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The Cardiff Property plc

ANNUAL REPORT 2006

The Cardiff Property plc

The group, including Campmoss, specialises in property investment and development in the Thames Valley.

The portfolio, valued in excess of £34m, is primarily located to the west of London, close to Heathrow Airport and in Surrey and Berkshire.

Financial Highlights

		2006	2005	
Net Assets	£'000	**19,556**	17,576	
Net Assets Per Share	pence	**1,123**	990	**+13%**
Profit Before Tax	£'000	**2,549**	3,201	**-20%**
Earnings Per Share — Basic	pence	**137.6**	193.6	**-29%**
Dividend Per Share — Paid and proposed	pence	**10.05**	9.0	**+12%**
Gearing	%	**Nil**	Nil	

Contents

Locations

The group's portfolio of investment property and development schemes, all located in the important M4 corridor, is well placed to benefit from further recovery.

BRACKNELL

Brickfields*
12 business units and 1 office unit totalling 35,000 sq ft. Tenants include *Siemens Properties, Beneficial Bank, Verizon UK, BSS Group* and National Car Rental producing £432,000 pa.

Market Street*
25,000 sq ft office building, plus 12 retail and part office units. Currently part let producing £142,400 pa. Revised planning application submitted to replace with high-grade offices, residential and retail.

BURNHAM

The Priory*
26,232 sq ft headquarters office building. 17,183 sq ft let to Industri-Matematik producing £401,400 pa. 9,049 sq ft refurbished space vacant.

CARDIFF

Mail Sorting Centre
14,650 sq ft let to The Royal Mail at £40,000 pa expiring 2019.

DATCHET

Datchet Meadows*
Planning permission obtained for 24 residential units. Planning application lodged for 35 residential units.

EGHAM

Station Road
Company head office totalling 1,200 sq ft.

Heritage Court
Retail and office premises totalling 3,000 sq ft producing £54,600 pa.

Runnymede Road
Residential property adjacent to The White House. Recently vacated and being refurbished for reletting.

Rusham Road
Development of 4 houses. 3 sold (1 post year end), 1 let on short term tenancy producing £9,000 pa.

EGHAM continued

The White House
Office and retail premises totalling 12,000 sq ft. Tenants include Royal *Liver Assurance, Lunn Poly* and *Dollond & Aitchison*, producing £194,300 pa.

GUILDFORD

Tangley Place, Worplesdon*
Office and laboratory buildings totalling 26,000 sq ft. Planning application for residential use under discussion with the Planning Authority.

MAIDENHEAD

Clivemont House*
3 office units totalling 30,000 sq ft let to Pythagoras, FAST and Kingsoak Homes Ltd producing £344,000 pa. Planning granted for new 50,000 sq ft B1 office scheme.

Highway House*
11,000 sq ft arranged on 4 floors. Planning application for a new 40,000 sq ft office scheme is under discussion with the Planning Authority.

Maidenhead Enterprise Centre
Development of 5 business units totalling 14,000 sq ft. Letting agents instructed. A freehold sale will be considered.

WINDSOR

Windsor Business Centre
5 business units totalling 15,600 sq ft producing £133,500 pa. Tenants include Joyce Meyer Ministries (2 units) and Designworks. 1 unit available.

WOKING

Britannia Wharf*
28,750 sq ft office building let to DB Apparel, Exchange FS and Indus International producing £609,750 pa.

* Owned by jointly controlled entity.

Chairman's Statement and Property Review

Whilst the fundamentals remain positive, the market still awaits the anticipated upturn in take up of new office space needed to sustain speculative development and rental growth.

Dear shareholder

During the early part of the year, an increase in tenant demand, reducing supply of new Grade A office space and positive attitude towards rental growth sustained optimism within the western M4 corridor and surrounding areas. This encouraged investment deals to be transacted, as evidenced by our sales last year, yet I have to report that whilst the fundamentals remain positive, the market still awaits the anticipated upturn in take up of new office space needed to sustain speculative development and rental growth.

Within the Thames Valley some benchmark lettings have been completed during the last six months and the gradual take up of second hand stock is evident but there is still an imbalance between supply and demand, although locations such as Maidenhead are experiencing an upturn in rental levels where the availability of new high grade office space is at a low point.

The investment market remains firm reflecting the volume of money available to both UK and overseas institutions to acquire commercial property. Investor confidence in the expectation of rental growth continues to support current yields. New grade A office buildings let to leading covenants on medium term leases remain highly sought after thus maintaining the downward pressure on yields. Twelve months ago investors were focusing their attention towards commercial property with 10 to 15 years of the tenancy term remaining, however, there is now growing interest in those buildings where the lease term is less than 5 years.

A number of leading economists have recently voiced their concern over the future performance of the commercial property market, arguing that the relative returns currently available on equities or bonds would appear to offer a better option. The expectation of rental growth, however, continues to underline investors' confidence. The likelihood of higher interest rates remains a concern although counterbalanced by inflationary pressures continuing to exceed targets.

Activity within the commercial property market may well slow down in the short term which will place greater emphasis on the quality of buildings, their location, availability of general facilities and the local labour market and, as always, transport access and car parking facilities, despite the efforts of local authorities to reduce the latter.

In Surrey and Berkshire residential and land values have seen a small increase over the year although the actual number of transactions have reduced. Planning permissions continue to be difficult to achieve and therefore restrict the availability of new high quality stock.

Many factors affect the level of supply and more recently the increasing overall cost of moving has become prominent in individuals' decisions to move home. Residential values are unlikely to suffer a major fall as suggested in some quarters.

Financial

The consolidated results for the year to 30 September 2006 are the first full year results to be prepared by the group under applicable International Financial Reporting Standards ("IFRS" as adopted by the EU). The key changes resulting from the introduction of IFRS are set out on page 21. The principal one affecting the group is the inclusion in profit before tax of any surplus on revaluation of investment properties during the year, less a related charge for deferred tax which was previously shown by way of a note to the accounts.

For the year to 30 September 2006, under IFRS, profit before tax amounted to £2.55m (2005: £3.20m) which included an after tax contribution from Campmoss Property Company Limited, our 47.62% jointly controlled entity, of £0.96m (2005: £2.12m). Revenue totalled £2.44m (2005: £1.67m) representing gross rental income of £0.52m (2005: £0.56m) and sales of development property of £1.92m (2005: £1.11m). Shareholders should note that under UK GAAP, results for Campmoss were identified under all the component parts of the income statement (formerly the profit and loss account). Under IFRS, however, profit before tax includes a single line item "share of jointly controlled entity". The net effect is the same but the presentation is significantly different. Profit after tax attributable to shareholders for the financial year amounted to £2.43m (2005: £3.43m). Earnings per share was 137.6p (2005: 193.6p).

The company's commercial and residential portfolio, valued annually by Cushman & Wakefield and Aitchison Rafferty respectively, totalled £5.73m. The portfolio excludes property under development or refurbishment and held for resale which is held as stock or work in progress in the balance sheet at the lower of cost or market value. At the year end these included 2 houses at Rusham Road, Egham and The Windsor Business Centre, Windsor.

Total assets of the group at the year end were £20.71m (2005: £19.13m) including the company's share of the net assets of Campmoss of £7.96m (2005: £7.00m).

Net assets under IFRS at 30 September 2006, including the share of Campmoss, totalled £19.56m (2005: £17.58m) equivalent to 1,123p per share (2005: 990p), an increase of 13.43% over the year.

Chairman's Statement and Property Review continued

Investor confidence in the expectation of rental growth continues to support current yields.

The total property portfolio under management at the year end, including the Campmoss portfolio, was valued at £34.46m (2005: £33.93m).

The group has renewed its bank borrowing facilities of up to £3.27m which were not utilised during the year. Cash balances are placed on short term deposit and together with bank borrowing facilities remain available to increase the group's property portfolio or pursue other suitable acquisitions.

During the year the company purchased for cancellation 34,000 ordinary shares for a total consideration of £335,704. Your directors are proposing the annual renewal of their authority to acquire shares and to renew the Rule 9 authority both of which will be included in the resolutions to be placed before shareholders at the Annual General Meeting and Extraordinary General Meeting respectively to be held on 11 January 2007. Full details of the Rule 9 waiver are set out in the document accompanying this report.

Dividend

Your directors recommend a final dividend of 7.3p per share (2005: 6.5p), making a total dividend paid and proposed for the year of 10.05p an increase of 11.7%. The final dividend will be payable on 8 February 2007 to shareholders on the register on 19 January 2007.

Commercial portfolio

The investment portfolio continues to be primarily located in the M4 western corridor and close to Heathrow Airport.

At Egham, two separate buildings known as The White House and Heritage Court, which include office and retail units, are all let on medium term leases. The letting of a vacant retail unit at Heritage Court was completed during the year.

At The Maidenhead Enterprise Centre, building works were completed early in the year, and a number of lettings are under negotiation. This property comprises 5 individual business units totalling 14,000 sq ft which have been rebuilt to a high standard.

At The Windsor Business Centre, 4 similar type business units are let on medium term leases. One unit is vacant and currently undergoing refurbishment. The unit is being marketed either for reletting or freehold sale.

At Cowbridge Road, Cardiff we are investigating the possibility of submitting a residential planning permission. The 14,650 sq ft property is let on a medium term lease to The Royal Mail as a sorting centre.

The year end valuation for the investment properties excluding stock showed an increase of 7.3% over the year.

Residential

At Egham the company retains 2 houses, 1 of which is let on a short term lease, the other is currently being refurbished for reletting.

The sale of Ashleigh House, Virginia Water was completed during the first half of the year and achieved a figure of £1.72m. An ongoing planning interest has been retained over adjacent land which was sold with the property.

The freehold sale of a property in Egham was completed after the year end.

Campmoss Property

As reported at the half year, freehold property at Market Street, Bracknell, Tangley Place, Worplesdon, Highway House, Maidenhead and Datchet Meadows, (formerly Jubilee Court), Datchet, are all subject to planning applications. In the case of Datchet Meadows planning permission for 24 residential units was granted last year and a revised application for 35 units has been lodged. In the event this application is unsuccessful the Campmoss directors' current intention is to commence construction of the smaller scheme in the New Year.

At Highway House, Maidenhead post the year end, the local authority indicated their intention to grant planning permission for demolition of the existing 10,000 sq ft office building to be replaced with a new 40,000 sq ft office scheme, subject to agreeing certain minor details. Ongoing discussions are taking place with a view to obtaining full planning permission.

At Clivemont House, Maidenhead plans to demolish the existing 30,000 sq ft building and replace with a new 40,000 sq ft office building are currently being prepared. The building is currently let to 3 tenants on short term leases and a decision will be made next year as to a development timetable.

At the year end the portfolio, which includes the above properties plus investment properties in Woking, Bracknell and Burnham, has been valued by the directors, taking account of external advice where a vailable and assessed at a current market value of £27.53m (2005: £25.71). The rental income from over 20 individual tenants totalled £1.95m (2005: £2.20m). The reduction in rental income results from sales of property.

