

# HIGHCROFT INVESTMENTS PLC

Interim Report

30 June **2004**

# Chairman's

## Statement for the six months ended 30 June 2004

- **Interim dividend increased by 8.0% to 4.05p per share**
- **Operating profit before disposals of assets increased by 3.2% to £772,000**
- **Pre tax profit after disposals of assets down by 7.5% to £773,000**
- **Net assets per share up to 676p (2003 635p)**

### Summary

I am pleased to report that, in the six months to 30 June 2004, we have achieved another increase in operating profits and that our net asset value has risen to 676p per share which is again its highest ever reported value. We have made further moves, albeit modest, in altering the balance of our interests more towards property and our balance sheet remains strong. The interim dividend is 4.05p (2003 3.75p) an increase of 8.0%, continuing our policy of payments in excess of inflation. The dividend is payable on 20 October 2004.

### Operating Activities

Operating profit – which reflects the underlying income of the Group, excluding the more volatile short term gains or losses on capital items – increased by 3.2% to £772,000 despite extensive repairs to one residential property. Rental income was steady and investment income, including interest, was up 7.0% on the equivalent period in 2003.

### Capital Activities

Having reviewed a number of opportunities, we announced in May that we had purchased a property located in Cirencester. The property comprises three retail units let to Going Places, Card Warehouse and Ladbrokes on leases which expire in 2009, 2014 and 2017 respectively. The property was acquired for £1,515,000 plus costs and paid for from available cash. The net income from the property is approximately £91,000 per year producing an initial yield of 5.7%.

This was another step in implementing the Board's strategy of modifying the allocation of funds in order to place a greater focus on the property portfolio. While we continue to look for properties which will enhance the portfolio and secure rising rental income over the medium to long term, shareholders will be aware that the next purchase may be funded to a significant extent by long term loan finance.

There was a £662,000 surplus on revaluation of our property portfolio an increase of 2.9% on a like for like basis. The independent valuers upheld the valuation we put on our Cirencester purchase.

With our listed investment portfolio, we made investments of £453,000 and sold various holdings for £610,000, a net withdrawal from the portfolio of £157,000. At 30 June 2004, there was a surplus on revaluation of £21,000 – the value of the portfolio being £7,927,000, an increase of 0.3% on a like for like basis.

### **Taxation**

The taxation charge has risen to £191,000 (June 2003 £186,000) and in addition there is a £39,000 tax liability on realised revaluation gains which has been deducted from the realised capital reserve.

### **Net Asset Value**

At 30 June 2004, net asset value was 676p per share (against 635p at June 2003 and 656p at 31 December 2003). This has been a pleasing trend and the most recent increase comes from all sources – a property portfolio surplus of £662,000, a £21,000 rise in the value of listed investments and retained profits of £372,000.

### **The Future**

We have a solid trading outlook and balance sheet which gives us confidence as we move towards greater emphasis on our property interests. We believe we can continue to enhance shareholder value over the medium term and it remains our intention to raise dividends in real terms year-on-year.

**G J Kingerlee**

*Chairman*

4 August 2004

# Group

## Profit and Loss account (unaudited) for the six months ended 30 June 2004

	Note	First Half 2004 £'000	First Half 2003 £'000	Full Year 2003 £'000
<b>Income from fixed asset investments and other interest receivable</b>				
From properties		731	725	1,457
From investments, including net interest receivable		153	143	301
		<b>884</b>	868	1,758
Administrative expenses		112	120	209
<b>Operating profit</b>		<b>772</b>	748	1,549
Gain on disposals of assets	2	1	88	158
<b>Profit on ordinary activities before taxation</b>		<b>773</b>	836	1,707
Taxation	3	191	186	409
<b>Profit for the financial period</b>		<b>582</b>	650	1,298
Gain on disposals of assets after taxation transferred to realised capital reserve		(1)	(88)	(158)
<b>Profit available for distribution</b>		<b>581</b>	562	1,140
Dividends	4	209	194	568
<b>Profit retained</b>		<b>372</b>	368	572
Earnings per share	5			
Including gains on disposals of assets		11.3p	12.6p	25.1p
Excluding gains on disposals of assets		11.2p	10.9p	22.1p

		First Half 2004 £'000	First Half 2003 £'000	Full Year 2003 £'000
<b>Statement of Total Recognised Gains and Losses</b>				
Profit for the financial period		582	650	1,298
Unrealised surplus on revaluation of: investment properties		662	1,242	1,320
listed and unlisted investments		21	238	996
Tax on prior years' surplus realised in year		(39)	–	–
<b>Total recognised gains and losses for the period</b>		<b>1,226</b>	2,130	3,614

