



GLENSTONE

Property Group

Chairman's Interim Statement

It's been a very busy first six months for the business as the executive team continues to rationalise the portfolio and I am pleased to report that the first half year results have been encouraging.

The financial figures for the first 6 months of the year accompany this interim statement. With the company being in a period of post merger reorganisation where the accounting period changed, reviewing and comparing the financials has to be done with some care as the comparatives are for a non standard period. The unaudited figures for the first 6 months of the current financial year are presented against audited figures for 14 months.

The key highlights of the first 6 month of this financial year are:

- Increased Profit

The net profit of £3,750,318 for the 6 months to 30 September 2017 represents approximately 50% of the profit for the preceding 14 months. The rental income is up approximately 8% despite the portfolio reducing slightly during the period. The addition of Mortlake Business Centre at the end of the last financial period accounts for much of that increase. Profits were also achieved from property disposals and property development sales.

- Portfolio Re-alignment

Part of our strategy is to continue the disposal of high management low return assets. During the first 6 months we sold 4 properties in Malvern, Stratford, Putney and Eastbourne realising £6.78m as we continue our strategic re-aligning of the portfolio. The largest asset Westcliff Mansions, Eastbourne, a residential investment property let to 25 individual tenants. With the intensive management of the building and the future capital outlay required within the property, the Board decided to realise a substantial profit above valuation and invest the proceeds into more attractive investments like Mortlake Business Centre mentioned above.

There was only one property purchased in the first six months, located in Peterborough. The property is let to Planet Ice for an attractive return on the purchased price of £2.17m and is in-line with our strategy of diversifying the portfolio into different sectors of the investment market.

In addition to this we have also acquired 4 mixed properties with a value of £1.9m as part of the acquisition of Eastcastle Properties Limited. At the AGM we sought shareholder approval to issue up to 325,000 shares and on completion of the acquisition we issued 310,078 shares in consideration of the £4m of assets acquired (the non-property assets being mainly cash). The

shares were issued at the current NAV of £12.90. We are also hopeful that 2 other property acquisitions with a combined value of £4.5m will complete imminently.

- Banking

As part of our prudent borrowing strategy we renegotiated new fixed rate debt with Handelsbanken and were pleased to extend some of our fixed rate facilities for an additional 10 years at attractive rates. We continue to maintain a good professional relationship with both Handelsbanken and Lloyds and this will be invaluable as we look to grow the business.

- Business Integration

As part of our internal business review we have decided to close down our satellite office in Leicester. All administration will now be carried out from our head office in Parkway House, East Sheen.

Our people are fundamental to the success of the business and I am delighted to inform you Rob Maybury has joined the company as Financial Controller and Company Secretary. Rob was previously working for our auditors Clear & Lane and will be working closely with our Finance Director Andrew Pickering and the rest of the team. When the Leicester office closes, Priscilla Surtee will be leaving the company. Priscilla has been a loyal member of the Glenstone team for over 15 years and I know we would all like to thank her for all her hard work. I am delighted to report that Priscilla has acquired some Glenstone shares and will be invited to the AGM next year in her new capacity as a shareholder!

- Accounting and Property data integration

We will have completely integrated our two accounting systems into one by our financial year end. We have also fully embraced a new, innovative property data system. The use of these systems will improve the efficiency of the business.

- Capita

Moving our share registration to Capita (which has since changed its name to Link Asset Services) has been relatively painless transition and for those shareholders who have yet to sign up to the online platform you are encouraged to do so. The system has many benefits including the option to have PID payments made directly into your bank account and a personal online login portal which provides you with your Glenstone shareholding information.

- Website

We are also in the process of overhauling our website. The new site will have a more modern look and feel and be compatible with mobile and tablet devices. The site will provide up to date information on the company including a link to our property database.

It was agreed at our recent board meeting that an Interim PID of 24p will be payable. This will be distributed to all shareholders by 15th December 2017. The intention of the board is to pay the second PID on or before 20th July 2018. The PID payments will now be processed by Link Asset Services (previously Capita).

The AGM in London was very well attended and we are very pleased with the positive feedback from shareholders. We will be looking to further improve the format. In order for you to plan ahead I can confirm next year's AGM will be on Tuesday 11th September at 12am at the Lansdowne Club in London. Further details will be sent out closer to the time.

Chris Powell
December 2017

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

	Unaudited 6 months ended 30 September 2017	Audited 14 months ended 31 March 2017
Turnover	5,371,830	13,030,537
Cost of Sales	-1,009,809	-3,259,714
Gross Profit	<u>4,362,022</u>	<u>9,770,823</u>
Administrative expenses	-750,131	-1,781,242
Profit on disposal of tangible assets	877,252	1,346,157
Operating Profit	<u>4,489,143</u>	<u>9,335,738</u>
Interest receivable	0	2,524
Interest payable	-629,558	-1,662,710
Profit before taxation and minority interest	<u>3,859,585</u>	<u>7,675,552</u>
Taxation	-42,026	-49,596
Net profit for the period	<u>3,817,559</u>	<u>7,625,956</u>
Other comprehensive income		
Fair value gains on investment properties	0	8,025,581
Discount of acquisition of subsidiaries	0	2,438,792
Total comprehensive income for the period	<u><u>3,817,559</u></u>	<u><u>18,090,329</u></u>
Profit for the financial period is attributable to:		
Owners of the parent company	3,750,318	1,795,661
Non-controlling interests	67,241	139,668
	<u><u>3,817,559</u></u>	<u><u>18,090,329</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 2017 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 14 months ended 31 st March 2017, prepared under FRS102, have been filed with the Registrar of Companies.

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

Following the acquisition of the London and Surrey Property Holdings Limited group of companies on 31st January 2016 Glenstone changed it's accounting reference date to 31st March. The comparative figures shown in this interim report therefore relate to a 14 month period.

2. Turnover

Rental, Service and Miscellaneous	4,926,830	10,830,287
Development Stock sales	445,000	2,200,250
	<u>5,371,830</u>	<u>13,030,537</u>

3. Cost of Sales

Property Operating Costs	810,856	1,572,520
Development Property Costs	198,953	1,687,194
	<u>1,009,809</u>	<u>3,259,714</u>

4. Property Income Distributions

2016 - Final	50.9p per share	2,175,691
2017 - First Interim	23.0p per share	1,964,479
2017 - Second Interim	37.5p per share	3,202,954