



KEY HIGHLIGHTS

- Gross property income increased by 12% to £3,435,000 (2014 £3,079,000)
- Total profit for the year up 3% to £7,235,000 (2014 £7,057,000)
- Unadjusted earnings per share up 3% to 140.0p (2014 136.5p)
- Net asset value per share up 11% to 1026p (2014 923p)
- Total property income distribution up 8% to 38.8p per share (2014 36.0p)
- Medium term debt £11,500,000 (2014 £4,000,000)
- Property acquisitions of £8,500,000 (net of costs) and disposal proceeds of £2,361,000
- Investment property valuation up 25% to £57,964,000 (2014 £46,523,000)
- Cash and liquid equity investments £8,007,000 (2014 £6,571,000)

Dear Shareholder,

I am pleased to announce our preliminary results for the year ended 31 December 2015 and to invite you to our Annual General Meeting on 12 May 2016 which will be held at Thomas House, Langford Locks, Kidlington, Oxon, OX5 1HR at 12 noon.

Results for the year

I am delighted to report that, following a successful year in 2014, we have continued to make progress in delivering our strategy. Through targeted acquisitions focused on larger lot sizes, combined with a prudent use of gearing, we have been able to increase operating profits from our property assets. We have made further returns from the sale of property assets and realisations from equities.

Property: Gross property rental income rose 12% to £3,435,000 (2014 £3,079,000), with all of this increase arising from the performance of our commercial properties. This growth includes the effect of a full year's income from the Ash Vale and Crawley properties purchased in July 2014 and August 2014 respectively. It also includes a partial year of income from the new acquisition in Wisbech, and allowing for reduced income from properties which we sold in the year and where we had lease expiries and a tenant in administration. All our properties are currently let and there were no bad debts in the period. Operating expenses increased by £171,000 to £329,000; primarily due to one-off costs at two properties where we undertook programmes of repair and removal of asbestos. We made one acquisition in the year of a freehold multi-let retail park in Wisbech for £8,500,000 in May 2015. The property is let to Currys PC World, Carpetright, Halfords, Dunelm and Pets at Home. We have been very pleased with the performance of our assets, with the combination of one rent review and a fixed increase also helping to increase gross rental income and capital values.

The sale of the Warrington property, together with two residential units, yielded gross proceeds of £2,361,000 that were 23% in excess of the December 2014 valuations. These proceeds will be re-invested in line with our strategy. We have been successful in identifying property investments at attractive yields and positioned, as we are, between private investors and larger corporate property investors. We intend to continue to take advantage of our strong financial position and ability to move fast to exploit such opportunities. An improved credit market combined with the company's strong financial position allows us to increase the return on our investments through a prudent use of debt. Our properties showed a net valuation gain of £4,765,000 for the year, partly due to the strength of the warehouse sector which performed well in 2015, and also due to the strategic corporate acquisition of the Wisbech property which showed a significant valuation gain. Since the year end we have completed on the sale of the Kingston property realising gross proceeds of £1,125,000.

Equities: Income of £182,000, coupled with a realised net loss of £68,000 and an unrealised net loss of £347,000, is a result of the market conditions and the reduction in the level of our holdings. We released £962,000 in net cash from equities during the year and have released a further £493,000 since the year end.

Administrative expenses: Ongoing administrative expenses increased by £101,000 in 2015, due to a combination of step-changes in certain costs, as the complexity of the business increased, including audit and professional fees and directors' remuneration. Finance costs increased by £187,000 due to the effect of increased bank borrowings in the year.

Financial highlights: Total profit for the year showed a 3% improvement on 2014, which was itself an excellent year. This profitability was driven by the capital performance of our property investments. Excluding the realised gains on investment property, the underlying profit on revenue activities showed a 13% fall to £368,000 due to the effect of one-off property costs and increased administration costs, net of the positive effect of the special dividend income of £221,000 received in 2014 as a result of the Vodafone demerger. This underlying decline was caused by one-off factors and timings of asset sales and purchases. The directors make decisions on the balance of our property investments based upon maximising the medium and long-term position for shareholders. The year-end net asset value per share increased to 1026p (2014 923p) and our year-end cash position was £4,852,000 (2014 £2,039,000), whilst readily realisable equity investments totalled £3,155,000 (2014 £4,532,000). Our year end bank loans totalled £11,500,000 (2014 £4,000,000).