## Balance Sheet (unaudited) as at 30 June 2004

	Note	30 June 2004 £'000	30 June 2003 £'000	31 December 2003 £'000
<b>Fixed assets</b>				
Tangible assets	6	<b>27,697</b>	25,358	25,436
Investments	7	<b>7,927</b>	7,584	8,062
		<b>35,624</b>	32,942	33,498
<b>Current assets</b>				
Debtors		<b>400</b>	471	532
Cash at bank and in hand		<b>–</b>	366	1,079
		<b>400</b>	837	1,611
<b>Creditors</b>				
Amounts falling due within one year		<b>1,106</b>	989	1,208
<b>Net current (liabilities)/assets</b>		<b>(706)</b>	(152)	403
<b>Total assets less current liabilities</b>		<b>34,918</b>	32,790	33,901
<b>Capital and reserves</b>				
Called up share capital		<b>1,292</b>	1,292	1,292
Revaluation reserve – property		<b>7,222</b>	6,187	6,560
– other		<b>3,254</b>	2,708	3,542
Capital redemption reserve		<b>95</b>	95	95
Realised capital reserve		<b>14,596</b>	14,625	14,325
Profit and loss account		<b>8,459</b>	7,883	8,087
<b>Shareholders' funds</b>		<b>34,918</b>	32,790	33,901

# Group

## Cash Flow Statement (unaudited) for the six months ended 30 June 2004

	<b>First Half 2004 £'000</b>	First Half 2003 £'000	Full Year 2003 £'000
<b>Net cash inflow from operating activities</b>	<b>873</b>	1,227	1,977
<b>Taxation</b>			
Taxation paid	<b>(218)</b>	(336)	(530)
<b>Capital expenditure and financial investment</b>			
Purchase of fixed assets – properties	<b>(1,599)</b>	(1,596)	(1,596)
– listed investments	<b>(453)</b>	(262)	(624)
Sale of fixed assets – properties	<b>–</b>	657	660
– listed investments	<b>610</b>	624	1,334
Net cash outflow from capital expenditure and financial investment	<b>(1,442)</b>	(577)	(226)
<b>Net cash outflow from servicing of finance</b>			
Dividends paid	<b>(374)</b>	(343)	(537)
<b>(Decrease)/increase in cash</b>	<b>(1,161)</b>	(29)	684
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Operating profit	<b>772</b>	748	1,549
Decrease in debtors	<b>132</b>	443	384
(Decrease)/increase in creditors	<b>(31)</b>	36	44
	<b>873</b>	1,227	1,977

for the six months ended 30 June 2004

## 1. Interim report

This interim report will not appear as an advertisement in any newspaper but copies are being sent to all shareholders and are available at the company's registered office. The results for the six months ended 30 June 2004 are unaudited but have been prepared on the basis of accounting policies consistent with those set out in the audited report and financial statements for the year ended 31 December 2003.

The interim report does not constitute full accounts as defined by the Companies Act 1985 but should be read in conjunction with the most recent financial statements. Full accounts for 2003 have been delivered to the Registrar of Companies, bearing an unqualified audit opinion.

## 2. Gain on disposals of assets

	<b>First Half 2004 £'000</b>	First Half 2003 £'000	Full Year 2003 £'000
Gain on disposals of assets arising on sales of:			
Properties	–	80	82
Investments	<b>1</b>	8	76
	<u><b>1</b></u>	<u>88</u>	<u>158</u>

## 3. Taxation

	<b>First Half 2004 £'000</b>	First Half 2003 £'000	Full Year 2003 £'000
Corporation tax	<b>191</b>	186	399
Prior year underprovision	–	–	10
	<u><b>191</b></u>	<u>186</u>	<u>409</u>

The taxation charge has been based on the estimated effective tax rate for the full year.

## 4. Dividends

The Board has declared an ordinary interim dividend of 4.05p per share (2003 3.75p) payable on 20 October 2004 to shareholders registered at 17 September 2004.

## 5. Earnings per share

The calculation of earnings per share is based on the profit for the period of £582,000 (2003 £650,000) and on 5,167,240 shares (2003 5,167,240) which is the weighted average number of shares in issue during the period ended 30 June 2004 and throughout the period since 1 January 2004.

In view of the uneven nature of capital disposals, an adjusted earnings per share has also been presented, based on the profit available for distribution of £581,000 (2003 £562,000).

# Notes (unaudited)

for the six months ended 30 June 2004

## 5. Earnings per share (continued)

	<b>First Half 2004 £'000</b>	First Half 2003 £'000	Full Year 2003 £'000
Earnings:			
Basic earnings per share	<b>582</b>	650	1,298
Adjustment for gain on disposals of assets	<b>(1)</b>	(88)	(158)
Adjusted earnings per share	<b>581</b>	562	1,140
Per share amount:			
Basic earnings per share	<b>11.3p</b>	12.6p	25.1p
Adjustment for gain on disposals of assets	<b>(0.1)p</b>	(1.7)p	(3.0)p
Adjusted earnings per share	<b>11.2p</b>	10.9p	22.1p

## 6. Tangible assets

Land and buildings (Investment properties)	Total £'000
Valuation at 1 January 2004	25,436
Additions	1,599
Surplus on revaluation	662
Valuation at 30 June 2004	27,697

The directors have used an independent valuation of properties at 30 June 2004, the basis of which they believe to be consistent with the external valuation prepared for 31 December 2003.

## 7. Investments

Listed and unlisted	Total £'000
Valuation at 1 January 2004	8,062
Additions	453
Disposals	(609)
Surplus on revaluation	21
Valuation at 30 June 2004	7,927