GLENSTONE
Property Group

Annual Report 2018

Newport, Isle of Wight

Battersea

Mortlake Business Centre

Glasgow

REGISTERED NUMBER: 00986343

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

FOR

GLENSTONE PROPERTY PLC

Magma Audit LLP
Chartered Accountants
Statutory Auditor
340 Melton Road
Leicester
LE4 7SL

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 March 2018

GLENSTONE PROPERTY PLC

COMPANY INFORMATION
for the year ended 31 March 2018

DIRECTORS:	C L Powell R Shaunak D J Kennedy A C Smith B P Green A J Pickering
SECRETARY:	A J Pickering
REGISTERED OFFICE:	Parkway House Sheen Lane London SW14 8LS
REGISTERED NUMBER:	00986343
AUDITORS:	Magma Audit LLP Chartered Accountants Statutory Auditor 340 Melton Road Leicester LE4 7SL
BANKERS:	Handelsbanken Richmond Branch 31 The Green Richmond Surrey TW9 1LX Lloyds Bank plc 2nd Floor 125 Colmore Row Birmingham B3 3SF
PRIMARY VALUERS:	Jones Lang LaSalle Ltd Chartered Surveyors 30 Warwick Street London W1B 5NH
SOLICITORS:	Spearing Waite LLP 34 Pocklingtons Walk Leicester LE1 6BU
REGISTRARS:	Link Market Services 34 Beckenham Road Kent BR3 4TU

Introduction
I am pleased to present the Annual Report and Financial Statements for the year ended 31 March 2018. Despite the challenges presented by an ever-changing economic outlook the Group has produced a good set of results. As the business matures post-merger, I want to provide a little more financial and strategic information in my Chairman's statement.

Financial Performance
The headline profit after taxation attributable to shareholders was £5.9m (14-month period ended 31 March 2017 - £17.9m). The previous year's figures obviously included significant unrealised valuation gains (which I will discuss later in this report) and the discount recognised at the time of the merger. The total PID for the year is 55p (14-month period ended 31 March 2017 - 60.5p) representing a 6% increase on an annualised basis.

The true measure of core performance is the operating profit after deducting interest payable and before taxation. For the year ended 31 March 2018 this amounted to £7.1m, whilst for the 14-month period ended 31 March 2017 the figure was £7.7m. The rental income growth of 5.2% (on an annualised basis) was mainly due to the income contribution of properties purchased, especially Mortlake Business Centre.

The business plan post merger was to try and increase the income to enable the company to increase the PID by 10% per annum. Although we are slightly below this level it is explained mainly by the timing of sales and purchased. This year we have not reinvested all our sales proceeds quickly enough to generate more income.

As 90% or more of the rental income profits are distributed in the form of PIDs, the main driver of changes in the Net Asset Value (NAV) are realised and unrealised valuation gains. Realised gains from property sales last year were £2.1m, whilst this year's re-valuation loss of £1.1m has to be put into perspective as the total return over the 26 month period since the merger is 20.8%, an annual equivalent of 9.6%. The NAV as at the financial year end was £12.80 compared to £12.90 for the previous year. The current yield on the NAV is approximately 4.3%.

Strategic Update
The long term strategy of increased PIDs, growing the asset value and expanding the shareholder base remain core to our Group's strategy; however, much of the past 12 months has been spent re-balancing the property portfolio to reduce the exposure to High Street retail and management-intensive, low yielding residential properties.

Whilst we seek to grow the group's portfolio base year on year, the portfolio has decreased by approximately £6m as we have sold properties and not yet reinvested the proceeds. This is very much a timing issue - at year end the group had facilities in place to purchase a further £15m of property, as and when the right opportunities present themselves. Finding the most appropriate properties to acquire is always challenging, particularly as we will only look to acquire properties which will add long term value in an ever-changing property market.

Voids and Arrears
Central to the performance of property portfolios is occupying the properties with tenants who pay their rents on time. Key performance indicators are therefore void rate percentages and rent arrears. Void rates have varied during the year from less than 1% to 6%. Rent arrears are very low, but this year we have made a one-off provision against some secondary ground lease residential assets that we own in Northern Ireland, which we will hopefully be selling in this financial year. You will be aware of the difficulties faced in the UK's high streets but our diversification of both tenant type and location mean the impact to us has been less significant. We have not been significantly affected by many of the widely reported retail closures and only have one property in any of the 100 towns where Marks & Spencer have announced closures. Poor towns remain challenging and our strategy over the last few years to reinvest in better quality retail towns and locations has proved to be sound.

Robust processes are in place to ensure potential arrears are identified early and discussions take place with tenants to ensure individual outstanding balances remain manageable. We are also continually reviewing the portfolio and rebalancing the asset classes to minimise the risk and maximise future returns.

Property Portfolio Purchases
On the final day of the last financial period Mortlake Business Centre was acquired. The team has worked hard to increase the occupancy rate and improve the income in this serviced offices building. Combined with Parkway House (Glenstone head office building in East Sheen), we now have a dominant position in the serviced office sector in the Mortlake and Sheen area and are focusing on the potential savings and synergies these buildings offer.

During the year we have bought two properties; an Ice Rink in Peterborough and a petrol station/convenience outlet in Litchfield. Both these purchases follow our strategy of further diversification away from the High Street retail sector and London residential.

Competition for quality property investments remains strong and we are totally focused on, only acquiring suitable assets with the appropriate risk/rewards. We are continually expanding our network of property agents and business contacts as we believe this is a key part of growing the Group.

Subsequent to the year-end two additional properties have been purchased; a clean, well located light Industrial/distribution unit in Bedford let to Prices Candles, and a public house let to an existing tenant in Catford, South East London.

Property Portfolio Disposals
During the financial year 14 properties were sold for a total price of circa £13m. As mentioned previously the sales contributed to a total realised profit over the previous valuations of £2.1m. The most significant sales were firstly a substantial block of highly management-intensive flats in Eastbourne, where significant capital expenditure was needed. The profit on sale was in excess of £0.7m. Secondly, a similar scenario occurred with the sale of a light industrial estate in Moulton Park, Northampton where high management and maintenance costs were steadily increasing. The profit on sale was in excess of £0.5m. The other 12 properties sold produced total proceeds of £6.4m. This demonstrates our management strategy of selling smaller, lower yielding, highly management-intensive properties which have limited prospects of rental and capital growth.

Other Property Management Initiatives
Several properties have potential for extensions or reconfiguration to improve letting potential and values. An example of this is the conversion of offices into residential and this is happening in Richmond and St Ives. A possible and substantial extension to our head office at Parkway House, where an additional new floor of offices will hopefully be added, should add significant value.

Eastcastle
At last year's AGM we sought and obtained the approval of shareholders to issue shares in exchange for the assets of Eastcastle Properties Limited. This portfolio acquisition successfully completed in November 2017 and the four properties became subject to the same asset management initiatives as our other properties.

This deal is another example of how the management can successfully identify, negotiate, execute and integrate property companies without any further staff additions. We continue to look for suitable companies that will add to the property portfolio and expand our shareholder base.

Convertible loan
In November the Board decided to exercise its option to convert the convertible loan created at the time of the merger. Converting this loan has increased the Group's total equity, allowing further bank borrowing to assist its growth. The conversion has marginally diluted the NAV per share and impacted the PID but when more properties are purchased this will be recouped.

Funding
As stated in the interim report our bank relationships remain very strong. Our revolving credit facility with Lloyds has served us well, allowing us to repay the facility as and when funds flow in from property disposals. This facility and the supporting interest swap mature in August 2019 and we will start discussing an extension shortly.

