

15 August 2013

Highcroft Investments PLC
Interim Report for the six months ended 30 June 2013

Highlights:

- § Net rental income rose 14% to £1,206,000 (2012: £1,057,000)
- § Operating profit from revenue activities rose 6% to £1,139,000 (2012: £1,071,000)
- § Basic earnings per share on revenue activities rose 14.4% to 23.9p (2012: 20.9p)
- § Basic earnings per share on capital activities of 8.1p (2012: 24.1p)
- § Net assets per share of 770 p (June 2012: 747p, Dec 2012: 758p)
- § Interim property income distribution increased 4.2% to 12.5 p (2012: 12.0p)
- § Since the period end a property has been purchased at a cost of £5.7m net of costs and modest gearing has been introduced

Dear Shareholder

I am pleased to report that in the six months ended 30 June 2013, rental income, operating profits and net asset value have all increased. In recognition of this, we are continuing our long-established policy of raising dividends ahead of inflation.

Results for the period

Property: Gross rental income has risen by over 10% and net rental income by 14%. The increases result primarily from the increase in yield from our Bedford and Milton Keynes properties purchased in the second half of 2012 over that from our Victoria property which we disposed of in the middle of 2012. Property expenses continued to decline as there were only a small number of lease events in progress. One of our multi-let units in Staines was void at the end of the period but has just been re-let, six weeks after the end of the previous lease. One of our residential properties, subject to a regulated tenancy, became vacant in May 2013 and is currently under offer. After the period end we completed the purchase of a retail warehouse in Bicester, let to Wickes, for a consideration of £5,700,000 net of costs. The initial yield, lease length and good covenant enhances and complements our portfolio.

Equities: Dividend income from our equity portfolio declined to £110,000 (2012: £120,000) as a result of sales from the portfolio after the strong first quarter performance in the equity markets. Sales from our equity portfolio resulted in net gains of £169,000 in the half year. This reduction of our holdings was carried out in anticipation of our property investment in Bicester.

Financial: Earnings per share on revenue activities rose by 14.4 % to 23.9p (2012: 20.9p). In addition the group benefited from capital profits from the sale of investments and a gain on the property and equity valuations at 30 June 2013. The more volatile measure of total earnings per share which includes capital profits and valuation gains was 32.0p (2012: 45.0p), lower than last year when there was a significant valuation gain on our former property in Victoria which we subsequently sold in August 2012.

The cash position at 30 June 2013 increased to £4,586,000 (2012: £2,273,000) partially due to the sale of equities referred to above. Since the period end this has been reduced by the purchase of Wickes, Bicester for £5,700,000 net of costs and enhanced by a medium term, fixed interest loan of £2,500,000.

Dividend: I am pleased to report that we will be paying an interim property income distribution of 12.5p (2012: 12.0 p) per share, payable on 18 October 2013 to shareholders registered on 20 September 2013.

Board: As we have previously reported Simon Gill joined the board as property director on 1 April 2013 and assumed the role of Chief Executive upon Jonathan Kingerlee's resignation on 31 July 2013. On behalf of the shareholders and the board I would like to thank Jonathan for the significant contribution that he has made to the business during his eighteen years as a board member.

Outlook

After a number of years of commenting on the lacklustre nature of the economy in general, and the difficulties of the property sector in particular, it is refreshing to sound some notes of cautious optimism. The economy is showing better overall growth although the property sector still has some significant issues of distressed selling, regional patchiness and particular problems with High Streets and secondary properties.

We have a number of forthcoming rent and lease reviews which we are currently working on with our advisers. We also continue to seek high quality property to add to the portfolio and, at this stage of the cycle, further gearing would be considered.

John Hewitt
Chairman
14 August 2013

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for the six months ended 30 June 2013

