Highcroft
Investments PLC



Report & Financial Statements
31 December 2010

Highcroft Investments PLC is a Real Estate Investment Trust (REIT) that has a portfolio of property and equity investments.

Contents

Front cover

Top left: Radio station and office building in Oxford, let to the BBC

Top right: Bank premises in Reigate, let to Lloyds TSB

Bottom left: Retail unit in Leamington Spa, let to Thorntons

Bottom right: Retail units in Oxford, let to Hotel Chocolat and Jigsaw

The report of the directors on pages 6 to 13 and the directors' remuneration report on pages 14 and 15 have each been drawn up in accordance with the requirements of English law and liability in respect thereof is also governed by English law. In particular, the responsibility of the directors for these reports is owed solely to Highcroft Investments PLC.

The directors submit to the members their report and accounts of the group for the year ended 31 December 2010. Pages 1 to 15, including the chairman's introduction, corporate governance statement, report of the directors and directors' remuneration report form part of the report of the directors.

Chairman's introduction

Key Highlights

- Gross property income increased by 5.7% to £2,053,000
- Profit for the year on revenue activities up 17.7% to £1,965,000
- Adjusted earnings per share (on revenue activities) up 17.6% to 38p
- Net asset value per share up 7.5% to 716p
- Total property income distribution up 10% to 28.6p per share
- Cash and liquid equity investments £8,080,000 (2009: £8,343,000)

Dear Shareholder,

I am pleased to introduce our Annual Report and Accounts for the year ended 31 December 2010 – a year which saw us making modest progress in a number of areas against a continuing difficult background. The highlights were a recovery in our gross property income and in our net asset value and a further advance in distributions to shareholders.

The background remained very muted in terms of the national economy with action to reduce the Government deficit and the still delicate position of much of the Banking industry impacting on consumer confidence, borrowing and general property activity and values. As far as the latter is concerned, the recovery seen in the first half of 2010 tended to tail away in the second part of the year and, as I write, market forecasts for 2011 and beyond continue to be guarded.

In such circumstances, we have benefited from the above average quality of our portfolio (which is focused on the relatively prosperous areas in South East England) and some good asset management therein. The latter includes successful rent reviews, lease extensions, progress on voids and continued close attention to the financial health of our current and prospective tenants. This is an important point given the latest statistics showing that nationally there is a 14% void rate in High Street shops and challenges facing retailers. I am pleased to report that we have no significant rent arrears and that the credit score across our portfolio is 84 – a very respectable rating and some seven points higher than a year ago.

If there is an area of disappointment, it is that we have been unable to make more than a modest addition to our property portfolio – a freehold industrial unit at Leamington Spa which we acquired at the end of the year. The lease length, 6.5% yield, and the financial strength of the tenant means this acquisition fits well into our portfolio strategy. Some of the work done in 2010 will, hopefully, benefit the current year in terms of potential acquisitions during 2011. I am pleased to confirm that we have, in 2011, exchanged an agreement to lease on our Yeovil property and completed the sale of two of our residential properties.

We hope that our sound year end financial position – no gearing, and cash and liquid equity investments of £8,080,000 – will enable us to take advantage of the increasing number of properties which seem likely to be coming to the Market in the coming months.

The directors and I look forward to welcoming you to the AGM on May 11th.

John Hewitt
Chairman
23 March 2011

Corporate governance

Application of principles

The company has applied the principles of good governance contained in the Combined Code 08 (Principles of Good Governance and Code of Best Practice) except as noted in the compliance statement below.

Compliance

The company has complied throughout the year with the Code provisions set out in Section 1 of the Combined Code 08 except that no performance related payments were made to directors, which is not in accordance with Code provision B.1.1. The remuneration committee and board believe that the directors do not need to have performance related payments in order to be motivated to give their best in serving the interests of shareholders.

Board effectiveness

The board is responsible for leading and controlling the group activities and, in particular:

- approving group objectives, strategy and policies
- business planning
- review of performance
- risk assessment
- dividends
- appointments

The board meets at least six times a year and has a schedule of matters specifically reserved for its decision. Executive directors are responsible for the implementation of strategy and policies and the day-to-day decision making and administration.

During 2010 the number of board and committee meetings and individual participation was as follows:

	Board	Audit	Remuneration	Nomination
Number of Meetings	9	4	1	1
J Hewitt	9/9	4/4	1/1	1/1
R N Stansfield	8/9	4/4	1/1	1/1
C J Clark	8/9	4/4	1/1	1/1
J C Kingerlee	9/9	N/A	N/A	N/A
D Bowman (to 30 June)	5/5	1/1 (part)	N/A	N/A
R Miles (from 1 July)	4/4	3/3 (part)	N/A	N/A
D H Kingerlee	9/9	N/A	N/A	N/A

The board receives appropriate and timely information and the directors are free to seek any further information they consider necessary. All directors have access to advice from the company secretary and independent professionals at the company's expense. Appropriate training is available for new directors and other directors as necessary.

The board has six directors of which three are executive directors and three are non-executive directors. The chairman is John Hewitt, the senior independent director is Richard Stansfield and the chief executive is Jonathan Kingerlee. The board members' biographies are on page 8.