As you will see in the accounts, during the year we fixed some debt with Handelsbanken for 5 and 10 years. We continually review our short and long term borrowing requirements.

Development
Delrose, our development subsidiary where we have a 60% interest, will be closed. Opportunities for suitable developments remain extremely limited, the margins on current developments are being squeezed and the Board believes that any potential future developments should be undertaken by the Group without minority interests.

Risk Management
At a micro level the executive management team has robust systems in place. We are of course exposed to external macro-economic risks; for example, the changes in consumer spending habits, government uncertainty and Brexit continue to make decision making difficult. However, these are regularly discussed and analysed at board level and our portfolio changes should mitigate some of the risks.

Governance
The non-executive directors are constantly challenging the executive team at Board meetings. Internal processes and procedures are always being monitored and improved where necessary. We will shortly be having a full review of the audit and remuneration committees. Rakesh Shaunak chairs the audit committee meetings and his experience is invaluable in ensuring the group has a robust risk and control environment. As part of our corporate governance review we will be re-tendering both the property valuation and the audit process.

Personnel
In pre-merger days Glenstone only had circa four permanent members of staff and there were few personnel changes year on year. The business post-merger has moved to another level with the number of full time employees now standing at 16. As I mentioned in my interim report, the Leicester office has closed with significant cost savings. For many shareholders, the closure of the Leicester office and the departure of Priscilla Surtee will seem like the end of an era. Priscilla has left with all our very best wishes and we hope to see her at AGM's in the future as she is now a shareholder. Asim Khan also left the Group in September 2017 to pursue other interests.

There were three notable additions during the year; two members of staff joined as a result of the acquisition of Mortlake Business Centre and we also welcomed Rob Maybury as Group Financial Controller. Rob previously worked for our auditors and has already proved to be a valuable asset to the executive team.

As announced in early June, Duncan Kennedy has decided, after 25 years of loyal service to Glenstone Property PLC, to step down from the running of the business later this year. Duncan will be leaving Glenstone and taking a well-earned sabbatical from the world of business. He will be spending more time with his family and some time travelling and focusing on charity work.

While the shareholders will see new faces fronting the group, the key personnel and the Board will remain in place and the all-important structure and foundations will be unchanged. The business is in a strong position and has the platform to carry on the Board's strategy of growing the business and the increasing of shareholder returns. There will be a further announcement closer to Duncan's departure date.

Shareholder Administration
The relationship with Link Registrars is working well and changes to shareholdings are being dealt with efficiently. The majority of PID payments are now being made directly to banks. Please can the remaining shareholders who still receive cheques and are comfortable to receive PIDs directly into their bank accounts go online and input their details. Andrew Pickering or Rob Maybury at our head office can provide any help that is required.

We are acutely aware that share liquidity remains limited, but to date when share sales occur they seem to be concluded within a reasonable period of time. The Board is constantly considering how this can be improved and in the first instance I urge you all to register with Ravenscroft, so you are on file and therefore the administration of any sale or purchase can be made efficiently. There have been issues with HMRC taking longer than expected to stamp transactions and we are investigating how this can be improved.

Property Income Distribution (PID)
As mentioned earlier the total PID for the year will be 55p. We paid 24p in December 2017 with the balance of 31p paid in July 2018. The increase in the PID from the previous financial year was over 6%.

Looking Forward
The property market has it challenges but the Group is well positioned with a diverse portfolio which should continue to provide an increasing PID supported by some excellent assets.

The AGM will take place at 12 noon on Tuesday 11th September at The Lansdowne Club, Fitzmaurice Place, off Berkley Square, London, W1J 5JD. My Board colleagues and I hope as many of you as possible can make the meeting.

Finally, I would like to thank the whole team at Glenstone for their hard work and commitment throughout the year.

On behalf of the board

C.L Powell MRICS
Chairman

Date: 20 June 2018

CORPORATE GOVERNANCE REPORT
for the year ended 31 March 2018

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

Although none of the several published codes on corporate governance issued in the last few years apply specifically to companies listed on TISE, 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.

Good corporate governance incorporates proportionate risk assessment and management, prudent decision making, open communication and business efficiency. An objective of corporate governance is to deliver growth in long term shareholder value by maintaining a flexible, efficient and effective management framework within an entrepreneurial environment.

The main features of corporate governance include:

a) Leadership and Efficient Management

It should be clear where responsibility lies for the management of the group and for the achievement of the key tasks.

Procedures should be in place to protect the group's assets.

The basis on which key decisions are taken should be transparent.

There should be a strategic vision of what the group 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 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 group.

BOARD OF DIRECTORS

Christopher Powell MRICS
Non-Executive Chairman (Aged 57)
Joined the Company in January 2012. Previously the Chairman of the Retail Group at Jones Lang LaSalle Ltd. Earlier he was the CEO of Churston Heard.

Rakesh Shaunak FCA CTA
Non-Executive Director (Aged 62)
Appointed a Director of Glenstone Property on 24 February 2016. Currently a Partner and Group Chairman of MHA MacIntyre Hudson, Chartered Accountants.

Duncan Kennedy
Managing Director (Aged 52)
Joined the Company in 1993 and appointed a Director in February 1995 and Managing Director in 1997. He has overall responsibility for all investment and trading business.

Adam Smith MRICS
Property Director (Aged 37)
Appointed a Director of Glenstone Property on 1 February 2016. Formerly the Managing Director of the London & Surrey Property Group of Companies. Earlier an investment and leasing agent with Edwin Hill, Chartered Surveyors.

Ben Green MRICS
Property Director (Aged 44)
Appointed a Director of Glenstone Property on 19 March 2012. Previously he had been a partner at Kitchen La Frenais Morgan.

Andrew Pickering FCA
Group Finance Director (Aged 60)
Joined the Company in August 2016 following a career in financial services globally.

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

The Board currently consists of four 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.

The Board meets not less than four times in a year and the Chairman and Non-Executive Director 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 at the Annual General Meeting after their initial appointment.

The Board maintains an active dialogue with its shareholders and recognizes their continued interest in the strategy and performance of the group. All of the Board are available to meet with shareholders if and when required and the AGM provides a perfect opportunity for shareholders to meet and discuss matters with the Board.

The Company Secretary keeps the Board and TISE 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 Rakesh Shaunak who is considered to have the appropriate knowledge and relevant experience. The Board is satisfied that the combined knowledge and experience of its members is such that the Committee discharges its responsibilities in a robust, effective and informed way.

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, TISE and legal requirements.

ii) Reviewing the adequacy and effectiveness of the risk management systems.

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

iv) Considering the adequacy and application of internal financial controls.

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

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

The Board's policy is that the remuneration of directors should reflect their experience and expertise that they have and how they use that to add value to the Group. The remuneration packages should be sufficient to retain, and where necessary, attract persons of the appropriate skill set.

The remuneration packages of executive directors comprise base salaries, performance related bonuses payable in cash or through pension contributions, benefits such as private medical health contributions and a car where circumstances make it more efficient.

The Board constantly reviews the remuneration policies and pay levels within its peer group of REIT's to ensure the levels are commensurate within that group with due regard to the size, complexity and risk of those in the peer group.

Board and Committee Attendance

The attendance of Board or Committee Meetings during the year to 31 March 2018 was as follows:-

	Board	Remuneration	Audit
C.L. Powell	5	1	2
R. Shaunak	5	1	2
D.J. Kennedy	5	*	*
A.C. Smith	5	*	*
B.P. Green	5	*	*
A.J. Pickering	5	*	1
A.A. Khan (resigned 12/09/2017)	3	*	*

* 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 group 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.

iii) The maintenance of and challenges to a proportionate risk register.

