Highcroft
Investments PLC

A solid asset base and sustainable dividends

Annual report and accounts for
the year ended 31 December 2023

Highcroft Investments PLC

Who we are

Highcroft Investments PLC is an internally managed Real Estate Investment Trust (REIT), which invests in commercial property in England and Wales.

Our purpose

Highcroft's purpose is to provide our tenants with quality properties, in good locations, enabling them to succeed, and our stakeholders to benefit on a long-term, sustainable basis.

Our vision

Our vision is to ensure every opportunity has a positive impact on others.

Our culture

Our culture is open and supportive. Integrity is a value that defines our culture and underpins the way that we do business.

Our values

Our values are reputation, integrity and good governance built on long-term relationships, and on sustainability and responsibility.

Our strategy

Highcroft aims to deliver sustainable long-term income and capital growth for its shareholders through accretive asset management initiatives and recycling of capital in its regionally based property portfolio.

1. Dividends payable

56.0p

0.0%

2023	**56.0p**
2022	56.0p
2021	55.0p
2020	57.0p

2. Net asset value per share

1,022p

-5.6%

2023	**1,022p**
2022	1,081p
2021	1,275p
2020	1,104p

3. Gross rental revenue

£5.8m

3.2%

2023	**£5.8m**
2022	£5.6m
2021	£5.9m
2020	£6.1m

4. Net property income

£5.2m

-2.0%

2023	**£5.2m**
2022	£5.3m
2021	£5.3m
2020	£5.5m

5. Adjusted earnings per share

62.8p

(0.1)p

2023	**62.8p**
2022	62.9p
2021	56.7p
2020	67.7p

6. Total earnings per share

(3.7)p

2023	**(3.7)p**
2022	(137)p
2021	230.5p
2020	(22.2)p

7. Value of property assets

£78.3m

0.5%

2023	**£78.3m**
2022	£77.9m
2021	£87.6m
2020	£82.1m

8. Net debt

£23.0m

2023	**£23.0m**
2022	£20.0m
2021	£21.5m
2020	£23.9m

9. Occupancy

94%

2023	**94%**
2022	94%
2021	93%
2020	99%

Our competitive strengths

AN EXPERIENCED INTERNAL TEAM

STRONG BALANCE SHEET

GOOD-QUALITY PROPERTY ASSETS

MODERATE GEARING

View more online at:
www.highcroftplc.com

Contents

Chairman's statement

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Charles Butler
Chairman

We are well placed to continue to deliver long-term secure returns for our shareholders

2023 was a story of two halves with better performance in the first half but the second half dragging the NAV back to 1,022p, a fall of 5.6% for the year, broadly in line with the property market. While all property asset classes had a tough end to the year, offices, which make up a small part of our portfolio were hit particularly hard with yields moving outwards. It is pleasing to see inflation start to fall in 2024 however it is proving to be more stubborn than was expected, so we anticipate interest rates staying higher for longer than anticipated.

Having said everything above, due to our strong asset portfolio, careful asset management and having secured long term debt at attractive rates we have managed to keep the dividend at the same level as 2022 in-line with our stated aim of continuing to deliver long term shareholder value.

Property portfolio

During 2023, we sold our high-yielding Llantrisant warehouse asset and reinvested the proceeds together with additional cash resources into two well-let industrial assets. We also started the development of our new industrial unit at St Austell. Our portfolio remains focused on warehouses and retail warehouses, which made up 74% of our portfolio by asset value at the year end. These sectors performed relatively well in the first half of 2023 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 5.4% (£4.5m), which was slightly better than the all-property market negative movement of 5.6%.

The development at St Austell has been delayed due to the liquidation of the main contractor, however we have now appointed a new contractor and retained the tenant, and the development is due to complete in September 2024.

We collected 100% of the rent due for the year (2022 100%). We have two void units, including our Cardiff asset, representing 7% of our rental income. At the year end, contracted rental revenue was 1.7% higher than at 31 December 2022, whilst net rental income reduced by £0.1m to £5.2m.

Dividend

The company's interim dividend was maintained at 23p, and we are proposing a final dividend for 2023 of 33p per share, taking the total dividend for 2023 to 56p per share (2022 56p 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, carrying out EPC assessments to ensure compliance with the Minimum Energy Efficiency Standards effective this year. We have also prioritised the inclusion of green clauses in all lease renewals and re-gears and are considering the implementation of EV infrastructure and solar panels across select properties in the portfolio. We are on track to produce a BREEAM 'very good', EPC A-rated building at our development site in St Austell.

Listing

At our general meeting in January 2024 we were pleased to receive the support of 93% of our voting shareholders with regard to cancelling our listing on the main market of the London Stock Exchange and applying for admission to listing on TISE. I am pleased to report that these actions were completed in mid-February. Given the size of the company we firmly believe that this move will ensure that we are able to manage our cost base more effectively going forward, reducing some of the current and potential future compliance burden that is overlaid on a small company as a result of being quoted on the main market of the LSE.

People

Our strategy is focused on our competitive strength and our people, including our advisory teams, who are critical to this. As previously reported, we welcomed Paul Leaf-Wright as chief executive at the start of the year and Simon Gill resigned in March 2023. Cube Asset Management were also appointed as our asset manager at the start of the year giving access to a broader team. There has been greater focus on the portfolio in the year and also on tenant liaison. Their involvement in the complex negotiations around our development asset has also been valuable.

Governance

The group continues to maintain a high level of corporate governance and following the listing on TISE will follow, insofar as is appropriate for a group of this size, the QCA Code. The group will maintain its board committees and its strong financial reporting process which helps keep good control over all aspects of the business.

Outlook

Highcroft's performance in 2023 was good, notwithstanding global and UK events causing repercussions in our marketplace. Highcroft remains focused on delivering good income returns to shareholders by building an optimal portfolio of assets that will produce solid recurring income and will also grow the income and property value over time.

The current portfolio is well positioned, there is a moderate level of well-priced debt with no near-term expiries and there is cash in the bank and additional facilities available if required. Therefore, Highcroft is 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 make it.

Charles Butler

Chairman
25 March 2024

Why invest in Highcroft?

01 Strong balance sheet and cash generative

Our £78.3m, 866,550 sq ft of assets underpin our balance sheet and financial strength.

02 Strong dividend returns

Our dividends have increased by a compound annual rate of 5.6% since joining the REIT regime in 2009, and payments to shareholders were maintained during the Covid-19 pandemic. The yield to year end share price is 6.4%.

03 Diversified and sustainable income from the UK property market

We had 22 assets at 31 December 2023, spread across five sectors, and one asset under development, all geographically focused in the south of the UK with a WAULT of five years.

04 Strong internal management team

Our experienced executive and advisory team have consistently delivered on our strategy. The new chief executive has significant experience of delivering stakeholder expectations.

05 Growing occupier demand

In certain sectors there is increasing demand for the right property in the right places for good tenant covenants.

Our business model

We aim to deliver sustainable and long-term income and capital growth for shareholders

We endeavour to operate a cyclical model, buying when the market is low, generating rental income and selling, if appropriate, when the market is high in order to maximise cash to reinvest. We use a combination of our key resources to select the best opportunities within our chosen market sectors. We then redevelop and refurbish these in order to increase the value of the property, which allows us to secure higher rental incomes. We let our properties out on long leases, guaranteeing consistent income for our shareholders.

Our key resources

People

We are a small team with diverse skill sets. Our knowledge and understanding of the marketplace informs decisions. As a source of competitive advantage, the talent of our staff is integral in prudent decision making, ensuring that our performance is in line with our objectives.

Financial strength

We have a moderate level of gearing for a company investing in property. Our conservative capital structure and track record of delivering strong returns make us a lower risk investment than others.

Our tenants

Our tenants are diverse companies with wide-ranging requirements. As shown on pages 09 to 11, they are mainly large commercial companies requiring property on long-term leases.

Our key relationships

Our key relationships are with our tenants, our advisory team and with local communities.

Key activities

1 We buy

We research, identify and react quickly to market opportunities, creating competitive advantage. Using our property management skills, we create opportunities within our portfolio to create value and/or yield. We look for:

- Location
- Growth markets
- Potential for development

We look to increase our average lot size, to uphold the quality of our tenants, grow the portfolio and navigate market uncertainty.

2 We generate

We use a combination of our key resources in order to select the best opportunities within our chosen market segments, to asset manage, redevelop or refurbish to increase the value, sustainability and income-producing capability of our assets.

3 We maximise potential

We maximise the value of our portfolio through redeveloping and refurbishing properties to meet tenant demands and maintain relationships to increase lease length and rental income. This also enables us to make our properties more sustainable – see page 22 for our sustainability journey and future plans.

4 We sell

We strategically sell smaller properties in under-performing markets or properties where the risk of ownership is high, to ensure long-term success.

Competitive advantage

01 Highly capable team

Our team has solid experience of delivering shareholder value in property and listed entities. For more information on the capabilities of our team, see page 24.

02 Strong free cashflow

Highcroft consistently generates a strong cashflow, enabling it to maintain its dividend payments, even during the Covid-19 pandemic.

03 Diverse range of tenants

At the year end Highcroft had 22 properties and one asset under development with 28 tenants consisting of 27 covenants.

04 ESG factors

ESG is at the forefront of our strategy. We are putting in place a plan to ensure that our assets have strong ESG credentials, which will help to ensure their longevity for income and value creation.

Strategic pillars

Value we generate to our stakeholders

Shareholders
We endeavour to uphold dividends for our shareholders, enhancing shareholder value through sustained capital and income growth resulting from our low-risk business strategy.

Tenants
Through supportive landlord/asset manager/tenant relationships, we improve environments by identifying and implementing opportunities to enhance our properties. We aim to create high-quality environments that contribute to our tenants' success in executing their business strategies.

Local communities
In addition to charitable donations to support the terminally ill and disadvantaged in the community, we contribute to economic prosperity by supporting the provision of suitable spaces in strategic locations. We foster employment and enable businesses to thrive in conducive environments.

Environment
We make a positive contribution to the environment through our existing properties and future developments.

Our values

Reputation
Our reputation means everything to us and has been gained by the efforts of many over several years. Maintaining a strong reputation is critical and we recognise the value this plays in our relationships with our stakeholders. Retaining our reputation relies on us doing the right thing and is, therefore, only achievable with us acting in accordance with all our values and maintaining a sustainable business.

Integrity
Integrity is a core value in how we conduct our business and an established part of our strategy. We gain trust by acting honestly at all times, by being open and candid in all our business relationships and, most importantly, in every one of our actions. When engaging with our stakeholders, we act with openness, honesty and integrity and the board and employees take responsibility to ensure that all our business processes are run with integrity.

Good governance
The board maintains good governance at the centre of its decisions and discussions. Our framework supports the effective delivery of our strategy, the sustainability of our business and the creation of value for all our stakeholders continues to be supported by our governance structures and processes. Following our move to TISE in February 2024 good governance will remain a key value and the board will endeavour to follow the appropriate guidance and rules.

Introduction to our strategy

Highcroft aims to deliver sustainable long-term income and capital growth for its shareholders through accretive asset management initiatives and recycling of capital in its regionally-based property portfolio.

Strategic pillars

A — Building a portfolio of high-quality commercial properties in the right places occupied under good lease fundamentals by the right tenants
We use our core strengths to identify under-performing or high-risk assets for disposal and to identify good replacement assets in our target geographical areas.

B — Using available capital, including debt, efficiently and effectively
We will invest cash as fully as is practicable, whilst maintaining an adequate headroom of working capital. We will continue to maintain conservative gearing levels.

C — Deliver a sustainable income return to our investors
Whilst having regard to the constraints imposed by two concert parties, we aim to manage our asset base effectively and cost efficiently and to deliver a good dividend return for our investors on a sustainable basis.

Group at a glance

Our structure

The property-owning subsidiaries, Rodenhurst Estates Limited and Belgrave Land (Wisbech) Limited, are wholly owned and carry out the management and administration of the property assets on behalf of the group.

Highcroft Investments PLC
Group administration

Property investments

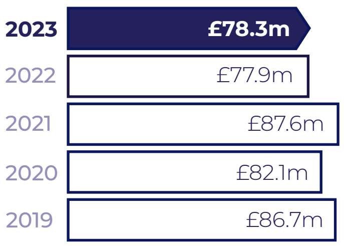
Rodenhurst Estates Limited | Belgrave Land (Wisbech) Limited

Aligning to stakeholder interests

Highcroft has a wide group of stakeholders including its shareholders, tenants, employees, advisory team and suppliers, our local community and the environment. As described in more detail on page 21, we engage effectively with our stakeholders to ensure that their interests are considered during our decision making.

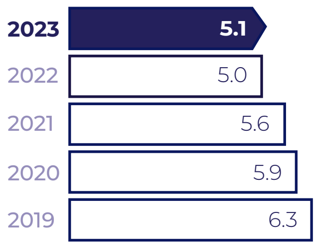
Investment properties at annual valuation

£78.3m



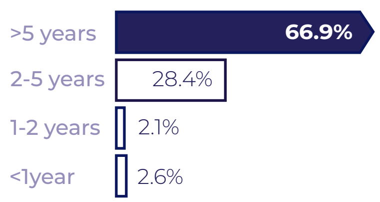
Weighted average lease length

5.1 years



Weighted average lease expiries

66.9% >5 years



Our portfolio in 2023

TOTAL VALUE
£78.3m

DISPOSALS
(at valuation)
£6.7m

AVERAGE LOT SIZE*
£3.5m

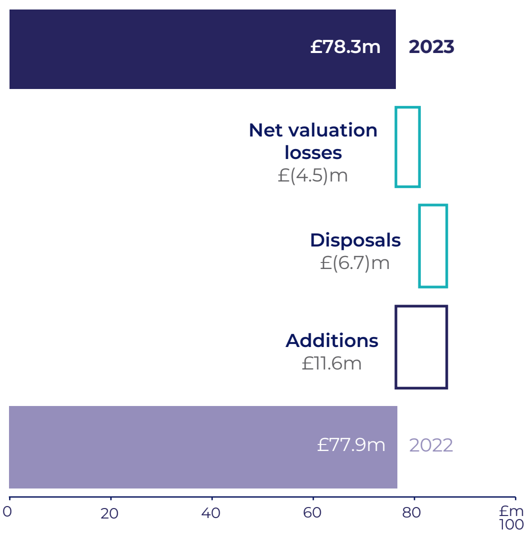
ADDITIONS at cost
(new properties)
£9.8m

NUMBER OF PROPERTIES*
22

ADDITIONS at cost
(assets under development)
£1.8m

* (excluding asset under development)

Movements in investment property valuation (including assets under development)



Introduction to our property portfolio & market

Why the quality of our tenants is crucial to our success; how we assess potential tenants and manage relationships

The quality of our tenants is crucial to our success so that we can maintain the dividend levels that our shareholders have witnessed and benefitted from over many years. We assess the strength and quality of each new tenant relevant to the property and location in question; if a tenant trades well, the rental income will be secure, which will be passed on to shareholders via a dividend. Equally, if the location is good for the tenant, this will attract further occupiers and increase demand, therefore ensuring future rental growth.

Prior to entering into a lease with a tenant, we will undertake financial due diligence to ensure the prospective tenant can meet its financial commitments under the lease.

Our tenant criteria: ensuring our tenants are sustainable

We make great efforts to ensure our properties are let to, and occupied by, tenants and companies that have sustainable, environmental credentials. We work together, with our occupiers, to make sure we comply with government guidelines on green policies, which includes ensuring that there will be no future ground contamination issues.

Market trend	Highcroft's response to these trends
Sustainability remains the principal theme within property The key issues and thematic drivers affecting property asset management and investment continue to be the macroeconomic environment including inflation, interest rates and the resulting effects on costs of living. However, the over-riding key thematic shift that is critical to maintaining property revenue, statutory compliance and investment worth is sustainability. It is increasingly understood that upgrades in energy efficiency and other sustainability features will be increasingly costed into asset values.	As noted on page 22 we have carried out necessary Energy Performance Certificate (EPC) assessments to ensure compliance with the Minimum Energy Efficiency Standards (MEES) effective from 1 April 2023 and are continuing this work in 2024. We are also targeting our St Austell development to achieve EPC A and BREEAM 'Very Good' ratings.

Sector Trends

Industrial

Following an acute price fall in late 2022, 2023 saw transactions at 42% below the previous year. Take up of units over 50,000 sq ft in 2023 saw a 35% decline on 2022 following record-breaking activity since 2020 but a return to the pre-pandemic average. Rental growth over the year was 7.6% down from 10.3% for 2022. Supply of vacant warehouse space started 2023 at 3.3% of total space and increased during the year to 5.5% predominantly driven by development completions, however it remains below the pre-pandemic average of 8.3% and a slowdown in development will be likely to cause a reduction in supply during 2024.

Retail warehouse, high street retail and leisure

Although these sectors have seen significant rationalisation over recent years, occupiers are capitalising on re-aligned rental values, and 'sticky' voids in order to attain favourable terms and secure strong retail pitches in new locations which is driving demand. As such, prime retail locations continue to see strong enquiry levels and significant leasing activity. High street retail and retail warehouse sectors have seen 1.3% and 3.1% annual average rental growth respectively. Footfall is still down 10.9% vs 2019, however consumer confidence has improved since December 2022. Sales volumes for 2023 continued to decrease, by 2.3%, versus the previous year and remain 40% below the pre-pandemic average. Despite this reduced volume of sales, prices were higher such that the total sales value for the year was 5.1% up.. Online sales held market share by volume but value growth of only 2.1% under-performed the wider retail market.

Experienced investors are targeting prime locations and asset types exposed to defensive food and consumer goods businesses.

Office

Overall investment declined by 45% versus the previous year and yields continue to move outwards. However, the leasing market remains resilient and hybrid working patterns are settling, with greater confidence returning to the sector, especially for newer, more sustainable assets in central locations. Rental growth was 2.3% for the year, the strongest since 2019.

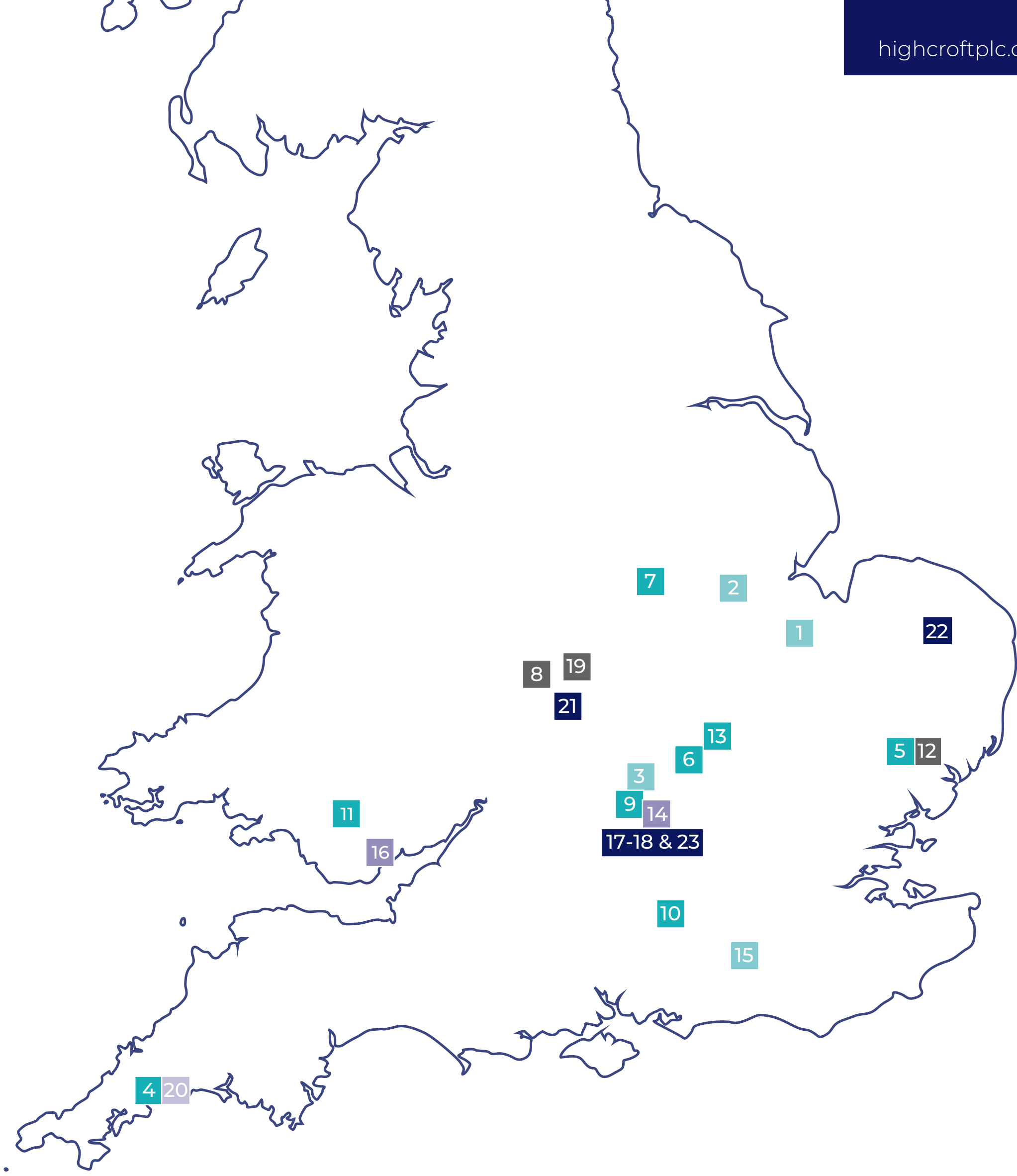
Our portfolio

Introduction

The portfolio remains well balanced towards the sectors with a bias towards the warehouse and retail warehouse sectors which comprise 74% by value and continue to offer resilient occupational markets.