The independent non-executive directors bring additional experience and knowledge and are independent of management and any business or other relationship that could interfere with the exercise of their independent judgement. This provides a balance whereby an individual or small group cannot dominate the board's decision-making.

All directors are subject to re-election every three years and, on appointment, at the first AGM after appointment. The board has established a separate nomination committee, comprising the non-executive directors, responsible for making recommendations for appointments to the board.

Formal procedures appropriate to the size of the business are in use for performance evaluation of the board and its committees. They include objective-setting and review with the use of an external facilitator.

Corporate governance (continued)

Directors' remuneration

The directors' remuneration report is on pages 14 and 15. It sets out the company's policy and the full details of all elements of the remuneration package of each individual director.

Relations with shareholders

The board values the views of its shareholders and recognises their interest in the company's strategy and performance, board membership and quality of management. The AGM is used to communicate with investors and documents are sent to shareholders at least 20 working days before the meeting. The chairman and chairmen of the audit and remuneration committees are available to answer relevant questions. Separate resolutions are proposed on each substantial issue so that they can be given proper consideration and there is a resolution to receive and consider the annual report and financial statements. The company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands. We have no institutional shareholders.

Accountability and audit

The board presents a balanced and understandable assessment of the company's position and prospects in all interim and other price-sensitive public reports, reports to regulators and information required to be presented by statute. The responsibilities of the directors as regards the financial statements are described on page 5, and that of the auditor on pages 33 and 34. A statement on going concern appears on page 4.

The audit committee of the board comprises all the non-executive directors and is chaired by Christopher Clark and includes one member who has recent and relevant financial experience. The committee meets not less than three times a year to review the scope and findings of the auditor's work on audit and non-audit issues, the interim and annual reports prior to their publication, the application of the company's accounting policies and any changes to the financial reporting requirements. The audit committee also plays an important part in reviewing the company's systems of internal control which are described below. The audit committee reports on each of its meetings at the next board meeting.

The audit committee reviews the terms of engagement with the external auditor and ensures that the external auditor is independent via the segregation of audit-related work from other accounting functions. They have also received and reviewed written disclosures from the auditor regarding independence. The audit committee has referenced audit fees with similar auditors and decides how frequently the audit should be put out to tender.

Internal control

The board is responsible for establishing and maintaining a sound system of internal control and for reviewing its effectiveness. The system of internal control is designed to meet the particular 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. The internal control system was in place for the period under review up to the date of approving the accounts. There is an ongoing process to identify, evaluate and manage the risks facing the business. The entire system of internal control was reviewed during the year. This review has been undertaken in accordance with guidance published by The Institute of Chartered Accountants in England and Wales.

The key procedures, which exist to provide effective internal control, are as follows:

- clear limits of authority
- annual revenue, cash flow and capital forecasts, reviewed regularly during the year, monthly monitoring of cash flow and capital expenditure reported to the board, quarterly and half year revenue comparisons with forecasts
- financial controls and procedures
- clear guidelines for capital expenditure and disposals, including defined levels of authority
- two-monthly meetings of the executive directors to authorise share purchases and sales
- an audit committee, which approves audit plans and published financial information and reviews reports from the external auditor arising from the audit and dealing with significant control matters raised
- regular board meetings to monitor continuously any areas of concern
- annual review of risks and internal controls
- annual review of compliance with The Combined Code.

The board has considered the need for an internal audit function but has decided that the size of the group does not justify it at present. However, it does review the position annually.

Corporate governance (continued)

Internal control (continued)

The directors have reviewed the operation and effectiveness of the group's system of internal control, including financial, operational and compliance controls and risk management for the financial year ended 31 December 2010 and the period up to date of approval of the financial statements.

The board also has a nomination committee comprising the non-executive directors whose key objective is to ensure that the board comprises individuals with the requisite skills, knowledge and experience to ensure that it is effective in discharging its responsibilities.

Going concern

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and consider that there are no material uncertainties that lead to significant doubt upon the group's ability to continue as a going concern. Cash flow forecasts are prepared annually as part of the planning and budgeting process and are monitored and reworked monthly. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Given the continuing economic uncertainties, the directors are aware of the general concern affecting the assessment of the going concern basis for all businesses and have therefore taken particular care in reviewing the going concern basis this year. The group has no borrowing. The company does not currently have an overdraft facility or a loan facility. However, contact is maintained with a number of banks which regard the group as an attractive lending opportunity. The company carefully monitors its forecast cash balances in order to ensure an overdraft is not required and it has relatively liquid assets, in the form of listed equity investments, which it can draw on if necessary.

Structure of share capital and rights and obligations attaching to shares

The company's authorised ordinary share capital as at 31 December 2010 was 8,000,000 of which 5,167,240 shares of 25p each were allotted, called up and fully paid.

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 an extraordinary resolution of the company and any other sanction required by the statutes, divide among 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 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 he or she is the holder.

- **To have rights in respect of share certificates and share transfers**
  Every person whose name is entered as a Member in the Register shall be entitled without payment to one certificate for all the shares of each class held by him 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 his 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.

Corporate governance (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the 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 judgments and estimates that are reasonable and prudent
- state whether applicable IFRSs and UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the 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 all 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 that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of my knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, 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; and
- the management 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.

