the valuations.

### **Portfolio Re-alignment**

We have continued to seek to dispose of low yielding, highly management intensive properties and those high street retail properties which we feel are more vulnerable to the pressures on the high street.

Disposals during the 6 month period included the sale of a ground rent portfolio in Northern Ireland at a fraction over its carrying value. The administrative burden of this asset was significant and the net yields considerably lower than required. The retail unit in Bradford was sold following a long period of vacancy and business rates expense. A retail property in Huntingdon, a residential property in Surbiton, London and small retail property in Hammersmith were also sold.

During the first six months of the year we have purchased two properties. The first was a large public house in Catford, south east London. This adds to our pub portfolio, yields well and is operated by a trusted partner. The second was a commercial unit in Bedford that provides the headquarters of Prices Candles.

### **Development**

With building costs continuing to increase and residential properties on a slow decline the prospects for any significant profits in the short to medium term are limited. The executive team are concentrating on completing the 2 current projects and are currently reluctant to look at other opportunities. Should opportunistic developments present themselves the assumptions and stress tests applied will be vigorous.

### **Personnel**

Since Duncan Kennedy's departure the executive team have been working very hard. Adam and Ben have been actively pursuing acquisition opportunities and building the breadth and depth of key agent relationships. They have ensured the property administration database is fully populated and updated whenever an event occurs. This enables a much more structured approach to our property asset management and businesses plans on each core asset are being prepared.

In order to focus their attention on strategic matters Sarah Mallinson has been hired to manage our multi let commercial properties. She comes from a property background and is making a significant impact on the management of some of our key properties.

### **Share Liquidity**

We have talked previously about trying to improve share liquidity and one of the options is to introduce a process by which the company will buy back shares and keep them in "treasury" to sell on in future. It is a complex process that requires compliance with the Articles of Association, Company Law and

Financial Conduct Authority regulations. We are confident we can create a method of having windows available for keen sellers to transact. We will need the assistance of our stockbrokers to facilitate.

We are hoping that at our shareholder update meeting in February 2019 we can provide a positive update.

### **Property Income Distribution**

The first interim PID to be paid in December 2018 will be 25p. This represents a small increase on the previous first interim and demonstrates the executive team's belief that despite challenging times the PID can be maintained.

### **Strategy Update**

We look forward to seeing shareholders on 27<sup>th</sup> February 2019 at midday at The Lansdowne Club where an update will be provided on the strategy.

Chris Powell  
December 2018

**GLENSTONE PROPERTY PLC**  
 (Company no. 00986343)  
**CONSOLIDATED PROFIT & LOSS ACCOUNT**

	Unaudited 6 months ended 30 September 2018	Audited 12 months ended 31 March 2018
Turnover	4,931,619	10,214,499
Cost of Sales	-683,736	-1,998,252
<b>Gross Profit</b>	<u>4,247,883</u>	<u>8,216,247</u>
Administrative expenses	-1,139,920	-2,148,885
Profit on disposal of tangible assets	68,252	2,144,483
<b>Operating Profit</b>	<u>3,176,215</u>	<u>8,211,845</u>
Interest receivable	2,574	8,218
Interest payable	-539,815	-1,156,875
<b>Profit before taxation and minority interest</b>	<u>2,638,974</u>	<u>7,063,188</u>
Taxation	0	-29,350
<b>Net profit for the period</b>	<u>2,638,974</u>	<u>7,033,838</u>
<b>Other comprehensive income</b>		
Fair value gains on investment properties	0	-1,066,882
Discount of acquisition of subsidiaries	0	
<b>Total comprehensive income for the period</b>	<u><u>2,638,974</u></u>	<u><u>5,966,956</u></u>
Profit for the financial period is attributable to:		
Owners of the parent company	2,677,026	5,949,516
Non-controlling interests	-38,052	17,440
	<u><u>2,638,974</u></u>	<u><u>5,966,956</u></u>

## **GLENSTONE PROPERTY PLC**

(Company no. 00986343)

### **NOTES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT**

#### **1. General**

The principal accounting policies of the Group are set out in the Group's 2018 Annual Report and financial statements. The policies applied in the production of the interim profit and loss account remain unchanged.

The financial information set out in this interim report does not constitute statutory accounts as defined in the Companies Act 2006.

The Group's financial statements for the year ended 31 st March 2018, prepared under FRS102, have been filed with the Registrar of Companies.

The auditor's report on those financial statements was unqualified.

#### **2. Turnover**

Rental, Service and Miscellaneous	4,931,619	9,769,499
Development Stock sales	0	445,000
	<u>4,931,619</u>	<u>10,214,499</u>

#### **3. Cost of Sales**

Property Operating Costs	683,736	1,794,922
Development Property Costs		203,330
	<u>683,736</u>	<u>1,998,252</u>

#### **4. Property Income Distributions**

2017 - Second Interim	37.5p per share	3,202,954
2018 - First Interim	24.0p per share	2,049,891
2018 - Second Interim	31.0p per share	2,997,411