Warehouse (Freehold) — **Total value £37.0m**

		VALUE £'000	LET TO	SIZE sq ft
11 	ABERDARE	3,725	TUBEX	80,963
10 	ASH VALE	4,225	SIG Construction Accessories	25,050
13 	BEDFORD	3,200	BOOKER WHOLESALE	40,523
5 	IPSWICH	5,500	Thompson & Morgan	49,291
9 	KIDLINGTON	4,475	PARCEL FORCE WORLDWIDE	30,638
6 	MILTON KEYNES	5,225	IKEA	43,111
7 	NOTTINGHAM	4,950	BOOKER WHOLESALE	83,010
4 	ST AUSTELL	5,650	Walstead UNITED KINGDOM	250,087



Key

- Warehouse
- Retail warehouse
- Leisure
- Office
- High street retail
- Asset under development

Retail warehouse (Freehold) — Total value £21.2m

			VALUE £'000	TENANT	SIZE sq ft
	3	BICESTER	5,750	Wickes	29,129
	15	CRAWLEY	2,425	pets at home	6,879
	2	GRANTHAM	6,225	B&Q M&S Simply Food	42,090
	1	WISBECH	6,775	Currys PC World halfords pets at home Dunelm mill Carpet Right	55,445

Our portfolio continued

Leisure (Freehold) — Total value £9.6m

		VALUE £'000	LET TO	SIZE sq ft
 19	COVENTRY	1,650	GREGGS, SUBWAY	5,953
 12	IPSWICH	3,500	ORWELL, truGym	43,928
 8	RUBERY	4,500	Nuffield Health	38,264

Office (Freehold) — Total value £4.9m

		VALUE £'000	LET TO	SIZE sq ft
 16	CARDIFF	1,900	VOID	17,797
 14	OXFORD	3,000	BBC	11,770

Key

- Warehouse
- Retail warehouse
- Leisure
- Office
- High street retail
- Asset under development

High street retail (Freehold) — Total value £4.0m

		VALUE £'000	TENANT	SIZE sq ft
	LEAMINGTON SPA	1,000	MINT VELVET	2,619
	NORWICH	685	Harriets Est. 1999	3,349
	OXFORD HIGH STREET	600	Endorphins Dessert Cafe	1,685
	OXFORD HIGH STREET (part long leasehold)	1,690*	JIGSAW (PART VOID)	4,969*

Asset under development

During the year construction work commenced on our development site at St Austell, practical completion is expected in the second half of 2024. An agreement for lease is in place with DHL.

Asset under development (Freehold) — Total value £1.6m

		VALUE £'000	TENANT	SIZE sq ft
	ST AUSTELL	1,625	n/a	n/a

Our key performance indicators (KPIs)

The following key performance indicators are considered to be the most appropriate for measuring how successful the company has been in meeting its strategic objectives.

Financial KPIs

1.Movement in value of property assets

£78.3m

-5.4% like-for-like

2023	**78.3**
2022	77.9
2021	87.6
2020	82.1

Link to strategy: A B C

Link to risks: 1 3 4 6

The value of our assets has increased by £0.4m but represents a decrease of 5.4% on a like-for-like basis, which is ahead of the all-property MSCI decrease of 5.6%. For further information see page 15.

2.Movement in net property income

£5.2m

-2.0%

2023	**5.2**
2022	5.3
2021	5.3
2020	5.5

Link to strategy: A B C

Link to risks: 1 3 4 6 8

As a REIT, we are required to distribute 90% of our relevant property profits. Increasing net property income contributes towards an increase in our dividend. Net property income decreased by £101,000 as explained on page 14.

3.Movement in net asset value per share

1,022p

-5.5%

2023	**1,022**
2022	1,081
2021	1,275
2020	1,104

Link to strategy: A B C

Link to risks: 1 3 4 6 8

Net asset value per share decreased by 5.5% in 2023, primarily as a result of the decrease in our property valuation and also the net decrease arising from our revenue profits net of dividends paid in the year.

4.Achieve an adjusted EPS per share that is in line with the market

5.8%

	Adjusted EPS % return	Weighted % market return
2023	**5.8**	**5.0**
2022	4.9	4.5
2021	5.1	6.6
2020	5.8	5.5

Link to strategy: C

Link to risks: 1 3 4 5 6

This KPI measures our adjusted earnings per share and compares it to the MSCI income return for the year weighted to our portfolio. The 2023 performance was above the MSCI income return for the year and improved from 2022.

Non-financial KPIs

5.Occupancy levels

94%

2023	**94**
2022	94
2021	93
2020	99

Link to strategy: C

Link to risks: 1 3 4 6 8

We had 94% occupancy at the year-end due to an ongoing void at our Cardiff property and one small void at a high street retail unit.

6.Maintain the quality of our tenant covenants

BBC
Parcelforce Worldwide
IKEA
M&S Simply Food
pets at home

Link to strategy: C

Link to risks: 1 3

We continue to have the majority of our properties let to strong covenants. The strength of the covenant has remained important in assessing new acquisitions and tenancies and forms part of our process in assessing expected credit losses.

Operating review

Property income

2023 was a stable year for Highcroft with a solid set of income results. This was pleasing in a market characterised by negative valuation movements, high interest rates and high inflation. These negative factors were slightly offset by a continued demand for industrial space and rental growth in this sector was strong. Notwithstanding the sale of our highest yielding, but vacant, Llantrisant asset in February we were able to increase our contracted rent over the year. We invested into two new assets and four rent reviews produced pleasing results. Our occupancy remains at 94% with our Cardiff unit remaining void and our small Oxford High Street unit becoming void as the result of a lease expiry.

	2023	2022	2021	2020	2019
Contracted annual rent at year end	**£5,808,000**	£5,710,000	£5,700,000	5,907,000	6,253,000
Increase/(decrease) in year	**1.7%**	0.2%	-3.5%	-5.5%	24.4%
Occupancy	**94%**	94%	93%	99%	100%

As reported in our interim statement we commenced the construction of a new warehouse, to be tenanted by DHL, on vacant land at our site in St Austell. This project has not been without its challenges as in Q4 and midway through construction our main contractor filed for liquidation. I am pleased that we have been able to appoint, with the tenant's approval, a new contractor to step in to complete the project. However, the inevitable delays have added five months on to the timeline with completion now expected in Q4 2024. We are still confident in delivering a quality warehouse that will start to generate income in 2024 and cashflow in 2025.

Property acquisitions and disposals

Disposal of Llantrisant warehouse asset

As previously reported, our vacant warehouse unit in Llantrisant, tenanted by British Airways Avionic Engineering Limited, purchased in March 2019 for £6.95m, was disposed of in February 2023 for gross proceeds of £7.85m following a December 2022 valuation of £6.75m. Rental income was £805kpa.

Acquisition of Aberdare industrial asset

In April 2023, an 80,963 sq ft freehold warehouse property in Aberdare was purchased for £3.98m. The tenant is Fibreweb Geosynthetic Limited, part of the New York listed Berry Global Group, and the unexpired lease term was nine years seven months at acquisition.

Acquisition of Ipswich industrial asset

In May 2023, a 49,291 sq ft asset on a site of 2.19 acres was purchased for £5.84m. The tenant trades as Thompson and Morgan and the unexpired lease term at acquisition was nine years.

Property valuations

Valuations have reduced on most of our assets very much in line with the overall market. Our portfolio, including our development asset, showed a 5.4% fall in value on a like-for-like basis. This is slightly better than the MSCI fall of 5.6% for all property. Our two office properties have been marked down significantly and more so than the general trend. Our Cardiff property was refurbished in 2021/2022 but despite extensive marketing remains void and the valuation has reduced by £1.6m, 46% in the year. We continue to look to sell and/or let this property as it remains the only real negative in our portfolio. Our office property, tenanted by the BBC, reduced in value by £1.1m, 27%, as the market sentiment has moved against well let office buildings with long leases.

Strategic priorities

We have reviewed our strategic priorities in the year, in light of our strategy, the external environment and the interests of our stakeholders and our priorities are set out below.

Strategic priorities	How this priority will help us	Progress/opportunities	Risk
A Continue to grow a sustainable commercial property portfolio with a bias towards the south of England and Wales.	Commercial assets, with good sustainability credentials, in these geographical areas are regarded by the directors as being best placed to outperform the market in any cycle. These locations are also considered relatively low risk and fit our risk profile.	We are in the mid-stage of development on vacant land at our St Austell site and have an agreement for lease in place. We sold our vacant industrial asset and purchased two new industrial assets in the year. We have undertaken several sustainability initiatives in the year; see page 22.	1 2 3 2
B Use medium-term gearing at a modest level	The use of keenly priced debt to expand our property portfolio should increase our property profits available for distribution.	Our debt remains at £27.2m, with a weighted average interest rate of 3.06% and the first facility expiring in August 2026. This has provided us stability during the recent period of high inflation and high interest and will continue to do so in the short term.	5 6
C Provide a good dividend return	Maintaining a good property income distribution stream remains a fundamental priority.	Dividends payable for 2023 are £2,916,000, 56p per share and as a REIT we are required to distribute 90% of our net property profits.	All

Paul Leaf-Wright
Chief executive
25 March 2024

Financial review

Overview

	2023	2022
Profitability		
Net rental income	£5,174,000	£5,275,000
Adjusted earnings per share	62.8p	62.9p
IFRS loss for the year	£193,000	£7,116,000
Net admin expenses to gross rent	20.2%	21.2%
Investment returns		
Net asset value per share	1,022p	1,081p
Dividend payable per share	56p	56p
Total shareholder return	0.6%	12.7%
Return on equity	-0.4%	-11.6%
Financing		
Net debt	22,971,000	19,994,000
Net debt to property value	29%	26%
Average cost of debt at the year end	3.06%	3.06%

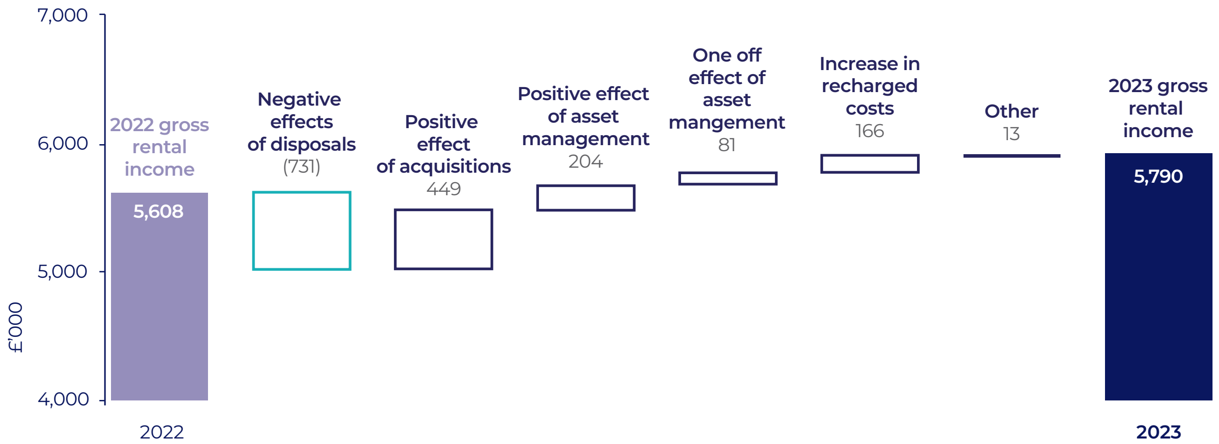
The group has performed well against an environment impacted by conflicts in Ukraine and the Middle East, political uncertainty and the high inflationary and interest rate pressures. Against this backdrop our gross rental income increased by 3% as result, which was particularly pleasing as we disposed of our high-yielding Llantrisant asset at the start of the year. The positive effect of a swift investment of these proceeds into two new industrial assets combined with some positive, and backdated, rent reviews in the year and the agreement of a dilapidations claim offset the loss in income of £594,000 and write off of the IFRS rent free debtor of £137,000 arising from this disposal. Property operating expenses increased by £283,000 to £616,000. The increase reflects the cost of £231,000 arising from the appointment of our property asset managers, at the start of the year, to undertake work previously carried out by the chief executive and included in administrative costs. In addition, there were increased professional fees arising from asset management activity and a rise in costs such as dilapidations and insurance that are recharged within gross rental revenue. Our underlying adjusted revenue profit before tax (excluding revaluation losses and gains on disposals) increased by 2.5% to £3,364,000 (2022 £3,283,000). The increase in tax charge to £98,000 arises from the rise in tax rates during the year and in the external and intra-group interest receivable to which they are applied.

Net assets have decreased by 5% to £53,203,000 and we have a low net debt to property value of 29%. The average cost of debt at the year end is 3.06% with the reduction in interest payable arising in the year due to the refinancing of one loan during 2022 at a lower rate than the expiring facility. Our investment properties increased in value by £365,000 overall, arising from a net investment into the portfolio of £4,838,000 net of a revaluation loss of £4,473,000, a 5.4% fall on a like-for-like basis. Our gearing has increased further in the year as property valuations have fallen and our cash balances have reduced as we invest into our development site.

We are proposing a final dividend for 2023 of 33p per share giving a total dividend for 2023 of 56p per share, the same level as 2022, which reflects a 6.4% yield on year end share price. Since 2009 (our first full accounting year as a REIT), our dividends have risen by a total of 115% – a compound annual increase of 6.1%. In the same period, our net assets per share have increased by 53% from £6.66 to £10.22 per share.

Income

Gross rental income has increased by 3%.



		2023	2022	2021	2020	2019
Gross rental income	£m	5,790	5,608	5,928	6,084	5,840
Increase/(decrease) in gross rental income	%	3	(5)	(3)	4	16

Administration and other expenses

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Directors' remuneration	**743**	877	837	801	597
Auditor's remuneration including other services	**81**	70	64	58	35
Other expenses	**348**	244	263	210	194
Administration expenses	**1,172**	1,191	1,164	1,069	826
Net finance expense	**638**	801	851	892	850
Total expenses	**1,810**	**1,992**	**2,015**	**1,961**	**1,676**

Directors' remuneration fell by 15% (£134,000) primarily due to the change of chief executive where expensed remuneration was, due to the change in responsibilities, £259,000 lower than 2022. Paul Leaf-Wright works alongside our new property asset managers, Cube Asset Management Limited, whose costs of £231,000 are included in property costs. There was also a £40,000 reduction in Employers NIC, and a £60,000 reduction in the finance director's remuneration. These reductions were offset by a charge of £169,000 relating to the vesting of historic options issued under the Highcroft Incentive Plan and £55,000 of salary and bonus related to the handover period from Simon Gill. More detail can be found in the remuneration report on pages 28 to 37. Other expenses have increased by £104,000, primarily due to £73,000 related to preliminary fees in relation to the delisting/listing process and £20,000 of additional staff costs as our activities have increased in the year. Net finance expenses decreased as a result of a combination of our high cash balance during the year and the relatively high interest rates.

Summary of profit before tax and income tax (charge)/credit on revenue activities

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Revenue profit before tax	**3,364**	3,283	3,243	3,503	3,983
Income tax (charge)/credit	**(98)**	(18)	(304)	–	72
Revenue profit for the year	**3,266**	**3,265**	**2,939**	**3,503**	**4,055**

The increase in the revenue profit for the year in 2023 of £81,000 was influenced by a decrease in net finance expenses of £163,000 and in administration expenses of £19,000 offset by a decrease in net rental income of £101,000 and an increase in tax charge of £80,000. As a REIT whilst property profits are not chargeable to tax both external and intra-group interest is chargeable to tax. There was a capital loss before and after tax of £3,459,000 (2022 £10,381,000).

Investments

Investment property	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
At 1 January	**77,910**	87,565	82,060	86,710	77,700
Acquisitions at cost	**11,588**	726	–	–	11,898
Proceeds from disposals	**(7,850)**	–	(3,500)	–	–
Realised gains from disposals	**1,100**	–	250	–	–
Revaluation gains on investment property	**540**	605	9,925	2,525	739
Revaluation of investment property under development	**145**	–	–	–	–
Revaluation losses on investment property	**(4,868)**	(10,986)	(1,170)	(7,175)	(3,627)
Net revaluation (losses)/gains	**(4,473)**	(10,381)	8,755	(4,650)	(2,888)
At 31 December: total property	**78,265**	77,910	87,565	82,060	86,710
less assets held for sale	**–**	(6,750)	–	–	–
less investment property under development	**(1,625)**	–	–	–	–
total investment property	**76,650**	**71,160**	**87,565**	**82,060**	**86,710**

Our valuations are undertaken by Knight Frank LLP as reported in Notes 8 and 9 to the consolidated accounts.

Overall, our property portfolio increased in value during the year by £365,000. We sold our Llantrisant asset in February and bought two new assets, in Ipswich and Aberdare, for £9,818,000 and also spent £1,770,000 on our development asset in St Austell. Our loss on revaluation represents 5.4% on a like-for-like basis compared to an MSCI annual figure of -5.6%. Our most significant revaluation gain, of 5.6%, related to our Ash Vale unit where there was a rent review finalised in the year. The most significant revaluation losses were at our two office properties where a move in market sentiment, coupled with an ongoing void at our Cardiff property, has resulted in a revaluation loss of 35.5%. The revaluation movement is summarised by class of asset in the following table.

Financial review continued

Valuation gains and losses by type	Valuation movement	Like-for-like movement
Office	(2,700)	-35.5%
Industrial	(833)	-2.2%
Retail	(195)	-4.8%
Leisure	(250)	-2.5%
Development	(145)	-8.2%
Retail warehouse	(350)	-1.6%
	(4,473)	**-5.4%**

Financing and cashflow

Net cash generated from operating activities was £1,348,000 lower than 2022 at £3,778,000 primarily due to the one-off increase arising in 2022 when a secured deposit was released (see below). It is the directors' intention to reinvest surplus cash, that is not required for PID payments, into the commercial property portfolio when suitable opportunities arise, and they have invested into two well-let industrial assets in 2023 and continue to invest in the development asset at St Austell.

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Opening cash	**7,206**	5,715	3,295	1,559	5,202
Net cash from operating activities	**3,778**	5,126	3,502	3,220	3,560
Investment acquisitions – property	**(11,588)**	(726)	–	–	(11,898)
Investment disposals – property[1]	**7,764**	–	1,925	–	–
Investment disposals – equities	**–**	–	–	–	724
Dividend paid	**(2,916)**	(2,909)	(3,007)	(2,484)	(2,829)
Share issue costs	**(15)**	–	–	–	–
Net new bank borrowings	**–**	–	–	1,000	6,800
Closing cash	**4,229**	**7,206**	**5,715**	**3,295**	**1,559**

1 For 2021 net of proceeds of £1,575,000 transferred into a deposit given as bank security and included in other receivables in Note 11 to the consolidated financial statements. The secured deposit was released in April 2022 and this movement in working capital is included in the decrease in working capital requirement in 2022.