Risks and Uncertainties

In addition to the financial risks and mitigating factors described in the accounting policies to the accounts the following other key risks and mitigants have been identified:

(a) Investment risk - investment policy focuses on established business and residential locations and a balanced countrywide portfolio diversified across retail, residential and other commercial properties. Property managers actively manage lease expiry profiles to ensure a spread of expiries. When considering the sale or purchase of properties the current lease arrangements form a significant part of the decision making process.

(b) Economic and Political risk - the group maintains a keen awareness of the macro economic situation in the UK and weights this against the health of current and potential tenants. The effect of Brexit looms large over the UK economy and whilst presenting certain risks to existing tenants businesses equally provides opportunities to acquire quality properties.

(c) Financial and Fiscal change risk – The group is focused on maintaining its compliance with the Real Estate Investment Trust (REIT) regime but has no meaningful control over potential changes to the REIT regime. The Board maintains a strong awareness of the fiscal situation.

(d) Operational risks - the group has proportionate and robust systems and controls in place and constantly seeks to improve and streamline processes. The group has successfully migrated all of the group's systems onto common property and accounting platforms.

DIRECTORS' INTERESTS IN ORDINARY SHARES

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

	31 March 2018	31 March 2017
C.L. Powell	-	-
R. Shaunak	-	-
D.J. Kennedy	67,707	67,707
A.C. Smith	2,211,338	2,195,835
B.P. Green	-	-
A.J. Pickering	-	-
A.A. Khan (resigned 12/09/2017)	35,346	50,849

ON BEHALF OF THE BOARD:

A J Pickering (Group Finance Director)

Date: 20 June 2018

The directors present their report with the financial statements of the company and the group for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES
The principal activity of the Group continued to be that of property investment, and development.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 April 2017 to the date of this report.

C L Powell
R Shaunak
D J Kennedy
A C Smith
B P Green
A J Pickering

Other changes in directors holding office are as follows:

A A Khan - resigned 12 September 2017

In accordance with the Articles of Association, B P Green, R Shaunak and A C Smith retire, and being eligible, offer themselves for re-election,

FINANCIAL INSTRUMENTS
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of a revolving credit facility, overdrafts and fixed and floating rate bank loans. The Group seeks to mitigate the risk of fluctuating interest rates by using the aforementioned instruments together with interest rate swaps to protect floating rate borrowings.

CHARITABLE DONATIONS
During the year the Group made charitable donations of £1,750 (2017: £2,700). The Group made no political contributions in either year.

TAXATION
As a Real Estate Investment Trust ("REIT"), the Group is exempt from corporation tax on profits and gains from its investments, provided it continues to meet certain conditions as per REIT regulations.

RESULTS FOR THE PERIOD AND DISTRIBUTIONS
The Group results for the year are set out in the consolidated statement of total comprehensive income.

An interim property income distribution of 24p per share was paid on 13 December 2017. The directors now recommend the payment of a second interim distribution of 32p per share. The proposed distribution will be paid on or around 30 June 2018 to ordinary shareholders on the register at the close of business on 31 March 2018.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE
During the year the Group purchased and maintained liability insurance for its Directors and Officers as permitted by Section 234 of the Companies Act 2006.

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. Creditors are paid within their terms of business which is typically 28 days.

FIXED ASSETS
Details of movements in fixed assets are set out in the notes to the accounts.

SHARE CAPITAL
There were changes in the Company's issued share capital during the year as set out in the Statement of Changes in Equity. The shares were issued as part of the acquisition of the shares of Eastcastle Properties Limited and the conversion of the convertible loan.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

ON BEHALF OF THE BOARD:

A J Pickering (Group Finance Director)

Date: 20 June 2018

DIRECTORS' RESPONSIBILITIES STATEMENT
for the year ended 31 March 2018

The directors are responsible for preparing the Annual 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 company and the group 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 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Opinion

We have audited the financial statements of Glenstone Property PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Consolidated Income Statement, Consolidated Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (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 a Report of the Auditors 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.

In our opinion the financial statements:
- give a true and fair view of the state of the group's and of the parent company affairs as at 31 March 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Annual Report ,but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Our responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Richard Lodder (Senior Statutory Auditor)
for and on behalf of Magma Audit LLP
Chartered Accountants
Statutory Auditor
340 Melton Road
Leicester
LE4 7SL

Date: 26 June 2018

GLENSTONE PROPERTY PLC

CONSOLIDATED INCOME STATEMENT
for the year ended 31 March 2018

	Notes	Year Ended 31.3.18 £	Period 1.2.16 to 31.3.17 £
TURNOVER	3	**10,214,499**	13,030,537
Cost of sales	4	**(1,998,252)**	(3,259,714)
GROSS PROFIT		**8,216,247**	9,770,823
Administrative expenses	5	**(4,402)**	(435,085)
OPERATING PROFIT	8	**8,211,845**	9,335,738
Interest receivable and similar income		**8,218**	2,524
		8,220,063	9,338,262
Discount on acquisition of subsidiary	10	**-**	2,438,792
(Loss)/gain on revaluation of investment properties		**(1,066,882)**	8,025,581
		7,153,181	19,802,635
Interest payable and similar expenses	11	**(1,156,875)**	(1,662,710)
PROFIT BEFORE TAXATION		**5,996,306**	18,139,925
Tax on profit	12	**(29,350)**	(49,596)
PROFIT FOR THE FINANCIAL YEAR		**5,966,956**	18,090,329
Profit attributable to:			
Owners of the parent		**5,949,516**	17,950,661
Non-controlling interests		**17,440**	139,668
		5,966,956	18,090,329

The notes form part of these financial statements

CONSOLIDATED OTHER COMPREHENSIVE INCOME
for the year ended 31 March 2018

	Notes	Year Ended 31.3.18 £	Period 1.2.16 to 31.3.17 £
PROFIT FOR THE YEAR		**5,966,956**	18,090,329
OTHER COMPREHENSIVE INCOME		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,966,956**	18,090,329
Total comprehensive income attributable to:			
Owners of the parent		**5,949,516**	17,950,661
Non-controlling interests		**17,440**	139,668
		5,966,956	18,090,329

The statement of total comprehensive income has been prepared based on the basis that all operations are continuing operations.

	Notes		
Earnings per share	**15**	**66.6p**	210.2p
Earnings per share – on ordinary activities	**15**	**78.6p**	87.6p

The notes form part of these financial statements

CONSOLIDATED BALANCE SHEET
31 March 2018

	Notes	2018 £	2018 £	2017 £	2017 £
FIXED ASSETS					
Tangible assets	16		**46,290**		41,463
Investments	17		**-**		-
Investment property	18		**144,387,324**		150,779,713
			144,433,614		150,821,176
CURRENT ASSETS					
Stocks	19	**2,570,139**		2,231,842	
Debtors	20	**4,034,853**		3,516,108	
Cash at bank and in hand		**3,623,470**		747,501	
		10,228,462		6,495,451	
CREDITORS					
Amounts falling due within one year	21	**3,356,628**		18,670,206	
NET CURRENT ASSETS/(LIABILITIES)			**6,871,834**		(12,174,755)
TOTAL ASSETS LESS CURRENT LIABILITIES			**151,305,448**		138,646,421
CREDITORS					
Amounts falling due after more than one year	22		**(27,518,059)**		(28,493,149)
NET ASSETS			**123,787,389**		110,153,272
CAPITAL AND RESERVES					
Called up share capital	26		**193,381**		170,824
Share premium			**60,986,599**		48,009,150
Capital redemption reserve			**18,163**		18,163
Fair value reserve			**4,345,368**		7,809,045
Profit and loss reserve			**58,125,877**		53,965,529
			123,669,388		109,972,711
NON-CONTROLLING INTERESTS			**118,001**		180,561
TOTAL EQUITY			**123,787,389**		110,153,272

