

**Highcroft Investments PLC**

**Interim Report for the six months ended 30 June 2022**

**Interim management report and statement of directors' responsibilities**

**Key Highlights:**

- \*Gross rental income decreased 7% to £2,775,000 (2021 £2,977,000)
- \*Net rental income decreased 7% to £2,538,000 (2021 £2,735,000)
- \*93% occupancy in the property portfolio (2021 89%) at period end
- \*100% of Q1 rent, 99% of Q2 rent and 96% of Q3 rent, due to date, collected
- \*Adjusted earnings per share increased 4% to 29.5p (2021 28.3p)
- \*Total earnings per share 124.2p (2021 118.8p)
- \*Property valuation increased by 5.6% on a like-for-like basis to £92,905,000 (December 2021 £87,565,000)
- \*Net assets per share increased 7.0% to 1364p (June 2021 1185p, December 2021 1275p)
- \*Loan to value 29.3% (June 2021 31.4%, December 2021 31.1%)

Dear Shareholder

I am writing to report our half year 2022 results. Whilst the impact of the conflict in Ukraine combined with the lingering Covid-19 pandemic have had a significant effect on our tenants, their staff and customers, we are pleased to say our results have held up very well.

In these challenging circumstances, and in a period where we had voids and planned maintenance work, our performance for the first half of 2022 matched our expectations with 99% of rent collected for the period and a 7% fall in both gross and net rental income. The drop in gross rental income primarily related to our Cardiff property that became void in June 2021 (and where a refurbishment is now almost complete), along with the sale of our Andover property in August 2021. Our property costs increased due to the costs of our void properties, primarily rates, and related dilapidations work, however this was offset by the reduction in our bad debt charge for the period. A strong 5.6% increase in property valuation has, in turn, led to a 7.0% increase in net assets per share to 1364p. This 5.6% increase is made up of a 5.7% negative movement in our high street retail properties which now only account for 5.0% of our portfolio, and a strong upward movement of 7.0% in our industrial portfolio and 6.5% in our retail warehouses. Our overall movement compares with the MSCI All Property Index of 7.2% for the same period. There were no significant underlying asset management events. At 30 June 2022 two of our properties remained void, representing 7% of our rental income. We are negotiating a new lease on one of these units representing 1% of our rental income, and we are actively engaged in seeking new tenants for the other.

We continue to take a conservative view on managing debt levels and remain comfortable with our 29.3% LTV position at the period end. During the period we refinanced the £7.5 million term loan that matured in May 2022 with a new £7.5 million term loan that matures in May 2029. The secured deposit of £1.575 million that was in place as bank security at 31 December 2021 was released by the bank in April 2022 and reclassified as cash at bank.

During the period we substantially completed some renovation and improvement work at our Cardiff office property, and we are now seeking new tenants. We are in the final stages of obtaining planning permission for the development of a warehouse unit on spare land at our site in St Austell and are currently finalising a pre-let agreement and preparing to go out to tender for the building works.

During the period we started to market three of our high street retail properties as part of the strategy to reduce our exposure to this sector and one of our warehouse properties where we have identified a requirement for large space occupiers/owners. The marketing processes are ongoing.

**Interim management report and statement of directors' responsibilities (continued)**

**People**

After the period end, on 1 August 2022, David Kingerlee stepped down from the board after almost 26 years' service, mostly as an executive director and, since April 2021, as a non-executive director representing the interests of the Kingerlee Group. The board is grateful to David for the service that he has given to the company over this time. We were pleased to welcome David Warlow to the board, on 1 August 2022, as non-executive director. He will represent the interests of the Kingerlee Group of companies which, together with its associates, form part of the Kingerlee Concert Party which has an aggregate beneficial interest of 40.95% in the share capital of the company.

**Dividend**

I am pleased to report an interim property income distribution of 23p (2021 22p) per share, payable on 14 October 2022 to shareholders on the register at 16 September 2022 (with an ex-dividend date of 15 September 2022).

