

23 August 2012

HIGHCROFT INVESTMENTS PLC
Interim report for the six months ended 30 June 2012

HIGHLIGHTS:

- Net rental income increased 22% to £1,057,000 (2011: £867,000)
- Profit before tax increased 80% to £2,337,000 (2011: £1,299,000)
- Basic earnings per share (on revenue activities) up 30% to 20.9p (2011: 16.1p)
- Basic earnings per share (on capital activities) increased to 24.4p (2011: 9.0p)
- Net assets per share increased 3.7% to 747p (June 2011: 724p and December 2011 720p)
- Interim property income distribution increased 4.3% to 12.0p per share (2011: 11.5p)
- During the period one residential lease extension completed and contracts exchanged for the sale of our multi-let office building in Victoria.
- Since the period end the sale of the Victoria property has completed and contracts have been exchanged and completed on the acquisition of an industrial unit in Bedford.

Dear Shareholder

I am pleased to report that in the 6 months ended 30 June 2012 both net rental income and pre tax profits have risen significantly, whilst our net assets have increased modestly. These results are particularly satisfying considering the difficult circumstances in which much of the property sector finds itself.

Results for the period

Property: Gross rental income has risen by 9.8%, in part as a result of new income from our property in Andover bought in November 2011. Our portfolio remains fully let which is encouraging in the current economic climate. Property operating expenses halved in the absence of some of the exceptional costs incurred in 2011 relating to our void Yeovil property which we disposed of in 2011. The combined effect of income increasing and costs falling has resulted in an increase of 22% in net rental income.

Equities: Dividend income from our equity portfolio was slightly lower than last year at £120,000 (2011: £126,000). However as we had enjoyed an exceptional one-off distribution of £48,000 in 2011 the underlying picture is healthy reflecting, we believe, the modest shift in our portfolio from defensive to more cyclical stocks and the spread of our investments across blue chip international holdings.

Financial highlights: With administrative costs well under control, profit before tax on revenue activities has risen by 28% resulting in earnings per share from revenue activities of 20.9p per share (2011: 16.1p).

With the addition of net valuation gains on investment properties of £1,025,000 (2011: £463,000) and net gains on equity investments of £238,000 (2011: loss £31,000) the total earnings per share on all activities has increased to 45.0p (2011: 25.1p).

With continuing signs of falling values in many areas of the UK property market, we are particularly pleased that our net asset value per share has increased to 747p (June 2011: 724p, December 2011: 720p). We believe that this is a reflection of the inherent strength of our balanced portfolios, in terms of the geographic and sector spread of our equities and the type of property investments and their covenant strength. There were both winners and losers in our equity and property portfolios, as we would expect in the current economic climate. There were falls in valuations at some of our smaller properties with shorter leases but these were well offset by significant gains elsewhere. Most notable among these was Willow House in Victoria, London, where we have just completed on the sale that we announced to the market in June. In addition we announced on 21 August that we had completed the acquisition of an industrial unit in Bedford

Our cash position at 30 June 2012 was £2,273,000 which has now been enhanced by the proceeds from the sale of Willow House of £4,900,000 and reduced by the purchase of the Bedford unit for a consideration of £1,860,658 net of costs.

Dividend: I am pleased to report that we will be paying an interim dividend of 12.0p per share (2011: 11.5p) payable on 20 October 2012.

Outlook

With no borrowings, the group continues to be in an enviable position. We hope that we will be able to take advantage of the continuing stressed market conditions by investing some of our funds so as to strengthen our future income stream by enhancing our portfolio with the purchase of quality properties.