At the year end Campmoss had net borrowings of £7.00m (2005: £7.07m). Gearing was 40% (2005: 47%).

Quoted investments
The group has retained its small equity portfolio which includes Tribal Group Plc, ImmuPharma Plc, Wadharma Investments Plc and General Industries Plc. During the year the holding of IFX Group was sold following a successful cash takeover offer. I remain a director of Wadharma and General Industries, quoted on AIM and Plus Markets respectively.

Management and staff
The group has reported another successful year and on behalf of shareholders I wish to thank my fellow board members, joint venture partners and our small management team based in Egham for their support and achievements during the year.

Shareholders telephone dealing service
A number of shareholders have taken advantage of the company's low commission share dealing facility provided by our registrars, Computershare Investor Services Plc, and therefore these services have been renewed. The company is continuing to offer its free share sale service to those shareholders who wish to dispose of holdings of 500 shares or less. Shareholders should be aware that this service should not be construed as an encouragement to buy or sell the company's shares. If in any doubt shareholders should contact their own financial advisors. Computershare can be contacted on 0870 703 0084.

Outlook
The air of optimism regarding the Thames Valley commercial property market remains evident. Certainly new letting enquires have improved and the fundamentals for rental growth remain positive. The real question is whether these will be translated into completed transactions which, if evident, will encourage new development to take place.

The group's portfolio of investment property and development schemes all located in the important M4 corridor is well placed to benefit from further recovery.

Planning permissions and new lettings are important to the future growth of the group and, although the planning process is a long and arduous process, I remain confident that progress is being made.

J Richard Wollenberg
Chairman
29 November 2006

Financial Review

Understanding our business

The group specialises in property investment and development in the Thames Valley. The portfolio, including our 47.62% jointly controlled entity, Campmoss Property Company Limited, is currently valued in excess of £34m and is primarily located to the west of London, close to Heathrow Airport and in Surrey and Berkshire and comprises a mix of high grade office developments, industrial and commercial units and residential properties developed for sale. The group's methodology is to acquire sites which, generally, have difficult planning considerations and use its expertise to add value by achieving planning and developing out the sites. The group's strategy is to grow its recurring profitability through active property management and rapid response to opportunities as they arise and is focused on the long term. These results reflect the current year's contribution to that strategy.

In the financial year under review, the impact of this strategy has seen the sale of three residential units including Ashleigh House, Virginia Water and the completion of a major refurbishment of an industrial unit in Maidenhead. A further residential unit was sold after the year end. Campmoss has applied for a number of planning consents gaining one just after the year end, subject to agreeing a few minor details.

The effectiveness of the group's strategy is reflected in its performance over the last five years. For example: net assets have increased from 704 pence per share at 30 September 2002 (under UK GAAP) to 1,123 pence per share at 30 September 2006, despite the impact of IFRS; dividends have increased from 8.3 pence per share to 10.05 pence per share over the same period; and the share price has almost doubled from 510.0 pence per share to 1,014.5 pence per share.

Going forward in the short term, the group is currently marketing its now completed industrial development known as The Maidenhead Enterprise Centre. For the longer term, the group is well placed to take advantage of any upturn in the property market, having substantial cash deposits and borrowing facilities giving it the ability to react quickly to opportunities as they arise. In addition, Campmoss has, subject to planning permissions, an exciting programme of residential, office and retail developments in Datchet, Bracknell and Guildford.

Income statement

Revenue amounted to £2.442m (2005: £1.672m). This can be analysed as:

	2006 £'000	2005 £'000	movement
Gross rents receivable	**515**	559	
Sales of development properties	**1,927**	1,113	
Total revenue	**2,442**	1,672	+46%

During the year under review, the group sold Ashleigh House, its large residential development at Virginia Water for £1.72m and one small residential unit in Egham. Both are included in sales of development property. Sales of investment properties are treated as disposals of fixed assets and only the gain or loss on sale as measured against the valuation carried in the previous financial statements is reflected in the income statement. One such residential property was sold during the year. The group's rental income has decreased primarily reflecting a vacant unit at The Windsor Business Centre.

Profit before tax was £2.549m (2005: £3.201m). The 2005 contribution from Campmoss included profit on sale of investment properties of £2.322m. These results relate entirely to continuing activities. There were no acquisitions or disposals of businesses in the year.

Earnings per share are 137.6 pence (2005: 193.6 pence).

Your board has again obtained independent valuations of the property portfolio (excluding those held by Campmoss which are based on directors' valuations). These external valuations result in an increase in the value of the group's commercial portfolio by £361,000 (2005: £215,000) and the residential portfolio by £30,000 (2005: £10,000). The increase of £391,000 (2005: £225,000) has been taken to the income statement as required by the new IFRS regulations (see below).

Balance sheet

Total assets amount to:

	2006 £'000	2005 £'000
Investment properties	**5,730**	5,444
Investment in jointly controlled entity	**7,959**	6,996
Property, plant and equipment	**4**	4
Other financial assets	**357**	303
Deferred tax asset	**37**	112
Stock	**1,132**	2,701
Trade and other receivables	**1,497**	216
Cash and cash equivalents	**3,990**	3,356
Total	**20,706**	19,132

During the year the company purchased for cancellation 34,000 of its own shares at a cost of £334,704.

The company may hold in treasury any of its own shares purchased. This gives the company the ability to reissue treasury shares and provides greater flexibility in the management of its capital base. Any shares purchased by the company not held in treasury will be cancelled and the number of shares in issue reduced accordingly. The company intends to continue its policy of purchasing its own shares, whether to be held in treasury or to be cancelled, and a resolution authorising this will be placed before the forthcoming Annual General Meeting. This authority will only be exercised in circumstances where the directors regard such purchases to be in the best interests of shareholders as a whole and is subject to the waiver of Rule 9 by the Panel of Takeovers and Mergers being approved by shareholders as set out in the document accompanying this report.

As at the year end, the group has a base rate loan facility of £3.27m available to be drawn immediately should the group require it.

Net assets were £19.56m (2005: £17.58m) equivalent to 1,123 pence per share (2005: 990 pence), an increase of 13.43% over the year.

Liquidity

At the year end the company retained substantial cash deposits resulting from the sale of development properties during the year. The group also has substantial headroom available from loan facilities not utilised. The table on page 35 indicates the position at the end of the year.

Gearing at the year end was nil (2005: nil).

Jointly controlled entity

Our jointly controlled entity, Campmoss Property Company Limited, prepares its results under UK GAAP and these are summarised as follows:

	2006 **£'000**	2005 £'000
Turnover (rents received)	**1,949**	2,198
Profit before tax*	**883**	4,951
Net assets before net borrowing	**24,501**	22,236
Net borrowing	**7,001**	7,066
Gearing %	**40**	47

* 2005 includes £4.876m in respect of profit on sales of investment properties.

International Financial Reporting Standards

Shareholders will have noted a significant increase in the volume of information presented this year and differences in presentation and treatment of various headings within the financial statements. This is due to the introduction of International Financial Reporting Standards which are mandatory for all listed companies within the European Union for accounting periods beginning on or after 1 January 2005. The group presented its 2006 interim report under IFRS but this is the first annual report to be presented in this way. IFRS does not affect the performance of the business, but changes the way in which it is reported. The key issues affecting the group are:

1. proposed dividends are no longer accrued;
2. deferred tax on assets revalued is brought into the balance sheet as a long term liability;
3. surpluses or deficits on the revaluation of investment properties, together with any deferred tax charge or credit thereon, are shown in the income statement (previously called the profit and loss account);
4. a notional amount to reflect the impact of share based payments is charged in the income statement and added back to retained earnings on the balance sheet;
5. development properties are shown separately from investment properties; and
6. the results of our jointly controlled entity after tax are included as a one line item in the pre tax section of the income statement whereas previously the constituent parts were shown, including a separate tax charge. Similarly on the balance sheet the investment is shown as a one line item rather than split into the group's share of gross assets less gross liabilities.

Item 1 has the effect of increasing net assets. Item 2 has the reverse effect. Item 3 has no effect other than any deferred tax charge or credit. Items 4 and 5 have no effect. Item 6 has no effect other than any deferred tax charge or credit.

Reconciliations are provided in the body of this report on pages 36 to 39 reflecting the transition from UK GAAP to IFRS. The volume of information is substantial but a necessary requirement of the transition rules. The implementation of IFRS is still at an early stage with a number of issues yet to be resolved by the various accounting standards bodies. It is likely, therefore, that the process, from a somewhat revolutionary beginning, will be evolutionary as time passes with amendments to treatment and presentation. Whilst it is debatable whether the presentation under IFRS benefits the reader of this report, there is no doubt that the introduction of IFRS has led to a significant increase in the administrative and cost burden of the group in the preparation, audit and printing of this report.

David A Whitaker FCA
Finance director
29 November 2006

Directors and Advisers

Directors
J Richard Wollenberg,
Chairman and chief executive

David A Whitaker FCA,
Finance director

Nigel D Jamieson BSc, MRICS, FSI,
Independent non-executive director

Secretary
David A Whitaker FCA

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Registered number
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J Richard Wollenberg (aged 58),
Chairman and chief executive
Was appointed a director of the company in 1980, became chief executive in 1981 and chairman in 1989. Mr Wollenberg has over 25 years' experience in property investment and development and has been actively involved in a number of corporate acquisitions and flotations. He is an executive director of Campmoss Property Company Limited, Wadharma Investments plc, quoted on AIM, and General Industries plc, quoted on PLUS Markets.

David A Whitaker FCA (aged 57),
Finance director
Was appointed a director and secretary of the company in 1997. He is a Chartered Accountant and brings a wealth of experience of public companies. He also has extensive experience in contracting from a successful career in cable television.

Nigel D Jamieson BSc, MRICS, FSI (aged 56),
Independent non-executive director
Was appointed to the board as a non-executive director in 1991 and is chairman of the company's audit and remuneration committees. He is a Chartered Surveyor with over 25 years' experience of the UK property market both as a general practice surveyor and as an investment analyst. He is an executive director of several independent property investment companies active in the London area and acts as an independent consultant to private clients on a range of property related matters.

Auditors
KPMG Audit Plc
Chartered Accountants
Marlborough House, Fitzalan Court, Fitzalan Road, Cardiff CF24 0TE

Stockbrokers and financial advisers
Arbuthnot Securities Limited
Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR

Bankers
HSBC Bank plc
97 Bute Street, Cardiff CF10 5XH

Solicitors
Charles Russell
Buryfields House, Bury Fields, Guildford GU2 4AZ

Morgan Cole
Bradley Court, Park Place, Cardiff CF10 3DR

Registrar and transfer office
Computershare Investor Services PLC
PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH
Telephone: 0870 702 0001
Dealing line: 0870 703 0084

Non-executive director of wholly owned subsidiary

First Choice Estates plc

Derek M Joseph BCom, FCIS, MIMC, MBIM (aged 56),
Director of HACAS Group Ltd, the leading housing association and local authority housing consultancy, now part of the Tribal Group plc. He is a non-executive director of a number of social housing development companies, an executive director of a group of companies holding and managing residential and commercial properties and of a quoted company specialising in enterprise development. He advises UK government departments and foreign governments on housing strategy. He is also non-executive chairman of Wadharma Industries plc and a non-executive director of General Industries plc.