## Outlook

While the first half has been very strong leading to our highest ever net assets per share the second half has already started showing increasing signs that the impact of rising interest rates, soaring inflation and increasing negativity surrounding the economic outlook are starting to push out valuation yields which could negatively impact valuations.

The conflict in Ukraine is introducing macro-economic challenges globally and having negative effects on businesses' cost bases and supply chains. We, as a board, will continue to take a prudent view and monitor the situation closely. We will continue to work with our tenants and support them where we can whilst at the same time keeping our gearing low and a healthy cash balance to ensure we are well positioned to assess potential opportunities that may arise as the macro-economic landscape stabilises.

## Statement of principal risks and uncertainties

The directors review principal risks at each board meeting and carried out a mid-year review on 5 September 2022. They consider that there have been no material changes to the group's principal risks as set out in detail on pages 32 to 37 of the annual report and accounts for the year ended 31 December 2021, other than the risk related to debt refinancing which is no longer considered to be a principal risk. The current principal risk areas can be summarised as:

External risks	Internal risks
Macro-economic outlook	Business strategy
Political and regulatory outlook	Key personnel
Occupier demand and tenant default	Sustainability
Commercial property investor demand	

## Related party transactions

Related party transactions are disclosed in note 12. There have been no material changes in related party transactions in the period. As noted in the chairman's statement on 1 August 2022 David Warlow was appointed to the board as a non-independent non-executive director to represent the interests of the Kingierlee group of companies and David Kingierlee, who held this role previously, resigned from the board.

## Interim management report and statement of directors' responsibilities (continued)

### Statement of directors' responsibilities

The directors confirm that, to the best of their knowledge, the half-year report and condensed consolidated set of half-year financial statements have been prepared in accordance with IAS 34. The half-year report and condensed consolidated set of half-year financial statements give a true and fair view of the assets, liabilities, financial position and return of the Group. The half-year report and condensed consolidated set of half-year financial statements include a fair review of the information required by 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority, namely:

- an indication of the important events that have occurred during the first six months of the financial year ending 31 December 2022 and their impact on the condensed consolidated set of half-year financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- disclosure of material related party transactions in the first six months of the financial year, and any material changes in the related party transactions described in the last annual report. A list of current directors is maintained on the Highcroft Investments PLC website: [www.highcroftplc.com](http://www.highcroftplc.com).

By order of the board.

Charles Butler

*Chairman*

5 September 2022

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018.

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## **Conclusion**

We have been engaged by Highcroft Investments PLC (the "Company") to review the financial information for the six months ended 30 June 2022 which comprises the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of financial position, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim statement of cash flows and related notes 1 to 15.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half year financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

## **Basis for conclusion**

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with UK adopted IFRSs. The condensed set of financial statements included in this half year financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

## **Conclusions relating to Going Concern**

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

## **Responsibilities of directors**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority, which requires that the interim report must be prepared and presented in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

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

## **Auditor's responsibilities for the review of the financial information**

In reviewing the interim report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half year financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

#### Use of the review report

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK) 2410 issued by the Financial Reporting Council and our Engagement Letter dated 31 May 2022. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Mazars LLP  
Chartered Accountants  
London  
5 September 2022

#### Notes:

The maintenance and integrity of the Highcroft Investments plc's web site is the responsibility of the directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