John Hewitt
23 August 2012

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		Unaudited			Unaudited			Audited		
		First Half 2012			First Half 2011			Full Year 2011		
	Note	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Continuing operations										
Gross rental income		1,142	-	1,142	1,040	-	1,040	2,129	-	2,129
Property operating expenses		(85)	-	(85)	(173)	-	(173)	(303)	-	(303)
Net rental income		1,057	-	1,057	867	-	867	1,826	-	1,826
Realised gains on investment property		62		62	-	58	58	360		360
Realised losses on investment property		-		-	-	(23)	(23)	(82)		(82)
Net gain on disposal of investment property		62	-	62	-	35	35	278	-	278
Valuation gains on investment property		-	2,075	2,075	-	563	563	-	801	801
Valuation losses on investment property		-	(1,050)	(1,050)	-	(100)	(100)	-	(1,072)	(1,072)
Net valuation gains on investment property		-	1,025	1,025	-	463	463	-	(271)	(271)
Dividend income		120	-	120	126	-	126	261	-	261
Gains on investments		-	348	348	-	195	195	-	397	397
Losses on investments		-	(110)	(110)	-	(226)	(226)	-	(587)	(587)
Net investment income/(loss)		120	238	358	126	(31)	95	261	(190)	71
Administrative expenses		(168)	-	(168)	(165)	-	(165)	(335)	-	(335)
Operating profit/(loss) before net financing costs		1,071	1,263	2,334	828	467	1,295	2,030	(461)	1,569
Finance income		3	-	3	7	-	7	15	-	15
Finance expenses		-	-	-	(3)	-	(3)	-	-	-
Net finance costs		3	-	3	4	-	4	15	-	15
Profit/(loss) before tax		1,074	1,263	2,337	832	467	1,299	2,045	(461)	1,584
Income tax credit/(expense)	4	-	(14)	(14)	-	-	-	21	119	140
Total profit/(loss) and comprehensive income/(expense) for the financial period		1,074	1,263	2,323	832	467	1,299	2,066	(342)	1,724
Basic and diluted earnings/(loss) per share	6	20.9 p	24.1 p	45.0 p	16.1 p	9.0 p	25.1 p	40.1 p	(6.7) p	33.4 p

**Condensed consolidated interim statement of financial position (Unaudited)
as at 30 June 2012**

		Unaudited 30 June 2012 £'000	Unaudited 30 June 2011 £'000	Audited 31 December 2011 £'000
Assets				
Investment property	7	31,793	29,902	30,787
Equity investments	8	5,610	5,954	5,598
Total non-current assets		<u>37,403</u>	<u>35,856</u>	<u>36,385</u>
Current assets				
Trade and other receivables		504	101	217
Cash at bank and in hand		2,273	3,306	1,926
Total current assets		<u>2,777</u>	<u>3,407</u>	<u>2,143</u>
Total assets		<u>40,180</u>	<u>39,263</u>	<u>38,528</u>

Liabilities**Current liabilities**

Current corporation tax	14	213	-
Trade and other payables	952	894	681
Total current liabilities	966	1,107	681

Non-current liabilities

Interest-bearing loans and borrowings	-	-	-
Deferred tax liabilities	624	764	624
Total non-current liabilities	624	764	624

Total liabilities	1,590	1,871	1,305
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Net assets	38,590	37,392	37,223
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Equity

Issued share capital	1,292	1,292	1,292
Revaluation reserve - property	6,604	5,904	4,904
Revaluation reserve - other	1,816	1,720	1,592
Capital redemption reserve	95	95	95
Realised capital reserve	21,530	21,099	21,428
Retained earnings	7,253	7,282	7,912
Total equity	38,590	37,392	37,223

Condensed consolidated interim statement of changes in equity for the six months ended 30 June 2012**a) First half 2012 - Unaudited**

	Equity	Revaluation reserves Property	Other	Capital Redemption	Realised Capital	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2012	1,292	4,904	1,592	95	21,428	7,912	37,223
Dividends	-	-	-	-	-	(956)	(956)
Reserve transfers:							
Non-distributable items recognised in income statement:							
Revaluation gains/(losses)	-	1,025	185	-	-	(1,210)	-
Tax on revaluation gains and losses	-	-	-	-	-	-	-
Realised gains	-	-	-	-	102	(102)	-
(Surplus)/deficit attributable to assets sold	-	-	-	-	-	-	-
Excess of cost over revalued amount taken to retained earnings	-	675	39	-	-	(714)	-
Transactions with owners	-	1,700	224	-	102	(2,982)	(956)
Profit and total comprehensive income for the period	-	-	-	-	-	2,323	2,323
At 30 June 2012	1,292	6,604	1,816	95	21,530	7,253	38,590

b) First half 2011 - Unaudited

	Equity	Revaluation reserves Property	Other	Capital Redemption	Realised Capital	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2011	1,292	6,670	1,750	95	19,810	7,385	37,002
Dividends	-	-	-	-	-	(909)	(909)
Reserve transfers:							
Non-distributable items recognised in income statement:							
Revaluation gains/(losses)	-	463	(30)	-	-	(433)	-
Tax on revaluation gains and losses	-	-	-	-	-	-	-
Realised gains	-	-	-	-	35	(35)	-
(Surplus)/deficit attributable to assets sold	-	(1,254)	-	-	1,254	-	-
Excess of cost over revalued amount taken to retained earnings	-	25	-	-	-	(25)	-
Transactions with owners	-	(766)	(30)	-	1,289	(1,402)	(909)
Profit and total comprehensive income for the period	-	-	-	-	-	1,299	1,299
At 30 June 2011	1,292	5,904	1,720	95	21,099	7,282	37,392

