GLENSTONE
Property Group

Annual Report 2014

CONTENTS

COMPANY INFORMATION

Directors	C. L. Powell MRICS (Chairman) D. J. Kennedy (Managing Director) P. C. Schorb FCCA (Finance Director) B. P. Green MRICS (Property Director) J. H. Nugent
Secretary	P C Schorb FCCA
Company number	00986343
Registered office	St. John's House East Street Leicester LE1 6NB
Auditors	Clear & Lane 340 Melton Road Leicester LE4 7SL
Bankers	Lloyds Bank plc 2nd Floor 125 Colmore Row Birmingham B3 3SF
Solicitors	Spearing Waite LLP 41 Friar Lane Leicester LE1 5RB
	Druces and Attlee Salisbury House London Wall London EC2M 5PS
Valuers	Jones Lang LaSalle Ltd Chartered Surveyors 22 Hanover Square London W1S 1JA

NOTICE OF MEETING

Notice is hereby given that the 44th Annual General Meeting of the Company will be held at the Leicestershire Golf Club, Evington Lane, Leicester on 20 June 2014 at 12.00 noon for the following purposes.

1 To receive and adopt the Directors' Report and Statement of Accounts for the year ended 31 January 2014.

2 To approve the interim distributions and declare a final distribution for the year.

3 To re-elect Directors.

4 To re-appoint Clear & Lane as Auditors of the Company and to authorise the Directors to fix their remuneration.

5 To transact any other business of an Annual General Meeting.

NOTE

Every Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on their behalf. A proxy need not be a member of the company.

By order of the Board
P C Schorb FCCA
Secretary

St John's House
East Street
Leicester
LE1 6NB

17 April 2014

CHAIRMAN'S STATEMENT AND STRATEGIC REPORT - 2014

For the first time since 2007 there seems to be genuine optimism for the UK's economy and I am pleased to report an encouraging year for your company. The pre-tax profit for the year ended 31 January 2014 is £4.14M (2013: £3.70M) and the Board is happy to recommend a final property income distribution (PID) of 24.1p per share which results in a total PID of 70.1p per share (2013: 66.3p per share). The five year summary of results and key performance indicators is included on page 33. Details of Glenstone's business risks are set out on page 22.

The Company's progress this year has been hampered by the failure of Stead and Simpson. I am very pleased to report that the five vacant shops that were handed back to us in poor condition have been substantially improved, refurbished and now successfully re-let to Specsavers, Costa Coffee, an Apple franchisee, British Heart Foundation and a local fashion retailer. There have of course been rent free periods, refurbishments and lettings costs, the full value to cash flow will become clear in 2014/2015. Our prudence last year in providing for the repair of certain void properties was a sensible one as we have carried out major works at Wells, Chichester, Malvern and Coalville. At Bicester, we created a self contained residential flat which has boosted the rental value. We had an agreement with our tenant, Bath Travel to carry out circa £200,000 of property repairs to put their shops back in good condition. These works have now been completed and Glenstone have been fully reimbursed. Our 2014 valuation reflects the improvement to these shops.

Our strategy of selling shops, where their contribution to the Group has been maximised, continued with disposals of five shops at Colchester, Saffron Walden, Hereford and two in Bicester. The total profit from the sale of these shops was £420,000. During the year we have made two new purchases. The first was a prominent shop in Sudbury, Suffolk a strong market town, let to WH Smith at a very attractive price. The second was a vacant shop in Leamington Spa, an excellent Warwickshire town, where we hope to add value.

I said last year the board has confidence in the High Street and this is still the case but as stated before, we are very selective. I am pleased that the Government now seems to acknowledge that business rates in the High street need recalibrating to a more competitive level and it will be interesting to see if there is any action to follow the numerous reports and consultations. We are taking enormous care not only that our shops are in the best towns, but also are the right size and in the right pitch for retailers' present day demands. We have carried out this policy over the years and have gradually improved our portfolio. We are continually alert to selling properties in towns that we consider might be deteriorating but only when the property is in a fit state to sell. An example of this was Hereford where we refurbished the vacant Stead and Simpson shop, let it to British Heart Foundation and then sold it on at a good price.

Our bank facilities came up for renewal during the year and I am pleased to say that new facilities are now in place on satisfactory terms. There will be extra interest costs going forward as bank margins have increased across the industry however, I am pleased to report that arrangement fees and legal costs have been kept to a minimum. The Board feel that the present level of borrowings are comfortable and we are well placed for any future opportunities to add value to the business.

This is my last statement as your Chairman, having been on the Board for some twenty-one years. It has been an exceptionally happy involvement for me and I would like to thank Shareholders and Board colleagues both past and present for their encouragement and support in both good times and bad. I would particularly like to thank the team at St John's House for their consistent level of skill and hard work over a long period of time, which again this year have delivered an excellent set of results.