#### Condensed consolidated interim statement of comprehensive income (unaudited) for the six months ended 30 June 2022

		Unaudited			Unaudited		
		First half 2022			First half 2021		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Continuing operations</b>							
Gross rental income		2,775	-	2,775	2,977	-	2,977
Property operating expenses		(237)	-	(237)	(242)	-	(242)
<b>Net rental income</b>		<b>2,538</b>	<b>-</b>	<b>2,538</b>	<b>2,735</b>	<b>-</b>	<b>2,735</b>
Valuation gains on investment property		-	5,232	5,232	-	5,275	5,275
Valuation losses on investment property		-	(320)	(320)	-	(590)	(590)
<b>Net valuation gains on investment property</b>	8	<b>-</b>	<b>4,912</b>	<b>4,912</b>	<b>-</b>	<b>4,685</b>	<b>4,685</b>
<b>Administrative expenses</b>		<b>(583)</b>	<b>-</b>	<b>(583)</b>	<b>(539)</b>	<b>-</b>	<b>(539)</b>
<b>Operating profit before net financing costs</b>		<b>1,955</b>	<b>4,912</b>	<b>6,867</b>	<b>2,196</b>	<b>4,685</b>	<b>6,881</b>
Finance income		8	-	8	1	-	1
Finance expenses		(422)	-	(422)	(425)	-	(425)
<b>Net finance costs</b>		<b>(414)</b>	<b>-</b>	<b>(414)</b>	<b>(424)</b>	<b>-</b>	<b>(424)</b>
<b>Profit before tax</b>		<b>1,541</b>	<b>4,912</b>	<b>6,453</b>	<b>1,772</b>	<b>4,685</b>	<b>6,457</b>
Income tax charge	5	(7)	-	(7)	(304)	-	(304)
<b>Total profit and comprehensive income for the financial period</b>		<b>1,534</b>	<b>4,912</b>	<b>6,446</b>	<b>1,468</b>	<b>4,685</b>	<b>6,153</b>

		Unaudited			Unaudited		
		First half 2022			First half 2021		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Basic and diluted earnings per share</b>	7			<b>124.2p</b>			<b>118.8p</b>

The total column represents the statement of comprehensive income as defined in IAS1

**Condensed consolidated interim statement of financial position (unaudited)**

**as at 30 June 2022**

	Note	Unaudited 30 June 2022 £'000	Audited 31 December 2021 £'000
<b>Assets</b>			
Investment property	8	<b>84,040</b>	87,565
<b>Total non-current assets</b>		<b>84,040</b>	87,565
<b>Current assets</b>			
Trade and other receivables		<b>1,748</b>	2,876
Cash at bank and in hand		<b>6,201</b>	5,715
		<b>7,949</b>	8,591
Assets classified as held for sale	9	<b>8,865</b>	-
<b>Total current assets</b>		<b>16,814</b>	8,591
<b>Total assets</b>		<b>100,854</b>	96,156
<b>Liabilities</b>			
<b>Current liabilities</b>			
Interest bearing loan	10	-	(7,500)
Trade and other payables		<b>(2,775)</b>	(2,839)
<b>Total current liabilities</b>		<b>(2,775)</b>	(10,339)
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	10	<b>(27,200)</b>	(19,700)
<b>Total non-current liabilities</b>		<b>(27,200)</b>	(19,700)
<b>Total liabilities</b>		<b>(29,975)</b>	(30,039)
<b>Net assets</b>		<b>70,879</b>	66,117
<b>Equity</b>			
Issued share capital		<b>1,299</b>	1,296
Share premium		<b>226</b>	117
Share based payment reserve		<b>132</b>	102
Other equity reserve		<b>(233)</b>	(121)
Revaluation reserve - property		<b>22,822</b>	19,236
Capital redemption reserve		<b>95</b>	95
Realised capital reserve		<b>29,623</b>	29,623
Retained earnings		<b>16,915</b>	15,769
<b>Total equity</b>		<b>70,879</b>	66,117

**Condensed consolidated interim statement of changes in equity**

**for the six months ended 30 June 2022**

	Issued share capital (note 12)	Share premium	Share based payment	Other equity reserve	Revaluation reserve property	Capital redemption	Realised Capital	Retained earnings
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 January 2022</b>	<b>1,296</b>	<b>117</b>	<b>102</b>	<b>(121)</b>	<b>19,236</b>	<b>95</b>	<b>29,623</b>	<b>15,769</b>
Transactions with owners:								
Dividends	-		-	-	-	-	-	(1,714)
Issue of shares	3	109	-	(112)	-	-	-	-
	3	109	-	(112)	-	-	-	(1,714)
Reserve transfers:								
Non-distributable items recognised in income statement:								
Revaluation losses	-	-	-	-	(320)	-	-	320
Revaluation gains	-	-	-	-	5,232	-	-	(5,232)
Change in excess of cost over fair value through retained earnings	-	-	-	-	(1,326)	-	-	1,326
	-	-	-	-	3,856	-	-	(3,856)
Share award expensed	-	-	30	-	-	-	-	-
Total profit and comprehensive income for the period	-	-	-	-	-	-	-	6,446
<b>At 30 June 2022</b>	<b>1,299</b>	<b>226</b>	<b>132</b>	<b>(233)</b>	<b>22,822</b>	<b>95</b>	<b>29,623</b>	<b>16,915</b>