c) Full year 2011 - Audited

	Equity	Revaluation reserves	Capital	Realised	Retained		
		Property	Other	Redemption	Capital	Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2011	1,292	6,670	1,750	95	19,810	7,385	37,002
Dividends	-	-	-	-	-	(1,503)	(1,503)
Reserve transfers:							
Non-distributable items recognised in income statement:							
Revaluation losses	-	(271)	(238)			509	-
Tax on revaluation gains and losses	-	-	109	-	-	(109)	-
Realised gains	-	-	-	-	(40)	40	-
(Surplus)/deficit attributable to assets sold	-	(1,629)	(29)	-	1,658	-	-
Excess of cost over revalued amount taken to retained earnings	-	134	-	-	-	(134)	-
Transactions with owners	-	(1,766)	(158)	-	1,618	(1,197)	(1,503)
Profit and total comprehensive income for the period	-	-	-	-	-	1,724	1,724
At 31 December 2011	1,292	4,904	1,592	95	21,428	7,912	37,223

**Condensed consolidated interim statement of cash flows
for the six months ended 30 June 2012**

	Unaudited First Half 2012 £'000	Unaudited First Half 2011 £'000	Audited Full Year 2011 £'000
Operating activities			
Profit for the period	2,323	1,299	1,724
Adjustments for:			
Net valuation (gains)/losses on investment property	(1,025)	(463)	271
Gain on disposal of investment property	(62)	(35)	(278)
Net (gains)/losses on investments	(238)	31	190
Finance income	(3)	(7)	(15)
Finance expense	-	3	-
Income tax expense/(credit)	14	-	(140)
Operating cash flow before changes in working capital and provisions	1,009	828	1,752
Increase in trade and other receivables	(287)	(8)	(124)
(Decrease)/increase in trade and other payables	271	(3)	(215)
Cash generated from operations	993	817	1,413
Finance income	3	7	15
Finance expense	-	(3)	-
Income tax paid	-	-	(216)
Net cash flows from operating activities	996	821	1,212
Investing activities			
Purchase of fixed assets - investment property	-	-	(2,871)
- equity investments	(420)	(378)	(423)
Sale of fixed assets - investment property	81	1,300	2,796
- equity investments	646	-	243
Net cash flows from investing activities	307	922	(255)
Financing activities			
Loan repayments	-	-	-
Dividends paid	(956)	(909)	(1,503)
Net cash flows from financing activities	(956)	(909)	(1,503)
Net increase in cash and cash equivalents	347	834	(546)
Cash and cash equivalents at 1 January 2012	1,926	2,472	2,472
Cash and cash equivalents at 30 June 2012	2,273	3,306	1,926

**Notes
for the six months ended 30 June 2012**

1. Nature of operations and general information

Highcroft Investments PLC ('Highcroft') and its subsidiary's (together 'the group') principal activities are investment in property and equities. It is incorporated and domiciled in Great Britain. The address of Highcroft Investments PLC's registered office, which is also its principal place of business, is

Thomas House, Langford Locks, Kidlington, OX5 1HR. Highcroft's condensed consolidated interim financial statements are presented in Pounds Sterling (£), which is also the functional currency of the group. These condensed consolidated interim financial statements have been approved for issue by the directors on 22 August 2012. The financial information for the year ended 31 December 2011 set out in this interim report does not constitute statutory accounts as defined in Section 404 of the Companies Act 2006. The group's statutory financial statements for the year ended 31 December 2011 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498(2) or Section 498(5) of the Companies Act 2006.

2. Basis of preparation

These condensed consolidated interim financial statements are for the six months ended 30 June 2012. They have been prepared in accordance with IAS 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2011.

These condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and the measurement of equity investments at fair value. These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 31 December 2011.

The accounting policies have been applied consistently throughout the group for the purposes of preparation of these condensed consolidated interim financial statements.

3. Segment reporting

Segmental information is presented in the condensed consolidated interim financial statements in respect of the group's business segments. The business segment reporting format reflects the group's management and internal reporting structure. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. All gross income is from external tenants or external investments.

The group is comprised of the following main business segments:

- * Commercial property comprising retail outlets, offices and warehouses.
- * Residential property comprising mainly single-let houses.
- * Financial assets comprising exchange-traded equity investments.