My involvement started with the business in 1993, when the share price was £2.50 and the dividend was 18.7p per share. Since then, total dividends of £41.5M have been paid out to shareholders, whilst the net worth of the Group has increased from £28m to £47M. I remain a shareholder in the business and feel the Group will continue to prosper. I wish Chris Powell my successor the best of luck. He is a very knowledgeable property man and we are fortunate to have him. He will be a great help to the management team and will guide this Company through the coming years.

J. N. Shaw FRICS	**C. L. Powell MRICS**
RETIRING CHAIRMAN	**CHAIRMAN**

DIRECTORS' REPORT

The Directors have pleasure in submitting their Annual Report and Financial Statements for the year ended 31 January 2014, which were approved on 17 April 2014 for submission to the Annual General Meeting.

Activities
The principal activity of the group continued to be that of property investment, development and trading.

Results for the year and distributions
The Group results are set out in the consolidated profit and loss account on page 13.

An interim property income distribution of 23p per share was paid on 15 October 2013. A second interim distribution of 23p per share was paid on 11 April 2014. The Directors now recommend the payment of a final distribution of 24.1p per share. The proposed final distribution will be paid on 20 June 2014 to ordinary shareholders on the register at the close of business on 30 May 2014.

Directors
The following Directors have held office since 1 February 2013:

C L Powell	
J N Shaw	(Retired 31 January 2014)
D J Kennedy	
P C Schorb	
B P Green	
J H Nugent	

In accordance with the Articles of Association, Messrs C. L. Powell and B. P. Green retire, and being eligible, offer themselves for re-election. At no time during the year has any director had any interest in any significant contract with the company.

Fixed assets
Details of movements in fixed assets are set out in Note 9 to the Accounts.

Share Capital
Detailed changes in the Company's issued share capital are set out in Note 16 to the Accounts.

Taxation
At an Extraordinary General Meeting held on 20 October 2008, shareholders approved the adoption of new Articles of Association enabling the Company to convert into a Real Estate Investment Trust ("REIT") on 1 February 2009. Note 6 sets out the impact of converting to a REIT.

Financial Instruments
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts and bank loans. The Group seeks to minimise the risk of fluctuating interest rates by using a revolving credit facility to match its property holdings and commitments and by using interest rate swaps to protect floating rate borrowings.

Supplier Payment Policy
It is the policy of the Group and the Company to agree payment terms with suppliers when entering into each transaction or series of transactions to ensure that suppliers are made aware of these terms and abide by them. Creditor days at the end of the year for the Group were 7 days (2013: 7 days) and for the Company were 7 days (2013: 7 days).

Charitable donations
During the year the Company made charitable donations of £5,000 (2013- £5,300). The group made no political contributions in either year.

Auditors
In accordance with the Company's articles, a resolution proposing that Clear & Lane be reappointed as auditors of the company will be put at a General Meeting.

Directors' and Officers' liability insurance
During the year the Company purchased and maintained liability insurance for its Directors and Officers as permitted by Section 234 of the Companies Act 2006.

Directors' responsibilities
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and accounting estimates that are reasonable and prudent;

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

So far as the Directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board

Mr P C Schorb FCCA

17 April 2014

St John's House
East Street
Leicester
LE1 6NB

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining high standards of corporate governance within the Group. The Company's issued share capital is listed on the Channel Islands Stock Exchange ("CISX").

Although the combined code on corporate governance issued in 2006 does not apply to companies listed on CISX, Shareholders expect companies in which they invest to be properly governed. The Board of Directors believe that the features of good corporate governance apply as much in the interests of smaller companies as they do to larger companies. The Board have therefore decided to follow a simple set of guidelines for corporate governance as set out by the Quoted Companies Alliance ("QCA").

The main features of corporate governance include:

a) **Efficient Management**

- It should be clear where responsibility lies for the management of the company and for the achievement of the key tasks.
- Procedures should be in place to protect the company's assets.
- The basis on which key decisions are taken should be transparent.
- There should be a vision of what the company is trying to achieve and an understanding of what is required to achieve this target.

b) **Effective Management**

- The Board should possess the appropriate skills and experience in order to make the key decisions expected of it.
- Decisions should be taken using the information which is accurate, sufficient, timely and clear.
- The collective responsibility of the Board requires all Directors to be involved in the process of making significant decisions.

c) **Benefit of all Shareholders over the Longer Term**

- Vested interests should not be able to act in a manner contrary to the common good of all Shareholders.
- Transactions with Management, key Shareholders and other related parties should be reported.
- A dialogue should exist between Shareholders and the Board, so that each party is aware of the other's objectives and so that the Shareholders are aware of any constraints on the company.

Board of Directors

Christopher Powell
Non-Executive Chairman (Aged 52)
Joined the company in January 2012. Currently the Chairman of the Retail Group at Jones Lang LaSalle. Previously CEO of Churston Heard. Mr C. L. Powell replaced Mr J. N. shaw as Chairman of the Group from 1 February 2014.

Duncan Kennedy
Managing Director (Aged 47)
Joined the company in 1993 and appointed as a Director in February 1995 and Managing Director in 1997. He has overall responsibility for all investment and trading business.