Dividend

We are recommending a final property income distribution of 24.50p per share (2014 22.75p) to be paid on 3 June 2016 to shareholders registered on 6 May 2016 (with an ex-dividend date of 5 May 2016) making a total of 38.8p for the year (2014 36.0p). This increase of 8% for the year continues the recent record of increases well in excess of inflation.

Board

We were pleased to welcome our new senior independent director, Simon Costa, to the board on 16 May 2015; his particular breadth of experience provides us with a greater range of market knowledge and skills which are particularly relevant to our growth aspirations.

Outlook

We are very pleased with the results for the year and remain optimistic that we start 2016 from a position of strength upon which we hope to build through further attractive acquisitions. We will continue to reduce our investment in equities in line with our medium term strategy. We have set ourselves some challenging objectives for 2016 and we expect that our actions will continue to improve shareholder value via increased dividends and asset values.

John Hewitt
Chairman

22 March 2016

Enquiries:

Highcroft Investments PLC
John Hewitt / Roberta Miles
01865 840023

Panmure Gordon (UK) Limited
Karri Vuori / Fabien Holler / Jonathan Surr
0207 886 2500

Consolidated statement of comprehensive income
for the year ended 31 December 2015

	Note	2015			2014		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gross rental revenue		3,435	-	3,435	3,079	-	3,079
Property operating expenses		(329)	-	(329)	(158)	-	(158)
Net rental income		3,106	-	3,106	2,921	-	2,921
Realised gains on investment property		418	-	418	941	-	941
Realised losses on investment property		-	-	-	(4)	-	(4)
Net gains on investment property		418	-	418	937	-	937
Valuation gains on investment property		-	4,840	4,840	-	3,785	3,785
Valuation losses on investment property		-	(75)	(75)	-	(150)	(150)
Net valuation gains on investment property		-	4,765	4,765	-	3,635	3,635
Dividend revenue		182	-	182	437	-	437
Gains on equity investments		-	87	87	-	231	231
Losses on equity investments		-	(502)	(502)	-	(606)	(606)
Net investment income/(expense)		182	(415)	(233)	437	(375)	62
Administration expenses		(533)	-	(533)	(432)	-	(432)
Net operating profit before net finance income		3,173	4,350	7,523	3,863	3,260	7,123
Finance income		7	-	7	8	-	8
Finance expense		(365)	-	(365)	(178)	-	(178)
Net finance expense		(358)	-	(358)	(170)	-	(170)
Profit before tax		2,815	4,350	7,165	3,693	3,260	6,953
Income tax credit	1	56	14	70	65	39	104
Total profit and comprehensive income for the year attributable to the owners of the parent		2,871	4,364	7,235	3,758	3,299	7,057
Basic and diluted earnings per share		55.6p	84.4p	140.0p	72.7p	63.8p	136.5p

Consolidated statement of financial position
at 31 December 2015

	Note	2015 £'000	2014 £'000
Assets			
Non-current assets			
Investment property	4	57,964	46,523
Equity investments	5	3,155	4,532
Total non-current assets		<u>61,119</u>	<u>51,055</u>
Current assets			
Trade and other receivables		641	415
Cash and cash equivalents		4,852	2,039
Total current assets		<u>5,493</u>	<u>2,454</u>
Total assets		<u>66,612</u>	<u>53,509</u>
Liabilities			
Current liabilities			
Trade and other payables		1,664	1,312
Total current liabilities		<u>1,664</u>	<u>1,312</u>
Non-current liabilities			
Interest bearing loan	6	11,500	4,000
Deferred tax liabilities		425	495
Total non-current liabilities		<u>11,925</u>	<u>4,495</u>
Total liabilities		<u>13,589</u>	<u>5,807</u>
Net assets		<u>53,023</u>	<u>47,702</u>
Equity			
Issued share capital		1,292	1,292
Revaluation reserve - property		14,764	11,332
- other		667	1,335
Capital redemption reserve		95	95
Realised capital reserve		25,586	24,785
Retained earnings		10,619	8,863
Total equity attributable to the owners of the parent		<u>53,023</u>	<u>47,702</u>