Report of the Directors

The directors submit their annual report and the audited financial statements for the year ended 30 September 2006.

Results

The results of the group for the year are set out in the audited financial statements on pages 17 to 35.

Dividends

The directors recommend a final dividend for the year of 7.3 pence per share (2005: 6.5 pence) payable on 8 February 2007. The total dividend paid and proposed in respect of the year, including the interim dividend of 2.75 pence per share, amounts to 10.05 pence per share (2005: 9.0 pence) which represents an increase of 11.7% over the total dividend per share for the previous year.

Principal activity and enhanced business review

The principal activity of the group during the year continued to be property investment and development. The Companies Act 1985 requires the directors' report to include a business review. Certain information that fulfils the requirement of the business review can be found in the chairman's statement and property review and the financial review on pages 3 to 7.

Directors

The current directors of the company and the non-executive director of a wholly owned subsidiary are listed on page 8. All served throughout the financial year.

In accordance with the company's articles of association, Mr Whitaker will retire by rotation at the Annual General Meeting and, being eligible, will offer himself for re-election.

Directors' interests

Directors' and their families' interests in the ordinary shares of the company were as follows:

	At 30 September 2006		At 1 October 2005	
	Beneficial	Under option	Beneficial	Under option
N D Jamieson	1,500	—	1,500	—
D A Whitaker	7,000	—	7,000	—
J R Wollenberg	531,298	30,000	531,298	30,000

No director has any interest in the share capital of any other group company. There were no changes in the directors' shareholdings as stated above between 30 September 2006 and 29 November 2006.

At 30 September 2006 Mr Wollenberg held 25,000 (2005: 25,000) ordinary shares of £1 each in Campmoss Property Company Limited, a jointly controlled entity, representing 2.38% of the issued share capital of that company.

Directors' options

Details of the options to subscribe for ordinary shares of 20 pence each held by Mr Wollenberg are as follows. No options were granted or exercised and none lapsed during the year.

Date granted	Amount paid	No. of ordinary shares	Option price per share	Exercisable between
16 March 1999	£1	10,000	300p	2002-2009
26 January 2001	£1	10,000	545p	2004-2011
14 January 2003	£1	10,000	515p	2006-2013

The mid-market price of the company's shares on 30 September 2006 was 1,014.5 pence per share, the highest and lowest mid-market prices of the company's shares during the year were 1,014.5 pence and 922.5 pence respectively. See remuneration policies on page 14 for the criteria attached to the above options.

Substantial shareholders

In addition to one director referred to above who holds 30.5%, the company has been notified of the following holdings of 3% or more in the share capital of the company at 29 November 2006.

	Holdings	Percentage
Framlington 1000 Smallest Companies Trust plc	220,000	12.6
Gartmore Fledgling Trust plc	55,000	3.2

Allotment of shares

As special business at the Annual General Meeting, a resolution will be proposed to renew the power of your directors to allot equity securities, pursuant to section 80 of the Companies Act 1985, such power being limited to one-third of the issued share capital of the company. This authority may be renewed for five years but, in common with modern corporate governance practice, it is your directors' intention that the resolution be limited to one year and that its renewal be proposed at each Annual General Meeting.

Report of the Directors continued

Pre-emption rights

As special business at the Annual General Meeting a resolution will be proposed to renew for a further year the power of your directors to allot equity securities for cash without first offering such securities to existing shareholders. The aggregate nominal amount of equity securities which may be allotted in this way shall not exceed £17,410, representing 5% of the present issued ordinary share capital of the company.

Purchase of own shares

At the Annual General Meeting held 12 January 2006, authority was renewed empowering your directors to make market purchases of up to 266,000 of the company's own ordinary shares of 20 pence each. Under that authority your directors made market purchases of 34,000 shares (nominal value £6,800) in March and August 2006 representing 1.92% of the issued share capital at 12 January 2006. These shares were purchased for an aggregate value of £335,704 and cancelled. The number of shares in issue following these transactions was 1,741,080.

The existing authority for the company to purchase its own shares expires at the conclusion of the Annual General Meeting to be held on 11 January 2007. The directors wish to renew the authority and consent is therefore sought to resolution 8 set out in the Notice of Meeting on page 46 authorising the directors to purchase up to 260,987 ordinary shares of 20 pence each (representing 14.99% of the present issued share capital), at a minimum price of 20 pence and a maximum price equal to 105% of the average of the middle market quotations for the ordinary shares of the company as derived from the Daily Official List of The London Stock Exchange for the ten business days before the relevant purchase is made. The authority will expire at the conclusion of the Annual General Meeting in 2008 and it is your directors' intention that a resolution for its renewal will be proposed at each succeeding Annual General Meeting.

The authority will only be exercised when the directors are satisfied that it is in the interests of the company so to do. Pursuant to new legislation, the company may hold in treasury any of its own shares purchased under this authority. This would give the company the ability to reissue treasury shares and provides greater flexibility in the management of its capital base. Any shares purchased by the company not held in treasury will be cancelled and the number of shares in issue reduced accordingly.

Supplier payment policy

Whilst the group does not follow any standard code, it is its policy to negotiate terms with all its suppliers and to ensure that they know the terms on which payment will take place when the business is agreed. It is our policy to abide by these terms. In most instances this requires payment within 30 days of the date of invoice. The number of days' purchases outstanding at the year end was 8 (company: 6 days).

Auditor

A resolution for the reappointment of KPMG Audit Plc as auditor of the company and authorising the directors to agree its remuneration is to be proposed at the forthcoming Annual General Meeting.

Provision of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, as far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Corporate Governance

The board is committed to maintaining appropriate standards of corporate governance. The statement below, together with the report on directors' remuneration on pages 14 to 15, explains how the company has applied the principles set out in The Combined Code and the subsequent Turnbull guidance.

Board of directors

The board currently consists of two executive directors and one independent non-executive director. It meets regularly with senior staff throughout the year to discuss key issues and to monitor the overall performance of the group. The board has a formal schedule of matters reserved for its decision. The board met 7 times during the year. The board, led by the independent non-executive director, evaluates the annual performance of the board and the chairman. A framework for the evaluation process has been agreed and the findings arising from the process discussed with the board. The board views the non-executive director as independent of the board, notwithstanding his tenure being in excess of 10 years, due to the range and depth of his external commitments in the property sector.

Audit committee

The audit committee, which is chaired by the independent non-executive director, Nigel Jamieson, comprises all board members. The committee meets with the auditors at least once a year to consider the results, internal procedures and controls and matters raised by the auditors. The audit committee met once during the year. The audit committee considers the nature and extent of the non-audit services supplied by the auditors reviewing the ratio of audit to non-audit fees.

Remuneration committee

The remuneration committee also consists of all board members and is chaired by Nigel Jamieson. It meets when required to consider all aspects of directors' and staff remuneration, share options and service contracts. The remuneration committee met twice during the year.

Compliance statement

The company has, other than where stated below, complied fully with the provisions set out in section 1 of The Combined Code, during the year:

- the chairman is also the chief executive;
- a nominations committee has not been established;
- the audit committee consists of all board members, which includes one non-executive director (The Combined Code recommends that the audit committee should comprise at least three non-executive directors); and
- the remuneration committee also consists of all board members (The Combined Code recommends that the remuneration committee should comprise solely of non-executive directors).

The directors consider this structure to be a practical solution bearing in mind the company's size and needs. However, it is intended to review this issue as the group expands.

The Combined Code requires that the directors review the effectiveness of all internal controls, not only internal financial controls. This extends the requirement in respect of internal financial controls to cover all controls including financial, operational, compliance and risk management. The company has procedures established which enable it to comply with the requirements of The Combined Code in relation to internal controls.

Internal control

The directors confirm that they have reviewed the effectiveness of the group's system of internal control for identifying, evaluating and managing the significant risks faced by the group and they acknowledge their responsibility for that system. Such a system is designed to manage risk and can, however, only provide reasonable but not absolute assurance against material misstatement or loss.

The size of the group and the small number of employees necessarily involves the executive directors closely in the day-to-day running of the group's affairs. This has the advantage of the executive directors becoming intimately involved with all transactions and risk assessments. Conversely, the board is aware that its size also means that the division of functions to provide normal internal control criteria is problematic. The board believes, however, that its close involvement with the day-to-day management of the group eliminates, as far as possible, the risks inherent with its small size.

Key features of the system of internal control include:

- strategic planning — the board considers the group's position in respect of its marketplace and likely trends in that marketplace which will necessitate a change or adjustment to that position;
- investment appraisal and monitoring — all capital projects, contracts, business and property holdings and acquisitions are reviewed in detail and approved by the chief executive or, if of a significant size, by the whole board; and
- financial monitoring — cash flow and capital expenditure are closely monitored and key financial information is reviewed by the board on a regular basis.

The board considers that there is an ongoing process for identifying, evaluating and managing the significant risks facing the group that has been in place during the year, which is regularly reviewed and accords with the Turnbull guidance.

The group has a holding representing 47.62% of the issued share capital of its jointly controlled entity, Campmoss Property Company Ltd, which is not subject to the requirements of The Combined Code and Turnbull guidance.

Corporate Governance continued

Internal financial control

Financial controls have been established so as to provide safeguards against unauthorised use or disposition of the assets, to maintain proper accounting records and to provide reliable financial information for internal use.

Key financial controls include:

- the maintenance of proper records;
- a schedule of matters reserved for the approval of the board;
- evaluation, approval procedures and risk assessment for acquisitions and disposals and for major capital expenditure;
- regular reporting and monitoring of development projects; and
- close involvement of the chief executive in the day-to-day operational matters of the group.

The directors consider the size of the group and the close involvement of executive directors in the day-to-day operations makes the maintenance of an internal audit function unnecessary. The directors will continue to monitor this situation.

Relations with shareholders

Presentations are given to institutional investors by the chairman when requested, normally following the publication of the half year and full year results, when interim and annual reports are delivered to all shareholders. The results of meetings with investors, media and analysts are discussed with board members to assist them in understanding the views of investors and others. All directors attend the Annual General Meeting at which they have the opportunity to meet with shareholders.

Going concern

The directors have followed the guidance issued in making their statement on going concern.

After making enquiries the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Registered office:
Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff CF24 0TE

29 November 2006

By order of the board

David A Whitaker FCA
Secretary

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The group financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and the performance of the group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent company financial statements are required by law to give a true and fair view of the state of affairs of the parent company and of the profit or loss of the parent company for that period.

In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Remuneration Report

Composition of the remuneration committee

Nigel D Jamieson,	independent non-executive director, chairman of the committee
David A Whitaker,	executive director
J Richard Wollenberg,	executive director

Remuneration policy is a matter for the board as a whole. The remuneration committee works within the agreed policy to set individual remuneration levels, although the executive directors do not participate in decisions regarding their own remuneration. The members of the remuneration committee have access to professional advice at the company's expense, if necessary, in order to carry out their duties. No such advice was sought during the year. All members served throughout the year.

