

**22 July 2019**

**Highcroft Investments PLC**  
**Interim Report for the six months ended 30 June 2019**

**Key Highlights:**

- \*Gross rental income increased 11.6% to £2,726,000 (2018 £2,442,000)
- \*Net rental income increased 13.2% to £2,678,000 (2018 £2,365,000)
- \*No voids in the property portfolio (2018 none)
- \*Adjusted earnings per share increased 14.4% to 37.2p (2018 32.5p)
- \*Total earnings per share reduced 60.8% to 21.9p (2018 55.8p)
- \*Net investment into property £11,897,000 (2018 net divestment £2,473,000)
- \*Property valuation increased by 14.3% to £88,805,000 (December 2018 £77,700,000)
- \*Net assets per share decreased 1.0% to 1195p (December 2018 1207p, June 2018 1187p)
- \*Loan to value 29.5% (December 2018 25.0%, June 2018 25.6%)
- \*Interim property income distribution up 12.0% to 21.00p (2018 18.75p)

Dear Shareholder

I am pleased to report continued good trading results for the 6 months ended 30 June 2019. The board is happy with the progress of its ongoing strategy of developing a high-quality income-producing property portfolio, based on carefully sourced quality assets and tenants producing stable, secure income. This strategy has resulted in property income growth of 11.6% and an increase in adjusted earnings per share of 14.4% to 37.2p. Whilst our total property valuation increased by 14.3% after the acquisition of two new properties, our like-for-like property valuation fell slightly, by 0.35%, in the period (2018 1.6% uplift). This was due to the current market sentiment, particularly in our retail assets, but also the costs associated with our two acquisitions in the period. This led to a reduction in total earnings per share to 21.9p (2018 55.8p). Our net asset value per share fell by 1.0% in the period.

Our ongoing confidence in the group's prospects is reflected in an interim property income distribution of 21.00p per share - an increase of 12.0% on 2018.

**Property portfolio**

During the period we acquired two new assets. Firstly, on 26 March 2019, an industrial unit in Llantrisant, South Wales let to British Airways Avionics Engineering, for £6.5m (net of costs) with a net yield of 11.52%. Secondly, on 1 May 2019, a gym and retail warehouse investment in Ipswich for £4.6m (net of costs) with a net yield of 7.04%. We funded these acquisitions from existing cash resources, the sale of our remaining listed equity portfolio and additional loans of £6.8m. Our portfolio remained fully let at the period end.

The external independent valuation of the property portfolio at 30 June 2019 showed a small decrease of 0.35% on a like-for-like basis for the period. This result was better than the All Property IPD performance, which showed a decrease of 1.43% for the period. The total loss on valuation on our portfolio of £792,000 arose in part from write-downs in respect of the total costs of acquisition on our two new assets of £747,000, an underlying uplift in one of these assets of £225,000, and losses on four of our high street retail assets, one retail warehouse and one industrial unit totalling £270,000, representing 1.5% of their combined value. No other assets changed in value in the period.

Gross rental income increased by 11.6%. This increase reflects the benefit of a full period's income from the Rubery property bought in July 2018 and the income from our Llantrisant and Ipswich acquisitions this year. These increases are offset by the reduction in income from the disposal of our Cirencester and Southampton assets in 2018, and the effect of the CVA entered into by Carpetright, effective June 2018. Property expenses for the six-month period decreased to £48,000 (2018 £77,000) due to the previous period including significant professional fees associated with rent reviews.

We sold the remainder of our listed equity portfolio, realising £0.7m, in January 2019 fulfilling this element of our stated long-term strategy. These proceeds have been reinvested into our property portfolio.

### **Financial**

Earnings per share decreased to 21.9p (2018 55.8p) due primarily to the combination of a negative movement in the property revaluation of £792,000 (2018 positive £1,165,000), offset by increased net rental income of £313,000.

At 30 June 2019 the cash position was £610,000 (2018 £5,057,000) while our medium-term loans totalled £26,200,000 (2018 £19,400,000), resulting in a net gearing level of 41% (2018 23%). Our loan to value was 29.5% (2018 25.6%). The medium-term loans are at fixed rates with a weighted average of 3.5%.