Analysis of borrowing

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Handelsbanken term loans 2030	**5,000**	5,000	5,000	5,000	–
Handelsbanken term loans 2029	**14,300**	14,300	6,800	6,800	6,800
Handelsbanken term loan 2027	**4,500**	4,500	4,500	4,500	4,500
Handelsbanken term loan 2026	**3,400**	3,400	3,400	3,400	3,400
Handelsbanken term loan 2022	**–**	–	7,500	7,500	7,500
Handelsbanken term loan 2020	**–**	–	–	–	4,000
Total debt	**27,200**	27,200	27,200	27,200	26,200
Cash	**(4,229)**	(7,206)	(5,715)	(3,295)	(1,559)
Net debt	**22,971**	19,994	21,485	23,905	24,641
Net assets	**53,203**	56,176	66,117	57,121	60,721
Gearing (net of cash)	**43%**	36%	32%	42%	41%

Our weighted average cost of total debt is 3.06% (2022 3.06%). All our loans are fixed term, fixed interest, non-amortising facilities.

Outlook

We believe that the quality of our assets, our ongoing asset management programme and spread of sector risk, all combined with our concentration of assets in the south of England and Wales, and our low fixed interest rate debt means that we are in a strong position to deliver a secure dividend return to our shareholders. We remain optimistic about the prospects for the group and its ability to meet its strategic objectives in the medium and long term.

Roberta Miles

Finance director
25 March 2024

Our risks

Risk framework

The company has a well-established risk management and internal control framework. The board has overall responsibility for risk management with a focus on determining the nature and extent of exposure to principal risks the group is willing to take in achieving its strategic objectives. The amount of risk is assessed in the context of the core strengths of our business and the external environment in which we operate.

The board believes that effective risk management is integral to our strategy of delivering long-term sustainable income and capital growth.

Strategic risk management reporting

Board of directors

Overall responsibility for risk management

Regular review of effectiveness of system of internal control

Regular assessment of emerging and principal risks

Audit committee

Assurance of risk management process

Executive committee

Day-to-day risk management

Ongoing identification, assessment and mitigation of risk

Design implementation and evaluation of system of internal control

Ensuring operational effectiveness of control systems

Our approach to risk management is to identify the financial, operational and compliance risks that may prevent the attainment of our strategic objectives, or impact our future performance, solvency or liquidity. We evaluate the risks and take any appropriate action to reduce or remove the likelihood of these having a material impact. This process is regularly monitored and reviewed.

At the point any key strategic decision is taken, the potential risks are considered. Effective risk management is an important part of our board decision-making process.

All directors are kept up to date with key issues as they arise. The small size of the management team and regular consideration of risk areas means we can respond quickly to changes in the risk environment. The principal risks that have been identified, and the management and/or mitigation of these, are set out on pages 18 to 19. The board has identified that emerging risks are likely to be linked to our existing principal risks and these are outlined below.

Against the backdrop of economic and political challenges due to the continued impacts of the conflicts in the Middle East and Ukraine, and of high inflation, and high interest rates in the UK, we have continued to actively manage our risk exposure by maintaining a high occupancy across our portfolio and an efficient capital structure and liquidity position.

Risk appetite

Whilst risk is an integral part of our business, the general appetite of the group for risk is low.

Principal risks

The principal risks and uncertainties that faced the group in 2023 are set out on pages 18 to 19, together with the mitigating actions and controls in place. We define a principal risk as one that is currently impacting on the group or could impact the group over the next 12 months. These principal risks are not a complete list of all risks facing the group, but are a snapshot of the group's risk profile as at the date of this report. There were no changes to our principal risks in the year.

New factors affecting existing principal risks

The ongoing conflict in Ukraine and the new conflict in the Middle East affecting the macro-economic outlook

These conflicts do not directly affect our business, which is focused in the UK. However, the overall UK economy, which includes our tenants' supply chains and their customers, is potentially adversely impacted. In particular, the ongoing high energy costs arising from the conflicts affects our tenants' cost-base and the availability of discretionary spend by their customers.

The ongoing high inflationary and interest rate pressures in the UK and the rise in corporation tax rates affecting the macro-economic outlook

Interest rates continued to rise in 2023 with five base rate rises following the eight in 2022, inflation rate fell in 2023 but remained above the 2012-2021 levels and UK corporation tax rose to 25% in April 2023.

The group is sheltered from interest rate rises as its debt is long term and on fixed rates with the next maturity in 2026. It is also sheltered from corporation tax rises due to its REIT status. The major effect of these changes is on all our stakeholders – particularly our tenants and their customers. The board continues to pay close attention to the evolving situation and to mitigating the risks for our business and all our stakeholders.

Our risks continued

Strategic priorities

The objective of the group is to enhance shareholder value via a combination of increasing net asset value, profits and dividends and we set clear strategic objectives against which we measure our performance.

External risks

1 Macro-economic and political outlook

The UK economic climate, the conflicts in the Middle East and Ukraine, the high in UK interest and inflation rates could impact the delivery of our planned revenue and capital strategy.

How we manage/mitigate the risk

- We monitor macro-economic data and, with our advisers, the detailed data from the UK property sector.
- Our activities are restricted solely to the UK, although our tenants are largely global businesses.

Commentary

During 2023, the economic environment continued to be challenging with the country entering recession in Q4. Interest rates increased further and remain, relatively, high. Inflation, whilst falling in 2023, remains high and affects all our stakeholders. There remains a level of uncertainty regarding the future outlook. Our main contractor at our development site went into liquidation and we have now replaced them. Our property valuations have fallen further as a result of the downturn in market sentiment during the second half of 2023. We executed our strategy of disposing of one asset and acquiring two well-let assets in the year.

Change in risk assessment in the year

Link to strategic priority

A C

2 Regulatory and compliance burden

There is an ever-increasing regulatory burden both as a listed entity, a property company and as a REIT.

How we manage/mitigate the risk

- We use our company secretary and our advisory team to ensure that the board remains up to date with the evolving regulatory requirements for a listed real estate company.
- We use a board portal to enhance our governance communication, systems and procedures.

Commentary

Listed real estate company compliance requirements continue to increase.

In 2023, as part of the change of chief executive, many of the previous holder's responsibilities were outsourced to team of property specialists, leaving only the core chief executive responsibilities in-house.

In February 2024 we delisted from the LSE and listed on TISE. On TISE the current and future regulatory burden is lower and will reduce our risk assessment in 2024..

Change in risk assessment in the year

Link to strategic priority

A C

3 Occupier demand and tenant default

Further weakening in the UK economy, reduced consumer confidence, business activity and investment could result in tenant administration/CVA and reduce income, rental growth and capital performance.

How we manage/mitigate the risk

- We review market data and industry trends and management reports with our advisers, to assess whether any risk-mitigating steps need to be taken.
- Our strategy is to invest in the lower-risk areas of the south of England and Wales and to invest across different sectors reducing our exposure to an individual sector or tenant. We maintain close relationships with our tenants and support them through their business cycle.

Commentary

After the sale of one, and acquisition of two, industrial assets in 2023, we now have 22 properties with 28 tenants and 27 individual covenants. At the year end, two of our properties are void representing 7% of the annual rent roll. There was no bad debt charge arising from 2023 rent and we recovered £49k of bad debts previously provided for. The weighted average lease expiry is five years.

Change in risk assessment in the year

Link to strategic priority

A C

4 Commercial property investor demand

Any drop in, amongst other things, the health of the UK economy, or in the availability of finance, or the attractiveness of sterling, may result in a reduction in investor demand for UK property, which may result in a fall in our asset valuations.

How we manage/mitigate the risk

- We review market data together with industry trends with our advisers, to assess whether any risk-mitigating steps need to be taken.

Commentary

During 2023, in the light of the worsening macro-economic situation, the property market worsened, and transaction rates reduced. Our portfolio reduced by 5.4% on a like-for-like basis compared with the MSCI all property result of a 5.6% decrease.

Change in risk assessment in the year

Link to strategic priority

C

Our strategic priorities are set out on page 13 and can be summarised as:

- A Continue to grow a sustainable commercial property portfolio with a bias towards the south of England and Wales.
- B Use medium-term gearing at a modest level
- C Provide a good dividend return

Internal risks

5 Availability and cost of finance and debt covenant requirements

Bank of England monetary policy may result in interest rate rises resulting in future increased costs of borrowing. Reduced availability of appropriately priced finance would affect our ability to refinance debt and/or increase cost. Breach of debt covenants could trigger loan defaults and require repayment of facilities.

How we manage/mitigate the risk

- The board aims to only assume a moderate level of gearing, thereby increasing the likelihood of being seen as an attractive banking proposition for lenders. Our preference is for fixed-interest, non-amortising debt with a spread of maturity dates. We monitor our LTV and debt requirements and maintain a good long-term relationship with our bank.

Commentary

All our debt is fixed interest non-amortising debt and our next loan maturity is in August 2026. If we wish to draw additional debt, we have pre-agreed headroom of £7.8m, subject to terms and security, and this includes a £1m overdraft facility. In 2024, we have carried out our annual review with our current lender and will continue to conduct our monitoring procedures.

Change in risk assessment in the year: ↑

Link to strategic priority: B C

6 Business strategy

If the group has the wrong strategy for the current stage of the property cycle and the macro-economic climate, there will be reduced profitability and capital values.

How we manage/mitigate the risk

- Our strategy is determined to be consistent with our stated risk appetite of low and is based on our evaluation of the macro-economic environment. Individual investment or divestment decisions are made by the board and subject to a risk evaluation.

Commentary

During 2023, a year still dominated by negative conditions, our capital performance was close to the market and our rent collection was 100%.

In 2023, we held our annual strategy away day to discuss the group's five-year strategy, monitor our portfolio for further asset management activities and manage the void rate, examine opportunities for acquisitions and disposals to recycle capital, and consider all risks facing the business.

Change in risk assessment in the year: ↓

Link to strategic priority: A B C

7 Key personnel

A number of critical business processes lie in the hands of a few people. Failure to recruit, develop and retain staff and directors with the right skills and experience, may result in significant underperformance, or impact the effectiveness of operations and decision making, in turn impacting business performance.

How we manage/mitigate the risk

- Remuneration packages are reviewed annually to ensure that the group can retain, motivate and incentivise key staff. We outsource a number of key routine processes to minimise the risk of business interruption. Succession planning and the composition of the board are regularly reviewed by the nomination committee, and the board reviews the key advisers, at least annually.

Commentary

On 1 January 2023, we replaced our chief executive and in order to reduce risk, it was agreed that the duties of the previous role would be split, the property management aspects would be outsourced, and the pure chief executive aspects would be condensed into a smaller role. A new, less complex, remuneration policy was introduced to enable packages to be clear and transparent.

Change in risk assessment in the year: ↓

Link to strategic priority: A B C

8 Sustainability

If the group fails to address climate-related risks in the short, medium and long term, the company's assets and its licence to operate could be challenged.

How we manage/mitigate the risk

- Sustainability is considered as part of our risk discussions at all board meetings and in all our investment processes.

Commentary

Our EPC assessment and improvement strategy commenced. Construction at St Austell will be to a BREEAM 'very good' standard of specification and an EPC A rating. Further details are available on page 22.

Change in risk assessment in the year: →

Link to strategic priority: A B C

Our risks continued

Going concern statement

Assessment of going concern

The directors have assessed the group's ability to continue as a going concern. This includes a review of the continuing uncertainties created by the conflicts in the Middle East and Ukraine, and the current high inflation and interest-rate environment in the UK, particularly as to how these may impact rental income, the group's cash resources, borrowing facilities and dividend distributions.

The group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the strategic report. The financial performance of the group for 2023, including its cashflows, liquidity and borrowing facilities, are set out in the financial statements with additional information in the financial review on pages 14 to 16. Note 19 to the accounts on pages 63 to 65 includes information on the group's financial instruments and on its approach to credit and liquidity risk.

At 31 December 2023, the group had £4.2m of cash and cash equivalents and fixed-term, fixed-interest, non-amortising borrowing of £27.2m, which expires during the period August 2026 to July 2030 and additional headroom of £7.8m. The group has a moderate gearing of 43% and its net debt to investment property valuation is 29% at the year end.

During March 2024 the group finalised its annual review with Handelsbanken plc. The group has approved headroom limits of £35m of which £27.2m are currently drawn. The £7.8m of undrawn headroom limits can be used, subject to terms and security, for short-term or longer-term funding requirements.

Our primary debt covenants relate to interest cover and the loan-to-value ratio. They are tested annually, and the LTV covenant is based on the valuations addressed to the bank (which may not be the same as the current valuations).

The group has a secure property income stream from 28 tenants with no undue reliance on any one tenant. We have been unable to secure a new tenant for our refurbished and improved Cardiff property, for which the lease ended in June 2021, and our small unit at High Street Oxford became void in the year. Based on this experience, the board has carefully reviewed its forecast assumptions regarding potential void periods and lease incentives at break dates and lease ends. Our debtor position remains good with 100% of our 2023 rent collected and 98% of our Q1 2024 rent collected. Our assets are all in England and Wales and therefore our tenants and their stakeholders are shielded to some extent from the direct impact of global conflicts and supply chain shortages. However there do remain uncertainties arising from supply chain issues arising from the conflicts and also pressures arising from the high inflation and interest rate environment in the UK. These uncertainties may affect our tenants' ability to carry on their normal business and generate cash to pay their rent. We have taken this into account in our sensitivity analyses.

The group's most significant outflows are its PID and bank interest payments, which made up 54% and 16% of the 2023, non-capital, cashflow outflows respectively.

The director's have included the anticipated costs of carrying out the ESG and sustainability actions that have been identified as necessary in the period under review.

The directors have reviewed the projected cashflows of the group and its compliance with debt covenants. They have also overlaid their best estimates of the impact of global impact of the conflicts in the Middle East and Ukraine and the high inflation and interest rates in the UK on to their forecasting and debt covenant reviews and considered scenarios, including:

Rent collections reducing in the forecast period, affecting cash generation and covenant compliance

Void properties and those that may become void at lease end and/or break dates remaining void for a longer than usual period, thereby reducing income and increasing costs

Property valuations reducing, adversely affecting the related debt covenants

The directors have also stress-tested the forecasts, considering the level of fall in income and valuations that would cause the business to be unable to pay its liabilities as they fall due, see page 51 and have concluded that the possibility of these scenarios occurring is remote.

The audit committee reviewed the analysis on page 26, supporting the going concern basis of preparation of the accounts. This review included the forecast 12-month cashflows, headroom on debt covenants, undrawn loan facilities and the quality and parameters of the stress testing. Having completed their review, the committee recommended to the board that it was appropriate to adopt a going concern basis.

Going concern statement

The directors are not aware of any material uncertainties that may cast significant doubt upon the group's ability to continue as a going concern. They have considered the audit committee's recommendation and concluded that there is a reasonable expectation that the group has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the annual report and accounts.

Stakeholder engagement

Section 172(1) statement

The following disclosure describes how the board has had regard to the matters set out in section 172 (1) (a) to (f) and forms the directors' statement required under section 414CZA of the Companies Act 2006.

Stakeholder and why is it important to engage?	Ways we engage	Key interests	How do we respond?
Our shareholders In order to understand the views and aspirations of shareholders as the owners of our business	Indirectly via the annual report and website and directly with our two main shareholder groups and all shareholders at the AGM and GM	↗ Growth strategy and healthy returns whilst evolving our sustainability strategy and initiatives	Our chief executive, chair and finance director held various meetings with the two main shareholder groups during the year to consult with them and hear their views directly. **Outcomes:** These discussions informed the board's proposal to all shareholders on the delisting of the shares from the LSE and the admission of shares to TISE.
Our tenants In order to have the ability to react swiftly to issues and opportunities and to understand how tenant demands are changing to help us evolve our strategy	We build relationships with tenants, directly if possible, and also via our property managing agent and property asset managers	↗ Tenant satisfaction, with fit-for-purpose spaces that are able to evolve with their business ↗ Ability to meet future tenants' needs	Following the appointment of Cube Management Limited as property asset managers in January 2023, a schedule of inspections of the properties was undertaken and workstreams prioritised. **Outcomes:** Over the course of the year tenants have been introduced to members of the asset management team and these strengthened relationships have supported the identification of mutually beneficial activities.
Our employees We recognise the commitment of our employees to our purpose and goals, and help to build our success, and we value the input and insight that all team members can provide	As we only have two employees outside the board, our engagement is informal	↗ Wellbeing ↗ Health and safety ↗ Personal development	Both employees report to the finance director and there is a practice of open discussions as needed. Employees are aware of routes of communication to other board members. **Outcomes:** The code of conduct and Speak Up policy were embedded during the year to give employees reference on company matters and formal routes of communication on issues should this be required.
Our advisory team and other suppliers In order to have a close, informed, working relationship with all of our suppliers, making sure we are all committed to the success of the company and that as a business we have the ability to react swiftly to opportunities and issues	Building close relationships, where advisers have a detailed understanding of the business, its purpose, culture, and objectives and ensuring there are regular opportunities for dialogue during the year	↗ Impact of the wider economic environment ↗ Responsible payment terms ↗ No conflicts of interest ↗ Mutually beneficial relationships, supporting both parties' interests	A director took responsibility for each key relationship and ensured that communication and feedback loops were appropriate and effective. **Outcomes:** During the year executive directors undertook a series of engagements conscious of key dependencies in our supplier relationships. Some were also managed through Cube Management Limited, in particular for those at the St Austell development. We responded swiftly to minimise loss to the group arising from the liquidation of one of our suppliers at St Austell.
Our local communities and the environment We wish to ensure that our activities have a positive impact on communities and the environment	Engagement with local communities to understand the impact of our operations and plans for development	↗ Making a positive contribution to communities and the environment ↗ Charitable donations (detailed on page 38)	Quarterly meetings with asset managers, which include environmental matters as an agenda item. **Outcomes:** As reported on page 22 the EPC assessments undertaken during the year are part of our commitment to ensuring we continue to operate responsibly.

Sustainability

Our culture

At Highcroft, our culture of striving to conduct our business in an ethical and responsible manner, making a positive contribution to society, whilst minimising any negative impacts on people and the environment, has continued throughout the year. The board recognises the importance of culture for the successful delivery of our strategy and as the basis for our business model.

Our stakeholders

Our key stakeholders are our shareholders, tenants, employees, advisory team and other suppliers, our local communities and the environment. Our engagement with them and their key interests is set out in our stakeholder engagement statement on page 21.

The environment and climate change

As a group our aim is to minimise our environmental impact. We seek to understand the environmental performance of our portfolio and to implement improvement policies where possible. In 2023 we initiated the Energy Performance Certificate (EPC) assessments to ensure compliance with the Minimum Energy Efficiency Standards (MEES) effective from 1 April 2023. In the first phase, we focused on properties falling below the MEES targets, representing 42% of our portfolio. This included properties with expired or soon-to-expire assessments. All 14 properties assessed met the current standards.

At the year end our portfolio's EPC ratings varied, with 10% rated as B, 54% as C, and 27% as D. The remaining 9% fell into the E category. To improve these ratings, to enhance and future-proof these properties, we are collaborating with external energy performance consultants to understand capital costs and liaising with tenants to determine the most valuable and cost-effective solutions.

In 2024 we plan to assess an additional seven properties, representing 13% of our portfolio. These assessments will be conducted on a rolling basis, ensuring alignment with the MEES target of achieving EPC ratings of C or above by 1 April 2027.

Streamlined energy and carbon reporting regulations (SECR)

The company falls within the scope of being required to report in accordance with these regulations and this information is in the report of the directors on page 39.

Other environmental initiatives

In addition to our EPC assessments, we are actively pursuing various environmental targets to promote sustainability across our portfolio as set out below.

Green Leases: We have prioritised the inclusion of green clauses in all new lease renewals and lease re-gears, encouraging tenants to adopt environmentally responsible practices. These clauses require tenants to provide energy consumption data, enabling us to better understand their operational requirements and identify opportunities to optimise energy usage.

Solar Implementation: We are currently engaged in discussions regarding the implementation of solar panels across select properties within our portfolio. By harnessing solar energy, our aim is to not only decrease our carbon footprint but also drive cost savings and increase energy resilience.

Electric Vehicle (EV) Infrastructure: We are exploring the feasibility of installing EV charging infrastructure at select retail parks. This initiative is designed to support the growing adoption of electric vehicles amongst consumers whilst promoting cleaner transportation alternatives.