#### Condensed consolidated interim statement of changes in equity

for the six months ended 30 June 2021

	Issued share capital (note 12)	Share premium	Share based payment	Other equity reserve	Revaluation reserve property	Capital redemption	Realised Capital	Retained earnings
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 January 2021</b>	<b>1,294</b>	<b>51</b>	<b>43</b>	<b>(53)</b>	<b>12,814</b>	<b>95</b>	<b>28,995</b>	<b>13,882</b>
Transactions with owners:								
Dividends	-		-	-	-	-	-	(1,866)
Issue of shares	2	66	-	(68)	-	-	-	-
	2	66	-	(68)	-	-	-	(1,866)
Reserve transfers:								
Non-distributable items recognised in income statement:								
Revaluation losses	-	-	-	-	(590)	-	-	590
Revaluation gains	-	-	-	-	5,275	-	-	(5,275)
Change in excess of cost over fair value through retained earnings	-	-	-	-	(696)	-	-	696
	-	-	-	-	3,989	-	-	(3,989)
Share award expensed	-	-	15	-	-	-	-	-
Total profit and comprehensive income for the period	-	-	-	-	-	-	-	6,153
<b>At 30 June 2021</b>	<b>1,296</b>	<b>117</b>	<b>58</b>	<b>(121)</b>	<b>16,803</b>	<b>95</b>	<b>28,995</b>	<b>14,180</b>

## Condensed consolidated interim statement of cashflows

for the six months ended 30 June 2022

	Unaudited First half 2022 £'000	Unaudited First half 2021 £'000
<b>Operating activities</b>		
Profit before tax for the period	6,453	6,457
Adjustments for:		
Net valuation gains on investment property	(4,912)	(4,685)
Share based payment expense	30	15
Finance income received	(8)	(1)
Finance expense paid	422	425
<b>Operating cash flow before changes in working capital and provisions</b>	<b>1,985</b>	<b>2,211</b>
Decrease in trade and other receivables	1,128	76
Decrease in trade and other payables	(64)	(216)
<b>Cash generated from operations</b>	<b>3,049</b>	<b>2,071</b>
Finance income received	8	1
Finance expense paid	(422)	(425)
Income tax paid	(7)	(304)
<b>Net cash flows from operating activities</b>	<b>2,628</b>	<b>1,343</b>
<b>Investing activities</b>		
Purchase of fixed assets - investment property	(428)	-
<b>Net cash flows from investing activities</b>	<b>(428)</b>	<b>-</b>
<b>Financing activities</b>		
Dividends paid	(1,714)	(1,866)
Repayment of bank borrowings	(7,500)	-
New bank borrowings	7,500	-
<b>Net cash flows from financing activities</b>	<b>(1,714)</b>	<b>(1,866)</b>
Net increase/(decrease) in cash and cash equivalents	486	(523)
Cash and cash equivalents at 1 January	5,715	3,295
<b>Cash and cash equivalents at period end</b>	<b>6,201</b>	<b>2,772</b>

### Notes (Unaudited)

for the six months ended 30 June 2022

#### 1. Nature of operations and general information

Highcroft Investments PLC ('Highcroft' or 'company') and its subsidiaries' (together 'the group') principal activity is investment in property. It is incorporated and domiciled in Great Britain. The address of Highcroft's registered office, which is also its principal place of business, is Park Farm Technology Centre, Akeman Street, Kirtlington, OX5 3JQ. 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 5 September 2022. The financial information for the period ended 30 June 2022 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 2021 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 unaudited condensed consolidated interim financial statements are for the six months ended 30 June 2022. They have been prepared in accordance with IAS 34, Interim Financial Reporting and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. 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 2021.