Paul Schorb FCCA
Finance Director and Company Secretary (Aged 57)
Joined the company in November 1996. Appointed as Company Secretary in March 1997 and as Finance Director in October 2008.

Ben Green MRICS
Property Director (Aged 40)
Appointed a Director of Glenstone Property on 19 March 2012. Previously he had been a partner at Kitchen La Frenais Morgan.

John Nugent
Non-Executive Director (Aged 56)
Joined the company in January 2004. Currently the Chairman of Equiom Solutions Ltd.

The Board operates within the terms of the company's Articles of Association.

The Board currently consists of three Executive Directors and two Non-Executive Directors. This composition provides a blend of experience and qualifications and the number of Non-Executives provides a strong basis for ensuring the appropriate level of corporate governance exists. Decisions taken by the Board as a whole are implemented by the Executive Directors.

CORPORATE GOVERNANCE REPORT

The Board meets not less than four times in a year and the Chairman and Non-Executive Directors also meet without the Executive Directors being present. Each Director is provided with a pack of board papers in advance of each meeting, which contains detailed schedules of key performance indicators, accounts and notes on any important decisions which the Board are required to take.

The Board is also kept informed of all relevant information regarding the business, between formal meetings by ad hoc reports and memorandum.

The Company's Articles of Association, require that all Directors are subject to re-election at least every three years. In addition, new Directors are subject to re-election by Shareholders after their initial appointment.

The Company Secretary keeps the Board and CISX informed of corporate governance issues and all board members have access to independent advice if required.

In support of good corporate governance, the Board has established the following Committees:

a) **Audit Committee**

The Audit Committee comprises all the Non-Executive Directors and is chaired by John Nugent, a director of Equiom Solutions Ltd, who is considered to have the appropriate knowledge and relevant experience. The Committee will meet at least twice a year and will be responsible for:

i) Reviewing the annual and interim financial statements prior to approval, focusing on changes in accounting policies, major judgemental areas, significant audit adjustments and compliance with accounting standards, CISX and legal requirements.

ii) Considering the appointment of the Auditors and their remuneration, independence and objectivity.

iii) Considering internal financial controls.

iv) Implementing a policy on the engagement of the external auditor to supply non-audit services.

b) **Remuneration Committee**

A Remuneration Committee Meeting made up of Non-Executive Directors and chaired by Chris Powell is held at the January Board Meeting and at other meetings as required, to discuss employment matters, pension entitlements, other benefits and to fix the remuneration of Directors.

Board and Committee Attendance

The attendance of Board or Committee Meetings during the year to 31 January 2014 was as follows:-

	Board	Remuneration	Audit
D. J. Kennedy	5	*	*
P. C. Schorb	5	*	*
B. P. Green	5	*	*
C. L. Powell	5	1	2
J. N. Shaw	5	1	2
J. H. Nugent	4	1	2

* Not a member of the committee

Risk Management

The Board recognises the need for effective high level internal controls. High level controls in operation within the company include:-

i) Reviewing the full and half yearly management accounts with comparison against budget and previous year performance.

ii) Approval by the Board of all acquisitions and disposals of investment and development properties.

Risks and Uncertainties

A summary of the main risks and uncertainties and the principal mitigating actions are set out within the notes to the accounts on page 22.

Directors' Interests in Ordinary Shares

The interests of the current Directors in the issued share capital of the company are shown below:-

	31 January 2014	31 January 2013
D. J. Kennedy	61,307	63,226
B.P. Green	-	-
J. H. Nugent	-	-
C. L Powell	-	-
P. C. Schorb	2,100	2,100
J. N. Shaw	7,919	6,000

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GLENSTONE PROPERTY PLC

We have audited the Company's and Group's financial statements of Glenstone Property plc for the year ended 31 January 2014 set out on pages 13 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 5 and 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Corporate Governance, Chairman's Statement and Strategic and Directors' Report's to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparant material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 January 2014 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ian Hunt FCA (Senior Statutory Auditor)
for and on behalf of Clear & Lane
Chartered Accountants
Statutory Auditor

340 Melton Road
Leicester
LE4 7SL

17 April 2014

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2014

	Notes		2014 £		2013 £
Turnover	**3**		5,644,359		6,154,897
Cost of sales			(371,840)		(857,209)
Gross profit			5,272,519		5,297,688
Administrative expenses		(875,067)		(1,071,242)	
Less: Profit on disposal of tangible assets		430,266		221,012	
			(444,801)		(850,230)
Operating profit	**4**		4,827,718		4,447,458
Interest payable	**5**		(687,691)		(741,546)
Profit on ordinary activities before taxation			4,140,027		3,705,912
Taxation	**6**		(106,211)		(103,462)
Profit on ordinary activities after taxation			4,033,816		3,602,450
Property Income Distributions	**7**		(2,831,420)		(3,096,198)
Profit for the year retained	**17**		1,202,396		506,252

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Profit for the financial year retained in:

		2014	2013
The Company		838,016	182,419
Earnings per share	**8**	94.5p	84.4p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JANUARY 2014

