



Highcroft Investments PLC ("Highcroft" or the "Company")

Final results for the year ended 31 December 2022

The following announcement is being re-issued to correct the record date for the dividend which should be 21 April 2023. No other changes have been made and the full amended announcement is set out below.

KEY HIGHLIGHTS

- 2022 rent collection 100% (2021 97%)
- 0.3% increase in net property income to £5,275,000 (2021 £5,258,000)
- 1.2% increase in revenue profit before tax to £3,283,000 (2021 £3,243,000)
- 11.8% decrease in property valuation on a like-for-like basis to £77.9m, reflecting the volatile macro-economic backdrop, (2021 11.1% increase to £87.6m)
- £0.7m of additions to existing properties during the year
- 15.2% decrease in net asset value per share to 1081p (2021 15.5% increase to 1275p)
- Total debt remained at £27,200,000; LTV 35% (2021 31%)
- Next debt maturity 2026
- Cash £7,206,000 (2021 £5,715,000)
- Loss per share of 137.0p (2021 profit 230.5p)
- Final dividend 33p per share (2021 33p per share)
- 1.8% increase in total dividend payable for 2022 to 56p per share (2021 55p per share)

Dear Shareholder,

Highcroft has not been immune to the macro-economic factors affecting the UK and the wider global economy during 2022. Just as the economy started to recover from the Covid-19 pandemic, we were hit by the effects of the Russian invasion of Ukraine, which contributed to a year of soaring inflation, significant rises in interest rates and political instability. However, while the gains in net asset value of 2021 were reversed in 2022, I am pleased to say that due to our diversified portfolio, strong balance sheet, low levels of gearing, and low fixed borrowing costs, our profit before tax increased during the year leading to a 1.8% increase in the total annual dividend. I believe we are well positioned to weather the current economic challenges and to continue to deliver an attractive, secure, and long-term dividend to our shareholders.

Property portfolio

During 2022, our portfolio remained unchanged. It remained focussed on warehouses and retail warehouses, which made up 72% of our portfolio by asset value at the yearend. These sectors performed well in the first half of 2022, but were affected by the significant adverse market movements in the second half of the year. On a like-for-like basis, our total portfolio reduced by 11.8% (£10.4m), which was better than the all-property market negative movement of 14.2%.

We did not acquire any properties during the year, although we carried out improvement work at our Cardiff property and gained planning permission for the development of an industrial unit at our property in St Austell, resulting in additions of £0.7m to property carrying value. After the year end, in February 2023, we sold our Llantrisant asset for £7.85m, £1.1m above the 2022 year-end valuation and £0.9m above cost. As this asset had been vacated by the tenant during 2022, and the lease expired in Q1 2024, this disposal, at this price, in the current market protects shareholder value in the medium-term. We intend to invest our available cash back into property that meets our strict selection criteria in a timely manner. Despite the macro-economic challenges affecting our tenants in 2022, we collected 100% of the rent due for the year (2021 97%) and we let one of the two properties that were void at the start of the year, leaving one void unit, our Cardiff asset, representing 6% of our rental income. At the year end contracted rental revenue was 0.2% higher than at 31 December 2021, whilst net rental income remained constant at £5.3m compared to 2021.

Our net assets have fallen by £9.9m, 15.0%, (2021 rise of £9.0m, 15.7%), primarily because of the movements in property valuation.

We have kept our debt levels low at 35% LTV with a weighted average cost of debt of 3.06% and have no debt maturing before 2026.

Dividend

The company's interim dividend was 23p, a 4.5% increase on 2021, and we are proposing a final dividend for 2022 of 33p per share, taking the total dividend for 2022 to 56p per share. This represents an increase of 1.8% from the 2021 dividend of 55p per share.

Continued focus on ESG

Highcroft has a clear purpose of providing our tenants with excellent properties in optimal locations, enabling them to succeed, and our stakeholders to benefit on a long-term sustainable basis. As a board, we have maintained our focus on sustainability, particularly during the refurbishment of our Cardiff asset and the design of a new building at our St Austell site. We continue to develop the most appropriate strategy for reducing our environmental impact within the existing portfolio and consider ESG matters in the selection of new assets.

People

Our strategy is focussed on our competitive strength and our people, including our advisory teams, who are critical to this. In September 2022, Simon Gill indicated his intention to stand down as executive director on 31 March 2023 and I would like to thank him for his valuable contribution to the board over the past decade, which has been a period of significant growth for the group. He leaves behind a strong and well-positioned property portfolio.

In January 2023, we were pleased to announce the appointment of Paul Leaf-Wright as chief executive with effect from 1 January 2023. He brings with him a wealth of experience of property companies and of delivering shareholder value. As part of this change, we have also appointed new property advisers to the board and both they and Paul have completed their handover from Simon Gill.