Development property: At St Austell, nature surveys were held on the development site as part of the planning process to ensure the protection of wildlife and we have a 25-year biodiversity plan with planting areas agreed as part of the development. We are on track in targeting a BREEAM 'very good', EPC A-rated building which will include LED lighting and EV charging points.

Stakeholder alignment

We align our executive management team with our stakeholders via the Highcroft Bonus Plan, page 31.

Diversity

We believe that a diverse team is an important factor in maximising business effectiveness. We aim to maintain the right blend of skills, experience and knowledge in the board, with our employees and our advisory teams. As at 31 December 2023, the gender composition of the board was 20% women, 80% men and all staff was 43% women and 57% men.

Communities we serve

The board considers the impact on the local communities, including neighbouring tenants, when development and refurbishment activity take place. A project manager is used to oversee the work and only approved suppliers are used. Care is taken to ensure that health and safety is taken into account at all stages of the work.

Charity

During 2023, donations continued to be made to local and national charities totalling £12,000. These charities support the sick, terminally ill and disadvantaged.

Future focus

In 2024, we will continue to work to evolve our sustainability strategy and operational plan for implementation. Our asset managers help to facilitate this strategy and its delivery. Our culture of conducting our business in an ethical and responsible manner continues to guide our work in this area. Highcroft will endeavour to set realistic expectations, finding the correct balance between regulation, cost, and the absolute impact of any changes that it is able to influence.

This strategic report on pages 12 to 22 was approved by the board and signed on its behalf by:

Paul Leaf-Wright

Chief executive
25 March 2024

Corporate governance

View more online at:
www.highcroftplc.com

Governance activities during 2023

During the year the board continued to follow the Principles and Provisions of the UK Corporate Governance Code. As reported last year there were six provisions the company did not comply with and this remained the same during 2023. Following the listing on TISE on 19 February 2024 and the delisting from the LSE on 20 February 2024, the company has maintained its existing governance framework.

The TISE Listing Rules require issuers to adhere to certain principles, including being responsible for following any applicable recognised code of corporate governance. Following TISE Admission, the company intends to comply, insofar as possible, for a company of its size and nature, with the provisions of the QCA Corporate Governance Code. The board believes the QCA Code offers a flexible, yet rigorous approach to support the company as the business evolves.

Governance framework

The board

Chairman: Charles Butler

Composition: Two executive and three non-executive directors

Board committees

Executive committee	Audit committee	Remuneration committee	Nomination committee
Chair: Paul Leaf-Wright	**Chair:** Simon Costa	**Chair:** Simon Costa	**Chair:** Charles Butler

Corporate governance is essential to ensuring our business is run in the right way for the benefit of all of our stakeholders.

Our governance framework was established to provide clear lines of accountability and responsibility. It also assists with the sharing of information and facilitates fast decision making and effective oversight. Our governance arrangements continue to support the development and delivery of strategy by ensuring accountability and responsibility, facilitating the sharing of information to inform decisions, enabling engagement with key stakeholders, maintaining a sound system of risk oversight, management and internal controls, providing independent insight and knowledge from the independent non-executive directors and facilitating the development and monitoring of key performance indicators.

Meetings

Board and committee meetings 2023

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Charles Butler	7	4	4	1
Simon Costa	8	4	4	1
Paul Leaf-Wright	8	–	–	–
Roberta Miles	8	–	–	–
David Warlow	8	–	–	–

Apologies were received in advance from Charles Butler for the board meeting he did not attend.

Board of directors

View more online at:
www.highcroftplc.com

Charles Butler
Non-executive chairman

Charles joined the group as non-executive chairman in January 2018. He was considered to be independent upon appointment and is considered, by the board, to have remained independent throughout the year. Charles qualified as a chartered accountant and, prior to joining the board, was the CEO of Market Tech Holdings PLC, where he transformed a small group of central London real estate assets into a profitable, listed company with a £1.3bn portfolio. The board believes Charles continues to bring significant value to the board.

Charles is the non-executive chairman of Best of the Best plc, an AIM-listed company providing online competitions; non-executive director of Essensys plc, a global provider of SaaS platforms and on-demand cloud services to the flexible workspace industry; and chief executive officer of Kape Technologies Limited, a private company providing digital security software to consumers.

Simon Costa
Non-executive director and senior independent director

Simon joined the board as senior independent director in May 2015. Simon was formerly the Senior Bursar of a college of the University of Oxford. He was responsible for overseeing the management of the endowment, and the finance and estates functions, and he served on all the college's core committees.

Prior to that, he was an investment banker specialising in global M&A activities, and then for nine years he ran his own property company. In these roles, he advised US and UK public and private corporations on financial and related matters and owned a modest property portfolio. The board have agreed that Simon remains independent.

Simon is currently University Treasurer at the Royal Agricultural University, Cirencester.

Paul Leaf-Wright
Chief executive

Paul was appointed chief executive from 1 January 2023. He has over 40 years of property and financial services experience. He established Leaf Capital in 2004 and is the company's chairman. He also co-founded Atlantic Leaf Properties in 2013, a UK Real Estate Investment Trust that invested primarily in industrial assets in the UK. Atlantic Leaf was listed on the JSE (South Africa) and SEM (Mauritius) markets and Paul built the portfolio to approximately £400m in assets. Paul is also a consultant to and shareholder of Cube Asset Management who were appointed as property asset managers on 1 January 2023. For further details see Note 18 on page 63.

Roberta Miles
Finance director

Roberta joined the group in April 2010 and was appointed to the board as finance director and company secretary in July 2010. From October 2021, she continued in her role as finance director having relinquished her role as company secretary. Roberta qualified as a chartered accountant in 1988 and, after leaving the profession in 1996, has maintained a portfolio of part-time executive board-level roles in a variety of businesses at various stages of their life cycle. Her acute attention to detail, financial acumen and business expertise continues to be a valuable asset to the board, together with her project management capabilities. The board benefits greatly from the experience of her varied executive roles.

David Warlow
Non-independent non-executive director

David joined the board as a non-executive director in August 2022. David is a director of Kingerlee Holdings Limited, a construction and property development group of companies. David represents the interests of Kingerlee Holdings Limited which, together with its subsidiaries, has an aggregate beneficial interest of 27.3% in the share capital of the company and forms part of the Kingerlee Concert Party. In this role, he does not sit on any board committees. David is a director of Kingerlee Holdings Limited, Kingerlee Homes Limited, Kingerlee Limited and T.H.Kingerlee & Sons Limited.

Key

Chairman | Member | Executive committee | Nomination committee | Audit committee | Remuneration committee

Audit committee report

Audit, risk and internal control.

2023 key achievements

- Consideration of 2023 financial reporting given the February 2024 delisting from the LSE and listing on TISE
- Consideration of valuer appointment for 2024 given the change in the RICS regulations in 2023

Monitoring quality and integrity

I am pleased to introduce the audit committee report for the year ended 31 December 2023. We set out below a summary of our main responsibilities and key activities during the year. As a committee, we are responsible for monitoring the quality and integrity of the group's reporting, and for continuing to develop and maintain a sound system of risk management and internal control.

Main responsibilities

In line with the authority delegated by the board, the audit committee has the following main responsibilities:

- **Risk management and internal controls**
  reviewing the system of internal controls and risk management.
- **Financial reporting**
  monitoring the quality and integrity of the company's financial statements and any formal announcements relating to financial performance, and considering significant financial reporting issues, judgements and estimates
- **Property valuations**
  considering the process and outcome and the effectiveness and independence of the external valuer.
- **External audit**
  oversight and remuneration of the external auditor, and review of the policy for non-audit services provided by the external auditor.

Composition of the committee and attendance at meetings

There have been no changes to the membership of the committee during the year. The committee continues to be composed solely of the independent chair of the board, Charles Butler, and the independent non-executive director Simon Costa. The board is satisfied that they both have sufficient financial experience, commercial acumen and real estate sector knowledge and experience to carry out their duties effectively. Attendance at committee meetings is set out on page 23.

The terms of reference were reviewed during the year and are available on the group's website at: www.highcroftplc.com.

Principal responsibilities of the committee and its related activities

Financial reporting

The committee is responsible for monitoring the integrity of the group's financial statements and any formal announcements relating to performance. It paid particular attention to those matters that were considered to be important to the group due to their subjectivity, the level of judgement involved or their effect on the financial statements.

In 2023, the key issues relating to our financial statements that were considered are set out below:

Significant issues considered	Potential risk	How those issues were addressed	Conclusion
Valuation of property portfolio	The valuation of our investment property portfolio is inherently subjective as it is undertaken on the basis of assumptions made by valuers, which may not prove to be accurate. The outcome of the valuation is significant in terms of our results, future investment decisions and remuneration.	The external valuers carried out a valuation at 30 June 2023 and 31 December 2023. They also provided an overview of the UK property market and the detailed performance of the group's assets. The valuer attended a meeting with the board and the auditor after the year end, where the agenda included the process adopted by the valuer, data provision by management, comparable market data and assumptions used by the valuer including estimated rental values and yields. It also reviewed a commentary on the relevant qualifications of the valuer and on their independence.	The committee was satisfied with the valuation process, the independence and effectiveness of the group's external valuer and the valuation disclosures included in the annual report. The committee recommended to the board that the group consider appointing a new valuer in 2024 in line with recent changes in RICS regulations.
Revenue recognition	Revenue may be recorded in the incorrect accounting period, or fail to be recorded at all, or fictitious revenues may be recorded.	The committee considered the appropriateness of the controls in place in the revenue cycle, having particular regard to the use of external agents and the controls in place over their work including the reconciliations performed and reviewed internally.	The committee concluded that the revenue recognition policies and controls were appropriate.

Audit committee report continued

Significant issues considered	Potential risk	How those issues were addressed	Conclusion
REIT status	The group loses its REIT status.	The committee considered the controls in place to ensure compliance with REIT tests. In particular, they reviewed the compliance with the distribution requirement and the impact of forecasted results and trends on this criterion. They reviewed the non-statutory clearance application process that had been undertaken regarding the delisting from the LSE and listing on TISE.	The committee concluded that the group's REIT status had been maintained during the year and was not at risk from the delist/list process.
Going concern statement	If this basis was inappropriate then there could be material misstatements in the financial statements.	The committee reviewed the analysis supporting the preparation of the financial statements on a going concern basis. This review included forecast cashflows, loan maturities, headroom on our debt covenants and undrawn debt facilities.	The committee concluded that the going concern method of preparation remained appropriate. The going concern statement is set out on page 20.

In addition, the committee consider the additional risks that may arise related to Highcroft's status as an associated undertaking of Kingerlee Holdings Limited which commenced on 10 December 2020.

Financial reporting and fair, balanced and understandable reporting

The committee continues to review the content and tone of the preliminary results, annual report and interim results prior to their publication, the application of the group's accounting policies and the detail of any changes to the financial reporting requirements, particularly having regard to the change of listing from the LSE to TISE in between the year end and the publication of results. Drafts of the annual report are reviewed by the committee prior to the formal consideration by the board with sufficient time provided for feedback.

The committee reviewed the key messaging included in the annual report and interim results, paying particular attention to those matters considered to be important to the group by virtue of their size, complexity, level of judgement required or potential impact on their financial statements.

The committee also considered the annual report and accounts, as a whole, on behalf of the board and made a recommendation to the board that it resolve that they were fair, balanced and understandable and provided the information necessary for stakeholders to assess the group's position, performance, business model and strategy. The committee ensured that the board continued to present a balanced and understandable assessment of the group's position and prospects in all interim and other price-sensitive public reports to regulators. The responsibilities of the directors with regard to the financial statements are described on page 40, and that of the auditor on pages 45 to 46.

Risk management and internal controls

The board is responsible for an ongoing process to identify, evaluate and manage the risks facing the business, establishing and maintaining a sound system of internal control and for reviewing its effectiveness. The committee considered the group's risk appetite and concluded that it remains set at an appropriate level and is in line with the group's strategy. The audit committee is responsible for overseeing the adequacy and effectiveness of the risk management and internal control systems. The system of internal control is designed to meet the needs of the group and the risks to which it is exposed, and by its very nature provides reasonable, but not absolute, assurance against material misstatement or loss. Highcroft is very small when considering the number of people working directly in the business. Our group structure is simple and transparent and our internal control procedures and policies are well established, reviewed annually internally, and subject to review during the external audit. The internal financial control system was in place for the period under review up to the date of approving the accounts.

The committee has considered the internal control and risk management systems in relation to the financial reporting process and concluded that they are adequate.

The audit committee reports on each of its meetings at the subsequent board meeting.

Simon Costa

Chair of the audit committee
25 March 2024

Nomination committee report

2023 key achievements

- Review of current skill set of the board and how this would support delivery of future strategy
- Facilitated smooth transition to new chief executive
- Identified relevant training session for the board.

Focus areas for 2024

- Review of progress on outcomes of the 2023 board evaluation
- Consider succession plans for both executive and non-executive directors

Composition, training and evaluation

Welcome to the report of the nomination committee. We set out below a summary of the main responsibilities and key activities during the year.

Main responsibilities

In line with the authority delegated by the board, the nomination committee has the following main responsibilities:

- **Board appointments**
  Leads the process for board appointments, ensures plans are in place for orderly succession to the board.
- **Board composition**
  Reviews the structure, size and composition of the board and its committees, recommending to the board any new appointees and the reappointment of existing directors and committee members.
- **Board diversity**
  Ensures there is a balance of skills, knowledge, experience and diversity on the board.
- **Board evaluation**
  Oversees a formal and rigorous annual evaluation of the board, its committees and directors.

Composition of the committee and attendance at meetings

There have been no changes to the membership of the committee during the year. The committee continues to be composed solely of the independent chairman of the board and the independent non-executive director. Their attendance at committee meetings is set out on page 23.

If this committee is dealing with the successor to the chairmanship it would be chaired by another non-executive director and may involve an external consultant.

Activities of the committee during 2023

Board composition and succession planning

During the year the nomination committee considered the skills, experience and tenure of the current members of the board. The committee reflected on how this skillset enabled the board to deliver the strategy and meet future business challenges as well as reflecting on future succession plans. It was agreed by the board that all members be proposed for re-election at the AGM. The board considered that both the chair and the senior independent director remained independent.

Board induction

Following the appointment of Paul Leaf-Wright to the board, an induction programme overseen by the committee was undertaken. This involved meeting with key stakeholders and was designed to assist him with his understanding of the company and its operations.

Board training and development

Following the outcomes of the 2022 board evaluation, the committee discussed relevant training sessions for the board and in October 2023, an update session on the UK MAR regulations was delivered to the board by Singer Capital Markets. The session was identified as relevant given the similar ongoing obligations under the TISE listing rules.

Board evaluation

The board conducted a self-performance evaluation by way of questionnaire which was facilitated by the company secretary. Actions identified from the review were considered by the board and it was agreed that progress on these continue to be monitored over the year.

Charles Butler
Chairman

Chair of the nomination committee
25 March 2024

Directors' remuneration report

Policy, practices, supporting strategy.

"

Simon Costa
Chair of the remuneration committee

Our remuneration policy aligns appropriate management incentives with our strategy.

Main responsibilities

In line with the authority delegated by the board, the remuneration committee has the following main responsibilities:

- **Role**
  Assist the board to fulfil its responsibility to shareholders to ensure that executive remuneration is designed to support strategy and promote sustainable success and is aligned to company purpose and linked to delivery of the company's long term strategy.
- **Remuneration policy**
  Is responsible for determining and agreeing with the board the policy for the remuneration of the executive directors and ensuring that they are appropriately incentivised to enhance the group's performance and are rewarded for their contribution to the success of the business by designing, monitoring and assessing incentive arrangements, and assessing performance and outcomes against them.
- **Dialogue with shareholders**
  Maintain an active dialogue with shareholders, ensuring their views are sought and considered when setting remuneration policy.

Annual Statement

I am pleased to introduce the remuneration report for the year ended 31 December 2023.

Members of the committee

There have been no changes to the membership of the committee during the year. The committee continues to be comprised solely of the independent chairman of the board and the independent non-executive director, and meets at least three times per year, together with ad-hoc meetings when required. The attendance at committee meetings during the year is set out on page 23.

Major decisions made during the year

During the year, the remuneration committee met to:

- review the introduction of the new remuneration policy approved at the 2023 AGM;
- agree the bonus plan criteria and awards for executive directors for 2023;
- begin to review the level of directors' salaries and the split between fixed and variable elements for 2024; and
- agree Simon Gill's status as a good leaver.

Remuneration philosophy

The board's stated objective is to enhance shareholder value through a combination of increasing asset value, profits and dividends. In order to achieve this objective, the board must focus its efforts on the strategic priorities that it believes will maximise the likelihood of success. The committee welcomes engagement with shareholders and welcomes feedback on the form and content of this report.

Remuneration strategy

The current remuneration policy was revised in 2023 and approved by the shareholders at the 2023 AGM. As previously reported the committee and board, during Q1 2024, determined that the previous remuneration policy was overly complex for an organisation of Highcroft's size and did not sufficiently incentivise the executive directors. The committee consulted major shareholders on the new policy and no concerns were raised. The new policy was approved by 99.2% of the shareholders voting at the AGM.

Summary of directors' remuneration policy

The objective of the group's remuneration policy is to embed a clear, transparent remuneration structure, which helps drive the group's strategy by properly rewarding performance.

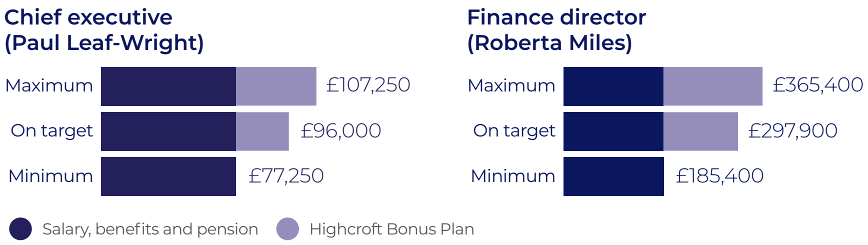
The board's policy is that the remuneration of all directors should reflect their experience and expertise, and the particular value that they add to the group. In addition, the packages should be sufficient to attract and retain individuals of an appropriate calibre and capability and should reflect the duties and responsibilities of the directors and the value and amount of time committed to the group's affairs. The packages should continue to be aligned with our remuneration philosophy with at least one element of performance-related pay for each executive director.

A copy of the 2023 remuneration policy can be found on the company's website www.highcroftplc.com. This was approved by the shareholders at the 2023 AGM and no changes are proposed for 2024.

Total remuneration – split between fixed and performance-linked elements

	Simon Gill		Paul Leaf-Wright		Roberta Miles	
	2023	2022	**2023**	2022	**2023**	2022
Fixed	**72%**	**40%**	**70%**	**n/a**	**72%**	**40%**
Base Salary	**69%**	39%	**68%**	n/a	**70%**	39%
Pension and other benefits	**3%**	1%	**2%**	n/a	**2%**	1%
Performance linked	**28%**	**60%**	**30%**	**n/a**	**28%**	**60%**
Highcroft Incentive Plan - cash	–	31%	–	n/a	–	31%
Highcroft Incentive Plan - share award	–	29%	–	n/a	–	29%
Highcroft Bonus Plan - cash	**28%**	–	**30%**	n/a	**28%**	–

Illustration of policy



On target performance

Comprising base salary, pension allowances and an incentive plan payment at 62.5% of the maximum opportunity.

Maximum performance

Comprising base salary, pension allowances and an incentive plan payment at 100% of the maximum opportunity.

Minimum performance

Comprising the minimum remuneration receivable being base salary and pension allowances.

Recruitment remuneration policy

The remuneration committee's approach to recruitment remuneration is to apply the same structure as described in our remuneration policy. On appointment, base salary levels will be set taking into account a range of factors including expected time commitment, market levels, experience, internal relativities and affordability.

The remuneration committee's policy is not to provide sign-on compensation or to provide buyouts as a matter of course. However, should the remuneration committee determine that the individual circumstances of recruitment justified the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of a director's previous employment will be calculated, taking into account the proportion of the performance period completed on the director's cessation of employment, the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied, and any other terms and conditions having a material effect on their value. The remuneration committee may then consider a payment of up to the same value as this calculated value, where possible, under the company's bonus plan. To the extent that it is not possible or practical to provide the buyout within the terms of the company's existing incentive plan, a bespoke arrangement would be used.