By order of the board

Roberta Miles

R Miles
Company Secretary
23 March 2011

Report of the directors

Principal activities

Highcroft Investments PLC is a group that invests in property and equity investments.

Directors

The directors are as follows:

John Hewitt:

John Hewitt, 65, worked in the City of London in stockbroking for over 20 years where he became managing director of Scrimgeour Vickers. He is currently campaign adviser to Wadham College Oxford and a trustee of the Oxfordshire Association for the Blind. He also advises a number of other local and international businesses and organisations. He was appointed as an independent non-executive director in 1999.

Christopher Clark:

Christopher Clark, 68, was appointed as an independent non-executive director in January 2006. He is also the non-executive chairman of Brookwell Limited and is a marketing consultant with Monument Securities Limited and with Lehmann Communications plc. He previously worked as a stockbroker and is a Fellow of the Chartered Institute of Secretaries & Administrators and a Fellow of the Chartered Institute for Securities & Investment.

Richard Stansfield:

Richard Stansfield, 53, is a chartered surveyor and formerly a director of Savills commercial department based in Oxford where he advised a number of institutional clients on their commercial property portfolios throughout the UK. He is now Land Agent for Jesus College Oxford and responsible for a fund of commercial, residential and rural properties located in England and Wales. He was appointed as an independent non-executive director in 2002.

Jonathan Kingerlee:

Jonathan Kingerlee, 50, became an executive director in 1995 and chief executive in 2001. He is chief executive of the Kingerlee Group of companies, which trades principally in construction and property development and has various investment interests. Other interests include companies developing and selling environmental building materials, and he is also a founder member of the Good Homes Alliance which is a trade association open to property developers committed to improving the performance of newly constructed homes.

David Kingerlee:

David Kingerlee, 49, became an executive director in 1996. He is also an executive director and company secretary of the Kingerlee Group of companies, which trades principally in construction and property development and has various investment interests.

Roberta Miles:

Roberta Miles, 48, was appointed finance director and company secretary in 2010. She is also a director of Mechadyne Holdings Limited and acts as company secretary or chief financial officer for a number of other companies.

Richard Stansfield retires by rotation and, being eligible, offers himself for re-election. Roberta Miles who was appointed on 30 June 2010 retires in accordance with article 101 and, being eligible, offers herself for re-election.

John Hewitt, having served more than nine years on the board, submits himself for re-election. Before recommending John for re-election the other directors have conducted a rigorous appraisal of performance, led by Richard Stansfield as senior independent director.

Report of the directors (continued)

Interests of the directors in the shares of the company

The beneficial and other interests of the directors, and their families, in the shares of the company at 1 January 2010 and at 31 December 2010 were as follows:

	31 December 2010		1 January 2010	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
J Hewitt	**10,000**	**–**	10,000	–
C J Clark	**4,950**	**–**	4,950	–
R N Stansfield	**–**	**–**	–	–
J C Kingerlee	**130,986**	**–**	118,023	–
R Miles	**–**	**–**	–	–
D H Kingerlee	**88,470**	**77,780**	114,397	77,780

There is no duplication of directors' shareholdings, except in respect of:

- 38,890 of the beneficial holding of Jonathan Kingerlee and 38,890 of the non-beneficial holding of David Kingerlee.

There were no changes in the interests of the directors in the period from 1 January 2011 to 23 March 2011.

Substantial shareholders

As at 23 March 2011 the following notifications of interests in three per cent or more of the company's ordinary share capital in issue at the date of this report had been received:

		Number of shares	
		Beneficial	Non-beneficial
D G & M B Conn and associates	**(19.56%)**	**1,010,867**	**–**
The wholly owned subsidiaries of Kingerlee Holdings Limited, total 25.36% :			
Kingerlee Limited	**(9.96%)**	**515,000**	**–**
Kingerlee Homes Limited	**(7.70%)**	**397,673**	**–**
T H Kingerlee & Sons Limited	**(7.70%)**	**397,674**	**–**

Strategy

The broad objectives of the group are unchanged. These are to enhance shareholder value via a combination of increasing asset value, increasing profits and increasing dividends. The strategy by which the board of Highcroft seeks to achieve these objectives and our comments in respect of 2010, including relevant key performance indicators follows. The directors are well aware that the current economic circumstances are ones which increase the risks for all organisations but continue to believe that the strategy remains appropriate.

- To continue to focus on the commercial property portfolio.

	2010	2009	2008	2007	2006
Allocation of total investments	**%**	%	%	%	%
Commercial property	**78**	72	72	71	73
Residential property	**7**	7	6	6	5
Equity investments	**15**	21	22	23	22
Total	**100**	100	100	100	100

In December 2010 we bought an Industrial unit in Leamington Spa which has a good covenant and yield and an unexpired term that is longer than the average on our portfolio.

Report of the directors (continued)

Strategy (continued)

- To continue to reduce the residential property portfolio when opportunities arise.

Number of residential disposals	2010	2009	2008	2007	2006
Per annum	1	0	1	1	2

We plan for two residential disposals per year but as we sell only with vacant possession the annual rate is not within our control. Since the year end two properties have already been sold.