Compliance

In setting the company's remuneration policy for directors, the remuneration committee has given full consideration to the best practice provisions annexed to The Financial Services Authority Listing Rules and the report has been prepared in accordance with Schedule 7A to the Companies Act 1985 inserted by the Directors' Remuneration Report Regulations 2002.

Remuneration policies

The remuneration policy is designed to attract, retain and motivate executive directors and senior management of a high calibre with a view to encouraging commitment to the development of the group and for long term enhancement of shareholder value. Remuneration packages take into account individual performance and the remuneration for similar jobs in other comparable companies where such companies can be identified. The committee believes that share ownership by executive directors and senior staff strengthens the link between their personal interests and those of shareholders.

The main components of executive directors' remuneration are:

- basic salary/fee — reviewed annually;
- annual performance bonus — members of staff (excluding directors) are eligible to participate in the company's discretionary bonus scheme. Mr Wollenberg is eligible to receive a sum equal to 2.5 times the percentage increase in net asset value per share based upon current salary up to a maximum of 50% of that salary. Mr Whitaker is eligible to receive a sum equal to the percentage increase in net asset value per share based upon the current fee charged to the company up to a maximum of 50% of that fee;
- taxable benefits — provision of health care for Mr Wollenberg;
- pension benefits — the company has no formal pension scheme. Annual contributions are made to Mr Wollenberg's personal pension scheme currently at the rate of 20% (2005: 20%) of salary and bonuses; and
- share options — grants under the company's approved share option scheme (approved by shareholders in general meeting) are set so that the aggregate option exercise price for each recipient may not be greater than four times annual salary and such grants are phased. Grants under the unapproved share option scheme (approved by shareholders in general meeting) are made by the remuneration committee upon the achievement of specified performance criteria.

The criteria applicable to both schemes were chosen as being those most likely to provide enhanced shareholder value from the performance of executives. They are:

- on grant of an option, an increase in the average of the previous three years earnings per share of at least 3% more than the corresponding increase in the Retail Price Index over the same period; and
- on exercise of an option, an increase in the average of the previous three years net asset value per share of at least 3% more than the corresponding increase in the FT Property Index over the same period.

It is intended that these policies will be continued for the next year and subsequent years.

A graph showing the company's total shareholder return relative to the FTSE Real Estate and FTSE Small Cap Indices is reproduced above. Total shareholder return is calculated to show the theoretical growth in the value of a shareholding over a specified period, assuming that dividends are reinvested to purchase additional shares. Company performance graphs are contained in the Chairman's Statement on page 5.

Service contracts

Mr Wollenberg has a service contract for a three-year rolling term. In the opinion of the committee the notice period is necessary in order to secure Mr Wollenberg's services at the current terms of his employment.

Mr Whitaker's services are provided by Netpage Communications Ltd, a company controlled by him, with whom the company has a service contract which can be terminated by either party upon giving three months' notice in writing.

Remuneration of non-executive director

The remuneration of the non-executive director is decided by the board based upon comparable market levels. The non-executive director is not eligible for any other benefits. His services can be terminated by either party upon giving three months' notice in writing.

Directors' remuneration and directors' options subject to audit

Particulars of directors' remuneration, including pensions and directors' options which, under the Companies Act 1985 are required to be audited, are given in note 7 to the financial statements on page 25 and in the report of the directors on page 9.

External appointments

Executive directors are allowed to accept external appointments with the consent of the board, as long as these are not likely to lead to conflicts of interest. Executive directors are allowed to retain the fees paid.

The remuneration report was approved by the board on 29 November 2006 and signed on its behalf by:

Nigel D Jamieson BSc, MRICS, FSI
Chairman of The Remuneration Committee

Independent Auditors' Report

KPMG

KPMG Audit Plc
Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE
United Kingdom

Independent auditors' report to the members of The Cardiff Property Public Limited Company

We have audited the group and parent company financial statements (the "financial statements") of The Cardiff Property Public Limited Company for the year ended 30 September 2006 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU, and for preparing the parent company financial statements and the directors' remuneration report in accordance with applicable law and UK accounting standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 13.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS regulation. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the group's affairs as at 30 September 2006 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 September 2006;
- the parent company financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc Cardiff
Chartered Accountants
Registered Auditor 29 November 2006

Consolidated Income Statement for the year ended 30 September 2006

	Notes	2006 £'000	2005 £'000
Revenue	3	**2,442**	1,672
Cost of sales		**(1,467)**	(722)
Gross profit		**975**	950
Administrative expenses		**(493)**	(573)
Other operating income		**337**	282
Operating profit before gains on investment properties and other investments		**819**	659
Profit on sale of investment property		**139**	—
Profit on sale of other investments		**34**	1
Surplus on revaluation of investment properties		**391**	225
Operating profit		**1,383**	885
Financing:			
Interest receivable and similar income		**203**	197
Interest payable		**—**	(5)
Share of results of jointly controlled entity	13	**963**	2,124
Profit before taxation	3-7	**2,549**	3,201
Taxation	8	**(121)**	233
Profit for the financial year attributable to equity holders	24	**2,428**	3,434
Earnings per share on profit for the financial year — pence			
Basic	9	**137.6**	193.6
Diluted	9	**136.4**	192.0
Dividends			
Final 2005 paid 6.5p (2004:5.8p)		**115**	104
Interim 2006 paid 2.75p (2005: 2.5p)		**48**	45
		163	149
Final 2006 proposed 7.3p (2005: 6.5p)		**127**	115

Consolidated Balance Sheet at 30 September 2006

	Notes	**2006** £'000	**2006** £'000	2005 £'000	2005 £'000
Non-current assets					
Investment properties	11		**5,730**		5,444
Investment in jointly controlled entity	13		**7,959**		6,996
Property, plant and equipment	12		**4**		4
Other financial assets	13		**357**		303
Deferred tax asset	18		**37**		112
Total non-current assets			**14,087**		12,859
Current assets					
Stock and work in progress	14	**1,132**		2,701	
Trade and other receivables	15	**1,497**		216	
Cash and cash equivalents		**3,990**		3,356	
			6,619		6,273
Total assets			**20,706**		19,132
Current liabilities					
Corporation tax		**(316)**		(118)	
Trade and other payables	16	**(447)**		(657)	
			(763)		(775)
Non-current liabilities					
Provisions	17	**(115)**		(277)	
Deferred tax liability	17-18	**(272)**		(504)	
			(387)		(781)
Total liabilities			**(1,150)**		(1,556)
Net assets			**19,556**		17,576
Capital and reserves					
Called up share capital	20		**348**		355
Share premium account	21		**4,946**		4,946
Other reserves	22		**2,299**		2,292
Revaluation reserve	23		**4,892**		3,990
Retained earnings	24		**7,071**		5,993
Shareholders' funds attributable to equity holders			**19,556**		17,576
Net assets per share	10		**1,123p**		990p

These financial statements were approved by the board of directors on 29 November 2006 and were signed on its behalf by:

J Richard Wollenberg
Director

Consolidated Cash Flow Statement for the year ended 30 September 2006

	2006 £'000	2005 £'000
Cash flows from operating activities		
Profit for the year	**2,428**	3,434
Adjustments for:		
Depreciation, amortisation and impairment	**3**	3
Financial income	**(203)**	(197)
Financial expense	**—**	5
Share of profit of jointly controlled entity	**(963)**	(2,124)
Profit on sale of investment property	**(139)**	—
Profit on sale of other investments	**(34)**	(1)
Surplus on revaluation of investment properties	**(391)**	(225)
Equity settled share-based payment expenses	**50**	50
Taxation	**121**	(233)
Decrease in provisions	**(162)**	(136)
Cash flows from operations before changes in working capital	**710**	576
Decrease in stock	**1,569**	722
(Increase)/decrease in trade and other receivables	**(1,283)**	1,986
(Decrease)/increase in trade and other payables	**(212)**	139
Cash generated from operations	**784**	3,423
Tax paid	**(81)**	(132)
Net cash flows from operating activities	**703**	3,291
Cash flows from investing activities		
Interest received	**209**	155
Interest paid	**—**	(5)
Acquisition of property, investments and plant and equipment	**(238)**	(1,286)
Proceeds of disposal of property, investments and plant and equipment	**458**	9
Net cash flows from investing activities	**429**	(1,127)
Cash flows from financing activities		
Proceeds from the issue of share capital	**—**	105
Purchase of own shares	**(335)**	(76)
Dividends paid	**(163)**	(149)
Net cash flows from financing activities	**(498)**	(120)
Net increase in cash and cash equivalents	**634**	2,044
Cash and cash equivalents at beginning of year	**3,356**	1,312
Cash and cash equivalents at end of year	**3,990**	3,356

Other Primary Statements for the year ended 30 September 2006

Consolidated statement of changes in equity

	2006 **£'000**	2005 £'000
Opening shareholders' funds	**17,576**	14,213
Share capital on options exercised	—	9
Share premium on options exercised	—	95
Own shares purchased	**(335)**	(76)
Fair value of share options granted	**50**	50
Profit for the financial year	**2,428**	3,434
Dividends	**(163)**	(149)
Closing shareholders' funds	**19,556**	17,576

Notes to the Financial Statements

1. International Financial Reporting Standards

The consolidated results for the year ended 30 September 2006 are the first full year results to be prepared by the group under applicable International Financial Reporting Standards adopted by the European Union (adopted "IFRS") which have been adopted and incorporated into the principal accounting policies as set out in note 2. Detailed reconciliations to show the differences in accounting treatment as compared to the previous UK GAAP basis of accounting are included on pages 36 to 39 of this report. These reconciliations are for the restated Group Income Statement (formerly the Group Profit and Loss Account) and Group Balance Sheet for the year ended 30 September 2005 together with an opening balance sheet at 30 September 2004, the date of transition to IFRS.

The comparative figures for the financial year ended 30 September 2005 are not the group's statutory accounts for that financial year. The statutory accounts for the year ended 30 September 2005, prepared in accordance with UK GAAP, have been filed with the Registrar of Companies. The auditor gave an unqualified report, without any statement under section 237(2) or (3) of the Companies Act 1985. The auditor has audited the transition to IFRS in respect of the year ended 30 September 2005.

The company has elected to prepare its parent company financial statements in accordance with UK GAAP. These are presented on pages 40 to 45.

Key changes

The main differences from UK GAAP are:

- annual revaluation surpluses or deficits on investment properties are included in the income statement, whereas previously this was reported as a movement on the balance sheet through the revaluation reserve;
- capital gains tax payable in the event that all the group's investment properties were sold at the balance sheet date is included as an additional deferred tax liability in the balance sheet, having previously been disclosed as a note to the accounts. The movement in valuation of the investment properties during the year will affect the tax charge in the income statement;
- the value of lease incentives is spread over the life of a lease rather than to the first rent review;
- no provision is made for proposed dividends; and
- the fair value of options granted is recognised as an employee expense with a corresponding increase in equity.