Consolidated statement of changes in equity

2015	Issued share capital	Revaluation reserves	Other	Capital redemption reserve	Realised capital reserve	Retained earnings	Total
	£'000	Property £'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2015	1,292	11,332	1,335	95	24,785	8,863	47,702
Dividends	-	-	-	-	-	(1,914)	(1,914)
Reserve transfers:							
Non-distributable items recognised in income statement:							
Revaluation gains	-	4,765	(278)	-	-	(4,487)	-
Tax on revaluation gains/(losses)	-	-	14	-	-	(14)	-
Realised gains	-	-	-	-	364	(364)	-
Surplus attributable to assets sold in the year	-	(33)	(404)	-	437	-	-
Excess of cost over revalued amount taken to retained earnings	-	(1,300)	-	-	-	1,300	-
Transactions with owners	-	3,432	(668)	-	801	(5,479)	(1,914)
Profit and total comprehensive income for the year	-	-	-	-	-	7,235	7,235
At 31 December 2015	1,292	14,764	667	95	25,586	10,619	53,023
2014	Issued share capital	Revaluation reserves	Other	Capital redemption reserve	Realised capital reserve	Retained earnings	Total
	£'000	Property £'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2014	1,292	7,353	1,972	95	24,220	7,496	42,428
Dividends	-	-	-	-	-	(1,783)	(1,783)
Reserve transfers:							
Non-distributable items recognised in income statement:							
Revaluation losses	-	3,635	(65)	-	-	(3,570)	-
Tax on revaluation gains/(losses)	-	-	(7)	-	-	7	-
Realised gains	-	-	-	-	756	(756)	-
Surplus attributable to assets sold in the year	-	756	(565)	-	(191)	-	-
Excess of cost over revalued amount taken to retained earnings	-	(412)	-	-	-	412	-
Transactions with owners	-	3,979	(637)	-	565	(5,690)	(1,783)
Profit and total comprehensive income for the year	-	-	-	-	-	7,057	7,057
At 31 December 2014	1,292	11,332	1,335	95	24,785	8,863	47,702

Consolidated statement of cash flows

for the year ended 31 December 2015

	2015 £'000	2014 £'000
Operating activities		
Profit before tax on ordinary activities	7,165	6,953
Adjustments for:		
Net valuation gains on investment property	(4,765)	(3,635)
Net gain on disposal of investment property	(418)	(937)
Net loss on investments	415	375
Finance income	(7)	(8)
Finance expense	365	178
Operating cash flow before changes in working capital and provisions	2,755	2,926
(Increase)/decrease in trade and other receivables	(226)	7
Increase in trade and other payables	352	152
Cash generated from operations	2,881	3,085
Finance income	7	8
Finance expense	(365)	(178)
Income taxes received	-	(5)
Net cash flows from operating activities	2,523	2,910
Investing activities		
Purchase of non-current assets – investment property	(8,590)	(6,084)
– equity investments	(7)	(649)
Sale of non-current assets – investment property	2,332	3,548
– equity investments	969	969
Net cash flows from investing activities	(5,296)	(2,216)
Financing activities		
Dividends paid	(1,914)	(1,783)
New bank borrowings	7,500	-
Net cash flows from financing activities	5,586	(1,783)
Net increase/(decrease) in cash and cash equivalents	2,813	(1,089)
Cash and cash equivalents at 1 January 2015	2,039	3,128
Cash and cash equivalents at 31 December 2015	4,852	2,039

Notes

for the year ended 31 December 2015

1 Income tax credit

	2015 £'000	2014 £'000
Current tax:		
On revenue profits	(13)	(65)
On capital profits	(43)	(51)
Prior year underprovision/(overprovision) on capital profits	-	5
	<u>(56)</u>	<u>(111)</u>
Deferred tax	14	7
Income tax credit	<u>(70)</u>	<u>(104)</u>

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2014 21.5%). The differences are explained as follows:

	2015 £'000	2014 £'000
Profit before tax	<u>7,165</u>	<u>6,953</u>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 20% (2014 21.5%)	1,433	1,495
Effect of:		
Tax exempt revenues	33	(64)
Profit not taxable as a result of REIT status	(1,635)	(1,611)
Chargeable gains less than accounting profit	56	116
Losses carried forward	57	(36)
Effect of change in tax rate on deferred tax liability	(14)	(9)
Adjustments to tax charge in respect of prior periods	-	5
Income tax credit	<u>(70)</u>	<u>(104)</u>

2 Dividends

In 2015 the following dividends have been paid by the company:

	2015 £'000	2014 £'000
2014 Final: 22.75p per ordinary share (2013 22.75p)	1,175	1,098
2015 Interim: 14.3p per ordinary share (2014 13.25p)	739	685
	<u>1,914</u>	<u>1,783</u>

On 22 March 2016 the directors declared a property income distribution of £1,266,000, 24.50p per share (2014 £1,176,000, 22.75p per share) payable on 3 June 2016 to shareholders registered at 6 May 2016.