- To have such a proportion of funds in equity investments which maintains a lower risk profile than would attach to a portfolio which was 100% invested in property.

We intend that equity investments will represent 15–25% of total investments and the upper limit is a condition of our REIT status. At 31 December 2010 equity investments represented 15% (2009: 21%) of total investments.

We generated £2,298,000 net cashflow from the equity portfolio and used this to fund a new property purchase and to enhance our cash reserves. The board will continue to monitor the condition of the equity and property markets in 2011 and would consider making a further transfer of funds out of the equity investment portfolio and into the property portfolio, consistent with maintaining a lower risk profile.

- To seek property development opportunities from within our own property portfolio.

We are continuing to explore potential development opportunities at our properties in High Street Oxford, Staines and in Victoria.

- To seek, though not exclusively, new property acquisitions with development opportunities where the development risks can be counter-balanced by income from the same investment.

- This continues to be one of the potential attractions which we seek from new acquisitions, although there were again no suitable properties identified in 2010. Our new acquisition of an industrial unit at the end of 2010 was chosen because of the combination of its yield, its covenant and its unexpired lease length.

- To use medium term gearing but to a level which would be perceived as cautious by comparison with other real estate businesses.

We maintain contact with a number of banks, to which we are an attractive lending proposition, and we will use those contacts to expand the property portfolio in the future when we feel that the timing is appropriate to make significant new acquisitions.

Business review

Results and dividends

The trading results for the year and the group's financial position at the end of the year are shown in the financial statements, and are discussed further in the business review below.

The board is proposing a final property income distribution on the ordinary shares in respect of 2010 of 17.6p (2009: 16.0p) per share. The total property income distributions for the year will be 28.6p per share (2009: 26.0p per share).

Report of the directors (continued)

Results and dividends (continued)

The dividends paid to shareholders during 2010 were as follows:

	2010 **£'000**	2009 £'000
2009 Final: 16.0p per ordinary share (2008: 11.4p)	**827**	589
2010 Interim: 11.0p per ordinary share (2009: 10.0p)	**568**	518
	1,395	1,107

Although we have an ambition continuously to increase distributions to shareholders, adherence to the REIT obligations may cause a less even pattern than has historically been the case.

Financial performance – revenue activities

Gross income for the year ended 31 December 2010 was £2,287,000 (2009: £2,235,000).

Analysis of gross income	**2010** **£'000**	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Commercial property income	**1,995**	1,877	2,050	2,062	1,933
Residential property income	**58**	66	74	64	105
Gross income from property	**2,053**	1,943	2,124	2,126	2,038
Income from equity investments	**234**	292	450	406	489
Total income	**2,287**	2,235	2,574	2,532	2,527

Underlying commercial property income has risen in 2010 because the Warrington property that was void for the majority of 2009 is now fully let, and there was the benefit of higher income from rent reviews than in 2009. Since the year end an agreement for lease has been signed for our Yeovil property.

Residential property income reduced in 2010 relative to 2009 because of the sale of one property in the first quarter of 2010, one property being void throughout 2010, and two others becoming empty during the year. Of these three empty properties the sales of two have completed in January 2011.

The 2010 income from equity investments fell primarily because of the reduced weighting of equities in our portfolio of assets.

Analysis of administrative and net finance expenses	**2010** **£'000**	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Directors' remuneration	**156**	139	166	133	141
Auditor's remuneration including other services	**20**	22	34	31	32
Fees in respect of conversion to a REIT	**–**	–	47	147	–
Other expenses	**154**	122	77	80	74
Administrative expenses	**330**	283	324	391	247
Net finance (income)/expenses	**(9)**	18	61	209	188
Total expenses	**321**	301	385	600	435

The ongoing running costs of the business remain well controlled. Three factors affected the costs in 2010 compared to 2009:

- The directors' remuneration is higher in 2010 due to the change of finance director during the year and there are some handover costs included in other expenses.
- Other expenses were increased due to increased professional costs incurred during the year.
- The lack of any medium term debt reduced net finance expenses and a small amount of income was earned on the net cash balances.

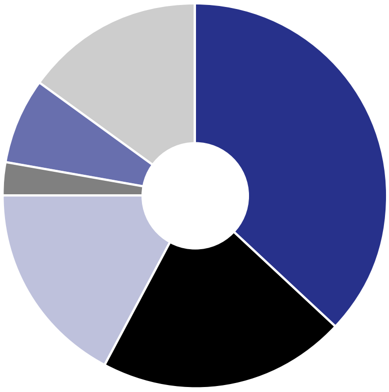
Report of the directors (continued)

Financial performance – revenue activities (continued)

Summary of profit before tax and income tax credit/(expense) on revenue activities	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Profit before tax	**1,821**	1,681	1,889	1,833	1,956
Income tax credit/(expense)	**144**	(11)	33	(271)	(456)
Profit for the year	**1,965**	1,670	1,922	1,562	1,500

Financial performance – capital activities

Overview of investment portfolios



Retail Property	**37%**
Office Property	**21%**
Warehouse	**17%**
Leisure	**3%**
Residential	**7%**
Equities	**15%**