The financial statements were approved by the Board of Directors on 20 June 2018 and were signed on its behalf by:

D J Kennedy - Director

COMPANY BALANCE SHEET
31 March 2018

	Notes	**2018** £	**2018** £	2017 £	2017 £
FIXED ASSETS					
Tangible assets	16		**46,290**		38,963
Investments	17		**53,456,528**		49,035,565
Investment property	18		**71,492,500**		73,351,000
			124,995,318		122,425,528
CURRENT ASSETS					
Debtors	20	**12,620,136**		10,140,246	
Cash at bank and in hand		**862,353**		17,488	
		13,482,489		10,157,734	
CREDITORS					
Amounts falling due within one year	21	**8,403,436**		13,147,582	
NET CURRENT ASSETS/(LIABILITIES)			**5,079,053**		(2,989,848)
TOTAL ASSETS LESS CURRENT LIABILITIES			**130,074,371**		119,435,680
CREDITORS					
Amounts falling due after more than one year	22		**(13,018,059)**		(22,993,149)
NET ASSETS			**117,056,312**		96,442,531
CAPITAL AND RESERVES					
Called up share capital	26		**193,381**		170,824
Share premium			**60,986,599**		48,009,150
Capital redemption reserve			**18,163**		18,163
Fair value reserve			**(1,882,974)**		621,811
Profit and loss reserve			**57,741,143**		47,622,583
			117,056,312		96,442,531
Company's profit for the financial year			**12,866,620**		4,420,480

The financial statements were approved by the Board of Directors on 20 June 2018 and were signed on its behalf by:

D J Kennedy - Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2018

	Called up share capital £	Profit and loss reserve £	Share premium £	Capital redemption reserve £
Balance at 1 February 2016	85,412	48,662,883	1,094,562	18,163
Changes in equity				
Issue of share capital	85,412	-	46,914,588	-
Property income distributions	-	(4,140,170)	-	-
Total comprehensive income	-	17,950,661	-	-
Transfer of current year fair value movement of investment properties	-	(8,025,581)	-	-
Transfer of realised fair value losses	-	(482,264)	-	-
	170,824	53,965,529	48,009,150	18,163
Acquisition of non-controlling interest	-	-	-	-
Balance at 31 March 2017	170,824	53,965,529	48,009,150	18,163
Changes in equity				
Issue of share capital	22,557	-	12,977,449	-
Property income distributions	-	(5,252,845)	-	-
Total comprehensive income	-	5,949,516	-	-
Transfer of current year fair value movement of investment properties	-	1,066,882	-	-
Transfer of realised fair value gains	-	2,396,795	-	-
	193,381	58,125,877	60,986,599	18,163
Acquisition of non-controlling interest	-	-	-	-
Balance at 31 March 2018	193,381	58,125,877	60,986,599	18,163

The notes form part of these financial statements

continued...

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - continued
for the year ended 31 March 2018

	Fair value reserve £	Total £	Non-controlling interests £	Total equity £
Balance at 1 February 2016	(698,800)	49,162,220	-	49,162,220
Changes in equity				
Issue of share capital	-	47,000,000	-	47,000,000
Property income distributions	-	(4,140,170)	-	(4,140,170)
Total comprehensive income	-	17,950,661	139,668	18,090,329
Transfer of current year fair value movement of investment properties	8,025,581	-	-	-
Transfer of realised fair value losses	482,264	-	-	-
	7,809,045	109,972,711	139,668	110,112,379
Acquisition of non-controlling interest	-	-	40,893	40,893
Balance at 31 March 2017	7,809,045	109,972,711	180,561	110,153,272
Changes in equity				
Issue of share capital	-	13,000,006	-	13,000,006
Property income distributions	-	(5,252,845)	-	(5,252,845)
Dividends	-	-	(80,000)	(80,000)
Total comprehensive income	-	5,949,516	17,440	5,966,956
Transfer of current year fair value movement of investment properties	(1,066,882)	-	-	-
Transfer of realised fair value gains	(2,396,795)	-	-	-
Acquisition of non-controlling interest	-	-	-	-
Balance at 31 March 2018	4,345,368	123,669,388	118,001	123,787,389

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2018

	Called up share capital £	Profit and loss reserve £	Share premium £
Balance at 1 February 2016	85,412	48,034,547	1,094,562
Changes in equity			
Issue of share capital	85,412	-	46,914,588
Property income distributions	-	(4,140,170)	-
Total comprehensive income	-	4,420,480	-
Transfer of current year fair value movement of investment properties	-	(210,010)	-
Transfer of realised fair value losses	-	(482,264)	-
Balance at 31 March 2017	170,824	47,622,583	48,009,150
Changes in equity			
Issue of share capital	22,557	-	12,977,449
Property income distributions	-	(5,252,845)	-
Total comprehensive income	-	12,866,620	-
Transfer of current year fair value movement of investment properties	-	943,140	-
Transfer of realised fair value gains	-	1,561,645	-
Balance at 31 March 2018	193,381	57,741,143	60,986,599

	Capital redemption reserve £	Fair value reserve £	Total equity £
Balance at 1 February 2016	18,163	(70,463)	49,162,221
Changes in equity			
Issue of share capital	-	-	47,000,000
Property income distributions	-	-	(4,140,170)
Total comprehensive income	-	-	4,420,480
Transfer of current year fair value movement of investment properties	-	210,010	-
Transfer of realised fair value losses	-	482,264	-
Balance at 31 March 2017	18,163	621,811	96,442,531
Changes in equity			
Issue of share capital	-	-	13,000,006
Property income distributions	-	-	(5,252,845)
Total comprehensive income	-	-	12,866,620
Transfer of current year fair value movement of investment properties	-	(943,140)	-
Transfer of realised fair value gains	-	(1,561,645)	-
Balance at 31 March 2018	18,163	(1,882,974)	117,056,312

The notes form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2018

	Notes	Year Ended 31.3.18 £	Period 1.2.16 to 31.3.17 £
Cash flows from operating activities			
Cash generated from operations	1	**5,170,668**	6,253,219
Interest paid		**(1,631,964)**	(2,007,703)
Tax (paid)/refunded		**(84,816)**	30,691
Net cash from operating activities		**3,453,888**	4,276,207
Cash flows from investing activities			
Purchase of tangible fixed assets		**(29,457)**	(38,813)
Purchase of investment property		**(3,742,140)**	(15,098,489)
Sale of tangible fixed assets		**12,000**	15,620
Sale of investment property		**13,127,753**	6,316,292
Purchase of loans from subsidiaries		**-**	(20,638,659)
Purchase of subsidiary (net of cash acquired)		**1,980,568**	(1,372,025)
Interest received		**8,218**	2,524
Net cash inflow/(outflow) from investing activities		**11,356,942**	(30,813,550)
Cash flows from financing activities			
Increase in convertible loan		**-**	9,000,000
Increase in bank loan		**3,407,500**	11,092,500
(Decrease)/increase in revolving credit facility		**(9,500,000)**	11,500,000
Distributions paid		**(5,252,845)**	(4,140,170)
Dividends paid to minority interests		**(80,000)**	-
Net cash (outflow) /inflow from financing activities		**(11,425,345)**	27,452,330
Increase in cash and cash equivalents		**3,385,485**	914,987
Cash and cash equivalents at beginning of year	2	**237,985**	(677,002)
Cash and cash equivalents at end of year	2	**3,623,470**	237,985