Cash flow

Despite all the changes to the reporting of assets, liabilities and performance, the cash flows that underline the business remain the same, hence no reconciliations of cash flows under UK GAAP and IFRS were prepared. The cash flow statements reported under IFRS differ only in presentation from UK GAAP. The effect of the change in categorisation is to reduce the number of headings in the cash flow statements.

2. Accounting policies

Basis of preparation

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements. The financial statements have been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as available for sale, and investment properties. These accounting policies have been applied consistently across the group for the purposes of these consolidated financial statements.

Basis of consolidation

The group's financial statements include the financial statements of the company and its subsidiaries and jointly controlled entity made up to 30 September 2006. Subsidiary companies are those entities under the control of the company, where control means the power to govern the financial and operating policies of the entity so as to obtain benefit from its activities. The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income statement from the date control is obtained or up to the date when control is lost. Intra-group transactions are eliminated on consolidation.

A jointly controlled entity is one in which the group has a long term interest and over which it exercises joint control. The group's investment in the jointly controlled entity is accounted for using the equity method, hence the group's share of the gains and losses of the jointly controlled entity is included in the consolidated income statement and its interest in the net assets is included in investments in the consolidated balance sheet.

Goodwill

Goodwill represents amounts arising on acquisition of subsidiaries and jointly controlled entities. Goodwill represents the difference between the cost of the acquisition and the fair value of the assets,

Notes to the Financial Statements continued

liabilities and contingent liabilities acquired. Identifiable assets include intangible assets which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

The classification and accounting treatment of acquisitions that occurred prior to 30 September 2004 has not been reconsidered in preparing the group's opening IFRS balance sheet at 30 September 2004.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually at the balance sheet date for impairment. In respect of associates and jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the investment in that associate or jointly controlled entity.

Impairment

The annual impairment review involves comparing the carrying amount to the estimated recoverable amount (by allocating the goodwill to cash-generating units) and recognising an impairment loss, if the recoverable amount is lower. Impairment losses are recognised through the income statement.

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Investment properties are stated at fair values which are based on market values.

Design, construction and management expenses together with interest incurred in respect of investment properties in the course of development are capitalised until the building is effectively completed and available for letting along with the costs directly attributable to the initial letting of newly developed properties. Thereafter they are charged to the income statement. Whilst under development such properties are classified as assets in the course of construction and any accumulated revaluation surpluses or deficits are recognised in the income statement. These properties are revalued at the year end and surpluses or deficits recognised in the income statement.

An external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the company portfolio each year. The directors of the jointly controlled entity value its portfolio each year, such valuation takes into account yields on similar properties in the area, vacant space and covenant strength.

Property, plant and equipment and depreciation

Property and plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Provision is made for depreciation on property, plant and equipment so as to write off their cost less the estimated residual value on a straight line basis over their expected useful lives as follows:

- motor vehicles — 4 years; and
- fixtures, fittings and equipment — 4 years.

Impairment

The carrying amounts of the group's assets, other than investment properties measured at fair value, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss recognised where the recoverable amount is less than the carrying value of the asset.

Stocks and work in progress

Stocks, being properties under development intended for resale, are stated at the lower of cost, including attributable overheads, and net realisable value.

Revenue

Revenue consists of rental income, earned under operating leases granted, from properties held for investment purposes, together with the proceeds from the sale of development properties. Rental income is recognised in the income statement on a straight-line basis over the total lease period. Payments due on early terminations of lease agreements are recognised in the income statement within revenue.

Proceeds from the sale of investment properties are not included in revenue, but in profit on sale of investment property. The profit or loss on disposal is calculated with reference to the carrying amount in the balance sheet. Purchases and sales of investment properties are accounted for when exchanged contracts become unconditional.

Financial assets

Investments in equity securities are classified as assets available for sale and are stated at fair value with any resultant gain or loss being recognised directly in equity except for any impairment loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

2. **Accounting policies** continued

Trade and other receivables

Trade and other receivables are stated at their historic cost (discounted if material) less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Share based payments

The share option programme allows group employees to acquire shares of the parent company; these awards are granted by the parent. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at the date of grant and spread over the period during which the employees become unconditionally entitled to the options using an option valuation model, taking into account the terms and conditions upon which options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Dividends

Dividends are recognised as a liability in the period in which they are approved.

Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Adopted IFRS not yet applied

The following adopted IFRSs were available for early application but have not been applied by the group in these financial statements:

- IRFS 7 — financial instruments: disclosure — applicable for years commencing on or after 1 January 2007; and
- amendments to IAS 39 and IFRS 4 in relation to financial guarantee contracts applicable for periods commencing on or after 1 January 2006.

The application of IFRS 7 in 2006 would not have affected the income statement or balance sheet as the standard is concerned only with disclosure. It is not anticipated that there will be any impact on the financial statements in respect of the amendments to IAS 39 and IFRS 4. The group plans to adopt the amendments in 2007.

Notes to the Financial Statements *continued*

3. Analysis of revenue, profit before taxation and net operating assets

	2006 £'000	2005 £'000
Revenue (wholly in the United Kingdom):		
Property and other investment being gross rents receivable	**515**	559
Property development being sale of development properties	**1,927**	1,113
	2,442	1,672
Profit before taxation:		
Property and other investment	**1,886**	2,666
Property development	**663**	535
	2,549	3,201
Net operating assets:		
Assets		
Property and other investment	**19,845**	17,466
Property development	**2,869**	3,656
Eliminations	**(2,008)**	(1,990)
Total assets	**20,706**	19,132
Liabilities		
Property and other investment	**2,111**	1,124
Property development	**483**	1,735
Eliminations	**(1,444)**	(1,303)
Total liabilities	**1,150**	1,556
Net operating assets	**19,556**	17,576

The group's share of the results of its jointly controlled entity included above relate entirely to property development.

4. Administration costs

	2006 £'000	2005 £'000
Auditor's remuneration:		
Audit fees paid to the auditor and its associates	**30**	21
Tax compliance fees paid to the auditor and its associates	**7**	7
Other fees payable to the auditor and its associates	**6**	—
Depreciation of property, plant and equipment	**3**	3

5. Finance costs

	2006 £'000	2005 £'000
Interest on bank loans and overdrafts	**—**	5

6. Employees

The average number of persons employed by the group and company (including executive directors) during the year was:

	Number of employees	
	2006	2005
Management	**1**	1
Administration	**4**	4
Technical	**—**	1
	5	6

The aggregate payroll costs of these persons were as follows:

	2006	2005
	£'000	£'000
Wages and salaries	**294**	367
Social security costs	**30**	28
Other pension costs	**30**	47
	354	442

Other pension costs represent amounts paid by the group to personal pension plans in respect of certain employees.

7. Emoluments of directors

The emoluments of the directors were as follows:

	Salary/fee	Benefits	Bonus	**2006 Total**	2005 Total	**2006 Pension contributions**	2005 Pension contributions
	£	£	£	**£**	£	**£**	£
As executives							
J R Wollenberg, chairman	113,313	5,865	38,324	**157,502**	155,559	**30,327**	30,053
D A Whitaker	37,776	—	5,117	**42,893**	41,884	**—**	—
	151,089	5,865	43,441	**200,395**	197,443	**30,327**	30,053
As non-executive							
N D Jamieson	12,000	—	—	**12,000**	12,000	**—**	—
	163,089	5,865	43,441	**212,395**	209,443	**30,327**	30,053

The information above is in respect of the company. In addition, Mr Wollenberg received director's fees of £50,000 (2005: £50,000) from our jointly controlled entity, Campmoss Property Company Limited. Details of the company's policy on directors' remuneration is contained within the remuneration report on pages 14 to 15. Information on directors' share options is shown in the report of the directors on page 9. Amounts in respect of emoluments for Mr Whitaker are paid to Netpage Communications Limited, a company which he controls.

Notes to the Financial Statements continued

8. Taxation

	2006 **£'000**	2005 £'000
Current tax		
UK corporation tax on profits for the year	**390**	118
Adjustments in respect of prior periods	**(37)**	(94)
Total current tax	**353**	24
Deferred tax		
Origination and reversal of temporary differences	**(247)**	(253)
Adjustments in respect of prior periods	**15**	(4)
Total deferred tax	**(232)**	(257)
Taxation	**121**	(233)

Factors affecting the tax charge for the year

The tax charge for the year is lower (2005: lower) than the standard rate of corporation tax in the UK of 30% (2005: 30%). The differences are explained below.

	2006 **£'000**	2005 £'000
Tax reconciliation		
Profit before taxation	**2,549**	3,201
Profit before taxation multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	**765**	960
Effects of:		
Expenses not deductible for tax purposes	**21**	22
Utilisation of tax losses brought forward	**(1)**	(7)
Deductions for exercise of employee share options	**—**	(77)
Dividend and other non-taxable income	**(1)**	(1)
Jointly controlled entity	**(283)**	(920)
Differences between chargeable gains and accounting profits in relation to investment disposals	**31**	256
Small companies relief	**(23)**	(7)
Movement on revaluation of investment properties	**(351)**	(365)
Adjustments to tax charge in respect of prior years	**(37)**	(94)
Taxation	**121**	(233)

Factors that may affect future taxation

The group expects to be able to claim capital allowances in excess of depreciation in future years.

9. Earnings per share

Earnings per share has been calculated in accordance with IAS 33 — Earnings Per Share using the profit after tax for the financial year of £2,428,000 (2005: £3,434,000) and the weighted average number of shares as follows:

	Weighted average *number of shares* **2006**	2005
Basic	**1,763,962**	1,773,706
Adjustment to basic for bonus element of shares to be issued on exercise of options	**16,046**	14,690
Diluted basis	**1,780,008**	1,788,396

10. Net assets per share

	2006 Pence per share	2005 Pence per share
Based on shares in issue at 30 September 2006 of 1,741,080 (2005: 1,775,080)	**1,123**	990

11. *Freehold investment properties*

	2006 £'000	2005 £'000
Group and company		
At beginning of year	**5,444**	3,935
Additions at cost	**—**	712
Additions relating to subsequent expenditure	**145**	572
Disposals at valuation	**(250)**	—
Surplus on revaluation	**391**	225
At end of year	**5,730**	5,444

The company's freehold commercial investment and owner occupied properties have been valued by external valuers, Cushman & Wakefield, and its residential properties by Aitchison Raffety, as at 30 September 2006. These external valuations have been prepared as Regulated Purpose Valuations in *accordance with the Practice Statements contained in the* RICS Appraisal and Valuation Standards *published by the Royal Institution of Chartered* Surveyors in May 2003 (as amended). The bases of valuation were Market Value and Existing Use Value, as appropriate. The aggregate values attributed to these investment properties are as follows:

	30 September 2006 **£'000**
Cushman & Wakefield (Real Estate Consultants)	**5,525**
Aitchison Raffety	**205**
	5,730

The historical cost of the investment properties was:

	£'000
Group and company	
At 30 September 2006	**3,893**
At 30 September 2005	3,820

The cumulative amount of interest capitalised at 30 September 2006 was £90,000 (2005: £90,000).