These unaudited 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 2021 which were prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom and have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

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

In light of the ongoing impact of Covid-19 and the conflict in Ukraine on the UK economy, and the sectors in which the group and company operates, the directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the group's and company's financial statements for the period ended 30 June 2022. The group's and company's going concern assessment considers the group's and company's principal risks, and is dependent on a number of factors, including cashflow and liquidity, continued access to borrowing facilities and the ability to continue to operate the group's and company's borrowings within its financial covenants. The debt has a number of financial covenants that the group is required to comply with including an LTV covenant a 12-month historical interest cover ratio, and the facility agreements have cure provisions in the event of a breach. The going concern assessment is based on a 12-month outlook from the date of the approval of these financial statements, using the group's five-year forecast. This forecast is based on a reasonable scenario, which includes the following key sensitivities occurring either separately or together:

- 20% reduction in net income from our portfolio.
- A 25% increase in the forecast proposed capital expenditure.

Under this scenario, the group and company are forecast to maintain sufficient cash and liquidity resources and remain compliant with its financial covenants.

Based on the consideration above, the board believes that the group and company have the ability to continue in business at least 12 months from the date of approval of this interim statement for the period ended 30 June 2022, and therefore have adopted the going concern basis in the preparation of this financial information.

### 3. Analysis of statement of comprehensive income

The profit or loss section of the statement of comprehensive income is analysed into two columns, being revenue and capital. The capital column comprises valuation gains and losses on property, profits and losses on disposal of property, and all gains and losses on financial assets and the related tax impact. The revenue column includes all other items.

## 4. Segment reporting

The group has one main business segment, property investment which is based in England and Wales.

In the first six months of 2022 the largest tenant represented 13% (2021 12%) and the second largest tenant represented 11% (2021 9%) of gross commercial property income for the period.

## 5. Income tax charge

	First half 2022 £'000	First half 2021 £'000
Current tax:		
On revenue profits - prior year	7	304
current year	-	-
Total tax	7	304

The current year 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 property activities. During the first half of 2021 the group took advantage of HMRC Covid-19 concessions and wrote £1.6m off its outstanding Property Income Dividend pool which resulted in a tax charge of £304,000.

## 6. Dividends

On 5 September 2022, the directors declared a property income distribution of 23p per share (2021 22p per share) payable on 14 October 2022 to shareholders registered at 16 September 2022.

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

	First half 2022 £'000	First half 2021 £'000
2021: final 33p per ordinary share (2020 final 30p and special 6p)	1,714	1,866

## 7. Earnings per share



The calculation of earnings per share is based on the profit for the period of £6,446,000 (2021 £6,153,000) and on 5,189,362 shares which is the weighted average number of shares in issue during the period ended 30 June 2022 (2021 5,178,943).

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 £1,534,000 (2021 £1,468,000) has been calculated.

	First half 2022 £'000	First half 2021 £'000
Earnings:		
Basic earnings	6,446	6,153
Adjustments for:		
Net valuation gains on investment property	(4,912)	(4,685)
Adjusted earnings	1,534	1,468
Per share amount:		
Earnings per share (unadjusted)	124.2p	118.8p
Adjustments for:		
Net valuation gains on investment property	(94.7p)	(90.5p)
Adjusted earnings per share	29.5p	28.3p

## 8. Investment property

	First half 2022 £'000	Full year 2021 £'000
Valuation at 1 January	87,565	82,060
Additions	428	-
Disposals	-	(3,250)
Gain on revaluation	4,912	8,755
Valuation at period end	92,905	87,565
Less property held for sale categorised as current asset (note 9)	(8,865)	-
Property categorised as fixed asset	84,040	87,565

The directors have used an external independent valuation of properties at 30 June 2022 which has been carried out consistently with the annual valuation.