Property investments at 31 December 2010 **Commercial:**	**Valuation** **£'000**
Multi-let office building in London, SW1	**2,950**
Distribution centre in Kidlington, Oxfordshire, let to Parcelforce	**2,700**
Radio station and office building in Oxford, let to the BBC	**2,600**
Multi-let retail units in Staines, with offices above	**2,000**
Office building in central Bristol, let to Royal & Sun Alliance	**1,975**
Retail unit in Oxford, let to Jigsaw	**1,875**
Distribution centre in Southampton, let to Metabo	**1,825**
Retail unit in Leamington Spa, let to Thorntons	**1,600**
Industrial unit in Leamington Spa, let to Nationwide Crash Repair	**1,475**
Multi-let retail units in Cirencester, with residential above	**1,390**
Retail unit in Norwich, let to Austin Reed	**1,300**
Retail unit in Oxford, let to Britannia Building Society	**1,100**
Bank premises in Petersfield, let to Barclays	**1,070**
Licensed leisure and retail property in Warrington, let to Wetherspoons and Cash Converters	**1,050**
Retail unit in Beckenham, let to Superdrug	**900**
Retail unit in Yeovil	**825**
Bank premises in Reigate, let to Lloyds TSB	**775**
Retail unit in Kingston, let to Kaleido	**600**
	28,010
Eight residential properties	**2,695**
	30,705

Report of the directors (continued)

Financial performance – capital activities (continued)

Analysis of gains and losses on property	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Realised gains on investment property	**108**	–	–	107	320
Realised losses on investment property	**(8)**	–	(5)	(6)	(33)
	100	–	(5)	101	287
Revaluation gains on investment property	**1,735**	1,616	59	388	2,732
Revaluation losses on investment property	**(158)**	(416)	(8,985)	(3,819)	(398)
	1,577	1,200	(8,926)	(3,431)	2,334

Analysis of gains and losses on equities – capital activities	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Realised gains on equity investments	**69**	263	5	272	73
Realised losses on equity investments	**(136)**	(141)	(446)	(245)	(159)
	(67)	122	(441)	27	(86)
Revaluation gains on equity investments	**649**	1,416	90	1,320	1,382
Revaluation losses on equity investments	**(73)**	(93)	(3,089)	(1,045)	(150)
	576	1,323	(2,999)	275	1,232

Summary of investment activities	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Purchase of property	**1,558**	281	–	6	7,437
Purchase of equity investments	**1,028**	515	750	1,164	1,029
	2,586	796	750	1,170	8,466

Summary of other key performance indicators

The directors have monitored the progress of the group strategy and the individual strategic elements by reference to certain financial and non-financial key performance indicators.

Growth in gross income	2010 %	2009 %	2008 %	2007 %	2006 %
Commercial property income	**6**	(8)	(1)	7	5
Residential property income	**(12)**	(10)	16	(39)	25
Total property income	**6**	(9)	(0)	6	6
Income from equity investments	**(20)**	(35)	11	(17)	44
Total revenue income	**2**	(13)	2	0	12

Cost of voids and bad debts	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Voids	**87**	108	136	14	10
Bad debts	**2**	26	42	–	–

The retail property in Yeovil was vacant throughout 2010 and, apart from a short-term let before Christmas, throughout 2009. A lease on part of the leisure property in Warrington was granted in mid-November 2009 and on the remaining part in September 2010.

Report of the directors (continued)

Future developments for the business/Future outlook

The group is in a very sound financial position with no gearing, and cash and liquid equity investments of over £8.5m. The directors anticipate that there will be an increasing number of properties being marketed in the coming months and that the group is well placed to take advantage of the right opportunities. The Board is also considering complementary ways of enhancing the property portfolio (joint ventures, for instance) which it hopes to progress during 2011.

Principal risks and uncertainties

Operational and financial risks facing the business are monitored through a process of regular assessment by the executive directors and by reporting and discussion at meetings of the audit committee and the board.

The directors are of the opinion that a thorough risk management process is adopted which includes the formal review of all the six risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

1. Adverse economic environment

   The economic uncertainties which remain globally and in the UK are a current concern for all businesses. We expect this to continue to impact on consumer spending and on the financial health of businesses in which we are investors and businesses who are our tenants. We assess the credit worthiness of our current and potential tenants and review any rental arrears on a regular basis.

   The independent valuation of all property assets 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.

2. Balance of income and assets

   Highcroft's status as a REIT is conditional upon a number of factors, the most critical of which is maintaining a correct balance of income and assets such that the property side is greater than 75% at the year end. Failure to maintain these balances can lead to exclusion from the REIT regime. The directors are aware of this risk and it is a key principle underlying our investment decision-making.

3. Business strategy

   The success of Highcroft is dependent upon establishing the right business strategy to fulfil shareholder expectations. We are explicit about our strategy and assess our performance against that strategy in our annual report. In response to this risk, directors use planning and forecasting of the business to help to ensure that outcomes are satisfactory for shareholders. As noted above, we continue to believe that our strategy is the right one.

4. Insolvency of a tenant

   Rent collections are continuously reviewed by our property managers and regularly reviewed internally. Tenants' financial status is carefully reviewed when a new lease is entered into and when a property is acquired. The present economic environment has increased the risk of tenant insolvency which leads to bad debts and voids.