	Unaudited First Half 2013			Unaudited First Half 2012			Audited Full Year 2012		
Note	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Continuing operations									
Gross rental income	1,258	-	1,258	1,142	-	1,142	2,351	-	2,351
Property operating expenses	(52)	-	(52)	(85)	-	(85)	(184)	-	(184)
Net rental income	<u>1,206</u>	<u>-</u>	<u>1,206</u>	<u>1,057</u>	<u>-</u>	<u>1,057</u>	<u>2,167</u>	<u>-</u>	<u>2,167</u>
Realised gains on investment property	-	-	-	62	-	62	1,552	-	1,552
Net gain on disposal of investment property	<u>-</u>	<u>-</u>	<u>-</u>	<u>62</u>	<u>-</u>	<u>62</u>	<u>1,552</u>	<u>-</u>	<u>1,552</u>
Valuation gains on investment property	-	335	335	-	2,075	2,075	-	1,769	1,769
Valuation losses on investment property	-	(320)	(320)	-	(1,050)	(1,050)	-	(2,355)	(2,355)
Net valuation gains/(loss) on investment property	<u>-</u>	<u>15</u>	<u>15</u>	<u>-</u>	<u>1,025</u>	<u>1,025</u>	<u>-</u>	<u>(586)</u>	<u>(586)</u>
Dividend income	110	-	110	120	-	120	251	-	251
Gains on investments	-	568	568	-	348	348	-	677	677
Losses on investments	-	(132)	(132)	-	(110)	(110)	-	(179)	(179)
Net investment income	<u>110</u>	<u>436</u>	<u>546</u>	<u>120</u>	<u>238</u>	<u>358</u>	<u>251</u>	<u>498</u>	<u>749</u>
Administrative expenses	<u>(177)</u>	<u>-</u>	<u>(177)</u>	<u>(168)</u>	<u>-</u>	<u>(168)</u>	<u>(311)</u>	<u>-</u>	<u>(311)</u>
Operating profit/(loss) before net financing costs	<u>1,139</u>	<u>451</u>	<u>1,590</u>	<u>1,071</u>	<u>1,263</u>	<u>2,334</u>	<u>3,659</u>	<u>(88)</u>	<u>3,571</u>
Finance income	<u>5</u>	<u>-</u>	<u>5</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>8</u>	<u>-</u>	<u>8</u>
Profit/(loss) before tax	<u>1,144</u>	<u>451</u>	<u>1,595</u>	<u>1,074</u>	<u>1,263</u>	<u>2,337</u>	<u>3,667</u>	<u>(88)</u>	<u>3,579</u>
Income tax credit/(expense)	4 <u>88</u>	<u>(29)</u>	<u>59</u>	<u>-</u>	<u>(14)</u>	<u>(14)</u>	<u>53</u>	<u>(38)</u>	<u>15</u>
Total profit/(loss) and comprehensive income/(expense) for the financial period	<u>1,232</u>	<u>422</u>	<u>1,654</u>	<u>1,074</u>	<u>1,249</u>	<u>2,323</u>	<u>3,720</u>	<u>(126)</u>	<u>3,594</u>
Basic and diluted earnings/(loss) per share	6 23.9 p	8.1 p	32.0 p	20.9 p	24.1 p	45.0 p	72.0 p	(2.5) p	69.6 p

**Condensed consolidated interim statement of financial position (Unaudited)
as at 30 June 2013**

		Unaudited 30 June 2013 £'000	Unaudited 30 June 2012 £'000	Audited 31 December 2012 £'000
Assets	Note			
Investment property	7	31,624	31,793	31,609
Equity investments	8	4,872	5,610	5,713
Total non-current assets		<u>36,496</u>	<u>37,403</u>	<u>37,322</u>
Current assets				
Trade and other receivables		369	504	254
Cash at bank and in hand		4,586	2,273	3,274
Total current assets		<u>4,955</u>	<u>2,777</u>	<u>3,528</u>
Total assets		<u>41,451</u>	<u>40,180</u>	<u>40,850</u>
Liabilities				
Current liabilities				
Current corporation tax		-	14	-
Trade and other payables		1,019	952	1,000
Total current liabilities		<u>1,019</u>	<u>966</u>	<u>1,000</u>
Non-current liabilities				
Deferred tax liabilities		560	624	609
Total non-current liabilities		<u>560</u>	<u>624</u>	<u>609</u>

Total liabilities	1,579	1,590	1,609
Net assets	39,872	38,590	39,241
Equity			
Issued share capital	1,292	1,292	1,292
Revaluation reserve - property	7,265	6,604	7,050
Revaluation reserve - other	1,704	1,816	1,746
Capital redemption reserve	95	95	95
Realised capital reserve	22,829	21,530	22,366
Retained earnings	6,687	7,253	6,692
Total equity	39,872	38,590	39,241