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 March 2018

1. **RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	Year Ended 31.3.18 £	Period 1.2.16 to 31.3.17 £
Profit before taxation	**5,996,306**	18,139,925
Depreciation charges	**18,010**	35,816
Profit on disposal of investment properties	**(2,144,483)**	(1,346,157)
Loss/(Gain) on revaluation of investment properties	**1,066,882**	(8,025,581)
Discount on the acquisition of subsidiaries	**-**	(2,438,792)
Finance costs	**1,156,875**	1,662,710
Finance income	**(8,218)**	(2,524)
	6,085,377	8,025,397
Increase in stocks	**(338,297)**	(434,420)
(Increase)/decrease in trade and other debtors	**(397,604)**	2,969,866
Decrease in trade and other creditors	**(178,803)**	(4,307,624)
Cash generated from operations	**5,170,668**	6,253,219

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 March 2018

	31.3.18 £	1.4.17 £
Cash and cash equivalents	**3,623,470**	**747,501**
Bank overdrafts	**-**	**(509,516)**
	3,623,470	**237,985**

Period ended 31 March 2017

	31.3.17 £	1.2.16 £
Cash and cash equivalents	747,501	69,147
Bank overdrafts	(509,516)	(746,149)
	237,985	(677,002)

3. ACQUISITION OF BUSINESS

On 15 November 2017 the group acquired 100% of the share capital of Eastcastle Properties Limited.

	Book Value	Fair Value
	£	£
Investment property	1,922,000	1,922,000
Cash and cash equivalents	2,401,520	2,401,520
Trade and other receivables	126,174	126,174
Trade and other payables	(28,737)	(28,737)
	4,420,957	4,420,957
Goodwill		-
Total consideration		4,420,957

The consideration was satisfied by:	£
Cash (deferred)	299,806
Directors loan account	121,145
Issue of shares	4,000,006
	4,420,957

Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive income since acquisition:

	£
Rental income	48,122
Profit on sale of properties	443,892
Profit after tax	476,995

1. CORPORATE INFORMATION

The consolidated financial statements of the Group for the year ended 31 March 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The shares are listed on The International Stock Exchange (TISE).

Glenstone Property PLC ("the Company") is a limited company domiciled and incorporated in England and Wales. The registered office Parkway House, Sheen Lane, East Sheen, SW14 8LS.

2. ACCOUNTING POLICIES

General information
These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.The consolidated and separate financial statements are prepared on a going concern basis, under historical cost convention, modified by the recognition of certain financial assets and liabilities at fair value.

The prior year reporting period represents a 14 month period.

The Group and Company financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest £.

The group holds investment property and trading stock property.

Summary of significant accounting policies
The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements.

Basis of preparing the financial statements
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 within the notes to the accounts.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes.

The Company has taken advantage of the following exemptions in its individual financial statements:

- from preparing a statement of cashflows, on the basis that it is qualifying entity and the consolidated statement of cashflows, included in these financial statements, includes the Company's cash flows;
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

Basis of consolidation
The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings. All financial statements are made up to 31 March 2018.

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.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change or change of significant influence respectively.

continued...

2. **ACCOUNTING POLICIES - continued**

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 liabilities 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.

Where the cost of business combinations exceeds the fair value of the group's interest in the assets, liabilities and contingent liabilities acquired, negative goodwill arises. The Group, after consideration of the assets and liabilities and contingent liabilities acquired and the cost of the combination, recognises negative goodwill on the balance sheet and releases this to the profit and loss, up to the fair value of non-monetary assets acquired, over the periods in which the non-monetary assets are recovered and any excess over the fair value of non-monetary assets in the income statement over the period expected to benefit.

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

Turnover
The Group recognises turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group retains no continuing involvement or control over the goods; (c) the amount of turnover can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Group’s sales channels have been met, as described below.

Turnover represents rents receivable from investment properties, service charges, management charges, lease surrenders, 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.

This turnover 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.

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.

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

Tangible fixed assets
Fixtures and fittings 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.

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2. **ACCOUNTING POLICIES - continued**

Investment properties

Investment property comprises freehold and long leasehold buildings. These comprise mainly retail units, offices, residential properties, industrial units and licensed property which 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. 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 assets 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.

Any movement in the fair value of the properties is reflected within the profit and loss account for the year.

The gain or loss arising on the disposal of investment properties is determined as the difference between the net sales proceeds and the carrying value of the asset at the beginning of the period and is recognised in the profit and loss account, in administrative expenses.

Fixed asset investments

Subsidiaries are all entities over which the Company 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 Company controls another entity.

Investments in subsidiaries are held at cost less accumulated impairment losses.

Stocks

Property stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Cost of stocks comprise purchase and development costs of properties which are allocated to the specific properties to which they relate.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Taxation

Corporation tax is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

As a REIT, the Group is exempt from corporation tax on profits and gains from its investments, provided it continues to meet certain conditions as per REIT regulations.

Taxation on the profit and loss for the period not exempt under UK REIT regulations comprises current and deferred tax. Current tax is expected tax payable on any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the period end date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the used for taxation purposes. The amount of deferred tax that is provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using rates enacted or substantially enacted at the period end date.

(i) 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.

continued...

2. **ACCOUNTING POLICIES - continued**

Taxation – continued

(ii) Deferred tax

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.

Operating lease agreements
Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

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.

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.

Retirement benefits
The Group pays contributions into privately administered pension plans which are charged to the Profit and Loss Account in the period when they fall due.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

Capital and reserves
The share premium account represents amounts paid in excess of the par value of the shares.

The fair value reserve reflects unrealised gains and losses on investment properties carried at fair value.

The capital redemption reserve reflects the buyback of shares in prior years.

The profit and loss reserve reflects accumulated comprehensive income to date less distributions paid and realised gains and losses on the revaluation of investment properties.

Financial instruments
The group has elected to apply the provisions of Section 11 ‘Basic Financial Instruments’ and Section 12 ‘Other Financial Instruments Issues’ of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(i) Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective rate interest method.

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.

continued...

2. **ACCOUNTING POLICIES - continued**

(ii) Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

(iii) Derecognition of financial assets

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(iv) Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

(v) Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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.

(vi) Non basic financial instruments

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate. The Group does not currently apply hedge accounting for interest derivatives.

(vii) Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Distributions to equity holders, recognised as a liability in the financial statements in the period in which they approved by the shareholders. These amounts are recognised in the statement of changes in equity.

continued...

2. ACCOUNTING POLICIES - continued

Critical accounting estimates and assumptions
In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

(i) Fair value of investment properties

The annual revaluation of Investment properties is sensitive to the changes in the rental market and the economic climate of the surrounding area. The properties are revalued at fair value by independent external valuers, Jones Lang LaSalle Ltd, Fleurets Limited, Aitchison Raffety Group Limited and the directors each year at the balance sheet date.

(ii) Swap valuation

The Group values its interest rate swap at fair value. The fair value is estimated by the loan counterparty with revaluation occurring on a half yearly basis. The counterparty use a number of assumptions in determining the fair value including estimations off future interest rates.

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

(i) 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 tenants. The Group has no significant concentration of credit risk as exposure is spread over a large number of tenants.