Notes to the Financial Statements continued

12. Plant and equipment

	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 30 September 2004	59	9	68
Additions	2	—	2
At 30 September 2005	61	9	70
Additions	3	—	3
At 30 September 2006	**64**	**9**	**73**
Depreciation			
At 30 September 2004	57	6	63
Charge for year	1	2	3
At 30 September 2005	58	8	66
Charge for year	2	1	3
At 30 September 2006	**60**	**9**	**69**
Net book value			
At 30 September 2006	**4**	**—**	**4**
At 30 September 2005	3	1	4
At 30 September 2004	2	3	5

13. Investments

	Shares in jointly controlled entity £'000	Unlisted investments £'000	Listed investments £'000	Total £'000
At beginning of year	6,996	12	291	7,299
Additions	—	—	90	90
Disposals	—	—	(36)	(36)
Share of profits of jointly controlled entity	963	—	—	963
At end of year	**7,959**	**12**	**345**	**8,316**

13. Investments continued

Listed investments

These included minority stakes in Tribal Group plc, listed on The London Stock Exchange, Wadharma Investments plc and Immupharma plc, both listed on AIM, and General Industries plc, listed on PLUS markets.

Jointly controlled entity

The group owns 47.62% (2005:47.62%) of the total issued ordinary share capital of £1,050,000 of Campmoss Property Company Limited incorporated in England and Wales.

The group's share of the results of Campmoss Property Company Limited and its subsidiary undertaking for the year ended 30 September 2006 has been incorporated in the consolidated financial statements. The following figures have been derived from the financial statements of Campmoss Property Company Limited and those of its subsidiary undertaking for the year ended 30 September 2006.

The group's share of the consolidated gains and losses of its jointly controlled entity was:

	2006 £'000	2005 £'000
Profit after taxation	**963**	2,124

The group's share of the consolidated net assets of its jointly controlled entity was:

	2006 £'000	2005 £'000
Non-current assets		
Investment properties	**13,108**	12,244
Deferred tax asset	**44**	47
Total non-current assets	**13,152**	12,291
Current assets		
Stock and work in progress	**1**	1
Trade and other payables	**258**	220
Cash and cash equivalents	**211**	391
	470	612
Total assets	**13,622**	12,903
Current liabilities		
Corporation tax	**(74)**	(920)
Trade and other payables	**(1,427)**	(816)
	(1,501)	(1,736)
Non-current liabilities		
Loans and other borrowings	**(3,358)**	(3,522)
Provisions	**(520)**	(399)
Deferred tax liability	**(284)**	(250)
	(4,162)	(4,171)
Total liabilities	**(5,663)**	(5,907)
Net assets	**7,959**	6,996

Investment properties are included at fair value based on directors' valuations as at 30 September 2006.

Notes to the Financial Statements continued

13. Investments continued

Loans and other borrowings were secured on certain investment properties and were repayable as follows:

	2006 £'000	2005 £'000
1-2 years	**82**	164
2-5 years	**182**	393
After more than 5 years	**3,094**	2,965
	3,358	3,522

14. Stock and work in progress

This comprises work in progress on development properties.

15. Trade and other receivables

	2006 £'000	2005 £'000
Trade debtors	**27**	36
Amounts owed by jointly controlled entity	**1,383**	—
Other debtors	**72**	159
Prepayments and accrued income	**15**	21
	1,497	216

All trade and other receivables are due within one year.

16. Trade and other payables

	2006 £'000	2005 £'000
Rents received in advance	**92**	101
Trade creditors	**12**	12
Other taxes and social security	**19**	54
Other creditors	**138**	240
Accruals and deferred income	**186**	250
	447	657

All the above are payable within one year.

17. Non-current liabilities

	Cost of resolving claims £'000	Deferred tax liability £'000	Total £'000
At beginning of year	277	504	**781**
Released to income statement in year	(162)	(232)	**(394)**
At end of year	**115**	**272**	**387**

Provisions include the directors' best estimate of the cost of resolving claims made against the company in respect of property developments. The directors are defending such claims in the company's interests and the ultimate costs will depend upon the outcome of ongoing discussions and actions.

18. Deferred taxation

Full provision has been made for deferred taxation as follows:

	2006 £'000	2005 £'000
Difference between accumulated depreciation and amortisation and capital allowances	**(31)**	(23)
Revaluation	**(241)**	(496)
Other temporary differences	**37**	127
Net deferred tax liability	**(235)**	(392)
Deferred tax asset	**37**	112
Deferred tax liability (see note 17)	**(272)**	(504)
Net deferred tax liability	**(235)**	(392)

The above deferred tax asset included within non-current assets in the group accounts relates to temporary differences and tax losses.

19. Share based payments

In accordance with the transitional provisions in IFRS 1 and IFRS 2, the recognition and measurement principles in IFRS have not been applied to grants made prior to 7 November 2002.

For grants subsequent to this date the fair values of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the option, which is spread over the vesting period, is measured based on a Black Scholes model (with the contractual life of the option and expectations of early exercise built into the model). The option vests after a period of 3 years and in addition, the average of the previous three years net asset value per share must exceed the corresponding increase in the FT Property Index over the same period, by at least 3%.

The terms and condition of outstanding share options are as follows:

Date granted	**Amount paid**	**No. of ordinary shares**	**Option price per share**	**Exercisable between**
14 January 2003	£1	10,000	515p	2006–2013

The principal assumptions used in assessing the fair value of the options are as follows:

- share price — 515p;
- exercise price — 515p;
- option life — 10 years;
- expected dividends — 1.4%; and
- risk-free interest rate — 4.3%.

Notes to the Financial Statements continued

20. Share capital

	2006 **£'000**	2005 £'000
Authorised		
4,500,000 (2005: 4,500,000) ordinary shares of 20 pence each	**900**	900
Allotted, called up and fully paid		
At 30 September 2005 — 1,775,080 (2004: 1,736,580) ordinary shares of 20 pence each	**355**	347
Issued during the year — nil (2005: 46,500) ordinary shares of 20 pence each	**—**	9
Cancelled during the year — 34,000 (2005: 8,000) ordinary shares of 20 pence each	**(7)**	(1)
At 30 September 2006 — 1,741,080 ordinary shares of 20 pence each	**348**	355

During the year a total of 34,000 ordinary shares of 20 pence each (with a nominal value of £6,800) were purchased and cancelled. The nominal value was credited to capital redemption reserve and the total amount paid of £335,704, including costs, charged to profit and loss account as required by section 170 of the Companies Act 1985.

Details of share options held by the directors are set out in the report of the directors on page 9. At 30 September 2006 there were no other options outstanding.

The total number of ordinary shares under option is 30,000 (2005: 30,000).

21. Share premium account

	£'000
Group and company	
At beginning and end of year	**4,946**

22. Other reserves

	Capital redemption reserve £'000	**Capital reserve £'000**	**Merger reserve £'000**	**Total £'000**
At beginning of year	393	30	1,869	2,292
Nominal value of shares repurchased (note 20)	7	—	—	7
At end of year	**400**	**30**	**1,869**	**2,299**

The capital redemption reserve arises from the transfer from share capital of the nominal value of shares purchased for cancellation and is not available for distribution. The capital and merger reserves arise from the acquisition of subsidiaries and are not available for distribution.

23. Revaluation reserve

	2006 £'000	2005 £'000
At beginning of year	**3,990**	3,443
Transfer to retained earnings on sale of investment property	**(179)**	—
Transfer from retained earnings on revaluation in the year	**1,081**	547
At end of year	**4,892**	3,990

24. Retained earnings

	2006 £'000	2005 £'000
At beginning of year	**5,993**	3,281
Profit for the financial year	**2,428**	3,434
Dividends paid	**(163)**	(149)
Fair value of options granted	**50**	50
Transfer to revaluation reserve on revaluation in the year	**(1,081)**	(547)
Transfer from revaluation reserve on sale of investment property	**179**	—
Own shares purchased in year	**(335)**	(76)
At end of year	**7,071**	5,993

25. Commitments

Expenditure on development and investment properties

There were no commitments under contract at 30 September 2006 (2005: £nil).

26. Operating leases

Operating leases granted

The group leases out its investment properties under operating leases. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2006 £'000	2005 £'000
Within one year	**434**	510
Years two to five	**1,715**	1,729
More than five years	**1,045**	1,465
Total	**3,194**	3,704

Operating leases taken

Neither the group nor the company had any material commitments under non-cancellable operating leases at 30 September 2006 (2005: £nil).

Notes to the Financial Statements *continued*

27. Related party transactions

During the year the group entered into the following material transactions with related parties:

		Value		Balance owed by/(to) related party at 30 September	
Party	**Nature of transaction**	**2006 £'000**	2005 £'000	**2006 £'000**	2005 £'000
Campmoss Property Company Limited	Loans made by the company to acquire and develop properties	**1,383**	750	**1,383**	—
	Loans repaid to the company	—	2,750	—	—
	Loan interest received by the company	**22**	82	—	—
	Management fees received by the company	**233**	272	—	—
	Director's fees received by J R Wollenberg (director)	**50**	50	—	—
	Travelling expenses received by J R Wollenberg (director)	—	1	—	1
Deepwood Properties	Contracting work carried out	**146**	540	—	—
Tribal Treasury Services Ltd	Director's salary paid	**3**	3	**1**	—

Campmoss Property Company Limited is a jointly controlled entity of the company. The amount due from Campmoss Property Company Limited at 30 September 2006 of £1,383,000 (2005: £nil) represents outstanding loans made by the company. Campmoss Property Company Limited is a company in which Mr Wollenberg is a director and both he and the company are shareholders.

Certain contracting work has been carried out by Deepwood Properties, a business of which Mr E R Goodwin, a director and shareholder in our jointly controlled entity Campmoss Property Company Limited, is the sole proprietor. Payments made are in accordance with costs incurred by prior agreement between the group and Deepwood Properties and are priced on an arm's length basis.

Details relating to the shareholdings and remuneration of key management personnel are set out in the directors' remuneration report on page 9 and note 7 on page 25.

28. Financial instruments

Financial assets

The group's financial assets comprise short term debtors and cash in hand and at bank. At 30 September 2006 the group had £3,990,000 (2005: £3,356,000) deposited with banks and financial institutions of which £2,789,000 is available for withdrawal in 90 days with the remainder available immediately. It is the board's policy that deposits are placed only after due consideration of the creditworthiness of the institution.

Financial liabilities

The group's financial liabilities comprise bank borrowings and short term trade and other creditors.

Bank facilities

	Facility		**Floating**		
	30 September 2006	30 September 2005	**interest rate**	**Utilisation**	
	£'000	£'000		**2006**	2005
Base rate loan	**3,265**	3,265	Base + 1%	—	—

The base rate loan facility remains available to be drawn immediately should the group require it.