Directors’ remuneration report continued

Loss of office policy

The remuneration committee will honour any contractual arrangements. When determining any loss of office payment for a departing individual, the remuneration committee will always seek to minimise cost to the company, whilst seeking to address the circumstances at the time.

Directors’ service contracts

Executive directors are given service contracts, within which there is a notice period by either party of six months. Non-executive directors have a formal appointment document for a period of up to three years subject, at any time, to termination on six months’ notice by either party. All directors retire and are subject to election at the first AGM after their appointment. The board follows the Code recommendations in that all directors offer themselves for re-election at each AGM and intends to follow this recommendation in 2024.

Consideration of employment conditions elsewhere in the company

There are two other part-time employees in the company, a company secretary and a management accountant, whose salaries are decided by benchmarking to the market, their skills, experience and contribution. The directors did not consult with these employees in setting the directors’ remuneration policy as it was not considered appropriate to do so.

Consideration of shareholder views

During the year, the remuneration committee engaged with key shareholders to ensure that their views were understood when considering the new remuneration policy.

Audit

The law requires the group’s auditor, Mazars LLP, to report on whether the part of the directors’ remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006. Where disclosures have been audited, they are indicated as such. The auditor’s opinion is included in the independent auditor’s report on pages 41 to 46.

Directors’ contracts

A summary of the directors’ contracts is set out below:

Non-executive directors	Date of appointment as director	Effective date of current appointment letter	Expiry of term	Notice period
Charles Butler	2 January 2018	2 January 2024	1 January 2027	Six months
Simon Costa	15 May 2015	15 May 2021	14 May 2024	Six months
David Warlow	1 August 2022	1 August 2022	1 August 2025	Six months

Executive directors	Date of appointment as director	Date of contract	Notice period
Simon Gill [1]	1 April 2013	7 December 2017	Six months
Paul Leaf-Wright[2]	1 January 2023	3 January 2023	Six months
Roberta Miles	1 July 2010	7 December 2017	Six months

1 Resigned with effect from 31 March 2023.
2 Appointed 1 January 2023.

Annual report on remuneration for the year

Relative importance of spend on pay

	2023 £'000	2022 £'000	2021 £'000
Directors' remuneration[1]	**743**	770	737
(Decrease)/increase in directors' remuneration	**-3.5%**	4.5%	4.8%
Distributions paid to shareholders	**2,916**	2,909	3,007
Directors' remuneration as a % of distributions paid to shareholders	**25.5%**	26.5%	24.5%
Cash element of directors' performance-linked payments as a % of distributions paid to shareholders	**4.0%**	**7.3%**	**7.2%**

1 The 2023 figure includes £79,000 of charge related to the early vesting of shares issued under the Highcroft Incentive Plan.

Directors' remuneration 2023 (audited)

	2023					2022				
								Incentive plan		
	Base salary £	Pension/ pension allowance £	Bonus plan Cash award £	Benefits £	Total £	Base salary £	Pension/ pension allowance £	Cash award £	Share award[1] £	Total £
Charles Butler	**58,000**	–	–	–	**58,000**	53,000	–	–	–	53,000
Simon Costa	**44,000**	–	–	–	**44,000**	40,500	–	–	–	40,500
Simon Gill[1]	**38,125**	**1,144**	**15,250**	**763**	**55,282**	140,500	4,215	112,400	102,593	359,708
David Kingerlee[2]	–	–	–	–	–	14,583	–	–	–	14,583
Paul Leaf-Wright[3]	**68,750**	**2,063**	**30,000**	–	**100,813**	–	–	–	–	–
Roberta Miles	**180,000**	**5,400**	**72,000**	–	**257,400**	124,000	3,720	99,200	90,545	317,465
David Warlow[4]	**11,000**	–	–	–	**11,000**	4,167	–	–	–	4,167
Total	**399,875**	**8,607**	**117,250**	**763**	**526,495**	376,750	7,935	211,600	193,138	789,423

1 Resigned 31 March 2023 and ceased to be CEO on 31 December 2022.
2 Resigned 1 August 2022.
3 Appointed 1 January 2023.
4 Appointed 1 August 2022.

During 2023, as a consequence of the introduction of the new remuneration policy, all the existing unvested share awards vested (see page 32).

Highcroft Bonus Plan 2023

The maximum opportunity under the 2023 Bonus Plan was 40% of salary for the chief executive and 100% of salary for the other executive directors. The awards were based on the performance measures of: NAV per share performance, adjusted EPS performance, gross rent growth and strategic metrics (non-financial). The remuneration committee used their judgement in considering financial performance measures such as MSCI performance which is determined to be an appropriate relative market index. The committee then used their discretion in deciding the monetary amount of the award.

The awards for 2023 were:

Executive director	% of maximum award	Amount awarded
Paul Leaf-Wright	100%	£30,000
Roberta Miles	40%	£72,000
Simon Gill	40%	£15,250

Directors' remuneration report continued

Deferred share element of award under the Highcroft Incentive Plan.

As a consequence of the new Remuneration Policy approved in 2023 all outstanding deferred shares, issued under the Highcroft Incentive Plan, vested and the associated expense was charged against profits in 2023. The 2023 figures below are not included in the directors' remuneration 2023 table on page 31 as the awards were included in that table for the year to which the award relates.

		Deferred share element				Expensed in				
	Base salary £	% of base salary	Gross pay put through payroll £	MV of shares issued	PAYE/ NI payable on award	2019 £	2020 £	2021 £	2022 £	2023 £
Simon Gill										
2019 award	113,500	47.50%	53,913	28,574		12,802	768	6,785	5,913	**2,306**
					25,339		25,339	–	–	**-**
2020 award	125,000	55.23%	69,039	36,591			9,616	9,616	9,616	**7,743**
					32,448		32,448	–	–	**-**
2021 award	127,500	87.40%	111,435	59,061				15,156	15,156	**28,749**
					52,374			52,374	–	**-**
2022 award	140,500	73.02%	102,593	56,426					14,556	**41,870**
					46,167				46,167	**-**
						12,802	**68,171**	**83,931**	**91,408**	**80,668**
Roberta Miles										
2019 award	95,500	47.50%	45,363	24,042		10,771	646	5,709	4,975	**1,941**
					21,321		21,321	–	–	**-**
2020 award	110,000	55.23%	60,754	32,200			8,462	8,462	8,462	**6,814**
					28,554		28,554	–	–	**-**
2021 award	112,500	87.40%	98,325	52,112				13,373	13,373	**25,367**
					46,213			46,213	–	**-**
2022 award	124,000	73.02%	90,545	47,328					12,209	**35,119**
					43,217				43,217	**-**
						10,771	58,983	73,756	82,236	**69,241**
Total						**23,573**	**127,154**	**157,688**	**173,644**	**149,909**

Awards of prior years

The 2019-2022 awards were paid via the payroll in the year after the year of the award and the net sum (calculated after deducting PAYE and NI) was used to purchase new shares at the average of the closing share price for the previous three working days.

	2019 award (Shares purchased 5 May 2020)		2020 award (Shares purchased 12 April 2021)		2021 award (Shares purchased 31 March 2022)		2022 award (Shares purchased 30 March 2023)		Total	
	Number of shares	Purchase price at £6.63 per share £	Number of shares	Purchase price at £8.07 per share £	Number of shares	Purchase price at £9.87 per share £	Number of shares	Purchase price at £8.87 per share £	Purchase price £	Value at 31 December 2023 at £8.80 per share £
Simon Gill	4,309	28,569	4,534	36,589	5,984	59,061	6,361	56,422	180,641	186,454
Roberta Miles	3,626	24,040	3,990	32,199	5,280	52,114	5,335	47,321	155,675	160,433

Remuneration of the Chief Executive (CEO)

The table below shows the total remuneration of Paul Leaf-Wright (from 1 January 2023) and Simon Gill (until 31 December 2022) in respect of their role as CEO together with the annual percentage change.

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Fixed remuneration										
Paul Leaf-Wright	71									
Simon Gill		145	131	129	113	108	98	95	70	51
Variable remuneration										
Paul Leaf-Wright	30									
Simon Gill		204	195	168	104	101	94	87	82	60
Total remuneration										
Paul Leaf-Wright	101									
Simon Gill		349	326	297	217	209	192	182	152	111
	101	349	326	297	217	209	192	182	152	111
Percentage change in total remuneration of CEO	-71%	7%	10%	37%	4%	9%	5%	20%	37%	171%
Annual variable element award payout against maximum opportunity	**100%**	77%	87%	68%	64%	N/A	N/A	N/A	N/A	N/A

The Highcroft Bonus Plan was introduced with effect from 1 January 2023 and the Highcroft Incentive Plan was in place for the years 2019-2022. Prior to that any bonuses were entirely discretionary with no maximum opportunity defined.

Directors' remuneration report continued

Annual percentage change in remuneration of directors and employees

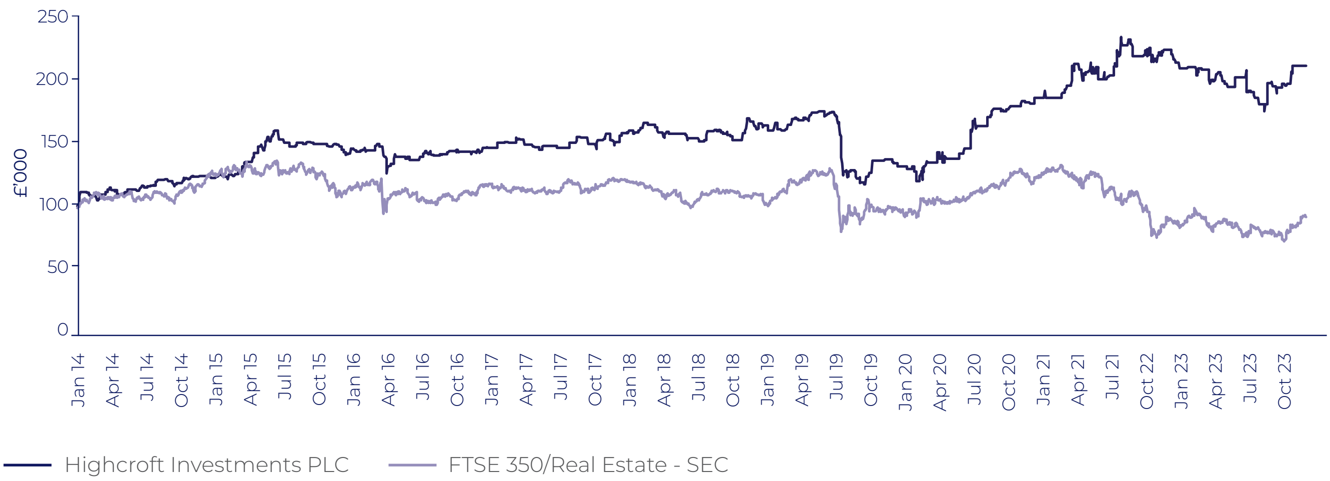
The table below shows a comparison of the annual change of each individual director's pay. As there are only two non-board employees, it is not considered appropriate or beneficial to include that information as a comparator.

Change in pay between the years	2022–2023 Base salary/ fees % change	2022–2023 Pension allowance % change	2022–2023 Incentive/ bonus plan Cash award % change	2022–2023 Incentive/ bonus plan Share award % change[2]	2022–2023 Total remuneration	2021–2022 Base salary/ fees % change	2021–2022 Pension allowance % change	2021–2022 Incentive plan Cash award % change	2021–2022 Incentive plan Share award % change[2]	2021–2022 Total remuneration
Executive directors										
Simon Gill (to 31 March 2023)	9%	9%	-46%	-100%	-39%	10%	10%	1%	-8%	2%
David Kingerlee (to 7 April 2021)[1]	–	–	–	–	–	-100%	-100%	-100%	–	-100%
Roberta Miles	45%	45%	-27%	-100%	-19%	10%	10%	1%	-8%	2%
Paul Leaf-Wright (from 1 January 2023)	100%	100%	100%	–	100%	–	–	–	–	–
Non-executive directors										
Charles Butler	9%	–	–	–	9%	6%	–	–	–	6%
Simon Costa	9%	–	–	–	9%	7%	–	–	–	7%
David Kingerlee (from 7 April 2021 to 1 August 2022)[1]	-100%	–	–	–	-100%	0%	–	–	–	0%
David Warlow (from 1 August 2022)[1]	10%	–	–	–	10%	100%	–	–	–	100%

1 For joiners and leavers percentage changes have been calculated on a pro-rata basis.
2 The % change is calculated by reference to the gross value of the award and not the amount expensed in the year.

Company performance

The board is responsible for the group's performance. The graph below shows the company's Total Shareholder Return (TSR) compared to the FTSE 350 Super Sector Real Estate Index over the last ten years, which the board considers to be the most appropriate benchmark. TSR is defined as share price growth plus reinvested dividends.



Statement of implementation of remuneration policy in the next financial year

A new remuneration policy was adopted in 2023.

Salaries 2024

Given the de-listing from the LSE and listing on TISE in Q1, the board has undertaken to defer a review of 2024 base salaries until Q2 2024.

Highcroft Bonus Plan 2024

The maximum opportunity under the Highcroft Bonus Plan for 2024 will be as defined in the remuneration policy and will be calculated by remuneration committee exercising their judgement and if appropriate their discretion.

Directors' shareholding guideline

Under the new remuneration policy introduced in May 2023 executive directors are encouraged, but not required, to build up a shareholding in the company. Prior to May 2023 the executive directors were encouraged to build up, over a five-year period, and then subsequently hold, a shareholding equivalent to 100% of base salary.

Executive director	Beneficially held shares	2023 base salary £	Achieved at 31 December 2023	Value of beneficially held shares £
Paul Leaf-Wright	0	68,750	0%	0
Roberta Miles	24,181	180,000	118%	212,793

The value of the executive directors' shareholdings has been calculated using the closing price at 31 December 2023 of £8.80.

Interests of the directors in the shares of the company (audited)

The interests of the directors in office at 31 December 2023, and their connected persons, in the shares of the company at 31 December 2023 and at 31 December 2022, were as follows:

	31 December 2023	31 December 2022
Charles Butler	–	–
Simon Costa	–	–
Paul Leaf-Wright (appointed 1 January 2023)	–	n/a
David Warlow	**1,421,063**	1,421,063
Roberta Miles	**24,181**	18,846

Directors' remuneration report continued

Statement of shareholder voting

At the AGM in 2023 the resolution to approve the directors' remuneration report and the resolution to approve the directors' remuneration policy both received the following voting from shareholders:

Votes cast in favour	2,781,000	99.2%
Votes cast against	23,589	0.8%
Total votes cast	2,804,600	100.0%
Votes witheld	–	–

Approved by the board of directors and signed by

Simon Costa

Chair of the remuneration committee
25 March 2024

Report of the directors

The corporate governance report on pages 23 to 40 forms part of the report of the directors.

The directors present their report together with the audited financial statements for the year ended 31 December 2023.

The principal activity of the group continues to be property investment.

Directors

The directors, who served throughout the year, are listed below:

Charles Butler	Non-executive chairman
Simon Costa	Senior independent non-executive director
Simon Gill (resigned 31 March 2023)	Executive director
Paul Leaf-Wright (appointed 1 January 2023)	Chief executive
Roberta Miles	Finance director
David Warlow	Non-executive director

The board continued to recognise the requirement of the Code regarding the segregation of roles and division of responsibilities between the chairman and chief executive, and between the leadership of the board and the executive leadership of the business and has complied with these requirements during the year. Following the listing on TISE on 19 February 2024 and the delisting from the LSE on 20 February 2024 the group, whilst no longer required to comply with the Code, has undertaken to comply insofar as is practicable with the QCA Code.

The interests of the directors in the shares of the company are included in the remuneration report on page 35.

In accordance with the Code, all continuing directors will retire and offer themselves for re-election at the forthcoming 2024 AGM.

The board confirms that following performance evaluations, and review by the nomination committee, the performance of each director continues to be effective and that they demonstrate commitment to their role. The board believes that it is in the best interest of shareholders that these directors be re-elected.

Financial instruments

The group's exposure to, and management of, capital risk and liquidity risk is in Note 18 to the consolidated financial statements.

Structure of share capital and rights and obligations attaching to shares

The company's allotted and issued share capital, as at 31 December 2023, was £1,301,665 (2022 £1,298,741) divided into 5,206,659 (2022 5,194,963) ordinary shares of 25p each, each of which was called up and fully paid. There have been no changes to the share capital since the year end.

Subject to the Companies Act for the time being in force (the Act), the company's articles of association confer on holders the following principal rights:

- **To receive a dividend**
  The profits of the company available for dividend, and resolved to be distributed, shall be applied in the payment of dividends to the members and to persons becoming entitled to shares by transmission, in accordance with their respective rights and priorities. The company in general meeting may declare dividends accordingly.
- **To a return of capital or assets, if available, on liquidation**
  Upon any winding up of the company, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the statutes, divide amongst the members in specie the whole or any part of the assets of the company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members of different classes of members.
- **To receive notice of, attend and vote at an AGM**
  At each AGM, upon a show of hands, every member present in person or by proxy shall have one vote, and upon a poll, every member present in person or by proxy shall have one vote for every share of which they are the holder.
- **To have, in the case of certificated shares, rights in respect of share certificates and share transfers**
  Every person whose name is entered as a member in the register as the holder of any certificated share shall be entitled without payment to one certificate for all the shares of each class held by them or, upon payment of such reasonable out-of-pocket expenses for every certificate after the first as the board shall from time to time determine, several certificates each for one or more of their shares. On any transfer of shares, the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof.

Directors' powers at the year end

At the 2019 AGM, the directors were given powers, as follows:

- To allot new shares, or to grant rights to, subscribe for, or convert, any security into shares of the company for the purpose of the satisfaction of awards granted under the Highcroft Incentive Plan up to an aggregate nominal amount of £64,591; and
- To allot equity securities for cash on a non-pre-emptive basis, up to an aggregate nominal amount of £64,591.

These powers were authorised by shareholders for a period of 5 years and will be revoked after the 2024 AGM.

Report of the directors continued

Substantial shareholders

As at 31 December 2023, the following notifications of interests in 3% or more of the company's ordinary share capital in issue had been received:

	Beneficial	Number of shares
D G & M B Conn and associates	24.78%	1,290,214
Controlling shareholder – Kingerlee Concert Party comprising		
– the wholly owned subsidiaries of Kingerlee Holdings Limited:		
– Kingerlee Limited	9.89%	515,000
– Kingerlee Homes Limited	7.90%	411,293
– T H Kingerlee & Sons Limited	9.50%	494,770
Total – Kingerlee Holdings Limited	**27.29%**	**1,421,063**
– other associates	13.57%	706,319
Total – Kingerlee Concert Party	**40.86%**	**2,127,382**

Application of the Takeover Code

Following the listing on TISE, the company remains subject to the Takeover Code and as a result, the protections that are afforded to shareholders under the Takeover Code remain applicable to the company. The directors are aware that the shareholdings of Kingerlee Holdings Limited and its subsidiaries referred to in the previous table, together with their connected parties and associates, form the Kingerlee Concert Party, which, as at 25 March 2024, held 2,127,382 ordinary shares, representing 40.86% of the company's issued share capital.

The persons comprising the Kingerlee Concert Party were confirmed by the Takeover Panel in 1999. The company can confirm that, in accordance with these rules:

- It entered into a controlling shareholder agreement (CSA) with the Kingerlee Concert Party on 13 November 2014;
- The company has complied with the independence provisions in the CSA from 1 January 2023 to 31 December 2023 (the period);
- So far as the company is aware, the independence provisions in the CSA have been complied with by the Kingerlee Concert Party and its associates in the period; and
- So far as the company is aware, the procurement obligation in the CSA has been complied with by the Kingerlee Concert Party in the period
- The CSA remained in force until the company delisted from London Stock Exchange on 20 February 2024.

The CSA contained undertakings that inter alia:

- Transactions and relationships with the controlling shareholder (and/or any of its associates) would be conducted at arm's length and on normal commercial terms;
- Neither the Kingerlee Concert Party nor any of its associates would take any action that would have the effect of preventing the company or any member of its group from complying with its obligations under the relevant listing rules; and
- Neither the Kingerlee Concert Party nor any of its associates would propose or procure the proposal of a shareholder resolution, which was intended or appears to be intended to circumvent the proper application of the relevant listing rules.