(ii) 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 has an interest rate swap fixing £10m of borrowings at 4.55% until 1 August 2019.

At 31 March 2018, 91% (2017 - 23%) of the Group's borrowings were protected against future interest rate volatility, by using fixed rate loans and interest rate swaps to protect floating rate borrowings.

(iii) 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.

continued...

3. TURNOVER

The turnover and profit before taxation are attributable to the principal activities of the group.

An analysis of turnover by class of business is given below:

	Year Ended 31.3.18 £	Period 1.2.16 to 31.3.17 £
Rental income	**9,571,760**	10,487,764
Lease surrenders	**569**	5,000
Other property income	**197,170**	337,523
Sales of development property	**445,000**	2,200,250
	10,214,499	13,030,537

4. SUMMARY OF COST OF SALES

	Year Ended 31.3.18 £	Period 1.2.16 to 31.3.17 £
Property operating costs	**1,794,922**	1,572,520
Development property costs	**203,330**	1,687,194
	1,998,252	3,259,714

5. SUMMARY OF ADMINISTRATIVE EXPENSES

	Year Ended 31.3.18 £	Period 1.2.16 to 31.3.17 £
Profit on disposal of investment properties	**2,144,483**	1,346,157
Administrative expenses	**(2,148,885)**	(1,781,242)
	(4,402)	(435,085)

6. EMPLOYEES AND DIRECTORS

Group	**Year Ended 31.3.18 £**	Period 1.2.16 to 31.3.17 £
Wages and salaries	**1,303,408**	1,055,530
Social security costs	**138,573**	99,999
Other pension costs	**12,487**	8,598
	1,454,468	1,164,127

continued...

6. EMPLOYEES AND DIRECTORS- continued

Group
The average number of employees during the year was as follows:

	Year Ended 31.3.18	Period 1.2.16 to 31.3.17
Directors	**6**	8
Administration	**10**	6
	16	14

Company
The average number of employees during the year was as follows:

	Year Ended 31.3.18	Period 1.2.16 to 31.3.17
Directors	**6**	8
Administration	**3**	1
	9	9

7. DIRECTORS' EMOLUMENTS

	Year Ended 31.3.18 £	Period 1.2.16 to 31.3.17 £
Directors' remuneration	**967,061**	811,168
Directors' pension contributions to money purchase schemes	**60,000**	5,567

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	**2**	2

Information regarding the highest paid director is as follows:

	Year Ended 31.3.18 £	Period 1.2.16 to 31.3.17 £
Remuneration for qualifying services	**408,831**	222,679

There are no other key management personnel other than the directors.

continued...

8. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	Year Ended 31.3.18 £	Period 1.2.16 to 31.3.17 £
Other operating leases	**6,013**	14,103
Depreciation - owned assets	**18,010**	35,816
Profit on disposal of investment properties	**(2,144,483)**	(1,346,157)
Cost of stocks recognised as an expense	**203,330**	1,226,450
Discount on acquisition of subsidiaries written off	**-**	(2,438,792)

9. AUDITORS' REMUNERATION

	Year Ended 31.3.18 £	Period 1.2.16 to 31.3.17 £
Audit services		
Fees payable to the company's auditors for the audit of the financial statements of the group and company	**19,500**	21,000
Fees payable to the company's auditors for the audit of the financial statements of the company's subsidiaries	**39,500**	34,000
Other services		
Other assurance services	**15,000**	9,175

10. AMOUNTS WRITTEN OFF INVESTMENTS

	Year Ended 31.3.18	Period 1.2.16 to 31.3.17
Discount on acquisition of subsidiaries written off	**-**	(2,438,792)

11. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year Ended 31.3.18 £	Period 1.2.16 to 31.3.17 £
Interest on convertible loans	**167,179**	298,972
Interest on bank overdrafts and loans	**1,045,486**	1,217,623
Finance costs for financial instruments		
Relating interest rate swap	**419,299**	491,109
Movement in derivatives relating to the interest rate swap	**(475,090)**	(344,994)
	1,156,875	1,662,710

continued...

12. **TAXATION**

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	Year Ended 31.3.18 £	Period 1.2.16 to 31.3.17 £
Current tax:		
UK corporation tax	**24,996**	49,596
Adjustment to prior years	**4,354**	-
Tax on profit	**29,350**	49,596

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	Year Ended 31.3.18 £	Period 1.2.16 to 31.3.17 £
Profit before tax	**5,996,306**	18,139,925
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 20%)	**1,139,298**	3,627,985
Effects of:		
Adjustments to tax charge in respect of previous periods	**4,354**	-
REIT exempt profits	**(1,317,010)**	(1,973,273)
Effect of revaluations of investments	**202,708**	(1,605,116)
Total tax charge	**29,350**	49,596

Glenstone Property PLC elected for Company Real Estate Investment Trust ("REIT") status with effect from 1 February 2009. Other group companies joined the REIT on 1 February 2016 and 15 November 2017. As a result the Group no longer pays 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.

Reductions in the rate of UK Corporation Tax have been enacted, reducing the rate to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. It has further been announced, but not yet enacted, that the rate will be reduced to 17% from April 2020.

continued...

13. **INDIVIDUAL INCOME STATEMENT**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

14. **DISTRIBUTIONS**

	Year Ended 31.3.18 £	Period 1.2.16 to 31.3.17 £
Final	**3,202,954**	2,175,691
Interim	**2,049,891**	1,964,479
	5,252,845	4,140,170

		2018 £	2017 £
Property income distributions			
Final (2017)	37.5p per share (2017 - 50.9p)	3,202,954	2,175,691
Interim (2018)	24.0p per share (2017 - 23.0p)	2,049,891	1,964,479
		5,252,845	4,140,170

A further distribution has been proposed for the year ended 31 March 2018. This is expected to absorb £2,997,411 (2017: £3,202,954) of reserves. The distribution has not been included as a liability in these financial statements.

15. **EARNINGS PER SHARE**

The calculation of earnings per share is based on the profit on ordinary activities after taxation attributable to the owners of the parent company of £5,949,516 (2017: £17,950,661) and 8,927,003 (2017: 8,541,211) ordinary shares, being the weighted average number of shares in issue during the period.

The calculation of earnings per share - based on ordinary activities, is based on the profit attributable to the owners of the parent company less discount on acquisition of subsidiary write off less the fair value gains or losses on investment properties £7,016,398 (2017: £7,486,288) and 8,927,003 (8,541,211) ordinary shares, being the weighted average number of shares in issue during the year.

continued...

16. TANGIBLE FIXED ASSETS

Group

	Fixtures and fittings £	Motor vehicles £	Totals £
COST			
At 1 April 2017	19,037	86,108	105,145
Additions	17,999	11,458	29,457
Disposals	-	(44,950)	(44,950)
At 31 March 2018	37,036	52,616	89,652
DEPRECIATION			
At 1 April 2017	15,035	48,647	63,682
Charge for year	5,563	12,447	18,010
Eliminated on disposal	-	(38,330)	(38,330)
At 31 March 2018	20,598	22,764	43,362
NET BOOK VALUE			
At 31 March 2018	16,438	29,852	46,290
At 31 March 2017	4,002	37,461	41,463

Company

	Fixtures and fittings £	Motor vehicles £	Totals £
COST			
At 1 April 2017	19,037	82,150	101,187
Additions	17,999	11,458	29,457
Disposals	-	(44,950)	(44,950)
At 31 March 2018	37,036	48,658	85,694
DEPRECIATION			
At 1 April 2017	15,035	47,189	62,224
Charge for year	5,563	9,947	15,510
Eliminated on disposal	-	(38,330)	(38,330)
At 31 March 2018	20,598	18,806	39,405
NET BOOK VALUE			
At 31 March 2018	16,438	29,852	46,290
At 31 March 2017	4,002	34,961	38,963

continued...

17. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 April 2017	**49,035,565**
Additions	**4,420,963**
At 31 March 2018	**53,456,528**
NET BOOK VALUE	
At 31 March 2018	**53,456,528**
At 31 March 2017	49,035,565

The group or the company's investments at the Balance Sheet date in the share capital of companies include the following:

Subsidiaries

London & Surrey Property Holdings Limited
Registered office: Parkway House, Sheen Lane, London, SW14 8LS, UK
Nature of business: Property investment

Class of shares:	% holding
Ordinary: direct	100.00

	2018 £	2017 £
Aggregate capital and reserves	**39,477,894**	46,082,846
Profit for the year/period	**1,395,048**	5,513,138

Amdale Securities Limited
Registered office: Parkway House, Sheen Lane, London, SW14 8LS, UK
Nature of business: Property investment

Class of shares:	% holding
Ordinary: direct	100.00

	2018 £	2017 £
Aggregate capital and reserves	**13,057,476**	14,635,121
Profit for the year/period	**522,355**	4,546,150

Deemark Limited
Registered office: Parkway House, Sheen Lane, London, SW14 8LS, UK
Nature of business: Property investment

Class of shares:	% holding
Ordinary: direct	60.39
Ordinary: indirect	39.61

	2018 £	2017 £
Aggregate capital and reserves	**2,533,788**	2,466,631
Profit/(loss) for the year/period	**67,157**	(71,660)

continued...

17. FIXED ASSET INVESTMENTS - continued

Innbrighton Properties Limited
Registered office: Parkway House, Sheen Lane, London, SW14 8LS, UK
Nature of business: Property investment

Class of shares:	% holding
Ordinary: indirect	100.00

	2018 £	2017 £
Aggregate capital and reserves	**4,799,725**	3,959,543
Profit for the year/period	**840,182**	619,104

Delrose Developments Limited
Registered office: Parkway House, Sheen Lane, London, SW14 8LS, UK
Nature of business: Property development

Class of shares:	% holding
Ordinary: indirect	60.00

	2018 £	2017 £
Aggregate capital and reserves	**294,999**	451,400
Profit for the year/period	**43,599**	259,586

Eastcastle Properties Limited
Registered office: Parkway House, Sheen Lane, London, SW14 8LS, UK
Nature of business: Property investment

Class of shares:	% holding
Ordinary: direct	100.00

	2018 £	2017 £
Aggregate capital and reserves	**4,872,952**	4,362,947
Profit for the year/period	**510,005**	24,996

Eastcastle Properties Limited was acquired on 15 November 2017.

All of the above subsidiaries are included in the consolidation. The investments in subsidiaries are all stated at cost.

continued...

18. INVESTMENT PROPERTY

Group

	Total £
FAIR VALUE	
At 1 April 2017	**150,779,713**
Additions through external acquisition	**3,742,140**
Additions through business combination	**1,922,000**
Disposals	**(10,989,647)**
Net gains or losses through fair value adjustments	**(1,066,882)**
At 31 March 2018	**144,387,324**
NET BOOK VALUE	
At 31 March 2018	**144,387,324**
At 31 March 2017	150,779,713

Group

Investment property comprises freehold and long leasehold property. The fair value of the investment property has been arrived at on the basis of a valuation carried out at 31 March 2018 by the following independent chartered surveyors, Jones Lang LaSalle Ltd; Fleurets Limited and Aitchison Raffety Group Limited and the directors. The valuations were made on an open market basis by reference to existing use.

Investment properties with a value totalling £69,811,500 (2017: £74,693,500) have been pledged to secure borrowings of the Group. Company £41,651,500 (2017: £39,703,500).

Group	**2018 £**	2017 £
Freehold	**138,186,449**	142,680,313
Long leasehold	**6,200,875**	8,099,400
	144,387,324	150,779,713

Company	**2018 £**	2017 £
Freehold	**71,492,500**	72,101,000
Long leasehold	-	1,250,000
	71,492,500	73,351,000

continued...

18. INVESTMENT PROPERTY - continued

Company

	Total £
FAIR VALUE	
At 1 April 2017	**73,351,000**
Additions	**3,742,140**
Disposals	**(4,657,500)**
Net gains or losses through fair value adjustments	**(943,140)**
At 31 March 2018	**71,492,500**
NET BOOK VALUE	
At 31 March 2018	**71,492,500**
At 31 March 2017	73,351,000

The fair value reserve for the company and the group discloses the movement between the historical cost basis and the fair value basis for investment properties.

19. STOCKS

	Group	
	2018	2017
	£	£
Property stock	**2,570,139**	2,231,842

20. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2018	2017	**2018**	2017
	£	£	**£**	£
Trade debtors	**833,289**	1,211,532	**491,290**	650,581
Amounts owed by group undertakings	**-**	-	**10,250,000**	7,400,000
Accrued income and other debtors	**2,029,926**	2,032,318	**1,789,926**	2,032,318
Prepayments	**1,171,638**	272,258	**88,920**	57,347
	4,034,853	3,516,108	**12,620,136**	10,140,246

Included within the accrued income balance of the group and the company are unexpired lease incentives that will be released to the profit and loss across the terms of each individual lease. Lease incentives totalled £583,108 (2017: £577,318) of which £464,313 (2017: £451,174) is included as due after one year.

The directors considered that the carrying value 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 tenant's rents are generally 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.

continued...

21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2018	2017	**2018**	2017
	£	£	**£**	£
Bank loans and overdrafts (see note 23)	**-**	6,102,016	**-**	509,516
Convertible loan (see note 23)	**-**	9,000,000	**-**	9,000,000
Trade creditors	**126,401**	244,544	**69,016**	116,791
Amounts owed to group undertakings	**-**	-	**5,872,358**	975,823
Tax	**38,537**	80,288	**1,018**	-
Social security and other taxes	**198,268**	32,086	**198,268**	27,712
VAT	**229,206**	308,496	**211,896**	285,061
Other creditors	**834,378**	515,773	**713,361**	373,388
Deferred income	**1,538,554**	1,084,555	**1,133,595**	1,084,555
Accruals	**391,284**	1,302,448	**203,924**	774,736
	3,356,628	18,670,206	**8,403,436**	13,147,582

22. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2018	2017	**2018**	2017
	£	£	**£**	£
Bank loans (see note 23)	**14,500,000**	5,500,000	**-**	-
Revolving credit facility (see note 23)	**12,500,000**	22,000,000	**12,500,000**	22,000,000
Fair value of interest rate swap	**518,059**	993,149	**518,059**	993,149
	27,518,059	28,493,149	**13,018,059**	22,993,149

The Group's policy in respect of the use of derivative financial instruments to manage risk is detailed in the accounting policies. Interest rates are hedged by the use of an interest rate swap and fixed interest loans. The interest rate swap fixes the interest at 4.55% on £10m of revolving credit facility and the swap expires on 1 August 2019.

continued...

23. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2018	2017	**2018**	2017
	£	£	**£**	£
Amounts falling due within one year or on demand:				
Bank overdrafts	**-**	509,516	**-**	509,516
Bank and convertible loans	**-**	14,592,500	**-**	9,000,000
	-	15,102,016	**-**	9,509,516
Amounts falling due between one and two years:				
Bank loans and revolving credit facility	**12,500,000**	27,500,000	**12,500,000**	22,000,000
Amounts falling due in more than five years:				
Bank loans	**14,500,000**	-	**-**	-

The total amount of group creditors for which security has been given are £27,000,000 (2017: £42,602,016) Company £12,500,000 (2017: £31,509,516).