Interest only is payable on any amounts drawn until the end of the term in December 2007 when the full amount of the loan then outstanding is repayable. Amounts drawn can be repaid before the end of the term at the group's option. The base rate loan facility is secured on certain properties within the group's portfolio.

Fair values

Since financial assets and liabilities are not subject to fixed interest rates there is no difference between book value and fair value.

Foreign exchange and derivatives

All the group's dealings are conducted in sterling. The group, therefore, has no direct exposure to exchange rate fluctuations. The group does not trade in derivatives.

Reconciliations of UK GAAP to IFRS

To illustrate the changes introduced by IFRS and the impact on the group results when compared to UK GAAP, the transitional requirements are for a set of detailed reconciliations going back to the balance sheet as at 30 September 2004. In the following pages, reconciliations are therefore set out for the restated comparative results in respect of the group. These reconciliations are: the consolidated income statement for the year ended 30 September 2005 and the balance sheet as at 30 September 2005 and 30 September 2004, the date of transition to IFRS.

In preparing these results, certain of the exemptions allowed by IFRS 1 — first time adoption of IFRS, have been taken. These are:

- IFRS 2 — share based payment, has not been applied to share options granted on or before 7 November 2002.

SIC 15 — operating leases — incentives

The aggregate value of incentives given to tenants at the beginning of a lease is treated as a reduction of rental income over the lease term. Under UK GAAP, incentives were spread to the earlier of the first rent review or the lease expiry. SIC 15 has the effect of changing the duration over which the incentive is spread but not the aggregate amounts recognised as lease incentives.

IAS 1 — presentation of financial statements

The results of our jointly controlled entity after tax are included as a one line item in the pre tax section of the income statement whereas previously the constituent parts were shown, including a separate tax charge. Similarly on the balance sheet the investment is shown as a one line item rather than split into the group's share of gross asset less liabilities.

IAS 10 — events after the balance sheet date

Dividends declared after the balance sheet date but not yet approved by shareholders are not recognised as a liability under IFRS.

IFRS 2 — share based payments

The fair value of share options granted is charged to the income statement over their vesting period.

IAS 12 — taxation

Under IFRS deferred taxation is calculated on the temporary differences between the carrying amount of assets and liabilities in the balance sheet and the amount at which they are recognised for tax purposes. Provision is made for tax that would be payable if the investment properties were sold at their year end valuations which has the effect of reducing net assets.

IAS 40 — investment property

Under IFRS movements in property valuations adjusted for taxation, as referred to above, are accounted for in the income statement rather than as a direct movement in reserves.

Consolidated Income Statement for the year ended 30 September 2005

	UK GAAP (under IFRS presentation) £'000	Share *option* expense IFRS 2 £'000	Adjusted share of profit of *jointly* controlled entity £'000	*Dividends* under IAS 10 £'000	Revaluations and related deferred taxation taken to *consolidated* income statement £'000	**IFRS £'000**
Revenue	**1,672**					**1,672**
Cost of sales	**(722)**					**(722)**
Gross profit	**950**					**950**
Administrative expenses	**(523)**	(50)				**(573)**
Other operating income	**282**					**282**
Operating profit before gains on investment properties and other investments	**709**	(50)				**659**
Profit on sale of other investments	**1**					**1**
Surplus on revaluation of investment properties	—				225	**225**
Operating profit	**710**	(50)			225	**885**
Financing:						
Interest receivable and similar income	**197**					**197**
Interest payable	**(5)**					**(5)**
Share of results of jointly controlled entity	**1,733**		391			**2,124**
Profit before taxation	**2,635**	(50)	391		225	**3,201**
Taxation	**(88)**				321	**233**
Profit for the financial year attributable to equity holders	**2,547**	(50)	391		546	**3,434**
Dividends	**163**			(14)		**149**
Earnings per share on profit for the financial year — pence						
Basic	**143.6**					**193.6**
Diluted	**142.4**					**192.0**

Reconciliations of UK GAAP to IFRS

Consolidated Balance Sheet as at 30 September 2005

	UK GAAP (under IFRS presentation) £'000	Share option expense IFRS 2 £'000	Adjusted share of profit of jointly controlled entity £'000	Dividends under IAS 10 £'000	Revaluations and related deferred taxation taken to consolidated income statement £'000	**IFRS £'000**
Non-current assets						
Investment properties	**5,444**					**5,444**
Investment in jointly controlled entity	**7,225**		(229)			**6,996**
Property, plant and equipment	**4**					**4**
Other financial assets	**303**					**303**
Defferred tax asset	**112**					**112**
Total non-current assets	**13,088**		(229)			**12,859**
Current assets						
Stock and work in progress	**2,701**					**2,701**
Trade and other receivables	**216**					**216**
Cash and cash equivalents	**3,356**					**3,356**
	6,273					**6,273**
Total assets	**19,361**		(229)			**19,132**
Current liabilities						
Corporation tax	**(118)**					**(118)**
Trade and other payables	**(772)**			115		**(657)**
	(890)			115		**(775)**
Non-current liabilities						
Provisions	**(277)**					**(277)**
Deferred tax liability	**(8)**				(496)	**(504)**
	(285)				(496)	**(781)**
Total liabilities	**(1,175)**			115	(496)	**(1,556)**
Net assets	**18,186**		(229)	115	(496)	**17,576**
Capital and reserves						
Called up share capital	**355**					**355**
Share premium account	**4,946**					**4,946**
Other reserves	**2,292**					**2,292**
Revaluation reserve	**4,486**				(496)	**3,990**
Retained earnings	**6,107**		(229)	115		**5,993**
Shareholders' funds attributable to equity holders	**18,186**		(229)	115	(496)	**17,576**
Net assets per share	**1,025p**					**990p**

Consolidated Balance Sheet as at 30 September 2004

	UK GAAP (under IFRS presentation) £'000	Share option expense IFRS 2 £'000	Adjusted share of profit of jointly controlled entity £'000	Dividends under IAS 10 £'000	Revaluations and related deferred taxation taken to consolidated income statement £'000	IFRS £'000
Non-current assets						
Investment properties	**3,935**					**3,935**
Investment in jointly controlled entity	**5,492**		(619)			**4,873**
Property, plant and equipment	**5**					**5**
Other financial assets	**311**					**311**
Deferred tax asset	**168**					**168**
Total non-current assets	**9,911**		(619)			**9,292**
Current assets						
Stock and work in progress	**3,423**					**3,423**
Trade and other receivables	**2,201**					**2,201**
Cash and cash equivalents	**1,349**					**1,349**
	6,973					**6,973**
Total assets	**16,884**		(619)			**16,265**
Current liabilities						
Corporation tax	**(226)**					**(226)**
Trade and other payables	**(697)**			101		**(596)**
	(923)			101		**(822)**
Non-current liabilities						
Provisions	**(413)**					**(413)**
Deferred tax liability	—				(817)	**(817)**
	(413)				(817)	**(1,230)**
Total liabilities	**(1,336)**				(817)	**(2,052)**
Net assets	**15,548**		(619)	101	(817)	**14,213**
Capital and reserves						
Called up share capital	**347**					**347**
Share premium account	**4,850**					**4,850**
Other reserves	**2,291**					**2,291**
Revaluation reserve	**4,261**				(817)	**3,444**
Revaluation earnings	**3,799**		(619)	101		**3,281**
Shareholders' funds attributable to equity holders	**15,548**		(619)	101	(817)	**14,213**
Net assets per share	**895p**					**818p**

Company Balance Sheet at 30 September 2006

	Notes	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Fixed assets					
Tangible assets:					
Investment properties	11		**5,730**		5,444
Other	32		**2**		2
			5,732		5,446
Investments	33		**4,179**		4,437
			9,911		9,883
Current assets					
Debtors	34	**1,452**		1,147	
Cash at bank and in hand		**3,980**		3,355	
		5,432		4,502	
Creditors: amounts falling due within one year	35	**(1,952)**		(1,000)	
Net current assets			**3,480**		3,502
Total assets less current liabilities			**13,391**		13,385
Provisions for liabilities and charges	36		**(31)**		(8)
Net assets			**13,360**		13,377
Capital and reserves					
Called up share capital	20		**348**		355
Share premium account	21		**4,946**		4,946
Investment property revaluation reserve	37		**1,836**		1,624
Other reserves	38		**2,269**		2,262
Profit and loss account	39		**3,961**		4,190
Shareholders' funds — equity	40		**13,360**		13,377

These financial statements were approved by the board of directors on 29 November 2006 and were signed on its behalf by:

J Richard Wollenberg
Director

Notes to the Financial Statements *continued*

29. Accounting policies

The following accounting policies have been applied consistently in dealing with the items which are considered material in relation to the company's financial statements.

In these financial statements the following new standards have been adopted for the first time:

- FRS 20 — share based payments;
- FRS 21 — events after the balance sheet date;
- the presentation requirements of FRS25 — financial instruments: presentation and disclosure;
- FRS 26 — financial instruments: measurement; and
- FRS 28 — corresponding amounts.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 – corresponding amounts has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985. The corresponding amounts in these financial statements are restated in accordance with the new policies.

The effects of the changes relating to FRS 20 and FRS 21 are reflected in notes 39 and 40.

The adoption of FRS 25 and FRS 26 means that the long term intra-group balances have been recorded at 1 October 2005 at cost and then afterwards measured at fair value. FRS 25 permits the corresponding amounts not to be restated and the company has adopted this approach.

Basis of preparation

The financial statements have been prepared under the historical cost convention, modified by the revaluation of investment properties and in accordance with applicable accounting standards and with the Companies Act 1985 except as noted below under investment properties.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Investment properties

Design, construction and management expenses together with interest incurred in respect of investment properties in the course of development are capitalised until the building is effectively completed and available for letting along with the costs directly attributable to the initial letting of newly developed properties. Thereafter they are charged to the profit and loss account. Whilst under development such properties are classified as assets in the course of construction and any accumulated revaluation surpluses or deficits are transferred from the investment property revaluation reserve to a separate revaluation reserve. These properties are also revalued at the year end and surpluses or deficits transferred to that revaluation reserve. As assets in the course of construction are not in use they are not depreciated.

When completed, these properties are transferred back to investment properties and accumulated revaluation surpluses or deficits transferred back to the investment property revaluation reserve.

In accordance with Statement of Standard Accounting Practice No. 19:

- investment properties are revalued annually and surpluses or deficits are transferred to a revaluation reserve unless a deficit on an individual property is considered permanent. In this case the deficit is charged to the profit and loss account and any subsequent reversal is credited to the profit and loss account in the period in which it arises; and
- no depreciation is provided in respect of freehold investment properties.

This treatment, as regards certain of the company's investment properties, may be a departure from the requirements of the Companies Act 1985 concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Independent professional valuations for the company's investment properties are obtained by the directors annually. The most recent such valuations were obtained as at 30 September 2006.

Notes to the Financial Statements *continued*

29. Accounting policies continued

Tangible fixed assets — other

Tangible fixed assets — other, comprise motor vehicles and fixtures, fittings and equipment stated at cost less accumulated depreciation.