## 8. Investment property (continued)

### Valuation technique

The fair value of the property portfolio has been determined using an income capitalisation technique whereby contracted and market rental values are capitalised with a market capitalisation rate. The resulting valuations are cross checked against the equivalent yields and the fair market values per square foot derived from comparable recent market transactions on arm's-length terms.

These techniques are consistent with the principles in IFRS 13 Fair Value Measurement and use significant unobservable inputs such that the fair value measurement of each property within the portfolio has been classified as level 3 in the fair value hierarchy. The following tables analyse quantitative information about these inputs.

30 June 2022		Warehouse	Retail warehouse	Leisure	Office	High street retail	Total
Valuation technique		Income capitalisation					
Fair value of property portfolio	£'000	42,575	25,825	11,175	8,650	4,680	92,905
Area*	Sq ft	583,499	133,726	88,145	29,567	12,622	847,559
Gross estimated rental value (ERV)	£'000	3,442	1,610	812	610	364	6,838
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ERV per sq ft							
Minimum	£	2.40	10.79	7.37	20.00	20.90	
Maximum	£	11.00	24.50	26.32	23.50	125.00	
Weighted average	£	8.42	13.05	11.57	21.46	86.78	
-----							
Net initial yield							

Minimum	%	3.98	4.78	2.78	0.00	0.00
Maximum	%	11.98	7.40	7.34	4.22	9.31
Weighted average	%	7.95	6.03	4.97	1.76	4.74
-----						
Reversionary yield						
Minimum	%	4.32	5.01	5.95	4.72	6.57
Maximum	%	19.88	7.09	7.73	9.22	9.05
Weighted average	%	11.27	5.98	6.92	7.35	7.43
-----						
Equivalent yield						
Minimum	%	4.28	4.97	6.01	4.50	6.54
Maximum	%	9.00	6.75	7.70	7.70	7.72
Weighted average	%	6.74	5.84	6.90	6.37	7.10

\*During the period the floor areas were reassessed, this has resulted in a 0.2% difference in the disclosed areas.

## 8. Investment property (continued)

30 December 2021		Warehouse	Retail warehouse	Leisure	Office	High street retail	Total
Valuation technique		Income capitalisation					
Fair value of property portfolio	£'000	39,800	24,250	10,750	7,800	4,965	87,565
Area	Sq ft	581,386	133,746	87,955	29,323	16,433	848,843
Gross estimated rental value (ERV)	£'000	3,297	1,557	812	600	382	6,648
-----							
ERV per sq ft							
Minimum	£	2.40	11.33	7.50	20.00	70.00	
Maximum	£	12.00	24.50	28.85	22.50	125.00	
Weighted average	£	8.18	13.37	12.12	21.02	102.55	
-----							
Net initial yield							
Minimum	%	4.31	5.02	2.93	0.00	0.00	
Maximum	%	11.98	8.44	7.73	4.39	8.94	
Weighted average	%	8.31	6.45	5.16	1.78	5.12	
-----							
Reversionary yield							
Minimum	%	4.57	5.29	6.10	4.71	6.57	
Maximum	%	19.24	7.31	8.15	11.27	7.69	
Weighted average	%	11.22	6.13	7.22	8.61	7.31	
-----							
Equivalent yield							
Minimum	%	4.51	5.25	6.15	4.66	6.50	
Maximum	%	8.49	7.23	7.92	7.51	7.46	
Weighted average	%	6.73	6.10	7.12	6.35	7.01	

## 8. Investment property (continued)

### Information about the impact of changes in unobservable inputs on the fair value of the group's property portfolio

Sensitivities for changes in assumptions have been set out below at +/- 5% for ERV and +/- 50bps for EY, which are deemed to be the levels that give a reasonable worst-case scenario given the like-for-like valuation rise of 5.61% already recognised in the period.