   The Group has 26 commercial tenants, so that the risks associated with the default of individual tenants are quite well spread. Our five largest tenants by current passing rent provide 42% of current income. The weighted average credit score of these five tenants is presently 84. The weighted average credit score of the whole portfolio is currently also 84.

5. Potential for unsatisfactory relationship with property advisers and managers

   The performance of the property portfolio is key to our overall success and the professional advice we receive is critical. We work closely with our advisers to review regularly the performance of the portfolio and also that of the advisers themselves. As with all our advisers, the work is occasionally put out to tender.

Report of the directors (continued)

Principal risks and uncertainties (continued)

6. Internal controls become ineffective, irrelevant or incomplete
   Potential issues affecting internal control are a continuous part of our thinking. Risks and their control are reviewed annually by the audit committee and by the whole board.

Corporate environmental and social responsibility policies

In the conduct of the group's business, the directors aim to act with honesty, integrity and openness and to conduct operations to the highest standards. We seek to minimise the risk of our activities having any adverse effect on the environment.

Policy on the payment of suppliers

The group normally agrees payment terms with suppliers as part of the establishment of a contract. It is the group's normal practice to pay its suppliers before the end of the month following the month of supply. This policy applies at the present time and applied in 2010 when average creditor days were 30 (2009: 30).

Donations

Donations to charitable organisations amounted to £4,800 (2009: £4,800). There were no political donations.

Financial instruments

Information on financial instruments is included in note 18 .

Auditor

Grant Thornton UK LLP, have expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting to be held on 11 May 2011.

By order of the board

R Miles
Company Secretary
23 March 2011

Directors' remuneration report

The information contained in this report is not subject to audit except where specified.

Composition of the remuneration committee

The members of the committee are Richard Stansfield (chairman), Christopher Clark and John Hewitt. None of the committee has any personal financial interest in the matters to be decided (other than as shareholders), potential conflicts of interest arising from cross-directorships nor any day-to-day involvement in running the business.

Terms of reference

The approved terms of reference of the remuneration committee are as follows:

The remuneration committee is established in order to determine the company's policy on executive directors' remuneration and the specific remuneration packages for each of the executive directors, including any pension rights and any compensation payments.

The remuneration committee consults the chief executive about their proposals relating to the remuneration of other executive directors but he is not present for the discussion of his own remuneration. The committee has access to advice from independent professionals at the company's expense.

Policy

Executive directors' remuneration is reviewed annually having regard to the work done and the profits of the business but without a fixed relationship between profits and any element of pay. Executive directors are given service contracts not longer than three years, within which there is a notice period by either party of six months, and with no provision for compensation payments on termination. The contracts of directors in office have expiry dates as follows, subject to shareholders re-election at annual general meetings when appropriate:

	Start date	Expiry date
J Hewitt	1 July 2010	30 June 2013
C J Clark	1 January 2009	30 June 2012
R N Stansfield	1 January 2008	30 June 2011
J C Kingerlee	1 July 2008	30 June 2011
R Miles	1 July 2010	30 June 2013
D H Kingerlee	1 July 2009	30 June 2012

The remuneration of the non-executive directors is determined by the whole board.

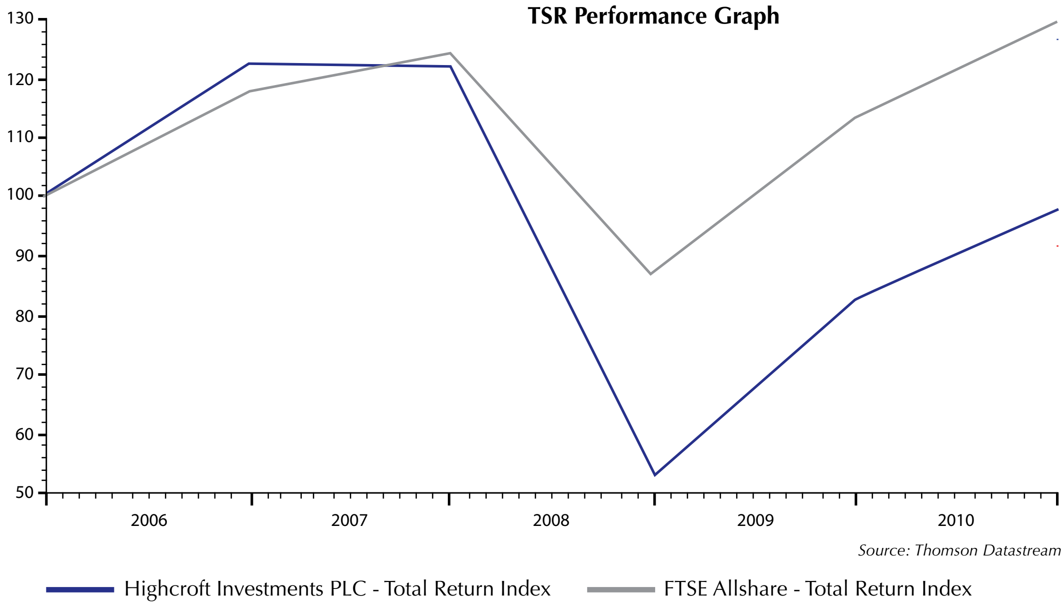
Directors' interests

Directors' interests are shown in the report of the directors on page 7. They are taken from the company's register of directors' interests which is open to inspection, by appointment, at the registered office.