	2014 £	2013 £
Profit for the financial year	4,033,816	3,602,450
Unrealised deficit on revaluation of properties	(1,677,239)	(5,074,670)
Total recognised gains and losses relating to the year	2,356,577	(1,472,220)

Note of historical cost profits and losses

	2014 £	2013 £
Reported profit on ordinary activities before taxation	4,140,027	3,705,912
Realisation of property revaluation gains of previous years	366,879	61,905
Historical cost profit on ordinary activities before taxation	4,506,906	3,767,817
Historical cost profit for the year retained after taxation, extraordinary items and dividends	1,569,275	568,157

BALANCE SHEET
AS AT 31 JANUARY 2014

		The Group		The Company	
	Notes	**2014 £**	**2013 £**	**2014 £**	**2013 £**
Fixed assets					
Tangible assets	**9**	63,946,856	67,084,821	63,946,856	62,584,821
Investments	**10**	-	-	100	100
		63,946,856	67,084,821	63,946,956	62,584,921
Current assets					
Debtors	**11**	854,312	607,309	828,998	1,013,688
Development properties	**12**	-	419,000	-	-
Cash at bank and in hand		101,238	79,851	15,199	76,589
		955,550	1,106,160	844,197	1,090,277
Creditors: amounts falling due within one year	**13**	(2,769,794)	(20,583,526)	(9,376,887)	(22,421,709)
Net current liabilities		(1,814,244)	(19,477,366)	(8,532,690)	(21,331,432)
Total assets less current liabilities		62,132,612	47,607,455	55,414,266	41,253,489
Creditors: amounts falling due after more than one year	**14**	(15,000,000)	-	(15,000,000)	-
		47,132,612	47,607,455	40,414,266	41,253,489
Capital and reserves					
Called up share capital	**16**	85,412	85,412	85,412	85,412
Share premium account	**17**	1,094,562	1,094,562	1,094,562	1,094,562
Revaluation reserve	**17**	(1,297,367)	746,751	(669,030)	1,375,088
Capital redemption reserve	**17**	18,163	18,163	18,163	18,163
Profit and loss account	**17**	47,231,842	45,662,567	39,885,159	38,680,264
Shareholders' funds	**18**	47,132,612	47,607,455	40,414,266	41,253,489

The financial statements were approved by the Board of Directors on 17 April 2014 and were signed on its behalf by:

C. L. Powell MRICS
Director

Company Registration No. 986343

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2014

	Notes	£	2014 £	£	2013 £
Net cash inflow from operating activities	**1**		4,042,303		4,162,484
Returns on investments and servicing of finance					
Interest paid		(687,691)		(741,546)	
Net cash outflow from returns on investments and servicing of finance			(687,691)		(741,546)
Taxation			(101,743)		(42,570)
Capital expenditure					
Payments to acquire tangible assets		(1,902,970)		(31,661)	
Receipts from sales of tangible assets		4,185,266		683,179	
Net cash inflow from capital expenditure			2,282,296		651,518
Property income distributions paid			(2,831,420)		(3,096,198)
Net cash inflow/(outflow) before management of liquid resources and financing			2,703,745		933,688
Financing					
Revolving credit facility movement		(3,500,000)		-	
Net cash (outflow) from financing			(3,500,000)		-
(Decrease)/increase in cash in the year			(796,255)		933,688

1 Reconciliation of operating profit to net cash inflow from operating activities

	2014	2013
	£	£
Operating profit	4,827,718	4,447,458
Depreciation	27,696	25,822
Profit on disposal of tangible assets	(430,266)	(221,012)
Increase in development properties	-	(169,000)
Increase in debtors	(247,003)	(90,648)
(Decrease)/increase in creditors within one year	(135,842)	169,864
Net cash inflow from operating activities	4,042,303	4,162,484

2 Analysis of net debt

	1 February 2013	Cash flow	31 January 2014
	£	£	£
Net cash:			
Cash at bank and in hand	79,851	21,387	101,238
Bank overdrafts	(3,978)	(817,642)	(821,620)
	75,873	(796,255)	(720,382)
Revolving credit facility movement	(18,500,000)	3,500,000	(15,000,000)
	(18,424,127)	2,703,745	(15,720,382)

3 Reconciliation of net cash flow to movement in net debt

	2014	2013
	£	£
Balance at 31 January 2013	(18,424,127)	(19,357,815)
Net cash (outflow)/inflow during the year	(796,255)	933,688
Revolving credit facility movement	3,500,000	-
Balance at 31 January 2014	(15,720,382)	(18,424,127)

NOTES TO THE ACCOUNTS

1 Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Glenstone Property Plc (the "Company") is a public limited company domiciled in the UK. The shares are listed on the Channel Islands Stock Exchange (CISX). The consolidated financial statements of the Company for the year ended 31 January 2014 comprise the Company and its subsidiaries (together referred to as the "Group"). The address of its registered office is Glenstone Property Plc, St John's House, East Street, Leicester, LE1 6NB.

1.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (GAAP) and the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The significant assumptions and estimates to the consolidated financial statements are disclosed in Note 2.