### **Dividend**

I am pleased to report an interim property income distribution of 21.00p (2018 18.75p) per share, payable on 11 October 2019 to shareholders on the register at 13 September 2019 (with an ex-dividend date of 12 September 2019).

### **Outlook**

Whilst the ongoing property investment environment, in particular the retail sector, is likely to remain challenging for the remainder of the year, we believe that our asset selection criteria have helped to ensure that our current portfolio and tenant mix create a strong base from which to continue to develop our business and generate further shareholder value.

Charles Butler  
Chairman  
19 July 2019

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

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**Condensed consolidated interim statement of comprehensive income (unaudited)**

**for the six months ended 30 June 2019**

		Unaudited			Unaudited			Audited		
		First half 2019			First half 2018			Full year 2018		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Continuing operations</b>										
Gross rental income		2,726	-	2,726	2,442	-	2,442	5,043	-	5,043
Property operating expenses		(48)	-	(48)	(77)	-	(77)	(184)	-	(184)
<b>Net rental income</b>		<b>2,678</b>	<b>-</b>	<b>2,678</b>	<b>2,365</b>	<b>-</b>	<b>2,365</b>	<b>4,859</b>	<b>-</b>	<b>4,859</b>
<b>Net (loss)/gain on disposal of investment property</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(42)</b>	<b>-</b>	<b>(42)</b>	<b>967</b>	<b>-</b>	<b>967</b>
Valuation gains on investment property		-	-	-	-	1,865	1,865	-	2,600	2,600
Valuation losses on investment property		-	(792)	(792)	-	(700)	(700)	-	(2,116)	(2,116)
<b>Net valuation (losses)/gains on investment property</b>		<b>-</b>	<b>(792)</b>	<b>(792)</b>	<b>-</b>	<b>1,165</b>	<b>1,165</b>	<b>-</b>	<b>484</b>	<b>484</b>
Dividend income		3	-	3	27	-	27	54	-	54
Gains on investments		53	-	53	6	85	91	-	48	48
Losses on investments		-	-	-	(12)	(46)	(58)	-	(166)	(166)
<b>Net investment income/ (loss)</b>		<b>56</b>	<b>-</b>	<b>56</b>	<b>21</b>	<b>39</b>	<b>60</b>	<b>54</b>	<b>(118)</b>	<b>(64)</b>
<b>Administrative expenses</b>		<b>(411)</b>	<b>-</b>	<b>(411)</b>	<b>(368)</b>	<b>-</b>	<b>(368)</b>	<b>(736)</b>	<b>-</b>	<b>(736)</b>
<b>Operating profit before net financing costs</b>		<b>2,323</b>	<b>(792)</b>	<b>1,531</b>	<b>1,976</b>	<b>1,204</b>	<b>3,180</b>	<b>5,144</b>	<b>366</b>	<b>5,510</b>
Finance income		5	-	5	3	-	3	6	-	6
Finance expenses		(396)	-	(396)	(350)	-	(350)	(705)	-	(705)
<b>Net finance costs</b>		<b>(391)</b>	<b>-</b>	<b>(391)</b>	<b>(347)</b>	<b>-</b>	<b>(347)</b>	<b>(699)</b>	<b>-</b>	<b>(699)</b>

		Unaudited			Unaudited			Audited		
		First half 2019			First half 2018			Full year 2018		
	Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Profit before tax</b>		<b>1,932</b>	<b>(792)</b>	<b>1,140</b>	1,629	1,204	2,833	4,445	366	4,811
Income tax (charge)/credit	4	(11)	-	(11)	52	-	52	67	48	115
<b>Total profit and comprehensive income for the financial period</b>		<b>1,921</b>	<b>(792)</b>	<b>1,129</b>	1,681	1,204	2,885	4,512	414	4,926
<b>Basic and diluted earnings per share</b>	6			<b>21.9p</b>			55.8p			95.3p