30 June 2022	Warehouse	Retail	Leisure	Office	High	Total
--------------	-----------	--------	---------	--------	------	-------

		warehouse				street retail	
Fair value of property portfolio	£'000	42,575	25,825	11,175	8,650	4,680	92,905
Impact on valuation of:							
+5% on ERV		2,145	1,290	557	433	232	4,657
- 5% on ERV		(2,144)	(1,290)	(557)	(433)	(232)	(4,656)
-50bps on IY		419	229	129	80	29	886
+50bps on IY		(409)	(225)	(126)	(78)	(28)	(866)

31 December 2021		Warehouse	Retail warehouse	Leisure	Office	High street retail	Total
Fair value of property portfolio	£'000	39,800	24,250	10,750	7,800	4,965	87,565
Impact on valuation of:							
+5% on ERV		1,989	1,210	536	390	245	4,370
- 5% on ERV		(1,989)	(1,210)	(536)	(390)	(245)	(4,370)
-50bps on IY		354	204	119	69	50	796
+50bps on IY		(347)	(200)	(116)	(68)	(49)	(780)

#### 9. Assets classified as held for sale

	30 June 2022 £'000	31 December 2021 £'000
Assets held for sale	8,865	-

During the period the directors decided to market three of our high street retail properties as part of the strategy to reduce our exposure to this sector and also to market one of our warehouse properties where a requirement for large space occupiers/owners has been identified.

#### 10. Interest bearing loans

	30 June 2022 £'000	31 December 2021 £'000
Short-term bank loans due within one year	-	7,500
Medium-term loans	27,200	19,700
The medium-term bank loans comprise amounts falling due as follows:		
Between one and two years	-	-
Between two and five years	7,900	3,400
Over five years	19,300	16,300

The debt is secured on certain assets within the group's property portfolio. During the period the £7,500,000 facility that matured in May 2022 was replaced with a new 7-year facility expiring in May 2029 and a secured deposit classified as other receivables at 31 December 2021 was released as security by the bank and therefore reclassified as cash at bank.

#### 11. Share capital

	First half 2022	Full year 2021
Allotted, called up and fully paid ordinary shares of 25p each		
At 1 January	5,183,699	5,175,175
Issued in the year in connection with the Highcrocft incentive plan	11,264	8,524
At period end	5,194,963	5,183,699

## 12. Related party transactions

Kingerlee Holdings Limited owns, through its wholly owned subsidiaries, 27.1% (2021 27.2%) of the company's shares and D H Kingerlee is a director of both the company and Kingerlee Holdings Limited.

During the prior period, the group made purchases from Kingerlee Limited, a subsidiary of Kingerlee Holdings Limited, being a service charge in relation to services at Thomas House, Kidlington, the previous registered office of the company £1,000. There were no such purchases in 2022. The amount owed at 30 June 2022 was £nil (2021 £nil). In addition, the group recharged professional fees of £13,080 to Kingerlee Holdings Limited in connection with additional fees connected with the group reporting requirement for the 2021 audit (2021 £12,000). The amount owed at 30 June 2022 was £nil (2021 £nil). All transactions were undertaken on an arm's length basis.

During the period £465,000 (2021 £507,000) of dividend was paid to the wholly owned subsidiaries of Kingerlee Holdings Limited in respect of their shareholdings.

During the period ordinary shares of 25p each were issued under the Highcroft incentive plan to the following directors of the company: Simon Gill 5,984 (2021 4,534) and Roberta Miles 5,280 (2021 3,990).

During the period the following dividends were paid to directors of the company in respect of their shareholdings:

	<b>First half 2022 £'000</b>	First half 2021 £'000
Simon Gill	5	3
David Kingerlee	30	32
Roberta Miles	6	5

## 13. Net assets per share

	<b>First half 2022</b>	First half 2021	Full year 2021
Net assets	<b>£70,879,000</b>	£61,423,000	£66,117,000
Ordinary shares in issue	<b>5,194,963</b>	5,183,699	5,183,699
Basic net assets per share	<b>1364p</b>	1185p	1275p

## 14. Fair value of financial instruments

The fair values of loans and receivables and financial liabilities held at amortised cost were not materially different from book values.

## 15. Capital commitments

There were capital commitments of £19,000 at 30 June 2022 (2021 £nil).

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