Included in the prior year amounts falling due within one year was a convertible loan provided by Mrs A M Smith, the mother of a director, of £9,000,000.

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 2.5% margin.

The group has overdraft facilities of up to a maximum of £1,490,000. Interest payable on the facilities is based upon Bank base rate, plus margins of 2% - 2.65%.

During the year all of the group's bank loans were restructured. Bank loans are interest only and repayable in full on the maturity dates. Interest is payable at rates between 3.47% - 3.53% (2017 2.5% over LIBOR).

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

continued...

24. LEASING AGREEMENTS

Lessor

At 31 March 2018 the Group owned commercial and residential investment properties for rental purposes. Rental income earned during the period was £9,571,760 (2017: £10,487,764) and direct operating expenses arising on the properties in the period was £1,794,922 (2017: £1,733,265). The properties are expected to generate yield between 4% and 8% p.a. depending on type of property. Most lease contracts contain market review clauses in the event that the lessee exercises their option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

	Group		**Company**	
	2018	2017	**2018**	2017
	£	£	**£**	£
Within one year	**6,724,144**	7,939,463	**4,647,986**	5,381,068
Between two and five years	**19,998,661**	20,666,824	**13,358,098**	13,851,303
In over five years	**41,723,450**	41,268,062	**11,870,18**	10,144,308
	68,446,255	69,874,349	**29,876,102**	29,376,679

25. FINANCIAL INSTRUMENTS

	Group		**Company**	
	2018	2017	**2018**	2017
	£	£	**£**	£
Financial assets				
Debt instruments measured at amortised cost				
Trade debtors	**833,289**	1,211,533	**491,290**	650,581
Amounts owed from subsidiary undertakings	**-**	-	**10,250,000**	7,400,000
Equity instruments measured at cost				
Investment in subsidiary	**-**	-	**53,456,528**	49,035,565
	833,289	1,211,533	**64,197,818**	57,086,146
Financial liabilities				
Debt instruments measured at amortised cost				
Bank loans and overdrafts	**27,000,000**	33,602,016	**12,500,000**	22,509,516
Convertible loan	**-**	9,000,000	**-**	9,000,000
Trade creditors	**126,401**	244,544	**69,016**	116,791
Other creditors	**834,077**	515,773	**713,361**	373,388
Accruals	**391,284**	1,302,448	**203,924**	774,736
Amounts due to subsidiary undertakings	-	-	**5,872,358**	975,823
Debt instruments measured at fair value				
Interest rate swap	**518,059**	993,149	**518,059**	993,149
	28,869,821	45,657,930	**19,876,718**	34,743,403

continued...

26. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	**2018** £	2017 £
9,669,067	Ordinary	0.02	**193,381**	170,824

There is one class of ordinary share which carry no right to fixed income. The shares carry no special rights or restrictions, each share carries one vote.

On 16 November 2017 the company issued 310,078 ordinary shares in part settlement of the acquisition of all the shares in Eastcastle Properties Limited.

On 30 November 2017 the company issued 817,778 ordinary shares were issued in respect of the convertible loan converted during the year.

27. **PENSION COMMITMENTS**

Defined contribution schemes	**2018** £	2017 £
Charge to profit and loss in respect of defined contribution schemes	**12,487**	8,598

28. **RELATED PARTY DISCLOSURES**

No guarantees have been given or received.

On 1 February 2016 the Group entered into a convertible loan with Mrs A M Smith, the mother of a director. During the year the loan was converted into 817,778 ordinary shares.

During the year the Group purchased goods totalling £287,430 (2017: £82,500) from MJB Construction & Maintenance Limited, a company in which Z R Wozniak is a director. Z R Wozniak is a director and shareholder of Delrose Development Limited. At the year end, the Group owed £3,100 (2017: £nil) to this company.

During the year D J Kennedy, a director, purchased a motor vehicle from the Group for £12,000, which represented the vehicle’s market value.

During the year the Group purchased services totalling £3,580 (2017: £nil) from R. Shaunak, a non-executive director of the company.

29. **CAPITAL COMMITMENTS**

The group entered into a contract to purchase properties with completion dates after the year end. The total capital commitments at the year end were £5,691,600.

30. **ULTIMATE CONTROLLING PARTY**

There is no ultimate controlling party.

continued...

31. INVESTMENT PROPERTY PORTFOLIO

Principal Properties		Valuation at 31 March 2018 £
East Sheen	Serviced Offices	5,370,000
Mortlake	Serviced Offices	5,900,000
Nottingham	Rental Units (6)	3,250,000
Barnstaple	Rental Unit	4,368,000
Billericay	Mixed Retail & Offices	3,692,000
Chichester	Rental Units	3,176,000
London	Central London Residential	6,500,000
Surbiton	Residential	3,775,125
Braintree	Service Station	3,475,000
Glasgow	Rental Unit	3,575,000
		43,081,125
Other Retail/Industrial/Office/Residential Units/Licensed property		101,306,199
		144,387,324

Valuation Summary

The independent valuation of the investment portfolio, undertaken by a combination of Jones Lang LaSalle Ltd, independent chartered surveyors; Fleurets Limited, independent chartered surveyors and Aitchison Raffety Group Limited, independent chartered surveyors and the directors, as at 31 March 2018, shows a decrease of £1,066,882.

continued...

32. FIVE YEAR FINANCIAL SUMMARY

		2018	2017 14 months	2016 restated	2015	2014
		£'000	£'000	£'000	£'000	£'000
Results						
	Revenue	10,214	13,031	5,012	5,331	5,664
	-arising from property investment	9,769	10,831	5,012	5,331	5,642
	-arising from property development	445	2,200	-	-	22
	Profits					
	-arising from property investment	6,821	7,239	3,613	3,875	5,801
	-arising from changes in fair value of investment properties	(1,067)	8,026	670	546	(1,677)
	-arising from property development	242	436	-	(4)	16
	-arising from discount on acquisition of subsidiaries	-	2,439	-	-	-
	Profit before tax	5,996	18,140	4,283	4,417	4,140
	Corporation tax	(29)	(50)	-	(106)	(103)
	Minority interest	(17)	(140)	-	-	-
	Profit after tax and MI	5,950	17,951	4,283	4,311	4,037
	Distributions	(5,253)	(4,140)	(2,825)	(2,994)	(2,831)
	Profit Retained	697	13,811	1,458	1,317	1,206
	Earnings per share	78.6	87.6	100.0	103.4	94.5
	Gross PID per share	55.0	60.5	66.2	70.1	66.3
	Dividend cover	1.43	1.45	1.51	1.48	1.43
	Net Asset Value per share	12.80	12.90	11.51	11.17	11.04
Funds						
	Total shareholders funds	123,787	110,154	49,162	47,705	47,133
	Bank and other loans	27,518	28,493	11,838	14,316	15,000
		151,305	138,647	61,000	62,021	62,133
Employment of Funds						
	Fixed Assets	144,433	150,821	62,168	61,305	63,947
	Net current (liabilities)/assets	6,872	(12,174)	(1,168)	716	(1,814)
		151,305	138,647	61,000	62,021	62,133
Total Return		3.5%	17.3%	9.0%	7.5%	(5%)

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Weston-super-Mare

Muckley Corner, Lichfield

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