The directors are proposing that similar arrangements between the company and concert party remain in place now that the company is listed on TISE. The directors have put in place measures to ensure that the election or re-election by the shareholders of any independent non-executive director should be approved by an ordinary resolution of the shareholders and separately approved by those shareholders who are not controlling shareholders, the independent shareholders. This process will be followed for the 2024 AGM.

Directors' indemnification and insurance

The company's articles of association provide for the directors and officers of the company to be appropriately indemnified, subject to the provisions of the Companies Act 2006. The company purchases and maintains insurance for the directors and officers of the company in performing their duties, as permitted by section 233 Companies Act 2006.

Engagement with customers, suppliers and others who have a business relationship with the company

The directors work closely with key members of our advisory team and suppliers and through Cube Management Limited with our tenants and potential tenants. During 2023, we continued to collaborate with our suppliers; further details can be found on page 21.

Dividends

The dividends paid by the company during the year and declared prior to the publication of this report are set out in Note 6 of the consolidated financial statements on page 56.

Charitable donations

During the year, the group made charitable donations of £12,000.

Disclosure of information to the auditor

So far as the directors who held office at the date of approval of this directors' report are aware there is no relevant audit information of which the auditor is unaware, and each director has taken steps that they ought to have taken as a director to make themselves aware of any audit information and to establish that the auditor is aware of that information.

Greenhouse gas emissions

Under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, the company is required to report annual greenhouse gas emissions for 2023. Following the move of listing to TISE on 19 February 2024 the company will no longer be required to report annual greenhouse gas emissions as it is out of scope of these regulations.

In considering their obligations, the directors have taken into account the following factors:

- The group operates from a two-desk serviced office of approximately 150 sq ft within a larger building and has no direct responsibility for energy usage. Energy use, given the space occupied, is immaterial compared to other uses shown below and would be impracticable to collect.
- The annual energy cost for which we were responsible within the property portfolio in 2022 for the first time exceeded 40,000kWh. This increase was due primarily to the works undertaken at the void Cardiff office property of 17,797 sq ft.
- The car fuel used by the group and its advisers is considered immaterial.

			2023 kg CO_2	2022 kg CO_2	
Scope 1	Direct emissions	Combustion of fuel and operation of facilities	0	0	Note 1
Scope 2	Indirect emissions	Purchased electricity (location-based) 79,533 kWh (2022 79,952 kWh)	16,463	15,461	Note 2
Scope 3	Indirect emissions		0	0	Note 3

Note 1: As stated above, the group operates from a serviced office and has no direct responsibility for energy usage.

Note 2: The annual energy costs for the limited shared areas within the portfolio was 30,147 kWh, 6,240 kg CO_2 (2022 18,796 kWh, 3,634 kg CO_2). During 2022 there was a significant amount of improvement and dilapidations work carried out at our void Cardiff property, for which the group is responsible. This work was completed in 2022 but the property remains void. For 2022, the energy usage for Cardiff was 49,387 kWh, 10,223 kg of CO_2. kWh are converted using the DEFRA Electricity conversion rate.

Note 3: We are continuing to investigate the best means of measuring and attributing our indirect Scope 3 emissions.

Methodology

The GHG sources that constituted our operational boundary for the year are:

Scope 1: Direct GHG emissions created when we used fossil fuels in company-owned facilities and equipment, which we consider immaterial.

Scope 2: Indirect GHG emissions caused by those who supply us with energy, including electricity.

Scope 3: All other indirect GHG emissions from the whole value chain. We are investigating the best means of measuring and attributing our indirect Scope 3 emissions since this involves liaison with our suppliers and tenants up and down the value chain.

Baseline data: As 2022 was the first year that we fell into scope of these regulations, that data will be used as our baseline data.

Energy Saving initiatives: During the year, we began to review the EPC ratings of all our properties and to consider appropriate actions to improve current ratings. See page 22 for further information.

Likely future developments in the business of the company

In our strategic report we outlined our business model, strategy and future opportunities for development. Read more about this in our strategic report on pages 12 to 22.

Auditor

Mazars LLP have expressed their willingness to continue in office as auditors and a resolution to appoint them will be proposed at the forthcoming AGM.

This report was approved by the board and signed on its behalf by

Roberta Miles

Finance director
25 March 2024

Statement of directors' responsibilities

In respect of the annual report, remuneration report and the financial statements

The directors are responsible for preparing the annual report, remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the group financial statements in accordance with the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom for the group, and have elected to prepare the parent company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS and UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company, and enable them to ensure that the financial statements and the remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of this information.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website: www.highcroftplc.com. Visitors to the website should be aware that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom for the group and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) for the parent company, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the report and accounts, taken as a whole, are fair, balanced, and understandable and provide the necessary information for shareholders to assess the group's performance, business model and strategy.

On behalf of the board.

Charles Butler

Chairman
25 March 2024

Independent auditor's report

to the members of Highcroft Investments PLC

Opinion

We have audited the financial statements of Highcroft Investments PLC (the 'Parent Company'; the 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cashflows, the notes 1 to 22 to the consolidated financial statements, including material accounting policy information, the Company Statement of Financial position, the Company Statement of Changes in Equity and notes 1 to 13 to the financial statements, including material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards the Parent Company financial statements, as applied in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted International Accounting Standards and, as regards the Parent Company financial statements, as applied in accordance with United Kingdom Generally Accepted Accounting Practice and the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern;
- Evaluating the directors' method to assess the Group's and the Parent Company's ability to continue as a going concern as approved by the board of directors on 25th March 2024;
- Making enquiries of directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Group's and the Parent Company's future financial performance. This included examining the minimum cash inflow and committed outgoings under the cash flow forecasts and evaluating whether the directors' conclusion that liquidity headroom remained in all events was reasonable;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts, as described in Note 1, by reviewing supporting evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included assessing the viability of mitigating actions within the directors' control;
- Evaluating the key assumptions used and judgements applied by the directors in forming their conclusions on going concern;
- Testing the accuracy information used to prepare the directors' forecasts; and
- Reviewing the appropriateness of the directors' disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

In relation to Highcroft Investments PLC's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

Independent auditor's report continued

to the members of Highcroft Investments PLC

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the Key Audit Matter in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

The matter, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Investment property valuation The Group has a portfolio of investment properties consisting of warehouse/industrial, retail warehouse, high street retail, office and leisure in England and Wales. The Group's investment properties were carried at £78.3m as at 31 December 2023. The valuations were carried out by the third party valuer Knight Frank (the 'valuer'). The valuer was engaged by the Directors and performed their work in accordance with the Royal Institute of Chartered Surveyors ("RICS") Valuation – Professional Standards and the requirements of IAS 40 'Investment property'. Investment properties make up 93.5% of total assets by value and is considered to be the key driver of commercial property return for the Group and involves significant level of judgement in ascertaining the fair value under IFRS 13. The valuation of the investment properties is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property. The wider challenges currently facing the real estate sector, as a result of regional and macroeconomic factors, further contributed to the subjectivity in establishing valuations at 31 December 2023. As a result, the valuation of investment properties is considered to be a Key Audit Matter. Refer to page 25 (Report of the Audit Committee), page 43 (Note 1 Significant accounting policies, accounting estimates and judgments and investment property) and pages 49 to 52 (Note 8 Investment property).	Our audit work included but was not limited to: ↗ Understanding management's review controls on the third-party valuation report by discussing with management and performing a walkthrough to understand the design and implementation of review controls; ↗ Evaluating the valuer's independence, competence, capabilities and objectivity; ↗ Obtaining the valuation reports and evaluating that valuation approach was in accordance with the RICS standards; ↗ For all properties, testing of completeness and accuracy of data used in the valuation models and reviewing the key assumptions made by the valuer and appraising these against available market data such as locations and market growth; ↗ On a sample basis, engaging our valuation specialist to review reasonableness and suitability of the key valuation assumptions and compare the property valuations to publicly available recent comparable property transactions; and ↗ Reviewing the adequacy of the disclosure in the financial statements, including the valuation methodology, assumptions and fair value hierarchy used. **Our observations** Based on the work performed and evidence obtained, we consider the methodology and assumptions used to value the investment properties to be appropriate.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality

Overall materiality	£837,300
How we determined it	The overall Group statutory materiality has been calculated with reference to the Group's total assets, of which it represents approximately 1%.
Rationale for benchmark applied	Total assets have been identified as the principal benchmark within the financial statements as it is considered to be the focus of the shareholders. 1% has been chosen to reflect the level of understanding of the stakeholders of the Group in relation to the inherent uncertainties around accounting estimates and judgements.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. On the basis of our risk assessments, together with our assessment of the Group's overall control environment, we set performance materiality at £586,110 which is approximately 70% of overall Group materiality.
Reporting threshold	We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £25,119 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Parent company materiality

Overall materiality	£540,150
How we determined it	The Parent Company's statutory materiality has been calculated with reference to the Parent Company's total assets, of which it represents approximately 1%. For the purposes of the Group audit, we capped the overall materiality for the company to be 65% of the Group overall materiality.
Rationale for benchmark applied	Total assets have been identified as the principal benchmark within the financial statements as it is considered to be the focus of the shareholders. 1% has been chosen to reflect the level of understanding of the stakeholders of the Group in relation to the inherent uncertainties around accounting estimates and judgements.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. On the basis of our risk assessments, together with our assessment of the Group's overall control environment, we set performance materiality at £378,105 which is approximately 70% of overall company materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £16,205 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditor's report continued

to the members of Highcroft Investments PLC

We also applied a lower level of specific materiality for certain areas such as the revenue return of the consolidated statement of comprehensive income, directors' remuneration and related party transactions.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Group and the Parent Company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Our Group audit scope included an audit of the Group and the Parent Company financial statements. Based on our risk assessment, all components of the Group, including the Parent Company, were subject to full scope audit performed by the Group audit team. For each component in the scope of the Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £69,236 and £750,824. For all components across the Group performance materiality was set at 70%.

At the Parent Company level, the Group audit team also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Parent Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the:

- strategic report or the directors' report; or
- information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Parent Company.

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to Highcroft Investments PLC's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 20;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate, set out on page 20;
- Directors' statement on fair, balanced and understandable, set out on page 26;
- Board's confirmation that it has carried out a robust assessment of the Emerging and principal risks, set out on page 17;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on page 26; and;
- The section describing the work of the audit committee, set out on pages 25 to 26.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 40, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Group and the Parent Company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: compliance with the Real Estate Investment Trust (REIT) status.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Group and the Parent Company, the industry in which they operate, and the structure of the Group, and considering the risk of acts by the Group and the Parent Company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Group and the Parent Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

Independent auditor's report continued

to the members of Highcroft Investments PLC

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Listing Rules, UK Corporate Governance Code, Disclosure Guidance and Transparency Rules, UK Tax legislation and Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the cut-off and accuracy), valuation of investment property, and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key Audit Matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the audit committee on 12 May 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ending 31 December 2017 to 31 December 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with our additional report to the audit committee.

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Nargis Shaheen Yunis

(Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU

25 March 2024

Consolidated statement of comprehensive income

for the year ended 31 December 2023

	Note	2023 Revenue £'000	2023 Capital £'000	2023 Total £'000	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Gross rental revenue		5,790	–	5,790	5,608	–	5,608
Property operating expenses	8	(616)	–	(616)	(333)	–	(333)
Net rental income		5,174	–	5,174	5,275	–	5,275
Profit on disposal of investment property		–	1,014	1,014	–	–	–
Valuation gains on investment property	8	–	540	540	–	605	605
Valuation losses on investment property under development	9	–	(145)	(145)	–	–	–
Valuation losses on investment property	8	–	(4,868)	(4,868)	–	(10,986)	(10,986)
Net valuation losses on investment property		–	(4,473)	(4,473)	–	(10,381)	(10,381)
Administration expenses	3	(1,172)	–	(1,172)	(1,191)	–	(1,191)
Net operating profit/(loss) before net finance expense		4,002	(3,459)	543	4,084	(10,381)	(6,297)
Finance income		195	–	195	39	–	39
Finance expense		(833)	–	(833)	(840)	–	(840)
Net finance expense		(638)	–	(638)	(801)	–	(801)
Profit/(loss) before tax		3,364	(3,459)	(95)	3,283	(10,381)	(7,098)
Income tax charge	5	(98)	–	(98)	(18)	–	(18)
Profit/(loss) for the year after tax		3,266	(3,459)	(193)	3,265	(10,381)	(7,116)
Total profit/(loss) and comprehensive income/(loss) for the year attributable to the owners of the parent		3,266	(3,459)	(193)	3,265	(10,381)	(7,116)
Basic and diluted loss per share	7			(3.7)p			(137.0)p

The total column represents the statement of total comprehensive income as defined in IAS 1.

The accompanying Notes form an integral part of these financial statements.

Consolidated statement of financial position

at 31 December 2023

	Note	2023 £'000	2022 £'000
Assets			
Non-current assets			
Investment property	8	**76,650**	71,160
Investment property under development	9	**1,625**	–
Total non-current assets		**78,275**	71,160
Current assets			
Trade and other receivables	11	**1,226**	1,143
Cash and cash equivalents		**4,229**	7,206
Assets classified as held for sale	10	**–**	6,750
Total current assets		**5,455**	15,099
Total assets		**83,730**	86,259
Liabilities			
Current liabilities			
Trade and other payables	12	**3,327**	2,883
Total current liabilities		**3,327**	2,883
Non-current liabilities			
Interest bearing loan	13	**27,200**	27,200
Total non-current liabilities		**27,200**	27,200
Total liabilities		**30,527**	30,083
Net assets		**53,203**	56,176
Equity			
Issued share capital	14	**1,302**	1,299
Share premium		**312**	226
Share-based payment reserve		**–**	160
Revaluation reserve – property		**9,955**	11,499
Other equity reserve		**–**	(207)
Capital redemption reserve		**95**	95
Realised capital reserve		**30,437**	29,623
Retained earnings		**11,102**	13,481
Total equity attributable to the owners of the parent		**53,203**	56,176

These financial statements were approved by the board of directors on 25 March 2024 and signed on its behalf by

Paul Leaf-Wright
Director

Charles Butler
Director

Company number: 00224271

The accompanying Notes form an integral part of these financial statements.

Consolidated statement of changes in equity

2023	Issued share capital £'000	Share premium £'000	Share-based payment reserve £'000	Revaluation reserve – property £'000	Other equity reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2022	1,299	226	160	11,499	(207)	95	29,623	13,481	56,176
Transactions with owners:									
Issue of shares	3	101	–	–	(104)	–	–	–	–
Share issue costs	–	(15)	–	–	–	–	–	–	(15)
Dividends	–	–	–	–	–	–	–	(2,916)	(2,916)
	3	86	–	–	(104)	–	–	(2,916)	(2,931)
Reserve transfers:									
Non-distributable items recognised in income statement:									
Revaluation losses	–	–	–	(4,473)	–	–	–	4,473	–
Realised gains	–	–	–	–	–	–	1,014	(1,014)	–
Deficit attributable to asset sold in the year	–	–	–	200	–	–	(200)	–	–
Change in excess of cost over fair value through retained earnings	–	–	–	2,729	–	–	–	(2,729)	–
Share award vested	–	–	(311)	–	311	–	–	–	–
	–	–	(311)	(1,544)	311	–	814	730	–
Share award expensed	–	–	151	–	–	–	–	–	151
Total comprehensive loss for the year	–	–	–	–	–	–	–	(193)	(193)
At 31 December 2023	1,302	312	–	9,955	–	95	30,437	11,102	53,203

2022	Issued share capital £'000	Share premium £'000	Share-based payment reserve £'000	Revaluation reserve – property £'000	Other equity reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2022	1,296	117	102	19,236	(121)	95	29,623	15,769	66,117
Transactions with owners:									
Issue of shares	3	109	–	–	(112)	–	–	–	–
Dividends	–	–	–	–	–	–	–	(2,909)	(2,909)
	3	109	–	–	(112)	–	–	(2,909)	(2,909)
Reserve transfers:									
Non-distributable items recognised in income statement:									
Revaluation losses	–	–	–	(10,381)	–	–	–	10,381	–
Change in excess of cost over fair value through retained earnings	–	–	–	2,644	–	–	–	(2,644)	–
Share award vested	–	–	(26)	–	26	–	–	–	–
	–	–	(26)	(7,737)	26	–	–	7,737	–
Share award expensed	–	–	84	–	–	–	–	–	84
Total comprehensive loss for the year	–	–	–	–	–	–	–	(7,116)	(7,116)
At 31 December 2022	1,299	226	160	11,499	(207)	95	29,623	13,481	56,176

Consolidated statement of cashflows

at 31 December 2023

	Note	2023 £'000	2022 £'000
Operating activities			
Loss before tax		**(95)**	(7,098)
Adjustments for:			
Net valuation losses on investment property		**4,473**	10,381
Net gain on disposal of investment property		**(1,014)**	–
Share-based payment expense		**150**	84
Finance income		**(195)**	(39)
Finance expense		**833**	840
Operating cashflow before changes in working capital and provisions		**4,152**	4,168
(Increase)/decrease in trade and other receivables		**(83)**	1,732
Increase in trade and other payables		**366**	34
Cash generated from operations		**4,435**	5,934
Finance income received		**195**	39
Finance expense paid		**(833)**	(840)
Income taxes paid		**(19)**	(7)
Net cashflows from operating activities		**3,778**	5,126
Investing activities			
Sale of current assets – investment property	10	**7,764**	–
Purchase of non-current assets – investment property under development	9	**(1,770)**	–
Purchase of non-current assets – investment property	8	**(9,818)**	(726)
Net cashflows from investing activities		**(3,824)**	(726)
Financing activities			
Dividends paid		**(2,916)**	(2,909)
Share issue costs		**(15)**	–
Repayment of bank borrowings		**–**	(7,500)
New bank borrowings		**–**	7,500
Net cashflows from financing activities		**(2,931)**	(2,909)
Net (decrease)/increase in cash and cash equivalents		**(2,977)**	1,491
Cash and cash equivalents at 1 January		**7,206**	5,715
Cash and cash equivalents at 31 December		**4,229**	**7,206**

Notes to the consolidated financial statements

for the year ended 31 December 2023

1 Significant accounting policies

Highcroft Investments PLC is a company domiciled in the United Kingdom. The consolidated financial statements of the company for the year ended 31 December 2023 comprise the company and its subsidiaries, together referred to as the group. The principal activity of the group is investment in commercial property in England and Wales. The accounting policies remain unchanged.

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom.

In light of the conflicts in the Middle East and Ukraine, and with the effect of the high levels of interest rates and inflation 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 year ended 31 December 2023. The group's and company's going concern assessment considers the group's and company's principal risks, identified on pages 18 to 19 of this document, 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:

- 10% reduction in net income from our portfolio.
- A 20% increase in the forecast proposed capital expenditure.
- An increase in the assumed inflation rates by 5%.

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

The directors have also stress tested the forecasts considering the level of fall in income and valuations that would cause the business to be unable to pay its liabilities as they fall due and have concluded that the possibility of these scenarios occurring is remote.

Based on the consideration above, the board believes that the group and company have the ability to continue in business for at least 12 months from the date of approval of the financial statements for the year ended 31 December 2023, and, therefore, have adopted the going concern basis in the preparation of this financial information.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

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 the related tax impact. The revenue column includes all other items.

Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, assumptions and estimates that affect the application of accounting policies and amounts reported in the consolidated statement of comprehensive income and consolidated statement of financial position. Such decisions are made at the time the financial statements are prepared and adopted based on historical experience and other factors that are believed to be reasonable at the time. Actual outcomes may be different from initial estimates and are reflected in the financial statements as soon as they become apparent.
The measurement of fair value constitutes the principal area of estimate and judgement exercised by the directors in the preparation of these financial statements (note 8). The valuation of investment properties at fair value is carried out by external advisers who the directors consider to be suitably qualified to carry out such valuations. The fair value of the property portfolio is calculated using an income capitalisation technique whereby contracted and market rental values are capitalised with a market capitalisation rate. However, the valuation of the group's property portfolio is inherently subjective, which may not prove to be accurate, particularly where there are few comparable transactions. Key assumptions, which are also the major sources of estimation uncertainty used in the valuation, include the value of future rental income, the outcome of future rent reviews, and the net initial yield. Estimates and judgements are continually evaluated and are based on historical information of the group, the best judgement of the directors, and are adjusted for current market conditions. In the process of applying the group's accounting policies, management is of the opinion that any instances of the application of judgements did not have a significant effect on the amounts recognised in the financial statements. A sensitivity analysis has been performed on key inputs, methods and assumptions used in the estimation process (Note 8).