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

as at 30 June 2019

	Note	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
<b>Assets</b>				
Investment property	7	<b>88,805</b>	75,805	77,700
Equity investments	8	<b>9</b>	1,651	679
<b>Total non-current assets</b>		<b>88,814</b>	77,456	78,379
<b>Current assets</b>				
Trade and other receivables		<b>668</b>	441	471
Cash at bank and in hand		<b>610</b>	5,057	5,202
<b>Total current assets</b>		<b>1,278</b>	5,498	5,673
<b>Total assets</b>		<b>90,092</b>	82,954	84,052
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		<b>2,123</b>	2,055	2,235
<b>Total current liabilities</b>		<b>2,123</b>	2,055	2,235
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings	9	<b>26,200</b>	19,400	19,400
Deferred tax liabilities		-	187	33
<b>Total non-current liabilities</b>		<b>26,200</b>	19,587	19,433
<b>Total liabilities</b>		<b>28,323</b>	21,642	21,668
<b>Net assets</b>		<b>61,769</b>	61,312	62,384
<b>Equity</b>				
Issued share capital		<b>1,292</b>	1,292	1,292
Revaluation reserve - property		<b>17,456</b>	19,690	18,770

	Note	Unaudited 30 June 2019 £'000	Unaudited 30 June 2018 £'000	Audited 31 December 2018 £'000
Revaluation reserve - other		5	209	574
Capital redemption reserve		95	95	95
Realised capital reserve		28,990	26,188	28,378
Retained earnings		13,931	13,838	13,275
<b>Total equity</b>		<b>61,769</b>	<b>61,312</b>	<b>62,384</b>

### Condensed consolidated interim statement of changes in equity

for the six months ended 30 June 2019

First half 2019 Unaudited	Equity £'000	Revaluation reserves		Capital redemption £'000	Realised capital £'000	Retained earnings £'000	Total £'000
		Property £'000	Other £'000				
<b>At 1 January 2019</b>	1,292	18,770	574	95	28,378	13,275	62,384
Transactions with owners: Dividends	-	-	-	-	-	(1,744)	(1,744)
Reserve transfers:							
Non-distributable items recognised in income statement:							
Revaluation losses	-	(792)	-	-	-	792	-
Tax on revaluation gains/(losses)	-	-	-	-	-	-	-
Realised gains	-	-	-	-	43	(43)	-
Movement in deferred tax on realisation of equities	-	-	34	-	(34)	-	-
Surplus attributable to assets sold	-	-	(603)	-	603	-	-
Excess of cost over revalued amount taken to retained earnings	-	(522)	-	-	-	522	-
	-	(1,314)	(569)	-	612	1,271	-
Profit and total comprehensive income for the period	-	-	-	-	-	1,129	1,129
<b>At 30 June 2019</b>	<b>1,292</b>	<b>17,456</b>	<b>5</b>	<b>95</b>	<b>28,990</b>	<b>13,931</b>	<b>61,769</b>

First half 2018 Unaudited	Equity £'000	Revaluation reserves		Capital redemption £'000	Realised capital £'000	Retained earnings £'000	Total £'000
		Property £'000	Other £'000				
At 1 January 2018	1,292	18,015	538	95	26,611	13,426	59,977

First half 2018 Unaudited	Equity £'000	Revaluation reserves		Capital redemption £'000	Realised capital £'000	Retained earnings £'000	Total £'000
		Property £'000	Other £'000				
Transactions with owners: Dividends	-	-	-	-	-	(1,550)	(1,550)
Reserve transfers:							
Non-distributable items recognised in income statement:							
Revaluation gains	-	1,165	39	-	-	(1,204)	-
Tax on revaluation gains	-	-	-	-	-	-	-
Realised losses	-	-	-	-	(46)	46	-
Surplus attributable to assets sold	-	745	(368)	-	(377)	-	-
Excess of cost over revalued amount taken to retained earnings	-	(235)	-	-	-	235	-
	-	1,675	(329)	-	(423)	(923)	-
Profit and total comprehensive income for the period	-	-	-	-	-	2,885	2,885
At 30 June 2018	1,292	19,690	209	95	26,188	13,838	61,312

### Condensed consolidated interim statement of changes in equity (continued)

for the six months ended 30 June 2019

Full year 2018 Audited	Equity £'000	Revaluation reserves		Capital redemption £'000	Realised capital £'000	Retained earnings £'000	Total £'000
		Property £'000	Other £'000				
At 1 January 2018	1,292	18,015	538	95	26,611	13,426	59,977
Transactions with owners: Dividends	-	-	-	-	-	(2,519)	(2,519)
Reserve transfers:							
Non-distributable items recognised in income statement:							
Revaluation gains/(losses)	-	484	(121)	-	-	(363)	-
Tax on revaluation gains	-	-	48	-	-	(48)	-
Realised gains	-	-	-	-	969	(969)	-
Movement in deferred tax on realisation of equities	-	-	1,161	-	(1,161)	-	-
Surplus attributable to assets sold	-	(907)	(1,052)	-	1,959	-	-
Excess of cost over revalued amount taken to retained earnings	-	1,178	-	-	-	(1,178)	-
	-	755	36	-	1,767	(2,558)	-