Directors' remuneration report (continued)

Performance graph

The graph below shows Highcroft's Total Shareholder Return (TSR) compared to the All Share index over the last five years. TSR over the last five years is defined as share price growth plus reinvested dividends. The All Share index provides a basis for comparison as a relevant equity index of which Highcroft is a constituent member.



Directors' remuneration (audited)

	2010	2009
	£	£
John Hewitt	**16,000**	16,000
Christopher Clark	**10,700**	10,700
Richard Stansfield	**10,700**	10,700
Jonathan Kingerlee	**34,300**	34,300
David Bowman (to 30 June 2010)	**20,800**	35,200
David Kingerlee	**20,500**	20,500
Roberta Miles (from 1 July 2010)	**29,900**	–
	142,900	127,400

In addition, Roberta Miles was paid £6,267 for her employment prior to her appointment as a director. There were no benefits in kind and no performance related payments were made. The group does not have a pension scheme for directors nor an executive share option scheme or other long term incentive plan for directors.

RN Stansfield

R N Stansfield
Chairman of the remuneration committee
23 March 2011

Consolidated statement of comprehensive income

for the year ended 31 December 2010

		2010			2009		
		Revenue	**Capital**	**Total**	Revenue	Capital	Total
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Gross rental revenue		**2,053**	**–**	**2,053**	1,943	–	1,943
Property operating expenses	8	**(245)**	**–**	**(245)**	(253)	–	(253)
Net rental revenue		**1,808**	**–**	**1,808**	1,690	–	1,690
Realised gains on investment property		**108**	**–**	**108**	–	–	–
Realised losses on investment property		**(8)**	**–**	**(8)**	–	–	–
Net gains on investment property		**100**	**–**	**100**	–	–	–
Valuation gains on investment property		**–**	**1,735**	**1,735**	–	1,616	1,616
Valuation losses on investment property		**–**	**(158)**	**(158)**	–	(416)	(416)
Net valuation gains on investment property	8	**–**	**1,577**	**1,577**	–	1,200	1,200
Dividend revenue		**234**	**–**	**234**	292	–	292
Gains on equity investments	9	**–**	**718**	**718**	–	1,679	1,679
Losses on equity investments	9	**–**	**(209)**	**(209)**	–	(234)	(234)
Net investment income		**234**	**509**	**743**	292	1,445	1,737
Administration expenses	3	**(330)**	**–**	**(330)**	(283)	–	(283)
Net operating profit before net finance income/(expense)		**1,812**	**2,086**	**3,898**	1,699	2,645	4,344
Finance income		**10**	**–**	**10**	2	–	2
Finance expenses		**(1)**	**–**	**(1)**	(20)	–	(20)
Net finance income/(expense)		**9**	**–**	**9**	(18)	–	(18)
Profit before tax		**1,821**	**2,086**	**3,907**	1,681	2,645	4,326
Income tax credit/(expense)	5	**144**	**(89)**	**55**	(11)	(377)	(388)
Total profit and comprehensive income for the year		**1,965**	**1,997**	**3,962**	1,670	2,268	3,938
Basic and diluted earnings per share	7	**38.0p**	**38.7p**	**76.7p**	32.3p	43.9p	76.2p

The total column represents the income statement as defined in IAS1.

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

Consolidated statement of financial position

at 31 December 2010

	Note	**2010** **£'000**	2009 £'000	2008 £'000
Assets				
Non-current assets				
Investment property	8	**30,705**	27,825	26,344
Equity investments	9	**5,608**	7,397	7,282
Total non-current assets		**36,313**	35,222	33,626
Current assets				
Trade and other receivables	10	**93**	103	223
Cash and cash equivalents		**2,472**	946	963
Total current assets		**2,565**	1,049	1,186
Total assets		**38,878**	36,271	34,812
Liabilities				
Current liabilities				
Interest-bearing loan		**–**	–	14
Current income tax		**215**	90	440
Trade and other payables	11	**897**	777	826
Total current liabilities		**1,112**	867	1,280
Non-current liabilities				
Interest-bearing loan	12	**–**	–	1,240
Deferred tax liabilities	13	**764**	969	688
Total non-current liabilities		**764**	969	1,928
Total liabilities		**1,876**	1,836	3,208
Net assets		**37,002**	34,435	31,604
Equity				
Issued share capital	14	**1,292**	1,292	1,292
Revaluation reserve – property		**6,670**	5,696	4,080
– other		**1,750**	2,656	2,137
Capital redemption reserve		**95**	95	95
Realised capital reserve		**19,810**	18,229	17,773
Retained earnings		**7,385**	6,467	6,227
Total equity		**37,002**	34,435	31,604

These financial statements were approved by the board of directors on 23 March 2011.