Notes to the consolidated financial statements continued

for the year ended 31 December 2023

1 Significant accounting policies continued

New accounting standards and interpretations

There are no new accounting standards or interpretations issued during the year that would materially affect the group.

There are no amendments to, or interpretations of, existing standards that are relevant to the group but are not yet effective and have not been adopted other than an amendment to IAS1, effective for accounting periods commencing on or after 1 January 2024, which requires additional information to be disclosed regarding loan covenants. This will be complied with in 2024.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its 100% subsidiaries: Rodenhurst Estates Limited, BL (Wisbech) Limited and Belgrave Land (Wisbech) Limited, which are all made up to 31 December 2023, also following consistent accounting policies. Unrealised profits or losses on intra-group transactions are eliminated in full.

Rental revenue as a lessor

Investment properties are leased to tenants under operating leases. The rental income receivable under these leases is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Any rent-free period is spread over the period of the lease. Since the risks and rewards of ownership have not been transferred to the lessee, the assets held under these leases continue to be recognised in the group's accounts. Dilapidations' income is recognised in the statement of comprehensive income when the amount is receivable from the tenant.

Finance costs

Interest is recognised using the effective interest method, which calculates the amortised cost of a financial liability and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount of the financial liability.

Share-based employee remuneration

Share-based employee remuneration is determined with reference to the fair value of the cash award that is used to purchase the newly issued shares at the date that the award is agreed and charged to the income statement over the service and vesting period on a straight-line basis.

Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

Realised gains and losses

Realised gains and losses are calculated as the difference between the proceeds, less expenses, and the value of the asset at the beginning of the financial year. The related revaluation gains or losses of previous years are transferred from revaluation reserve to realised capital reserve when the asset is disposed of.

Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax, except where it relates to items charged directly to equity, in which case the related deferred tax is also charged or credited to equity. Income tax is recognised in the income statement. As a REIT, tax is not payable on the income and gains generated in the tax-exempt property business.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of equity investments, using tax rates enacted or substantively enacted at the date of the statement of financial position.

1 Significant accounting policies continued

Investment property

Investment property is that which is held either to earn rental income or for capital appreciation or for both. Investment property, including assets under development, is stated at fair value. An external independent valuation company, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values the properties every six months. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In accordance with IAS 40, a property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the group holds it to earn rentals or for capital appreciation or both. Any such property interest under an operating lease classified as an investment property is carried at fair value.

Acquisitions and disposals are recognised on the date of completion. Any unrealised gain or loss arising from a change in fair value is recognised in the statement of comprehensive income.

Assets classified as held for sale

Where a board decision has been made to dispose of an investment property in its present condition prior to the year end, and the following conditions are met; an active programme to locate a buyer has been initiated, the asset is being actively marketed at a reasonable price, it is unlikely that there will be any significant changes to the plan to sell the asset and it is regarded as highly probable that a sale will complete within one year, the property is included within current assets and stated at fair value.

Trade and other receivables

Trade and other receivables, which are generally due for settlement, in advance, prior to the relevant quarter or month, are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts. The group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all applicable trade receivables. In determining the expected credit losses, the group takes into account any recent payment behaviours and future expectations of likely default events such as 90 days past due. Trade and other receivables are written off once all avenues to recover the balances are exhausted. Receivables written off are no longer subject to any enforcement activity.

Cash and cash equivalents

Cash and cash equivalents comprise cash available with an original maturity of less than three months.

Financial liabilities

The group's financial liabilities include trade and other payables and borrowings.

Trade payables and borrowings are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

Loans and borrowings are classified as current liabilities unless the group has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Issued share capital

Ordinary shares are classified as equity because they do not contain an obligation to transfer cash or another financial asset. Dividends are recognised as a liability in the period in which they are payable.

Share-based payment reserve

The share-based payment reserve includes the unissued element of the Highcroft Incentive Plan award that has been recorded in the comprehensive income statement.

Revaluation reserve – property

This revaluation reserve includes annual revaluation gains and losses less applicable deferred taxation and is non-distributable. Unrealised revaluation losses during the year are transferred to retained earnings.

Notes to the consolidated financial statements continued

for the year ended 31 December 2023

1 Significant accounting policies continued

Other equity reserve

The other equity reserve is debited with the value of the shares issued under the Highcroft Incentive Plan and credited with the value of the shares as they vest.

Share premium

Share premium represents the excess over nominal value of the fair value consideration for equity shares net of expenses of the share issue.

Capital redemption reserve

The capital redemption reserve is a statutory non-distributable reserve into which amounts are transferred following the redemption or purchase of issued share capital.

Realised capital reserve

The realised capital reserve includes realised revaluation gains and losses less attributable income tax and are non-distributable.

Retained earnings

Retained earnings include total comprehensive income less revaluation gains on properties and any applicable taxation less dividends paid.

Segment reporting

The group has one main operating segment – commercial property – and, therefore, no additional segmental information is required. A segment is a distinguishable component of the group whose operating results are regularly reviewed by the group's chief operating decision maker, who is the chief executive. For management purposes, the group uses the same measurement policies as those used in its financial statements.

2 Segment reporting

The group is comprised of one main operating segment. All of the revenue is received from England and Wales.

In 2023, one tenant represented £648,000, 11.2% of the gross rental revenue of £5,790,000. In 2022, the largest tenant represented £684,000, 12.2% of gross rental revenue of £5,608,000.

3 Administrative expenses

	2023 £'000	2022 £'000
Directors (Note 4)	743	877
Auditor's fees		
– Fees payable to the company's auditor for the audit of the company's accounts – current year[1]	65	58
– Fees payable to the company's auditor for other services	16	10
Staff costs (excluding directors' remuneration):		
– remuneration	81	62
– social security costs	9	6
– pension costs	1	1
Other expenses[2]	257	177
	1,172	1,191

1 The audit fee for 2023 includes £12,300 (2022 £11,710) related to the completion of a group reporting questionnaire for the Kingerlee Holdings Limited's auditor. This amount is recoverable in full from Kingerlee Holdings Limited and has been netted off other expenses.

2 Other expenses for 2023 includes £73,000 of costs relating to costs incurred in the year relating to the listing on TISE in February 2024 and the de-listing from the London Stock Exchange in February 2024.

4 Directors

	2023 £'000	2022 £'000
Remuneration in respect of directors was as follows:		
Remuneration	**677**	770
Social security costs	**66**	107
	743	877

The average number of employees was seven (2022 seven), all of whom, other than a part-time management accountant and a part-time company secretary, were directors of the group. All directors are considered to be key managers of the company. More detailed information concerning directors' remuneration, including the disclosure of the highest paid director, is shown in the directors' remuneration report.

5 Income tax charge

		2023 £'000	2022 £'000
Current tax:			
On revenue profits	– current year	**90**	11
	– prior year	**8**	7
Income tax charge		**98**	18

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23.5% (2022 19.0%).

The differences are explained as follows:

	2023 £'000	2022 £'000
Loss before tax	**(95)**	(7,098)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 23.5% (2022 19.0%)	**(22)**	(1,349)
Effect of:		
Profit not taxable as a result of REIT status	**112**	1,360
Adjustment in respect of prior year	**8**	7
Income tax charge	**98**	18

Notes to the consolidated financial statements continued

for the year ended 31 December 2023

6 Dividends

In 2023, the following dividends have been paid by the company:

	2023 £'000	2022 £'000
2022 Final: 33p per ordinary share (2021 33p)	**1,718**	1,714
2023 Interim: 23p per ordinary share (2022 23p)	**1,198**	1,195
	2,916	2,909

On 25 March 2024, the directors declared a final property income distribution for 2023 of £1,714,000, 33p per share, (2022 final property income distribution of £1,718,000, 33p per share), payable on 31 May 2024 to shareholders registered on 19 April 2024.

7 Earnings per share

The calculation of earnings per share is based on the total loss after tax for the year of £193,000 (2022 loss £7,116,000) and on 5,203,775 shares (2022 5,192,186), which is the weighted average number of shares in issue during the year ended 31 December 2023. 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 that 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, a non GAAP measure, based on the profit available for distribution of £3,266,000 (2022 £3,265,000) has been calculated.

	2023 £'000	2022 £'000
Earnings:		
Basic loss for the year	**(193)**	(7,116)
Adjustments for:		
Profit on disposal of investment property	**(1,014)**	–
Net valuation losses on investment property	**4,473**	10,381
Adjusted earnings	**3,266**	3,265
Per share amount:		
Loss per share (unadjusted)	**(3.7p)**	(137.0p)
Adjustments for:		
Profit on disposal of investment property	**(19.5p)**	–
Net valuation losses on investment property	**86.0p**	199.9p
Adjusted earnings per share	**62.8p**	62.9p

8 Investment property

	2023 £'000	2022 £'000
Total valuation at 1 January	**71,160**	87,565
Additions	**9,818**	726
Transfer cost to investment properties under development (Note 9)	**(281)**	–
Transfer of revaluation loss to investment properties under development	**281**	–
Revaluation gains	**540**	605
Revaluation losses	**(4,868)**	(10,986)
Valuation at 31 December	**76,650**	77,910
Less property held for sale categorised as current asset (Note 10)	**–**	(6,750)
Property categorised as non-current asset	**76,650**	71,160

In accordance with IAS 40, the carrying value of investment properties, including investment property under development (Note 9) 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 2023, in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors, on the basis of market value.

The historical cost of the group's investment property is £77,273,000 (2022 £74,686,000).

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.

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 discussions 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 initial and 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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2023

8 Investment property continued

Significant unobservable inputs

31 December 2023		Warehouse	Retail warehouse	Leisure	Office	High street retail	Total
Valuation technique		Income capitalisation					
Fair value of property portfolio	£'000	36,950	21,175	9,650	4,900	3,975	76,650
Area	sq ft	602,673	133,543	88,145	29,567	12,622	866,550
Gross estimated rental value (ERV)	£'000	2,988	1,693	812	610	359	6,462
ERV per sq ft							
Minimum	£	2.40	10.87	7.32	20.00	19.41	
Maximum	£	10.56	24.42	26.16	21.60	34.70	
Weighted average	£	6.62	13.75	11.52	20.67	29.55	
Net initial yield							
Minimum	%	3.01	6.24	6.99	0.00	0	
Maximum	%	10.77	7.28	8.99	7.11	10.4	
Weighted average	%	6.90	6.89	8.15	2.96	7.00	

31 December 2022		Warehouse	Retail warehouse	Leisure	Office	High street retail	Total
Valuation technique		Income capitalisation					
Fair value of property portfolio	£'000	34,875	21,500	9,875	7,600	4,060	77,910
Area	sq ft	583,499	133,726	88,145	29,567	12,622	847,559
Gross estimated rental value (ERV)	£'000	3,457	1,610	812	610	359	6,848
ERV per sq ft							
Minimum	£	2.40	10.57	7.35	20.00	13.95	
Maximum	£	12.40	24.35	26.26	22.06	28.72	
Weighted average	£	8.51	12.95	11.53	20.86	23.14	
Net initial yield							
Minimum	%	4.90	6.03	6.69	0.00	1.98	
Maximum	%	11.09	8.66	8.52	5.20	9.45	
Weighted average	%	8.56	7.19	7.41	2.17	5.87	

8 Investment property continued

Sensitivities of measurement of significant unobservable inputs

As set out on page 51, the valuation of the group's property portfolio is open to judgements that are inherently subjective by nature.

Unobservable input	Impact on the fair value measurement of a significant increase in input	Impact on the fair value measurement of a significant decrease in input
Estimated rental value (ERV)	Increase	Decrease
Net initial yield	Decrease	Increase

There is no inter-relationship between these two inputs.

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 IY, which are deemed to be the levels that give a reasonable worst-case scenario given the like-for-like valuation fall of 11.8% already recognised in the year.

31 December 2023	Warehouse £'000	Retail warehouse £'000	Leisure £'000	Office £'000	High street retail £'000	Total £'000
Fair value of property portfolio	36,950	21,175	9,650	4,900	3,975	76,650
Impact on valuation of:						
+5% on ERV	1,844	1,057	481	244	196	3,823
-5% on ERV	(1,844)	(1,057)	(481)	(247)	(196)	(3,826)
-50bps on IY	322	156	61	24	25	588
+50bps on IY	(315)	(153)	(60)	(29)	(25)	(583)

31 December 2022	Warehouse £'000	Retail warehouse £'000	Leisure £'000	Office £'000	High street retail £'000	Total £'000
Fair value of property portfolio	34,875	21,500	9,875	7,600	4,060	77,910
Impact on valuation of:						
+5% on ERV	1,717	1,073	492	380	207	3,846
-5% on ERV	(1,719)	(1,073)	(492)	(380)	(197)	(3,836)
-50bps on IY	249	157	68	58	53	917
+50bps on IY	(245)	(154)	(67)	(57)	(41)	(880)

Notes to the consolidated financial statements continued

for the year ended 31 December 2023

8 Investment property continued

Additional property disclosures including property covenant information

At 31 December 2023 14 investment properties with a carrying amount of £53,340,000 (2022 14 properties with a valuation of £54,935,000) are charged to Handelsbanken plc to secure the group's short-term and medium-term loans.

The group leases out its commercial investment property under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	2023 £'000	2022 £'000
Less than one year	**5,575**	5,335
Between one and five years	**13,894**	12,889
More than five years	**10,006**	10,364
	29,475	28,588

Following a property disposal in 2021 £1,575,000 was immediately placed as security with Handelsbanken plc. The secured deposit was released as security by the bank in April 2022 and reclassified from other receivables to cash at bank.

Property operating expenses are all analysed as arising from generating rental income and include the movement in the bad debt provision.

9 Investment property under development

	2023 £'000
Valuation at 1 January	–
Additions	**1,770**
Transfer from investment properties at valuation (Note 8)	–
Revaluation losses	**(145)**
Valuation at 31 December	**1,625**

Investment property under development has been valued by Knight Frank LLP using the same process and techniques as for Investment property (Note 8). Knight Frank have considered the stage reached in construction and the costs remaining to be spent at the date of valuation.

10 Assets classified as held for sale

	2023 £'000	2022 £'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. Net sales proceeds were £1,014,000.

11 Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	**228**	196
Accrued rent receivable	**729**	806
Other receivables	**269**	141
	1,226	1,143

Included in trade receivables are amounts due from tenants at each year end and include amounts invoiced on 25 December in respect of rents in advance for the period 25 December to 24 March. At 31 December 2023, amounts due from tenants that were more than 90 days overdue, which related to rents for 2023 or earlier, totalled £60,000 (2022 £368,000), of this amount £60,000 related to 2022 or earlier. Trade receivables are shown after deducting a provision for bad and doubtful debts, which excludes VAT, of £50,000 (2022 £330,000). The provision for doubtful debts is calculated as an expected credit loss on trade and other receivables in accordance with IFRS 9 (see Note 1). The credit to the income statement in relation to write offs and provisions made against doubtful debts was £49,000 (2022 charge £31,000). The expected credit loss is recognised on initial recognition of a debtor and is reassessed at each reporting period. In order to calculate the expected credit loss, the group applies a forward-looking outlook to historic default rates. In the current reporting period, the forward-looking outlook has considered the impacts of the conflict in Ukraine and the Middle East, and the effect of the high inflation and interest rates in the UK. The historic default rates used are specific to receivables that are 90 days past due. Specific provisions are also made in excess of the expected credit loss where information is available to suggest that a higher provision than the expected credit loss is required. In the current reporting period, an additional review of tenant debtors was undertaken to assess recoverability in light of the difficult macro-economic climate and other factors. The directors consider that the carrying amount of trade and other receivables is approximate to their fair value. There is no concentration of credit risk with respect to trade and other receivables as all of the group's tenants have terms that require them to pay their rent in advance.

12 Trade and other payables

	2023 £'000	2022 £'000
Deferred income	**1,025**	1,142
Social security and other taxes	**592**	679
Accurals	**978**	582
Other payables	**732**	480
	3,327	2,883

The directors consider that the carrying value of trade and other payables approximates to their fair value.

13 Interest-bearing loans

	2023 £'000	2022 £'000
Medium-term bank loans	**27,200**	27,200
The medium-term bank loans comprise amounts falling due as follows:		
Between two and five years	**7,900**	7,900
Over five years	**19,300**	19,300
	27,200	27,200

Further analysis of the short-term and medium-term bank loans is set out on page 16.

The weighted average effective interest rate is 3.06% (2022 3.06%).

Notes to the consolidated financial statements continued

for the year ended 31 December 2023

14 Share capital

The movement in the number of 25p ordinary shares in issue is shown below:

	2023		2022	
	Number	£'000	Number	£'000
At 1 January	5,194,963	1,299	5,183,699	1,296
Issued under the Highcroft Incentive Plan	11,696	3	11,264	3
At 31 December	5,206,659	1,302	5,194,963	1,299

The directors monitor capital on the basis of total equity and operate within the requirements of the articles of association. There was £nil of short-term debt and £27,200,000 of medium-term debt at 31 December 2023 (2022 £nil short-term debt and £27,200,000 of medium-term debt).

The rights and obligations relating to the company's share capital is summarised on page 37.

15 Share premium

	2023 £'000	2022 £'000
At 1 January	226	117
Share issue costs	(15)	–
Issued under the Highcroft Incentive Plan	101	109
At 31 December	312	226

16 Capital commitments

At 31 December 2023 there were capital commitments of £77,000 (31 December 2022 £136,000). Due to the liquidation of the main contractor at the development site at St Austell there was no significant capital commitment at the year end as the replacement contractor was not appointed until March 2024.

17 Contingent liabilities

There were no contingent liabilities at 31 December 2023 or at 31 December 2022.

18 Related party transactions

Kingerlee Holdings Limited owns, through its subsidiaries, 27.3% (2022 27.4%) of the company's shares, and David Kingerlee (who was a director of the company until 1 August 2022, and a shareholder of the company throughout the year) and David Warlow (who was appointed a director of the company on 1 August 2022) are both directors and shareholders of Kingerlee Holdings Limited. The transactions between the group and Kingerlee Holdings Limited or its subsidiaries were as follows:

	2023 £'000	2022 £'000
Transactions by the company:		
Property income distribution paid to related party	796	789
Recharge of Mazars fee for completion of group audit questionnaire	15	14

18 Related party transactions continued

Paul Leaf-Wright, appointed as a director of the company on 1 January 2023 is also a consultant to Cube Management Limited trading as Cube Asset Management who were appointed as property asset managers on 1 January 2023. The transactions between the group and Cube Asset Management were as follows:

	2023 £'000
Transactions by the company:	
Fees and expenses paid to related party	**161**
Incentive payable to related party	**70**

The company owns 100% of Rodenhurst Estates Limited and BL (Wisbech) Limited and Belgrave Land (Wisbech) Limited. The transactions between these companies have been eliminated on consolidation. Details of the net assets and profit for the financial year of these companies are set out on page 70 of this annual report.