Full year 2018 Audited	Equity £'000	Revaluation reserves		Capital redemption £'000	Realised capital £'000	Retained earnings £'000	Total £'000
		Property £'000	Other £'000				
Profit and total comprehensive income for the period	-	-	-	-	-	4,926	4,926
At 31 December 2018	1,292	18,770	574	95	28,378	13,275	62,384

### Condensed consolidated interim statement of cashflows

for the six months ended 30 June 2019

	Unaudited First half 2019 £'000	Unaudited First half 2018 £'000	Audited Full year 2018 £'000
<b>Operating activities</b>			
Profit before tax for the period	1,140	2,833	4,811
Adjustments for:			
Net valuation losses/(gains) on investment property	792	(1,165)	(484)
Net loss/(gain) on disposal of investment property	-	42	(967)
Net gains on investments	(53)	(33)	118
Finance income	(5)	(3)	(6)
Finance expense	396	350	705
<b>Operating cash flow before changes in working capital and provisions</b>	<b>2,270</b>	<b>2,024</b>	<b>4,177</b>
(Increase)/decrease in trade and other receivables	(197)	96	66
Increase/(decrease) in trade and other payables	(156)	(14)	89
<b>Cash generated from operations</b>	<b>1,917</b>	<b>2,106</b>	<b>4,332</b>
Finance income	5	3	6
Finance expense	(396)	(350)	(705)
Income tax paid	-	-	(13)
<b>Net cash flows from operating activities</b>	<b>1,526</b>	<b>1,759</b>	<b>3,620</b>
<b>Investing activities</b>			
Purchase of fixed assets - investment property	(11,897)	-	(5,226)
Sale of fixed assets - investment property	-	2,431	6,090
- equity investments	723	513	1,333
<b>Net cash flows from investing activities</b>	<b>(11,174)</b>	<b>2,944</b>	<b>2,197</b>
<b>Financing activities</b>			
Dividends paid	(1,744)	(1,550)	(2,519)
New bank borrowings	6,800	-	-
<b>Net cash flows from financing activities</b>	<b>5,056</b>	<b>(1,550)</b>	<b>(2,519)</b>
Net (decrease)/increase in cash and cash equivalents	(4,592)	3,153	3,298
Cash and cash equivalents at 1 January	5,202	1,904	1,904
<b>Cash and cash equivalents at period end</b>	<b>610</b>	<b>5,057</b>	<b>5,202</b>

## Notes (Unaudited)

for the six months ended 30 June 2019

### 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 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 19 July 2019. The financial information for the period ended 30 June 2019 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 2018 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 2019. 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 2018.

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 2018.

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

The financial statements are drawn up on a going concern basis. The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and consider that there are no material uncertainties that lead to significant doubt upon the group's ability to continue as a going concern. Cash flow forecasts are prepared annually as part of the planning and budgeting process and are monitored and reworked regularly. The group has fixed-term non-amortising borrowing and has additional headroom available.

### 3. Segment reporting

The group has one main business segment - property.

In 2019 the largest tenant represented 9% (2018 10%) and the second largest tenant represented 7% (2018 8%) of gross commercial property income for the period.

### 4. Income tax (charge)/credit

	<b>First half 2019 £'000</b>	First half 2018 £'000	Full year 2018 £'000
Current tax:			
On revenue profits	-	52	67
On capital profits	(11)	-	-
	(11)	52	67
Deferred tax	-	-	48
Total tax	(11)	52	115

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 property activities.

**Notes (Unaudited) (continued)**  
**for the six months ended 30 June 2019**

**5. Dividends**

On 19 July 2019, the directors declared a property income distribution of 21.00p per share (2018 18.75p per share) payable on 11 October 2019 to shareholders registered at 13 September 2019.