Outlook

Highcroft's performance in 2022 was resilient, notwithstanding global and UK events causing repercussions in our marketplace. Since the year end, as mentioned, we have successfully sold one of our properties for £7.85m, an increase of 16% over the 31 December 2022 valuation. With our well-positioned portfolio, low level of well-priced debt and cash in the bank for reinvestment, we are well placed to continue to deliver long-term secure returns for our shareholders.

Our AGM this year will, as last year, be an open meeting, and I look forward to meeting those of you who can attend.

Charles Butler
Chairman

27 March 2023

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The information contained within this announcement is deemed by the Company to constitute inside information stipulated under retained EU law version of the Market Abuse Regulations (EU No. 596/2014) (the "UK MAR"), which is part of UK law by virtue of the European Union (withdrawal) Act 2018.

Consolidated statement of comprehensive income

for the year ended 31 December 2022

| | Note | 2022 | | | 2021 | | |
|--|------|------------------|------------------|-----------------|------------------|------------------|----------------|
| | | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Gross rental revenue | | 5,608 | - | 5,928 | 5,928 | - | 5,928 |
| Property operating expenses | | (333) | - | (670) | (670) | - | (670) |
| Net rental income | | 5,275 | - | 5,258 | 5,258 | - | 5,258 |
| Profit on disposal of investment property | | - | - | - | - | 250 | 250 |
| Valuation gains on investment property | | - | 605 | 605 | - | 9,925 | 9,925 |
| Valuation losses on investment property | | - | (10,986) | (10,986) | - | (1,170) | (1,170) |
| Net valuation (losses)/gains on investment property | | - | (10,381) | (10,381) | - | 8,755 | 8,755 |
| Administration expenses | | (1,191) | - | (1,191) | (1,164) | - | (1,164) |
| Net operating profit/(loss) before net finance expense | | 4,084 | (10,381) | (6,297) | 4,094 | 9,005 | 13,099 |
| Finance income | | 39 | - | 39 | 4 | - | 4 |
| Finance expense | | (840) | - | (840) | (855) | - | (855) |
| Net finance expense | | (801) | - | (801) | (851) | - | (851) |
| Profit/(loss) before tax | | 3,283 | (10,381) | (7,098) | 3,243 | 9,005 | 12,248 |
| Income tax charge | 1 | (18) | - | (18) | (304) | - | (304) |
| Profit/(loss) for the year after tax | | 3,265 | (10,381) | (7,116) | 2,939 | 9,005 | 11,944 |
| Total profit/(loss) and comprehensive income/(loss) for the year attributable to the owners of the parent | | 3,265 | (10,381) | (7,116) | 2,939 | 9,005 | 11,944 |
| Basic and diluted (loss)/earnings per share | | | | (137.0p) | | | 230.5p |

Consolidated statement of financial position

at 31 December 2022

| | Note | 2022 £'000 | 2021 £'000 |
|--------------------------------------|------|---------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Investment property | 4 | 71,160 | 87,565 |
| Total non-current assets | | 71,160 | 87,565 |
| Current assets | | | |
| Trade and other receivables | | 1,143 | 2,876 |
| Cash and cash equivalents | | 7,206 | 5,715 |
| Assets classified as held for sale | | 6,750 | - |
| Total current assets | | 15,099 | 8,591 |
| Total assets | | 86,259 | 96,156 |
| Liabilities | | | |
| Current liabilities | | | |
| Interest bearing loan | | - | 7,500 |
| Trade and other payables | | 2,883 | 2,839 |
| Total current liabilities | | 2,883 | 10,339 |
| Non-current liabilities | | | |
| Interest bearing loan | 6 | 27,200 | 19,700 |
| Total non-current liabilities | | 27,200 | 19,700 |

| | | |
|--|---------------|---------------|
| Total liabilities | 30,083 | 30,039 |
| Net assets | 56,176 | 66,117 |
| Equity | | |
| Issued share capital | 1,299 | 1,296 |
| Share premium | 226 | 117 |
| Share-based payment reserve | 160 | 102 |
| Revaluation reserve - property | 11,499 | 19,236 |
| Other equity reserve | (207) | (121) |
| Capital redemption reserve | 95 | 95 |
| Realised capital reserve | 29,623 | 29,623 |
| Retained earnings | 13,481 | 15,769 |
| Total equity attributable to the owners of the parent | 56,176 | 66,117 |