The key management personnel are the directors of the group. Their remuneration is set out in Note 4. In addition, the following directors received dividends, during their period of office, during the year in respect of their shareholdings:

	2023 £'000	2022 £'000
Simon Gill (resigned 31 March 2023)	–	8
David Kingerlee (resigned 1 August 2022)	–	30
Roberta Miles	**14**	11

19 Financial instruments and financial risk

Categories of financial instruments

	2023		2022	
	Carrying amount £'000	Gains/ (losses) £'000	Carrying amount £'000	Gains/ (losses) £'000
Financial assets measured at amortised cost:				
Trade and other receivables	**1,226**	–	1,143	–
Cash and cash equivalents	**4,229**	–	7,206	–
	5,455	–	8,349	–
Financial liabilities measured at amortised cost:				
Interest-bearing loans	**27,200**	–	27,200	–
Trade and other payables	**1,710**	–	1,062	–
	28,910	–	28,262	–

Notes to the consolidated financial statements continued

for the year ended 31 December 2023

19 Financial instruments and financial risk continued

Fair value and maturity of financial instruments

The group has no derivative financial instruments. Exposure to credit, liquidity and market risks arises in the normal course of the group's business. At 31 December 2023, the group had £27,200,000 of medium-term borrowing (2022 £27,200,000 of medium-term borrowing), of which £3,400,000 is repayable in 2026, £4,500,000 in 2027, £14,300,000 in 2029 and £5,000,000 in 2030 at fixed interest rates with a weighted average of 3.06% (2022 3.06%). The fair values of loans and receivables and financial liabilities held at amortised cost were not materially different from book values. A maturity analysis, based on contractual, undiscounted payments is set out below:

2023	Carrying amount £'000	Total contractual undiscounted cashflow £'000	Due within 1 year £'000	Due in more than 1 but less than 2 years £'000	Due in more than 2 but less than 5 years £'000	Due in more than 5 years £'000
Bank loans	**27,200**	**31,254**	**833**	**833**	**9,953**	**19,635**
Other payables and accruals	**1,710**	**1,710**	**1,710**	**–**	**–**	**–**

2022	Carrying amount £'000	Total contractual undiscounted cashflow £'000	Due within 1 year £'000	Due in more than 1 but less than 2 years £'000	Due in more than 2 but less than 5 years £'000	Due in more than 5 years £'000
Bank loans	27,200	32,087	833	833	10,187	20,234
Other payables and accruals	1,062	1,062	1,062	–	–	–

Credit risk

The group's credit risk, that is the risk of financial loss due to a third party failing to discharge its obligation, primarily affects its trade receivables. Creditworthiness of potential tenants is assessed before entering into contractual arrangements and rent deposits may be requested in certain circumstances. The amount of trade receivables presented in the balance sheet is calculated after any allowances for credit losses, estimated by the directors. The allowance as at 31 December 2023 was £60,000 (2022 £330,000). The group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December 2023 as summarised in the table above.

The group has no significant concentration of credit risk, with exposure spread over a number of tenants. The credit status of tenants is continuously monitored and particularly reviewed before properties are acquired, before properties are let and before new leases are granted.

The group's cash holdings are mainly in Handelsbanken plc and Lloyds Bank plc. Cash is also held by the group's property managers, lawyers and registrars acting as agents, though not, other than for tenant deposits, for long periods of time. The group only places cash holdings with major financial institutions that satisfy specific criteria.

Capital risk

The directors manage the group's working capital to take advantage of suitable commercial opportunities as they arise, whilst maintaining a relatively low-cost capital base. This capital management policy is principally carried out by the use of surplus cash. In the medium term, the directors may use additional medium-term debt to finance future commercial property acquisitions in line with its long-term strategy.

Liquidity risk

The group's liquidity risk, i.e. the risk that it might encounter difficulty in meeting its obligations as they fall due, applies to its trade payables and any short and medium-term borrowings that the group takes out from time to time. The group has not encountered any difficulty in paying its trade payables in good time. The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows.

19 Financial instruments and financial risk continued

Interest rate risk

The group finances its operations through retained profits and medium-term borrowings at an interest rate that is fixed over the term of the loan. Interest rate swaps have not been used. The group places any cash balances on deposit at rates that may be fixed in the short term but for sufficiently short periods that there is no need to hedge against the implied risk.

Currency exchange risk

The group is not directly exposed to currency risk.

Market risk

The group is not directly exposed to market risk.

Borrowing facilities

The group has no undrawn committed borrowing facilities.

20 Changes in liabilities arising from financing activities

	Bank loans (Note 13)	
	2023 £'000	2022 £'000
At 1 January	27,200	27,200
Interest charged	833	840
Interest paid	(833)	(840)
At 31 December	27,200	27,200

21 Net assets per share

	2023	2022
Net assets	£53,203,000	£56,176,000
Ordinary shares in issue	5,206,659	5,194,963
Basic net assets per share	1,022p	1,081p

22 Post balance sheet events

On 25 March 2024, the directors declared a final property income distribution for 2023 of £1,718,000, 33p per share.

Company statement of financial position

at 31 December 2023

	Note	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Fixed assets					
Investments	5		**47,847**		50,663
Current assets					
Debtors	6	**3,515**		966	
Cash at bank		**2,653**		5,356	
		6,168		6,322	
Creditors – amounts falling due within one year	7	**812**		809	
Net current assets			**5,356**		5,513
Total assets less current liabilities			**53,203**		56,176
Net assets			**53,203**		56,176
Capital and reserves					
Called-up share capital	8		**1,302**		1,299
Reserves					
– Share-based payment		**–**		160	
– Realised capital		**8,728**		8,728	
– Other equity		**–**		(207)	
– Share premium		**312**		226	
– Capital redemption		**95**		95	
– Revaluation		**37,584**		40,399	
– Retained earnings		**5,182**		5,476	
			51,901		54,877
Shareholders' funds			**53,203**		56,176

The company reported a total loss and comprehensive income for the financial year ended 31 December 2023 of (£193,000) (2022 loss £7,116,000).

These financial statements were approved by the board of directors on 25 March 2024.

Paul Leaf-Wright
Director

Charles Butler
Director

Company number: 00224271

The accompanying Notes form an integral part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2023

	Note	Share capital £'000	Share-based payment reserve £'000	Realised capital reserve £'000	Other equity reserve £'000	Share premium £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2023		1,299	160	8,728	(207)	226	95	40,399	5,476	56,176
Profit for the year	2	–	–	–	–	–	–	–	2,622	2,622
Other comprehensive income for the year	2	–	–	–	–	–	–	–	(2,815)	(2,815)
Dividends paid		–	–	–	–	–	–	–	(2,916)	(2,916)
Revaluation loss of subsidiaries		–	–	–	–	–	–	(2,815)	2,815	–
Issue of shares		3	–	–	(104)	101	–	–	–	–
Share issue costs		–	–	–	–	(15)	–	–	–	(15)
Share award expensed		–	151	–	–	–	–	–	–	151
Share award vested		–	(311)	–	311	–	–	–	–	–
At 31 December 2023		1,302	–	8,728	–	312	95	37,584	5,182	53,203

	Note	Share capital £'000	Share-based payment reserve £'000	Realised capital reserve £'000	Other equity reserve £'000	Share premium £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2022		1,296	102	8,728	(121)	117	95	50,155	5,745	66,117
Profit for the year	2	–	–	–	–	–	–	–	2,640	2,640
Other comprehensive income for the year	2	–	–	–	–	–	–	–	(9,756)	(9,756)
Dividends paid		–	–	–	–	–	–	–	(2,909)	(2,909)
Revaluation loss of subsidiaries		–	–	–	–	–	–	(9,756)	9,756	–
Issue of shares		3	–	–	(112)	109	–	–	–	–
Share award expensed		–	84	–	–	–	–	–	–	84
Share award vested		–	(26)	–	26	–	–	–	–	–
At 31 December 2022		1,299	160	8,728	(207)	226	95	40,399	5,476	56,176

Notes to the company financial statements

for the year ended 31 December 2023

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and with the Companies Act 2006. The financial statements have been prepared under the historical cost convention except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The principal accounting policies of the company have remained unchanged from the previous year.

These financial statements have been prepared on a going concern basis and in adopting the going concern basis the directors have, based on the information available at the date of this report, considered the financial implications of the conflicts in the Middle East and Ukraine and the effects of the high levels of interests rates and inflation in the UK and the effect of all of these on our stakeholders. For further information see page 20.

In preparing these financial statements, the following disclosure exemptions have been taken:

- The requirement to present a cashflow and related Notes
- Financial instrument disclosures including:
  - Categories of financial instruments;
  - Items of income, expenses, gains or losses relating to financial instruments; and
  - Exposure to, and management of, financial risks.

Accounting estimates and judgements

The valuation of investments in subsidiary undertakings at market value, calculated as the net assets of the undertaking is the key estimate used in the preparation of the accounts. The key asset of the subsidiaries is their investment property and as disclosed on page 51 the key assumptions which are also the major sources of estimation uncertainty in arriving at the market valuation are the value of future rental income and net initial yield (Note 5).

Dividend revenue

Dividend revenue is recognised in the statement of comprehensive income when the right to receive the payment is established.

Share-based employee remuneration

Share-based employee remuneration is determined with reference to the fair value of the cash award that is used to purchase the newly issued shares at the date at which the award is agreed and charged to the income statement over the service and vesting period on a straight-line basis.

Interest income

Interest is recognised under the effective interest method.

Dividends payable

Dividend payments are dealt with when paid as a change of equity in retained earnings. Final dividends proposed are not recognised as a liability.

Investments

Investments, being shares in subsidiary undertakings, are included at market value (net assets as shown by their financial statements are taken as a reasonable estimate of market value as their assets and liabilities are carried at fair value).

The directors manage and evaluate performance on a fair value basis and, therefore, have designated qualifying financial assets including shares in subsidiary undertakings at fair value through the profit and loss account.

Receivables

Trade receivables and other receivables that have fixed or determinable payments are categorised as basic financial assets and measured at cost.

Deferred tax

Deferred tax is recognised in respect of all timing differences at the reporting date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax liabilities are presented within provisions for liabilities.

1 Accounting policies continued

Financial liabilities

The company's financial liabilities include trade and other payables. Trade payables are recognised initially at fair value less transaction costs and subsequently measured at amortised cost. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Gains on disposals of assets

Gains on disposals of assets are the excess of net proceeds over the valuation at the beginning of the year. They are not available for distribution under the company's articles of association and are taken to realised capital reserve.

2 Company loss for the year after tax

The company has not presented its own profit and loss account as permitted under section 408 of the Companies Act 2006. The loss after tax for the year was (£193,000) (2022 loss £7,116,000). Information regarding directors' remuneration appears on pages 28 to 36 of this annual report.

3 Auditor's fees

	2023 £'000	2022 £'000
Fees payable to the company's auditor for the audit of the group's annual accounts[1]	**65**	58
Fees payable to the company's auditor for other services:		
Audit-related assurance services	**16**	10
	81	68

1 The audit fee for 2023 includes £12,300 (2022 £11,710) related to the completion of a group audit questionnaire for the Kingerlee Holdings Limited's auditor. This amount is recoverable in full from Kingerlee Holdings Limited and has been netted off other expenses.

4 Dividends

In 2023, the following dividends have been paid by the company:

	2023 £'000	2022 £'000
2022 Final: 33p per ordinary share (2021 33p)	**1,718**	1,714
2023 Interim: 23p per ordinary share (2022 23p)	**1,198**	1,195
	2,916	2,909

On 25 March 2024, the directors declared a final property income distribution for 2023 of £1,714,000, 33p per share (2022 final property income distribution of £1,714,000, 33p per share), payable on 31 May 2024 to shareholders registered on 19 April 2024.

5 Investments

	Shares in subsidiary undertaking	
	2023 £'000	2022 £'000
Valuation at 1 January 2023	**50,663**	60,418
Loss on revaluation in excess of cost	**(2,816)**	(9,755)
Valuation at 31 December 2023	**47,847**	50,663

Notes to the company financial statements continued

for the year ended 31 December 2023

5 Investments continued

At 31 December 2023, the company held 100% of the following companies, which are all registered in England and Wales and that all have the same registered office address as the company: Park Farm Technology Centre, Akeman Street, Kirtlington, Oxon, OX5 3JQ.

Subsidiary	Primary activity	Immediate parent company	Ownership
Rodenhurst Estates Limited	Property investment	Highcroft Investments PLC	100%
BL (Wisbech) Limited	Holding company	Rodenhurst Estates Limited	100%
Belgrave Land (Wisbech) Limited	Property investment	BL (Wisbech) Limited	100%

At 31 December 2023, the net assets and the profit/(loss) for the financial year of these subsidiaries were:

	2023		2022	
	Net assets £'000	Profit for the financial year £'000	Net assets £'000	(Loss)/profit for the financial year £'000
Rodenhurst Estates Limited	47,847	184	50,663	(6,756)
BL (Wisbech) Limited[1]	–	–	–	–
Belgrave Land (Wisbech) Limited	4,262	476	3,786	277

1 BL (Wisbech) Limited is a dormant intermediate holding company between Belgrave Land (Wisbech) Limited and Rodenhurst Estates Limited. It holds the shares in Belgrave Land (Wisbech) Limited at cost.

6 Debtors

	2023 £'000	2022 £'000
Owed by subsidiary undertakings	3,479	935
Other debtors	36	31
	3,515	966

7 Creditors – amounts falling due within one year

	2023 £'000	2022 £'000
Other taxes and social security	274	260
Other creditors	538	549
	812	809

8 Share capital

The movement in the number of 25p ordinary shares in issue is shown below:

	2023		2022	
	Number	£'000	Number	£'000
At 1 January	5,194,963	1,299	5,183,699	1,296
Issued under the Highcroft Incentive Plan	11,696	3	11,264	3
At 31 December	5,206,659	1,302	5,194,963	1,299

9 Share premium

	2023 £'000	2022 £'000
At 1 January	226	117
Share issue costs	(15)	–
Issued under the Highcroft Incentive Plan	101	109
At 31 December	312	226

10 Capital commitments

There were no capital commitments at 31 December 2023 or at 31 December 2022.

11 Contingent liabilities

There were no contingent liabilities at 31 December 2023 or at 31 December 2022.

Notes to the company financial statements continued

for the year ended 31 December 2023

12 Related party transactions

Kingerlee Holdings Limited owns, through its subsidiaries, 27.3% (2022 27.4%) of the company's shares, and David Kingerlee (who was a director of the company until 1 August 2022, and a shareholder of the company throughout the year) and David Warlow (who was appointed a director of the company on 1 August 2022) are both directors and shareholders of Kingerlee Holdings Limited. The transactions between the group and Kingerlee Holdings Limited or its subsidiaries were as follows:

	2023 £'000	2022 £'000
Property income distribution paid to related party	**796**	789
Recharge of Mazars fee for completion of group audit questionnaire	**15**	14

Paul Leaf-Wright, appointed as a director of the company on 1 January 2023 is also a consultant to Cube Management Limited trading as Cube Asset Management who were appointed as property asset managers on 1 January 2023. The transactions between the group and Cube Asset Management were as follows:

	2023 £'000
Transactions by the company:	
Fees and expenses paid to related party	**161**
Bonus payable to related party	**70**

Under the provisions of section 33 FRS 102, transactions between Highcroft Investments PLC and its subsidiaries Rodenhurst Estates Limited, BL (Wisbech) Limited and Belgrave Land (Wisbech) Limited are exempt from these disclosure requirements as they are all wholly owned subsidiaries.

13 Employees

The employees of the group are all employees of the company and all their costs are incurred by the company as follows:

	2023 £'000	2022 £'000
Remuneration	**758**	832
Pension costs	**1**	1
Social security costs	**75**	113
	834	946

Information regarding directors remuneration is included in note 4 to the consolidated financial statements.

List of definitions

Adjusted EPS % return: The earnings per share, adjusted for the impact of valuation gains and losses, as a percentage of the opening net asset value per weighted average share in issue in the year.

Contracted rental revenue: The annualised rent due from tenants.

Company voluntary arrangement (CVA): A procedure that allows a company to settle debts by paying only a proportion of the amount that it owes to creditors.

Energy performance certificate (EPC): An energy performance certificate is a standardised document prepared by an energy assessor that measures the energy efficiency of a building.

Environmental, social and governance factors (ESG): Environmental criteria include the energy the company uses, the waste it discharges, the resources it needs and the consequences for the world. They encompass greenhouse gas emissions and climate change. Social criteria include the relationships that the company has with its broad range of stakeholders. Governance is the internal system of controls, policies and procedures used to govern itself, make effective decisions, comply with regulation and meet the needs of external stakeholders.

Estimated rental value (ERV): The rent at which the space could be let out in the market conditions prevailing at the date of valuation.

European Single Electronic Format (ESEF): Companies on the London Stock Exchange's main market are required to comply with ESEF tagging requirements.

Financial Reporting Council (FRC): The regulator of auditors, accountants and actuaries and the setter of the UK's Corporate Governance Code and Stewardship Codes.

Fully repairing and insuring (FRI): An FRI lease is where the tenant has responsibility for all external and internal maintenance, decorations and repairs as well as liability for insuring the building.

General Meeting (GM): A general meeting of the shareholders of the company.

Interest cover ratio (ICR): The number of times net interest payable is covered by rental income of the secured properties.

Loan-to-value (LTV): Drawn debt divided by the fair value of the property portfolio. For bank facility purposes, the 'fair value of the property portfolio' is replaced by the valuation included on valuation reports addressed to the bank.

Minimum Energy Efficiency Standards (MEES): The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 require certain steps to be taken by landlords to comply with the Minimum Energy Efficiency Standards therein. The initial requirement in 2023 was for non-domestic properties to have a valid EPC to allow them to be let or to continue to be let.

Net debt: Borrowings plus bank overdraft less cash and cash equivalents.

Net initial yield (IY): The valuer's net income as a percentage of the market value plus standard costs of purchase.

Property income distribution (PID): Dividends from profits of the group's tax-exempt property rental business under the REIT regulations.

Quoted Companies Alliance Corporate Governance Code (QCA Code): The QCA Corporate Governance Code published by the Quoted Companies Alliance in 2023, as amended from time to time.

Real Estate Investment Trust (REIT): The UK REIT regime was launched on 1 January 2007. On 1 April 2008, Highcroft elected to convert to REIT status. The REIT legislation was introduced to provide a structure that closely mirrors the tax outcomes of direct ownership in property and removes tax inequalities between different real estate investors. It provides a liquid and publicly available vehicle that opens the property market to a wide range of investors. A REIT is exempt from corporation tax on qualifying income and gains of its property rental business providing various conditions are met. It remains subject to corporation tax on non-exempt income and gains. Subject to concessions granted during the Covid-19 pandemic, REITs must distribute at least 90% of their income profits from their tax-exempt property rental business, by way of dividend, known as a property income distribution (PID). These distributions can be subject to withholding tax at 20%. If the REIT distributes profits from the non-tax-exempt business, the distribution will be taxed as an ordinary dividend in the hands of the investors (non-PID).

Return on equity: Total profit and comprehensive income divided by average total equity.

Reversionary yield: The yield that would be achieved if the passing rent adjusts to the level of the ERV.

TISE: The International Stock Exchange.

Total shareholder return: The growth in the ordinary share price as quoted on the stock exchange where the ordinary shares are listed plus dividends per share received for the year, expressed as a percentage of the share price at the beginning of the year.

UK Corporate Governance Code (the Code): The 2018 UK Corporate Governance Code.

Weighted average unexpired lease term (WAULT): The average lease term remaining to the first to occur on each lease of a tenant break option, or lease expiry, across the portfolio, weighted by rental income.

Group five-year summary (unaudited)

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Investment properties – at annual valuation	**78,275**	77,910	87,565	82,060	86,710
Total net assets	**53,203**	56,176	66,117	57,121	60,721
Net asset value per share in issue at end of each year	**1,022p**	1,081p	1,275p	1,104p	1,175p
Revenue (excluding gains/losses on disposals of assets)					
Gross income from property	**5,790**	5,608	5,928	6,084	5,840
Net admin expenses to gross rent	**20.2%**	21.2%	19.6%	17.6%	14.1%
Profit available for distribution	**3,266**	3,265	2,939	3,503	4,055
Share capital					
Weighted average number in issue (000s)	**5,204**	5,192	5,184	5,172	5,167
Basic earnings per share	**(3.7p)**	(137.0p)	230.5p	(22.2p)	22.3p
Adjusted earnings per share	**62.8p**	62.9p	56.7p	67.7p	78.5p
Dividends payable per share	**56p**	56p	55p	57p	48p
FTSE 350 Real Estate Index	**427**	399	623	491	602
Highcroft year end share price	**880.0p**	930.0p	875.0p	720.0p	942.5p

Directors and advisers

Company number
00224271

Directors
Charles Butler, BSc ACA
(Non-executive chairman)

Simon Costa, BSSc MA MPhil
(Non-executive)

Simon Gill, BSc FRICS
(Chief executive to 31 December 2022 then executive director) resigned 31 March 2023

David Kingerlee, resigned 1 August 2022
(Non-executive)

Paul Leaf-Wright, B Compt (Hons) SA
appointed 1 January 2023
(Chief executive)

Roberta Miles, MA FCA
(Finance director)

David Warlow, BA MBA FCA
appointed 1 August 2022
(Non-executive)

Company secretary
Anne-Marie Palmer, LLB FCG

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