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

	<b>First half 2019 £'000</b>	First half 2018 £'000	Full year 2018 £'000
2018 final: 33.75 per ordinary share (2017 final 30.0p)	<b>1,744</b>	1,550	1,550
2018 interim: 18.75p per ordinary share	-	-	969
	<b>1,744</b>	1,550	2,519

**6. Earnings per share**

The calculation of earnings per share is based on the profit for the period of £1,129,000 (2018 £2,885,000) and on 5,167,240 shares (2018 5,167,240) which is the weighted average number of shares in issue during the period ended 30 June 2019 and throughout the period since 1 January 2018.

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 £1,921,000 (2018 £1,681,000) has been calculated.

	<b>First half 2019 £'000</b>	First half 2018 £'000	Full year 2018 £'000
Earnings:			
Basic earnings	<b>1,129</b>	2,885	4,926
Adjustments for:			
Net valuation losses/(gains) on investment property	<b>792</b>	(1,165)	(484)
Gains/(losses) on investments	-	(39)	118
Income tax on gains and losses	-	-	(48)
Adjusted earnings	<b>1,921</b>	1,681	4,512
Per share amount:			
Basic earnings per share	<b>21.9p</b>	55.8p	95.3p
Adjustments for:			
Net valuation gains on investment property	<b>15.3p</b>	(22.5p)	(9.4p)
Gains and losses on investments	-	(0.8p)	2.3p
Income tax on gains and losses	-	-	(0.9p)
Adjusted earnings per share	<b>37.2p</b>	32.5p	87.3p

**Notes (Unaudited) (continued)**  
**for the six months ended 30 June 2019**

## 7. Investment property

	<b>First half 2019 £'000</b>	First half 2018 £'000	Full year 2018 £'000
Valuation at 1 January	<b>77,700</b>	77,113	77,113
Additions	<b>11,897</b>	-	5,226
Disposals	-	(2,473)	(5,123)
(Loss)/gain on revaluation	<b>(792)</b>	1,165	484
Valuation at period end	<b>88,805</b>	75,805	77,700

The directors have used an external independent valuation of properties at 30 June 2019 which has been carried out consistently with the annual valuation.

## 8. Equity investments

	<b>First half 2019 £'000</b>	First half 2018 £'000	Full year 2018 £'000
Valuation at 1 January	<b>679</b>	2,131	2,131
Additions	-	-	-
Disposals	<b>(670)</b>	(519)	(1,331)
Surplus on revaluation in excess of cost	-	39	(121)
Valuation at period end	<b>9</b>	1,651	679

## 9. Interest bearing loans

	<b>First half 2019 £'000</b>	First half 2018 £'000	Full year 2018 £'000
Medium-term loans	<b>26,200</b>	19,400	19,400
The medium-term bank loans comprise amounts falling due as follows:			
Between one and two years	<b>4,000</b>	-	4,000
Between two and five years	<b>7,500</b>	11,500	7,500
Over five years	<b>14,700</b>	7,900	7,900

The debt is secured on certain assets within the group's property portfolio.

## Notes (Unaudited) (continued) for the six months ended 30 June 2019

### 10. Related party transactions

Kingerlee Holdings Limited owns, through its wholly owned subsidiaries, 27.2% (2018 27.2%) of the company's shares and D H Kingerlee is a director of both the company and Kingerlee Holdings Limited.

During the 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 of £7,000 (2018 £7,000) and a recharge of computer and courier costs totalling £530 (2018 £nil). The amount owed at 30 June 2019 was £nil (2018 £nil). All transactions were undertaken on an arm's length basis.

### 11. Net assets per share

	<b>First half 2019</b>	<b>First half 2018</b>	<b>Full year 2018</b>
Net assets	<b>£61,769,000</b>	£61,312,000	£62,384,000
Ordinary shares in issue	<b>5,167,240</b>	5,167,240	5,167,240
Basic net assets per share	<b>1195p</b>	1187p	1207p

## 12. Events after the balance sheet date

On 15 July 2019 the company completed on a lease renewal at its Cardiff office property, valued at £3,200,000 at 30 June 2019.

### Statement of directors' responsibilities

The directors confirm that, to the best of their knowledge, this condensed consolidated set of half-year financial statements has been prepared in accordance with IAS 34. The half-year management report includes 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 2019 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*

19 July 2019

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