**Condensed consolidated interim statement of changes in equity
for the six months ended 30 June 2013**

First half 2013 - Unaudited

	Equity	Revaluation reserves		Capital	Realised	Retained	Total
	Property	Other	Redemption	Capital	Earnings		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2013	1,292	7,050	1,746	95	22,366	6,692	39,241
Dividends	-	-	-	-	-	(1,023)	(1,023)
Reserve transfers:							
Non-distributable items recognised in income statement:							
Revaluation gains/(losses)	-	15	267	-	-	(282)	-
Tax on revaluation gains and losses	-	-	-	-	-	-	-
Realised gains	-	-	-	-	130	(130)	-
(Surplus)/deficit attributable to assets sold	-	-	(333)	-	333	-	-
Excess of cost over revalued amount taken to retained earnings	-	200	24	-	-	(224)	-
Transactions with owners	-	215	(42)	-	463	(1,659)	(1,023)
Profit and total comprehensive income for the period	-	-	-	-	-	1,654	1,654
At 30 June 2013	1,292	7,265	1,704	95	22,829	6,687	39,872

First half 2012 - Unaudited

	Equity	Revaluation reserves		Capital	Realised	Retained	Total
	Property	Other	Redemption	Capital	Earnings		
	£'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)	-
Realised gains	-	-	-	-	102	(102)	-
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

Full year 2012 - Audited

	Equity	Revaluation reserves		Capital	Realised	Retained	Total
	Property	Other	Redemption	Capital	Earnings		
	£'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	-	-	-	-	-	(1,576)	(1,576)
Reserve transfers:							
Non-distributable items recognised in income statement:							
Revaluation gains/(losses)	-	(586)	416	-	-	170	-
Tax on revaluation gains and losses	-	-	(20)	-	-	20	-
Realised gains	-	-	-	-	1,608	(1,608)	-
(Surplus)/deficit attributable to assets sold	-	912	(242)	-	(670)	-	-
Excess of cost over revalued amount taken to retained earnings	-	1,820	-	-	-	(1,820)	-
Transactions with owners	-	2,146	154	-	938	(4,814)	(1,576)

Profit and total comprehensive income for the period
At 31 December 2012

-	-	-	-	-	3,594	3,594
1,292	7,050	1,746	95	22,366	6,692	39,241

**Condensed consolidated interim statement of cash flows
for the six months ended 30 June 2013**

	Unaudited First Half 2013 £'000	Unaudited First Half 2012 £'000	Audited Full Year 2012 £'000
Operating activities			
Profit for the period	1,654	2,323	3,594
Adjustments for:			
Net valuation (gains)/losses on investment property	(15)	(1,025)	586
Gain on disposal of investment property	-	(62)	(1,552)
Net gains on investments	(436)	(238)	(498)
Finance income	(5)	(3)	(8)
Income tax expense/(credit)	(59)	14	(15)
Operating cash flow before changes in working capital and provisions	1,139	1,009	2,107
Increase in trade and other receivables	(115)	(287)	(37)
Increase in trade and other payables	19	271	319
Cash generated from operations	1,043	993	2,389
Finance income	5	3	8
Income tax received	10	-	-
Net cash flows from operating activities	1,058	996	2,397
Investing activities			
Purchase of fixed assets - investment property	-	-	(4,827)
- equity investments	(20)	(420)	(540)
Sale of fixed assets - investment property	-	81	4,972
- equity investments	1,297	646	922
Net cash flows from investing activities	1,277	307	527
Financing activities			
Dividends paid	(1,023)	(956)	(1,576)
Net cash flows from financing activities	(1,023)	(956)	(1,576)
Net increase in cash and cash equivalents	1,312	347	1,348
Cash and cash equivalents at 1 January 2013	3,274	1,926	1,926
Cash and cash equivalents at 30 June 2013	4,586	2,273	3,274

**Notes (unaudited)
for the six months ended 30 June 2013**

1. Nature of operations and general information

Highcroft Investments PLC ('Highcroft') and its subsidiaries (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 14 August 2013. The financial information for the year ended 31 December 2012 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 2012 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 2013. 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 2012.

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 2012.

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 single-let houses flats.

§ Financial assets comprising exchange-traded equity investments.