Consolidated statement of changes in equity

2022

| | Issued share capital | Share premium | Share-based payment reserve | Revaluation reserve-property | Other equity reserve | Capital redemption reserve | Realised capital reserve |
|--|----------------------|---------------|-----------------------------|------------------------------|----------------------|----------------------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2022 | 1,296 | 117 | 102 | 19,236 | (121) | 95 | 28,623 |
| Transactions with owners: | | | | | | | |
| Issue of shares | 3 | 109 | - | - | (112) | - | - |
| Dividends | - | - | - | - | - | - | - |
| | 3 | 109 | - | - | (112) | - | - |
| Reserve transfers: | | | | | | | |
| Non-distributable items recognised in income statement: | | | | | | | |
| Revaluation losses | - | - | - | (10,381) | - | - | - |
| Change in excess of cost over fair value through retained earnings | - | - | - | 2,644 | - | - | - |
| Share award vested | - | - | (26) | - | 26 | - | - |
| | - | - | (26) | (7,737) | 26 | - | - |
| Share award expensed | - | - | 84 | - | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | - | - |
| At 31 December 2022 | 1,299 | 226 | 160 | 11,499 | (207) | 95 | 29,623 |

Consolidated statement of changes in equity continued

2021

| | Issued share capital | Share premium | Share-based payment reserve | Revaluation reserve-property | Other equity reserve | Capital redemption reserve | Realised capital reserve |
|---------------------------|----------------------|---------------|-----------------------------|------------------------------|----------------------|----------------------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2021 | 1,294 | 51 | 43 | 12,814 | (53) | 95 | 28,995 |
| Transactions with owners: | | | | | | | |
| Issue of shares | 2 | 66 | - | - | (68) | - | - |
| Dividends | - | - | - | - | - | - | - |
| | 2 | 66 | - | - | (68) | - | - |
| Reserve transfers: | | | | | | | |

| | | | | | | |
|--|--------------|------------|------------|---------------|--------------|---------------|
| Non-distributable items recognised in income statement: | | | | | | |
| Revaluation gains | - | - | - | 8,755 | - | - |
| Realised gains | - | - | - | - | - | 250 |
| Surplus attributable to assets sold in the year | - | - | - | (378) | - | 378 |
| Change in excess of cost over fair value through retained earnings | - | - | - | (1,955) | - | - |
| | - | - | - | 6,422 | - | 628 |
| Share award expensed | - | - | 59 | - | - | - |
| Total comprehensive income for the year | - | - | - | - | - | - |
| At 31 December 2021 | 1,296 | 117 | 102 | 19,236 | (121) | 29,623 |

Consolidated statement of cash flows

for the year ended 31 December 2022

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Operating activities | | |
| (Loss)/profit before tax | (7,098) | 12,248 |
| Adjustments for: | | |
| Net valuation losses/(gains) on investment property | 10,381 | (8,755) |
| Net gain on disposal of investment property | - | (250) |
| Share-based payment expense | 84 | 159 |
| Finance income | (39) | (4) |
| Finance expense | 840 | 855 |
| Operating cashflow before changes in working capital and provisions | 4,168 | 4,153 |
| Decrease in trade and other receivables | 1,732 | 391 |
| Increase in trade and other payables | 34 | 120 |
| Cash generated from operations | 5,934 | 4,664 |
| Finance income | 39 | 4 |
| Finance expense | (840) | (855) |
| Income taxes paid | (7) | (311) |
| Net cashflows from operating activities | 5,126 | 3,502 |
| Investing activities | | |
| Sale of non-current assets - investment property | - | 1,925 |
| Purchase of non-current assets - investment property | (726) | - |
| Net cashflows from investing activities | (726) | 1,925 |
| Financing activities | | |

| | | |
|---|----------------|----------------|
| Dividends paid | (2,909) | (3,007) |
| Repayment of bank borrowings | (7,500) | - |
| New bank borrowings | 7,500 | - |
| Net cashflows from financing activities | (2,909) | (3,007) |
| Net increase in cash and cash equivalents | 1,491 | 2,420 |
| Cash and cash equivalents at 1 January | 5,715 | 3,295 |
| Cash and cash equivalents at 31 December | 7,206 | 5,715 |

Notes

for the year ended 31 December 2022

1 Income tax charge

| | 2022 £'000 | 2021 £'000 |
|-----------------------------------|---------------|---------------|
| Current tax: | | |
| On revenue profits - current year | 11 | - |
| - prior year | 7 | - |
| On write-off of part of PID pool | - | 304 |
| Income tax charge | 18 | 304 |

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2021 19%).

The differences are explained as follows:

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Profit before tax | (7,098) | 12,248 |
| Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019 19%) | (1,349) | 2,327 |
| Effect of: | | |
| Profit not taxable as a result of REIT status | (1,360) | (2,327) |
| Tax due on non-payment of part of PID pool | - | 304 |
| Adjustment in respect of prior year | 7 | - |
| Income tax charge | 18 | 304 |

2 Dividends

In 2022 the following dividends have been paid by the company:

| | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| 2021 Final: 33p per ordinary share (2020 30p) | 1,714 | 1,555 |
| 2021 Special: nil per ordinary share (2020 6p) | - | 311 |
| 2022 Interim: 23p per ordinary share (2021 22p) | 1,195 | 1,141 |
| | 2,909 | 3,007 |

On 27 March 2023 the directors declared a final property income distribution for 2022 of £1,714,000, 33p per share, (2021 final property income distribution of £1,714,000, 33p per share) payable on 2 June 2023 to shareholders registered on 21 April 2023.