3 Earnings per share

The calculation of earnings per share is based on the total profit for the year of £7,235,000 (2014 £7,057,000) and on 5,167,240 shares (2014 5,167,240) which is the weighted average number of shares in issue during the year ended 31 December 2015 and throughout the period since 1 January 2014. There are no dilutive instruments.

In order to draw attention to the impact of valuation gains and losses which are included in the statement of comprehensive income but not available for distribution under the company's articles of association, an adjusted earnings per share based on the profit available for distribution of £2,871,000 (2014 £3,758,000) has been calculated.

	2015 £'000	2014 £'000
Earnings:		
Basic profit for the year	7,235	7,057
Adjustments for:		
Net valuation gains on investment property	(4,765)	(3,635)
Losses/(gains) on investments	415	375
Income tax on (losses)/gains	(14)	(39)
Adjusted earnings	<u>2,871</u>	<u>3,758</u>
Per share amount:		
Earnings per share (unadjusted)	140.0p	136.5p
Adjustments for:		
Net valuation gains on investment property	(92.2p)	(70.3p)
Losses/(gains) on investments	8.0p	7.2p
Income tax on (losses)/gains	(0.2p)	(0.7p)
Adjusted earnings per share	<u>55.6p</u>	<u>72.7p</u>

4 Investment property

	2015 £'000	2014 £'000
Valuation at 1 January	46,523	39,415
Additions	8,590	6,084
Disposals	(1,914)	(2,611)
Revaluation gains/(losses)	4,765	3,635
Valuation at 31 December	<u>57,964</u>	<u>46,523</u>

In accordance with IAS 40 the carrying value of investment properties is their fair value as determined by external valuers. This valuation has been conducted by Knight Frank LLP, as external valuers, and has been prepared as at 31 December 2015, in accordance with the Appraisal & Valuation Standards of the Royal Institution of Chartered Surveyors, on the basis of market value. This value has been incorporated into the financial statements.

The independent valuation of all property assets uses market evidence and also includes assumptions regarding income expectations and yields that investors would expect to achieve on those assets over time. Many external economic and market factors, such as interest rate expectations, bond yields, the availability and cost of finance and the relative attraction of property against other asset classes, could lead to a reappraisal of the assumptions used to arrive at current valuations. In adverse conditions, this reappraisal can lead to a reduction in property values and a loss in net asset value.

5 Equity investments

	2015 £'000	2014 £'000
Valuation at 1 January	4,532	5,227
Additions	7	649
Disposals	(1,038)	(1,205)
Deficit on revaluation in excess of cost	(277)	(65)
Revaluation decrease below cost	(71)	(76)
Revaluation increase still less than cost	2	2
Valuation at 31 December	<u>3,155</u>	<u>4,532</u>

6 Interest bearing loan

	2015	2014
	£'000	£'000
Medium term bank loans	11,500	4,000
The medium term bank loans comprise amounts falling due as follows:		
Between one and two years	-	-
Between two and five years	4,000	-
Over five years	7,500	4,000
	<u>11,500</u>	<u>4,000</u>

7 Basis of preparation

The preliminary announcement has been prepared in accordance with applicable accounting standards as stated in the financial statements for the year ended 31 December 2014. The accounting policies remain unchanged.

8 Annual General Meeting

The Annual General Meeting will be held on 12 May 2016.

9 Publication of non-statutory accounts

The above does not constitute statutory accounts within the meaning of the Companies Act 2006. It is an extract from the full accounts for the year ended 31 December 2015 on which the auditor has expressed an unmodified opinion and does not include any statement under section 498 of the Companies Act 2006. The accounts will be posted to shareholders on or before 18 April 2016 and subsequently filed at Companies House.