The consolidated financial statements incorporate the accounts of the Company and its subsidiaries, Frankton House Limited, and F H Fletcher Gate Limited. In accordance with Section 408 of the Companies Act 2006, a separate profit and loss account of Glenstone Property Plc is not presented. The amount of profit after tax included in the consolidated results in respect of the parent company is £3,669,436 (2013: £3,278,617).

1.2 Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilites assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The difference between the cost of acquisition and the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is accounted for as goodwill or negative goodwill.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised profits and losses are also eliminated on consolidation.

1 Accounting policies **(Continued)**

1.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Group operates in one business segment comprising property investment and development. The Group's operations are performed wholly in the United Kingdom.

1.4 Investment properties

Investment property comprises of freehold and long leasehold buildings. These comprise mainly of retail units, offices and industrial units, and are measured initially at cost, including related transaction costs. These are held as investments to earn rental income and for capital appreciation and are stated at fair value at the Balance Sheet date.

After initial recognition investment property is carried at fair value, based on market values; it is then determined annually by independent external valuers or held at Directors' valuation if appropriate. The surplus or deficit arising from these valuations are transferred to or from revaluation reserve. When an existing investment property is redeveloped for continued future use as an investment property, it remains an investment property whilst in development.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

Subsequent expenditure is added to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Profit and Loss Account during the financial period in which they are incurred.

The gain or loss arising on the disposal of investment properties is determined as the difference between the net sale proceeds and the carrying value of the asset at the beginning of the period and is recognised in the Profit and Loss Account.

1.5 Development property

Development properties are stated at the lower of cost and net realisable value. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent expenditure is included in the asset's carrying amount as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other repair and maintenance expenditures are charged to the Profit and Loss Account during the financial period in which they are incurred.

1 Accounting policies **(Continued)**

1.6 Depreciation

Furniture and equipment and motor vehicles are shown at historical cost less depreciation and provision for impairment. Historic cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight line basis at rates appropriate to write off individual assets over their estimated useful lives of between four and ten years.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each Balance Sheet date. An asset is written down if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the Profit and Loss Account.

1.7 Debtors

Trade debtors are recognised initially at invoice value and are subsequently measured less provision for impairment. A provision for impairment of trade debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned. The amount of the provision is recognised in the Profit and Loss Account.

1.8 Cash at bank and in hand

Cash at bank and in hand are carried in the Balance Sheet at cost. They comprise cash in hand and deposits held at call with banks. Bank overdrafts are included within borrowings in current liabilities on the Balance Sheet.

1.9 Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the Balance Sheet date.

Costs relating to the raising of bank facilities, including costs associated with the purchase of hedging instruments, are written off in the Profit and Loss Account, as part of the Group's financing costs as they arise.

1.10 Derivative financial instruments (derivatives) and hedge accounting

The Group uses interest rate swaps to help manage its interest rate risk. In accordance with its treasury policy, the Group does not hold or issue derivatives for trading purposes.

1.11 Turnover

Turnover represents rents receivable from investment properties, the proceeds received from the sale of development properties, and rents received from development properties prior to their sale. Proceeds from the sale of development properties are included in turnover on legal completion.

1.12 Unamortised tenant lease incentives

Leasehold incentives given to tenants on entering property leases are recognised as unamortised lease incentives on the balance sheet and are amortised to the income statement over the term of the lease.

1.13 Lease renewal provisions

Following the expiry of the rental period provisions are recognised based on the difference between the higher current rental being received and the estimated current rental value of the property.

1 Accounting policies **(Continued)**

1.14 Taxation

The tax charge in the Profit and Loss Account comprises corporation tax payable and deferred tax.

(a) Deferred Taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Deferred tax is not recognised on timing differences arising on the revaluation of certain non REIT investment properties unless, by the balance sheet date, a binding agreement to sell the revalued asset has been entered into and recognised gains and losses are expected to arise on the sale.

(b) Current Tax

The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using rates of corporation tax that have been enacted by the Balance Sheet date.

1.15 Pension arrangements

The Company operates defined contribution arrangements for all eligible Directors and employees. A defined contribution plan is a pension plan under which the Group pays contributions into a privately administered pension plan. Pension costs are charged to the Profit and Loss Account in the period when they fall due.

1.16 Revenue recognition

(a) Rental income

Revenue comprises the fair value of rental income, service charges and management charges from properties (net of value added tax).

This income is recognised as it falls due, in accordance with the lease to which it relates. Any lease incentives are spread evenly across the period of the lease.

(b) Interest income

Interest income on any short-term deposits is recognised in the Profit and Loss Account as it accrues.

1.17 Property Income Distributions

Distributions to the Company's shareholders are recognised as a liability in the Group's Financial Statements in the period in which the distributions are approved by the Company's shareholders. Interim distributions are recognised when paid.

1 Accounting policies **(Continued)**

1.18 Financial risk management

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk and cash flow interest rate risk.

(a) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that rental contracts are made with customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any financial institution. The Group has no significant concentration of credit risk as exposure is spread over a large number of tenants.