Provision is made for depreciation so as to write off cost less the estimated residual value on a straight line basis over the expected useful life as follows:

- motor vehicles — 4 years; and
- fixtures, fittings and equipment — 4 years.

Investments

In accordance with FRS 26, investments in equity securities are classified as assets available for sale and are stated at fair value.

Investments in subsidiary undertakings, associates and jointly controlled entities are stated at cost less any impairment value.

Share based payments

Information relating to the accounting policy and disclosure of share based payments under FRS 20 is disclosed in notes 2 and 19.

Taxation

Provision is made for corporation tax payable at current rates on profits as adjusted for tax purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 — Deferred Tax.

30. Administration costs

	2006 £'000	2005 £'000
Auditor's remuneration:		
Audit fees paid to the auditor and its associates	**26**	18
Tax compliance fees paid to the auditor and its associates	**4**	5
Other fees payable to the auditor and its associates	**6**	—
Depreciation of tangible fixed assets	**2**	2

31. Profit for the financial year of the company

The profit for the financial year dealt with in the financial statements of the company is as follows:

	2006 £'000	2005 £'000
Profit for the financial year	**40**	2,372

In accordance with the provisions of Section 230 of the Companies Act 1985 the company has not published a separate profit and loss account. The parent company's profit and loss account was approved by the board on 29 November 2006.

32. Tangible fixed assets — other

	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 30 September 2005	59	9	68
Additions	2	—	2
At 30 September 2006	**61**	**9**	**70**
Depreciation			
At 30 September 2005	58	8	66
Charge for year	1	1	2
At 30 September 2006	**59**	**9**	**68**
Net book value			
At 30 September 2006	**2**	**—**	**2**
At 30 September 2005	1	1	2

33. Investments

	Shares in group undertakings £'000	Shares in joint venture undertakings £'000	Listed investments £'000	Total £'000
At beginning of year	3,601	545	291	4,437
Additions	—	—	90	90
Disposals	—	—	(36)	(36)
Amounts written off during year	(312)	—	—	(312)
At end of year	**3,289**	**545**	**345**	**4,179**

Group undertakings

The company's investments in group undertakings, all of which are incorporated in England and Wales, are as follows:

	% Issued share capital held	Type of shares held	Activity
First Choice Estates plc	100%	Ordinary shares of £1 each	Property development
Thames Valley Retirement Homes Limited	100%	Ordinary shares of £1 each	Property development
Village Residential plc	100%	Ordinary shares of 10p each	Property development
Cardiff Property (Construction) Limited	100%	Ordinary shares of £1 each	Dormant
Wadharma Holdings Limited	100%	Ordinary shares of £1 each	Dormant
Land Bureau Limited	100%	Ordinary shares of £1 each	Dormant

All of the above undertakings have been included within the consolidated financial statements.

Notes to the Financial Statements continued

34. Debtors

	2006 £'000	2005 £'000
Trade debtors	**24**	23
Amounts owed by subsidiary undertakings	**25**	1,091
Amounts owed by joint venture undertaking	**1,383**	—
Other debtors	**4**	17
Prepayments and accrued income	**14**	16
Deferred tax asset (note 36)	**2**	—
	1,452	1,147

All company and group debtors are due within one year.

35. Creditors

	2006 £'000	2005 £'000
Rents received in advance	**75**	73
Trade creditors	**7**	8
Amounts owed to subsidiary undertakings	**1,482**	545
Corporation tax	**156**	—
Other taxes and social security	**16**	35
Other creditors	**33**	105
Accruals and deferred income	**183**	234
	1,952	1,000

36. Provisions for liabilities and charges

	Deferred tax liability £'000
At beginning of year	8
Charged to profit and loss account in year	23
At end of year	**31**

Deferred taxation

Full provision has been made for deferred taxation as follows:

	2006 £'000	2005 £'000
Difference between accumulated depreciation and amortisation and capital allowances	**(31)**	—
Other timing differences	**2**	—
Net deferred tax liability	**(29)**	—
Deferred tax asset (note 34)	**2**	—
Deferred tax liability (see above)	**(31)**	—
Net deferred tax liability	**(29)**	—

The above deferred tax asset included within current assets relates to short term timing differences and tax losses and is anticipated to be recoverable within 1 year.

37. *Investment property revaluation reserve*

	£'000
At beginning of year	1,624
Transferred to profit and loss account on sale of investment property	(179)
On revaluation in the year	391
At end of year	**1,836**

38. Other reserves

	Capital redemption reserve £'000	Merger reserve £'000	Total £'000
At beginning of year	393	1,869	2,262
Nominal value of shares repurchased (note 20)	7	—	7
At end of year	**400**	**1,869**	**2,269**

39. Profit and loss account

	2006 £'000	2005 £'000
At beginning of year	**4,190**	1,942
Adjustment re 2004 final dividend	—	100
At beginning of year as restated	**4,190**	2,042
Profit for the financial year	**40**	2,372
Dividends paid	**(163)**	(148)
Fair value of options granted	**50**	—
Transfer from investment property revaluation reserve on sale of investment property	**179**	—
Own shares purchased in year	**(335)**	(76)
At end of year	**3,961**	4,190

40. Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Opening shareholders' funds as previously reported	**13,377**	10,799
Adjustment re 2004 final dividend	—	100
Opening shareholders' funds as restated	**13,377**	10,899
Profit for the financial year	**40**	2,372
Dividends paid	**(163)**	(148)
Revaluation of investment properties	**391**	225
Share capital on options excerised in year	—	9
Share premium on options excerised in year	—	96
Own shares purchased	**(335)**	(76)
Fair value of options granted	**50**	—
Closing shareholders' funds	**13,360**	13,377

Notice of Annual General Meeting

Notice is hereby given that the one hundred and twentieth Annual General Meeting of The Cardiff Property Public Limited Company will be held at 56 Station Road, Egham, Surrey TW20 9LF on Thursday 11 January 2007 at 12 noon, for the following purposes:

Ordinary business

1. To receive the reports of the directors and auditors and the financial statements for the year ended 30 September 2006.
2. To approve the remuneration report for the year ended 30 September 2006.
3. To declare a dividend to be paid on 8 February 2007.
4. To re-elect David A Whitaker as a director.
5. To reappoint KPMG Audit Plc as auditor of the company and to authorise the directors to agree its remuneration.

Special business

To consider and, if thought fit, to pass resolution 6 as an ordinary resolution and resolutions 7 and 8 as special resolutions.

6. That the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 to exercise all the powers of the company to allot, grant options over or otherwise deal with or dispose of the unissued share capital of the company provided that the authority hereby given:
   (a) shall be limited to unissued shares in the share capital of the company having an aggregate nominal value of £116,072; and
   (b) shall expire at the end of the next Annual General Meeting of the company to be held in 2008 unless previously renewed or varied save that the directors may, notwithstanding such expiry, allot, grant options over or otherwise deal with or dispose of any shares under this authority in pursuance of an offer or agreement so to do made by the company before the expiry of this authority.

Special resolutions

7. That the directors be and they are hereby empowered pursuant to section 95(1) of the Companies Act 1985 to allot equity securities (as defined in section 94(2) to 94(3A) of that Act) for cash pursuant to the authority conferred in that behalf by the preceding ordinary resolution, as if section 89(1) of that Act did not apply to any such allotment, provided that this power shall be limited:
   (a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them subject only to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements; and
   (b) to the allotment (otherwise than pursuant to subparagraph (a) above) of equity securities up to an aggregate nominal amount of £17,410 representing 5% of the present issued share capital of the company;

   and shall expire on the date of the next Annual General Meeting of the company or 15 months from the passing of this resolution, whichever is the earlier, save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

8. Pursuant to article 12(2) of the company's articles of association that the company be and is hereby unconditionally and generally authorised to make market purchases (as defined in Section 163(3) of the Companies Act 1985) of ordinary shares of 20 pence each in the capital of the company, provided that:
   (a) the maximum number of ordinary shares hereby authorised to be acquired is 260,987 representing 14.99% of the present issued share capital of the company as at 29 November 2006;
   (b) the minimum price which may be paid for such shares is 20 pence per share which amount shall be exclusive of expenses;
   (c) the maximum price which may be paid for such shares is, in respect of a share contracted to be purchased on any day, an amount (exclusive of expenses) equal to 105% of the average of the middle market quotations for an ordinary share of the company taken from the Daily Official List of The London Stock Exchange on the ten business days immediately preceding the day on which the share is contracted to be purchased;
   (d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting or fifteen months from the passing of this resolution, whichever is the earlier; and
   (e) the company may make a contract to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuance of any such contract.

Registered office:
Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff CF24 0TE
29 November 2006

By order of the board

David A Whitaker FCA
Secretary

Notes

1. Copies of the directors' service contracts will be available for inspection at the registered office of the company during usual business hours from the date of this notice until the date of the Annual General Meeting, and also during and at least fifteen minutes before the beginning of the Annual General Meeting.
2. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not also be a member of the company.
3. Pursuant to recent legislation, the company may hold in treasury any of its own shares purchased under the authority conferred by resolution 8 above. This would give the company the ability to reissue treasury shares and provides greater flexibility in the management of its capital base. Any shares purchased by the company not held in treasury will be cancelled and the number of shares in issue reduced accordingly.

Consolidated Five Year Summary

		2006	2005	2004	2003	2002
		£'000	£'000	£'000	£'000	£'000
Profit and loss account items						
Revenue						
Gross rental income	£'000	**515**	559	731	844	805
Sales of development properties	£'000	**1,927**	1,113	—	—	185
Total	£'000	**2,442**	1,672	731	844	990
Profit before tax	£'000	**2,549**	3,201	1,758	1,677	1,151
Dividends paid and proposed in respect of the year	£'000	**175**	163	140	141	139
Dividend cover	times	**14.6**	19.6	12.6	11.9	8.3
Dividends per share	pence	**10.05**	9.00	8.00	7.10	6.30
Earnings per share — basic	pence	**137.6**	193.6	80.2	59.3	31.2
Balance sheet items						
Total assets	£'000	**20,706**	19,132	16,884	20,463	20,498
Total liabilities	£'000	**(1,150)**	(1,556)	(1,336)	(4,797)	(5,238)
Net assets		**19,556**	17,576	15,548	15,666	15,260
Number of shares in issue at 30 September	'000	**1,741**	1,775	1,737	2,016	2,169
Net assets per share attributable to shareholders	pence	**1,123**	990	895	777	704
Gearing	per cent	**nil**	nil	nil	nil	nil

Figures for 2002 and 2003 have been adjusted to reflect the adoption of FRS 19 — Deferred Tax.
Figures for 2005 and 2006 reflect conversion to IFRS.
Dividends represent the interim paid and final declared in any one financial year.

Financial Calendar

30 November 2006	Results announced for the year ended 30 September 2006
11 January 2007	Annual General Meeting
17 January 2007	Ex dividend date
19 January 2007	Record date for final dividend
8 February 2007	Final dividend to be paid
May 2007	Interim results for 2007 to be announced
July 2007	Interim dividend for 2007 to be paid
30 September 2007	Year end

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