	First Half 2013 £'000	First Half 2012 £'000	Full Year 2012 £'000
Commercial property			
Gross income	1,237	1,121	2,308
Profit for the period	917	1,895	2,650
Assets	35,172	32,600	33,369
Liabilities	818	759	856
Residential property			
Gross income	21	21	43
Profit for the period	148	101	214
Assets	1,402	1,745	1,266
Liabilities	2	5	2
Financial assets			
Gross income	110	120	251
Profit for the period	589	327	730
Assets	4,877	5,835	6,215
Liabilities	759	826	751
Total			
Gross income	1,368	1,262	2,602
Profit for the period	1,654	2,323	3,594
Assets	41,451	40,180	40,850
Liabilities	1,579	1,590	1,609

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

4. Income tax (credit)/expense

	First Half 2013 £'000	First Half 2012 £'000	Full Year 2012 £'000
Current tax:			
On revenue profits	(88)	-	(53)
On capital profits	87	14	18
Prior year overprovision	(9)	-	-
	(10)	14	(35)
Deferred tax	(49)	-	20
	(59)	14	(15)

The taxation charge has been based on the estimate 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 14 August 2013, the directors declared a property income dividend of 12.5p per share (2012: 12.0p interim dividend) payable on 18 October 2013 to shareholders registered on 20 September 2013

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

	First Half 2013 £'000	First Half 2012 £'000	Full Year 2012 £'000
2012 final: 19.8p per ordinary share (2011 final: 18.5p)	1,023	956	956
2012 interim: 12.0p per ordinary share	-	-	620
	<u>1,023</u>	<u>956</u>	<u>1,576</u>

6. Earnings per share

The calculation of earnings per share is based on the profit for the period of £1,654,000 (2012: 2,323,000) and on 5,167,240 shares (2012: 5,167,240) which is the weighted average number of shares in issue during the period ended 30 June 2013 and throughout the period since 1 January 2012.

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 £1,232,000 (2012: £1,074,000) has been calculated.

First Half 2013	First Half 2012	Full Year 2012
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	£'000	£'000	£'000
Earnings:			
Basic earnings	1,654	2,323	3,594
Adjustments for:			
Net valuation gains on investment property	(15)	(1,025)	586
Gains and losses on investments	(436)	(238)	(498)
Income tax on gains and losses	29	14	38
Adjusted earnings	<u>1,232</u>	<u>1,074</u>	<u>3,720</u>
Per share amount:			
Basic earnings per share	32.0 p	45.0 p	69.6 p
Adjustments for:			
Net valuation gains on investment property	(0.3) p	(19.8) p	11.3 p
Gains and losses on investments	(8.4) p	(4.6) p	(9.6) p
Income tax on gains and losses	0.6 p	0.3 p	0.7 p
Adjusted earnings per share	<u>23.9 p</u>	<u>20.9 p</u>	<u>72.0 p</u>

7. Investment property

	First Half 2013 £'000	First Half 2012 £'000	Full Year 2012 £'000
Valuation at 1 January 2013	31,609	30,787	30,787
Additions	-	-	4,827
Disposals	-	(19)	(3,419)
Gain/(loss) on revaluation	15	1,025	(586)
Valuation at 30 June 2013	<u>31,624</u>	<u>31,793</u>	<u>31,609</u>

The directors have used an external independent valuation of properties at 30 June 2013 which has been carried out consistently with the annual valuation.

8. Equity investments

	First Half 2013 £'000	First Half 2012 £'000	Full Year 2012 £'000
Valuation at 1 January 2013	5,713	5,598	5,598
Additions	20	420	540
Disposals	(1,128)	(593)	(849)
Surplus on revaluation in excess of cost	291	225	416
Revaluation decrease below cost	(24)	(46)	(17)
Revaluation increase still below cost	-	6	25
Valuation at 30 June 2013	<u>4,872</u>	<u>5,610</u>	<u>5,713</u>

9. Related party transactions

Kingerlee Holdings Limited owns, through its wholly owned subsidiaries, 25.4% (2012: 25.4%) of the company's shares and D H Kingerlee and J C Kingerlee were directors of both the company and Kingerlee Holdings Limited during the period.

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 (2012: £7,000). The amount owed at 30 June 2013 was nil (2012: nil). All transactions were undertaken on an arm's length basis.

10. Events after the reporting date

On 3 July 2013 the group purchased a single retail warehouse unit in Bicester, Oxfordshire let to Wickes Building Supplies Limited with an unexpired lease term of 17 years and 3 months. The consideration was £5,700,000 net of costs and the current rent is £371,853 per annum which represents 13% of group rental income. On the same date the company drew a 7 year fixed term, non-amortising, fixed interest rate loan of £2,500,000 from Svenska Handelsbanken AB (publ).

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 2013 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.

By order of the board

John Hewitt
Chairman
14 August 2013

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