(b) Cash flow and fair value interest rate risk

The Group has no significant interest bearing assets. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise.

The Group entered into a replacement interest rate swap on 21 January 2010, fixing £10m of borrowings at 4.32% from and including 1 February 2010 to 31 January 2011, then at 4.55% from 1 February 2011 until 1 August 2019.

At 31 January 2014, approximately 63% (2013: 55%) of the Group's borrowings were protected against future interest rate volatility, by using interest rate swaps to protect floating rate borrowings.

(c) Capital risk

The Group's objective in managing capital is to maintain a strong capital base to support current operations and planned growth, and to provide for an appropriate level of distributions to shareholders.

The Group is not subject to external regulatory capital requirements.

2 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Fair value of investment properties

Investment properties are revalued at fair value by independent external valuers, Jones Lang LaSalle Ltd each year at 31 January.

3 Turnover and profit on ordinary activities before taxation

	Turnover 2014 £	Turnover 2013 £
Rents received - Investment properties	5,621,859	5,690,244
Rents received - Development properties	22,500	24,653
Sales proceeds of development properties	-	440,000
	5,644,359	6,154,897

Profit on ordinary activities before taxation arises from:

	2014 £	2013 £
Property investment	4,124,332	3,604,856
Property development	15,695	101,056
	4,140,027	3,705,912

4 Operating profit

		2014 £		2013 £
Operating profit is stated after charging:				
Depreciation of tangible assets		27,696		25,822
Operating lease rentals - land and buildings		11,750		11,750
Auditors' remuneration - Company	13,150		15,245	
Auditors' remuneration - Subsidiaries	2,500		2,960	
		15,650		18,205
Auditors' remuneration - taxation		725		1,000
		16,375		19,205
and after crediting:				
Profit on disposal of tangible assets		(430,266)		(221,012)

5 Interest payable

	2014 £	2013 £
On bank loans and overdrafts	687,691	741,546

6	**Taxation**	**2014**	**2013**
		£	**£**
	Domestic current year tax		
	U.K. corporation tax	106,199	101,730
	Adjustment for prior years	12	1,732
	Current tax charge	106,211	103,462
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	4,140,027	3,705,912
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.16% (2013: 24.32%)	958,897	901,278
	REIT exempt income and gains	(848,500)	(793,300)
	Marginal rate relief	(4,198)	(6,248)
	Adjustments to previous periods	12	1,732
		(852,686)	(797,816)
	Current tax charge	106,211	103,462

Glenstone Property Plc elected for Company Real Estate Investment Trust ("REIT") status with effect from 1 February 2009. As a result the company will no longer pay UK Corporation Tax on the profits and gains from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits of the Group continue to be subject to corporation tax as normal.

7	**Distributions**		**2014**	**2013**
			£	**£**
	Property income distributions			
	Second Interim (2013)	21p per share (2012 - 23.0p)	896,830	982,242
	Final (2013)	22.3p per share (2012 - 26.5p)	952,348	1,131,714
	Interim (2014)	23.0 p per share (2013 - 23.0p)	982,242	982,242
			2,831,420	3,096,198

8 Earnings per share

The calculation of earnings per share is based on the profit on ordinary activities after taxation of £4,033,816 (2013 : £3,602,450) and 4,270,618 ordinary shares being, the weighted average number of shares in issue during the year (2013 : 4,270,618).

9 Tangible Fixed Assets

	Investment properties	Furniture and equipment	Motor vehicles	Total
The Group	**£**	**£**	**£**	**£**
Cost or valuation				
At 1 February 2013	67,035,500	102,598	97,855	67,235,953
Additions	1,853,739	4,281	44,950	1,902,970
Development property reclassified	419,000	-	-	419,000
Disposals	(3,755,000)	(43,743)	(45,157)	(3,843,900)
Revaluation	(1,677,239)	-	-	(1,677,239)
At 31 January 2014	63,876,000	63,136	97,648	64,036,784
Depreciation				
At 1 February 2013	-	93,450	57,682	151,132
On disposals	-	(43,743)	(45,157)	(88,900)
Charge for the year	-	3,251	24,445	27,696
At 31 January 2014	-	52,958	36,970	89,928
Net book value				
At 31 January 2014	63,876,000	10,178	60,678	63,946,856
At 31 January 2013	67,035,500	9,148	40,173	67,084,821

At the year end, the investment properties were revalued by Jones Lang LaSalle Ltd Chartered Surveyors, on an open market basis for existing use.

The cost and net book value of the investment properties under the historical cost convention amounted to £65,472,393 (2013 : £66,591,006).