3 Earnings per share

The calculation of earnings per share is based on the total loss after tax for the year of £7,116,000 (2021 profit £11,944,000) and on 5,192,186 shares (2021 5,181,317) which is the weighted average number of shares in issue during the year ended 31 December 2022. There are no dilutive instruments.

In order to draw attention to the profit that is not due to the impact of valuation gains and losses, which are included in the statement of comprehensive income 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 £3,265,000 (2021 £2,939,000) has been calculated.

| | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| Earnings: | | |
| Basic (loss)/profit for the year | (7,116) | 11,944 |
| Adjustments for: | | |
| Profit on disposal of investment property | - | (250) |
| Net valuation losses/(gains) on investment property | 10,381 | (8,755) |
| Adjusted earnings | 3,265 | 2,939 |
| Per share amount: | | |
| Earnings/(loss) per share (unadjusted) | (137.0p) | 230.5p |
| Adjustments for: | | |
| Profit on disposal of investment property | - | (4.8p) |
| Net valuation (gains)/losses on investment property | 199.9p | (169.0p) |
| Adjusted earnings per share | 62.9p | 56.7p |

4 Investment property

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Total valuation at 1 January | 87,565 | 82,060 |
| Additions | 726 | - |
| Disposals | - | (3,250) |
| Revaluation (losses)/gains | (10,381) | 8,755 |
| Valuation at 31 December | 77,910 | 87,565 |
| Less property held for sale categorised as current asset | (6,750) | - |
| | 71,160 | 87,565 |

In accordance with IAS 40 the carrying value of investment properties is their fair value as determined by independent external valuers. This valuation has been conducted by Knight Frank LLP, as external valuers, and has been prepared as at 31 December 2022, in accordance with the Appraisal & Valuation Standards of the Royal Institution of Chartered Surveyors, on the basis of market value.

The historical cost of the group's investment properties is £74,686,000 (2021 £73,961,000).

Valuation process

The valuation reports produced by the independent external valuers are based on information provided by the group such as current rents, terms and conditions of lease agreements, service charges and capital expenditure (if any). This information is derived from the group's property management and financial information systems and is subject to the group's overall control environment.

In addition, the valuation reports are based on assumptions and models used by the independent valuer. The assumptions are typically market related such as yields and discount rates and are based on their professional judgement and market observation. Each property is considered a separate asset class based on the unique nature, characteristics, and risks of the property.

Our independent valuers have provided an explanatory note on the market conditions at 31 December 2022: "Following the government's 'mini-budget' of 23 September 2022 and subsequent financial turmoil, we draw the group's attention to a recent combination of global inflationary pressures, significant currency movements and higher borrowing costs, which may produce greater volatility in property markets over the short-to-medium term. It is apparent that consumer and investor behaviour can change quickly during periods of such heightened volatility. Our opinions set out in this report are only valid as at the valuation date"

The executive director responsible for the valuation process verifies all major inputs to the external valuation reports, assesses the individual property valuation changes from the prior year valuation report and holds discussion with the independent valuer. When this process is complete, the whole board then meet the valuer in the presence of the auditor. The valuation report is recommended to the audit committee, which considers it as part of its overall responsibilities.

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 an 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.

5 Assets classified as held for sale

| | 2022 £'000 | 2021 £'000 |
|-----------------------------------|---------------|---------------|
| Investment property held for sale | 6,750 | - |

At 31 December 2022 the directors were in the advanced stages of the potential sale of our Llantrisant property. The purchaser completed their due diligence in February 2023 and the sale was exchanged and completed on 8 February 2023. The gross sales proceeds were £7,850,000, £1,100,000 in excess of the valuation at 31 December 2022 and £899,000 in excess of cost.

6 Interest bearing loans

| | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| Short-term bank loans due within one year | - | 7,500 |
| Medium-term bank 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 |
| | 27,200 | 19,700 |

7 Basis of preparation

The preliminary announcement has been prepared in accordance with applicable accounting standards as stated in the financial statements for the year ended 31 December 2022. The accounting policies remain unchanged.

8 Annual General Meeting

The Annual General Meeting will be held on 17 May 2023.

9 Publication of non-statutory accounts

The above does not constitute statutory accounts within the meaning of the Companies Act 2006. It is an extract from the full accounts for the year ended 31 December 2022 on which the auditor has expressed an unmodified opinion and does not include any statement under section 498 of the Companies Act 2006. The accounts will be posted to shareholders on or before 17 April 2023 and subsequently filed at Companies House.

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