	First Half 2012 £'000	First Half 2011 £'000	Full Year 2011 £'000
Commercial property			
Gross income	1,121	1,020	2,086
Profit/(loss) for the period	1,895	859	1,070
Assets	32,600	31,560	31,714
Liabilities	759	713	549
Residential property			
Gross income	21	20	43
Profit for the period	101	365	503
Assets	1,745	1,742	1,149
Liabilities	5	10	1
Financial assets			
Gross income	120	126	261
Profit/(loss) for the period	327	75	151
Assets	5,835	5,961	5,665
Liabilities	826	1,148	755
Total			
Gross income	1,262	1,166	2,390
Profit for the period	2,323	1,299	1,724
Assets	40,180	39,263	38,528
Liabilities	1,590	1,871	1,305

No tenant represents more than 10% of gross commercial property income.

4. Income tax expense/(credit)

	First Half 2012 £'000	First Half 2011 £'000	Full Year 2011 £'000
Current tax:			
On revenue profits	-	-	(20)
On capital profits	14	-	15
Prior year under provision	-	-	(1)
	14	-	(6)
Deferred tax	-	-	(134)
	14	-	(140)

The taxation charge has been based on the estimated effective tax rate for the full year. As a Real Estate Investment Trust the group does not pay corporation tax on its profits and gains from its commercial and residential property activities.

5. Dividends

On 22 August 2012, the directors declared a property income dividend of 12.0p per share (2011: 11.50p interim dividend) payable on 20 October 2012 to shareholders.

The following property income distributions have been paid by the company.

	First Half 2012 £'000	First Half 2011 £'000	Full Year 2011 £'000
2011 final: 18.5p per ordinary share (2010 final: 17.6p)	956	909	909
2011 interim 11.5p per ordinary share	-	-	594
	<u>956</u>	<u>909</u>	<u>1,503</u>

6. Earnings per share

The calculation of earnings per share is based on the profit for the period of £2,323,000 (2011: £1,299,000) and on 5,167,240 shares (2011: 5,167,240) which is the weighted average number of shares in issue during the period ended 30 June 2012 and throughout the period since 1 January 2011.

The allocation differs to that disclosed in the year end published accounts to better reflect the designation of realised investment gains as capital in nature and to ensure consistency with prior years. There is no impact on the total year end results.

In order to draw attention to the impact of valuation gains and losses which are included in the income statement but not available for distribution under the company's articles of association, an adjusted earnings per share based on the profit available for distribution of £998,000 (2011 £832,000) has been calculated.

	First Half 2012 £'000	First Half 2011 £'000	Full Year 2011 £'000
Earnings:			
Basic earnings	2,323	1,299	1,724
Adjustments for:			
Net valuation profits on investment property	(1,025)	(498)	271
Gains and losses on investments	(238)	31	190
Income tax on gains and losses	14	-	(119)
Adjusted earnings	<u>1,074</u>	<u>832</u>	<u>2,066</u>
Per share amount:			
Basic earnings per share	45.0 p	25.1 p	33.4 p
Adjustments for:			
Net valuation gains on investment property	(19.8) p	(9.6) p	5.3 p
Gains and losses on investments	(4.6) p	0.6 p	3.7 p
Income tax on gains and losses	0.3 p	- p	(2.3) p
Adjusted earnings per share	<u>20.9 p</u>	<u>16.1 p</u>	<u>40.1 p</u>

7. Investment Property

	First Half 2012 £'000	First Half 2011 £'000	Full Year 2011 £'000
Valuation at 1 January 2012	30,787	30,705	30,705
Additions	-	-	2,871
Disposals	(19)	(1,266)	(2,518)
Gain /(loss) on revaluation	1,025	463	(271)
Valuation at 30 June 2012	<u>31,793</u>	<u>29,902</u>	<u>30,787</u>

8. Equity investments

	First Half 2012 £'000	First Half 2011 £'000	Full Year 2011 £'000
Valuation at 1 January 2012	5,598	5,608	5,608
Additions	420	378	423
Disposals	(593)	-	(186)
Surplus/(deficit) on revaluation in excess of cost	225	(30)	(238)
Revaluation decrease below cost	(46)	(11)	(15)
Revaluation increase still below cost	6	9	6
Valuation at 30 June 2012	<u>5,610</u>	<u>5,954</u>	<u>5,598</u>

9. Related party transactions

Kingerlee Holdings Limited owns, through its wholly owned subsidiaries, 25.4% (2011: 25.4%) of the company's shares and D H Kingerlee and J C Kingerlee are directors of both the company and Kingerlee Holdings Limited.

During the period, the group made purchases from Kingerlee Holdings Limited or its subsidiaries, being a service charge in relation to services at Thomas House, Kidlington of £7,000 (2011: £7,000). The amount owed at 30 June 2012 was nil (2011: nil). All transactions were undertaken on an arm's length basis.

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