9 Tangible Fixed Assets **(Continued)**

	Investment properties	Furniture and equipment	Motor vehicles	Total
The Company	£	£	£	£
Cost or valuation				
At 1 February 2013	62,535,500	102,598	97,855	62,735,953
Additions	1,853,739	4,281	44,950	1,902,970
Transferred in from subsidiaries	4,919,000	-	-	4,919,000
Disposals	(3,755,000)	(43,743)	(45,157)	(3,843,900)
Revaluation	(1,677,239)	-	-	(1,677,239)
At 31 January 2014	63,876,000	63,136	97,648	64,036,784
Depreciation				
At 1 February 2013	-	93,450	57,682	151,132
On disposals	-	(43,743)	(45,157)	(88,900)
Charge for the year	-	3,251	24,445	27,696
At 31 January 2014	-	52,958	36,970	89,928
Net book value				
At 31 January 2014	63,876,000	10,178	60,678	63,946,856
At 31 January 2013	62,535,500	9,148	40,173	62,584,821

At the year end, the investment properties were revalued by Jones Lang LaSalle Ltd Chartered Surveyors, on an open market basis for existing use.

The cost and net book value of the investment properties under the historical cost convention amounted to £65,472,393 (2013: £61,202,411).

10 Fixed asset investments

The principal activity of the wholly owned subsidiary, Frankton House Limited, which is incorporated in England and Wales, is property development and trading.

Frankton House Limited has one wholly owned subsidiary F H Fletcher Gate Limited, incorporated in England and Wales, whose principal activity was that of property investment until it ceased to trade on 31 January 2014.

F H Fletcher Gate Limited has one wholly owned subsidiary F H Fletcher Gate Residential Limited which was dormant during the year.

11 Debtors

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Due within one year:				
Trade debtors	828,026	565,550	802,713	560,929
Other debtors	26,286	41,759	26,285	41,758
Amounts due from group companies	-	-	-	411,001
	854,312	607,309	828,998	1,013,688

Included within the trade debtors balance of the group and the company are lease incentives that will be amortised in greater than one year. These amounted to £434,976 (2013 : £349,443).

The Directors consider that the carrying amount of trade debtors approximates to their fair value. The credit risk in respect of trade debtors is not concentrated as the Group has many tenants spread across a number of industry sectors. In addition, the tenants rents are payable in advance.

The predominant class within trade debtors is rent receivable. The maximum exposure to credit risk at the reporting date is the carrying value of trade debtors as mentioned above. In assessing whether trade debtors are impaired, each debt is considered on an individual basis, and provision is made based upon specific knowledge of each tenant.

12 Current asset investments

	2014 £	2013 £
Development property	-	419,000

13 Creditors: Amounts falling due within one year

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Bank loans and overdrafts	821,620	18,503,978	818,348	18,500,000
Trade creditors	1,375,592	1,549,865	1,279,943	1,445,486
Corporation tax	106,198	101,730	1,822	5,345
Other taxes and social security costs	204,821	195,784	181,798	175,898
Other creditors	261,563	232,169	259,046	226,791
Amounts owed to group companies	-	-	6,835,930	2,068,189
	2,769,794	20,583,526	9,376,887	22,421,709

14 Creditors: Amounts falling due after more than one year

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Revolving credit facility	15,000,000	-	15,000,000	-

On 25 February 2014, the Group entered into a Revolving Credit Facility until 1 August 2019 of up to a maximum of £25,000,000. Interest payable on the facility is based upon the one month LIBOR, plus 2.3% margin until 1 October 2014 and 2.5% thereafter.

On the same date, the Group also renewed its overdraft facility of up to a maximum of £1,000,000. Interest payable on the facility is based upon Bank base rate, plus 2.0% margin.

The revolving credit facility and overdrafts are secured by a first legal charge, over certain of the Group's investment properties.

15 Financial Instruments

The group's policy in respect of the use of financial instruments to manage risk is detailed in the accounting policies on page 22. Interest rates are hedged by the following instruments.

Instrument	**Principal** £	**Rate** %	**Expiry**
SWAP	10,000,000	4.55	August 2019

16 Share capital

	2014 £	**2013** £
Authorised		
5,500,000 Ordinary shares of 2p each	110,000	110,000
Allotted, called up and fully paid		
4,270,618 Ordinary shares of 2p each (2013: 4,270,618)	85,412	85,412

There is no ultimate controlling party.

17 Reserves

	Share Premium Account £	Revaluation Reserve £	Capital Redemption Reserve £	Profit and Loss Account £
The Group				
Balance at 1 February 2013	1,094,562	746,751	18,163	45,662,567
Profit for the year	-	-	-	1,202,396
Deficit on revaluation of properties	-	(1,677,239)	-	-
Eliminated on disposals	-	(366,879)	-	366,879
Balance at 31 January 2014	1,094,562	(1,297,367)	18,163	47,231,842

	Share Premium Account £	Revaluation Reserve £	Capital Redemption Reserve £	Profit and Loss Account £
The Company				
Balance at 1 February 2013	1,094,562	1,375,088	18,163	38,680,264
Profit for the year	-	-	-	838,016
Deficit on revaluation of properties	-	(1,677,239)	-	-
Eliminated on disposals	-	(366,879)	-	366,879
Balance at 31 January 2014	1,094,562	(669,030)	18,163	39,885,159

The Directors are of the opinion that all of the profit and loss account balance is available for distribution.

18 Reconciliation of movements in shareholders' funds

	2014 £	2013 £
Profit for the financial year	4,033,816	3,602,450
Property income distributions	(2,831,420)	(3,096,198)
Net addition in shareholders' funds	1,202,396	506,252
Unrealised deficit on revaluation of properties	(1,677,239)	(5,074,670)
Net depletion to shareholders' funds	(474,843)	(4,568,418)
Opening shareholders' funds	47,607,455	52,175,873
Closing shareholders' funds	47,132,612	47,607,455

19 Contingent liabilities

There is an omnibus guarantee and set off agreement in favour of the Company's bankers for amounts due by Group Companies.

20 Financial commitments

At 31 January 2014 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 January 2015:

	Land and buildings	
	2014	**2013**
	£	**£**
Operating leases which expire:		
Between one and two years	11,750	11,750

21 Directors' remuneration

		2014		**2013**
	£	**£**	**£**	**£**
Emoluments		551,001		537,336
Other pension contributions	31,205		17,258	
Payments in lieu of pension contributions	-		206,503	
Pension costs		31,205		223,761
Pensions to former Director		10,000		10,000
		592,206		771,097

Directors' remuneration disclosed above include the following amounts paid to the highest paid Director:

	£	**£**	**£**	**£**
Emoluments		274,381		256,094
Payments in lieu of pension contributions	-		206,503	
		-		206,503
		274,381		462,597

Note

Following the changes in the pension legislation, the Board has been able to cap the Group's exposure to future contributions to the Glenstone Executive Pension Fund. The payment in lieu of pension contributions of £206,503 shown above represented the final payment in respect of the Group's exposure to future contributions to that Fund.

22 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2014 Number	2013 Number
	7	7

Employment costs (including Directors)

	£	£	£	£
Wages and salaries		545,467		534,694
Social security costs		68,107		93,008
Other pension contributions	40,547		26,507	
Payments in lieu of pension contributions	-		206,503	
Pension costs		40,547		233,010
		654,121		860,712

23 Related party transactions

The group has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated accounts are prepared.

During the year the company sold a motor vehicle to the wife of director D J Kennedy for the sum of £10,000, which was at market value.

INVESTMENT PROPERTY PORTFOLIO

Ten Principal Properties		Valuation at 31 January 2014 £'000
Nottingham	Retail Units (7)	4,500
Barnstaple	Retail Unit	3,280
Hexham	Retail Units (3)	2,025
Scarborough	Retail Units (2)	1,850
Billericay	Mixed Retail & Offices	1,800
Loughborough	Retail Units (2)	1,410
Chichester	Retail Unit	1,400
Billericay	Retail Unit	1,325
Weston Super Mare	Retail Unit	1,320
Gloucester	Retail Unit	1,250
		20,160
88 Other Retail / Industrial / Office Units		43,716
		63,876

Valuation Summary

The independent valuation of our investment portfolio, undertaken by Jones Lang LaSalle Ltd, Chartered Surveyors as at 31 January 2014, shows a reduction of £1,677,239, a decrease of 2.72% on a like-for-like basis. This reduction in portfolio value is consistent with reported figures generally throughout the industry.

Voids currently stand at 3.35% (2013 : 8.26%) of rents receivable. Rents received represent a 9.00% (2013 : 8.46%) return on the valuation at 31 January 2014.

FIVE YEAR FINANCIAL SUMMARY

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Results					
Revenue	5,644	6,154	5,557	5,506	7,467
Trading profits					
- arising from property investment	4,124	3,605	3,608	4,882	4,041
- arising from property development	16	101	(61)	(93)	(31)
Profit before tax	4,140	3,706	3,547	4,789	4,010
Corporation tax	(106)	(103)	(41)	(50)	(1,592)
Profit after tax	4,034	3,603	3,506	4,739	2,418
Distributions	(2,831)	(3,096)	(3,133)	(3,011)	(2,584)
Profit retained	1,203	507	373	1,728	(166)
Earnings per share	94.5p	84.4p	82.1p	111.0p	56.6p
Gross PID per share	66.3p	72.5p	73.4p	70.5p	22.5p
Net dividend per share	-	-	-	-	38.0p
Dividend cover	1.43	1.16	1.12	1.57	0.94
Net asset value per share	£11.04	£11.14	£12.22	£13.38	£13.06
Funds					
Share capital	85	85	85	85	85
Share premium account	1,095	1,095	1,095	1,095	1,095
Revaluation reserve	(1,297)	747	5,900	11,227	12,320
Capital redemption reserve	18	18	18	18	18
Profit and loss	47,232	45,662	45,078	44,705	42,267
Total shareholders' funds	47,133	47,607	52,176	57,130	55,785
Bank loan	15,000	-	18,500	13,500	20,000
	62,133	47,607	70,676	70,630	75,785
Employment of funds					
Fixed assets	63,947	67,084	72,616	72,106	78,875
Net current liabilities	(1,814)	(19,477)	(1,940)	(1,476)	(3,090)
	62,133	47,607	70,676	70,630	75,785

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