J Hewitt

J C Kingerlee
Directors
Company number – 224271

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

Consolidated statement of changes in equity

2010	**Equity £'000**	**Revaluation reserves Property £'000**	**Revaluation reserves Other £'000**	**Capital redemption reserve £'000**	**Realised capital reserve £'000**	**Retained earnings £'000**	**Total £'000**
At 1 January 2010	**1,292**	**5,696**	**2,656**	**95**	**18,229**	**6,467**	**34,435**
Dividends	**–**	**–**	**–**	**–**	**–**	**(1,395)**	**(1,395)**
Transactions with owners	**–**	**–**	**–**	**–**	**–**	**(1,395)**	**(1,395)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**3,962**	**3,962**
Reserve transfers:							
Non-distributable items recognised in income statement:							
Revaluation gains	**–**	**1,577**	**572**	**–**	**–**	**(2,149)**	**–**
Tax on revaluation gains/(losses)	**–**	**–**	**(93)**	**–**	**–**	**93**	**–**
Realised gains	**–**	**–**	**–**	**–**	**(58)**	**58**	**–**
Surplus attributable to assets sold in the year	**–**	**(254)**	**(1,385)**	**–**	**1,639**	**–**	**–**
Excess of cost over revalued amount taken to retained earnings	**–**	**(349)**	**–**	**–**	**–**	**349**	**–**
Total comprehensive income for the year	**–**	**974**	**(906)**	**–**	**1,581**	**2,313**	**3,962**
At 31 December 2010	**1,292**	**6,670**	**1,750**	**95**	**19,810**	**7,385**	**37,002**

2009	Equity £'000	Revaluation reserves Property £'000	Revaluation reserves Other £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2009	1,292	4,080	2,137	95	17,773	6,227	31,604
Dividends	–	–	–	–	–	(1,107)	(1,107)
Transactions with owners	–	–	–	–	–	(1,107)	(1,107)
Profit for the year	–	–	–	–	–	3,938	3,938
Reserve transfers:							
Non-distributable items recognised in income statement:							
Revaluation gains	–	1,200	1,230	–	–	(2,430)	–
Tax on revaluation (losses)/gains	–	–	(343)	–	–	343	–
Realised gains	–	–	–	–	88	(88)	–
Surplus attributable to assets sold in the year	–	–	(368)	–	368	–	–
Excess of cost over revalued amount taken to retained earnings	–	416	–	–	–	(416)	–
Total comprehensive income for the year	–	1,616	519	–	456	1,347	3,938
At 31 December 2009	1,292	5,696	2,656	95	18,229	6,467	34,435

Revaluation reserves include annual revaluation gains and losses, less attributable deferred taxation. The realised capital reserve includes realised revaluation gains and losses, less attributable income tax. In accordance with the articles of association the revaluation and realised capital reserves are not distributable.

Consolidated statement of cash flows

for the year ended 31 December 2010

	2010 **£'000**	2009 £'000
Operating activities		
Profit for the year	**3,962**	3,938
Adjustments for:		
Net valuation gains on investment property	**(1,577)**	(1,200)
Gain on disposal of investment property	**(100)**	–
Gain on investments	**(509)**	(1,445)
Finance income	**(10)**	(2)
Finance expense	**1**	20
Income tax (credit)/expense	**(55)**	388
Operating cash flow before changes in working capital and provisions	**1,712**	1,699
Decrease in trade and other receivables	**10**	120
Increase/(decrease) in trade and other payables	**120**	(49)
Cash generated from operations	**1,842**	1,770
Finance income	**10**	2
Finance expenses	**(1)**	(20)
Income taxes paid	**(25)**	(457)
Net cash flows from operating activities	**1,826**	1,295
Investing activities		
Purchase of non-current assets – investment property	**(1,558)**	(281)
– equity investments	**(1,028)**	(515)
Sale of non-current assets – investment property		
355 –		
– equity investments	**3,326**	1,845
Net cash flows from investing activities	**1,095**	1,049
Financing activities		
Loan repayments	**–**	(1,254)
Dividends paid	**(1,395)**	(1,107)
Net cash flows from financing activities	**(1,395)**	(2,361)
Net increase/(decrease) in cash and cash equivalents	**1,526**	(17)
Cash and cash equivalents at 1 January 2010	**946**	963
Cash and cash equivalents at 31 December 2010	**2,472**	946

Notes to the financial statements

for the year ended 31 December 2010

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 2010 comprise the company and its subsidiary, together referred to as the group. The accounting policies remain unchanged except in respect of the new amended standards IFRS 3 and IAS 27 which have no impact on these financial statements.

Basis of preparation

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS") and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and the measurement of equity investments at fair value.

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 income statement and balance sheet. 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 and carrying investments at fair value through profit and loss constitutes the principal areas of judgement exercised by the directors in the preparation of these financial statements. The fair valuations of investment properties and equity investments at fair value are carried out by external advisers who the directors consider to be suitably qualified to carry out such valuations. The primary source of evidence for property valuations is recent, comparable market transactions on arms-length terms. 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 used in the valuation include the value of future rental income, the outcome of future rent reviews, the rate of voids and the length of such voids. These assumptions were formed on the basis of historical information of the company and the best judgement of the directors.

New accounting standards and interpretations

The group's approach to new accounting standards and interpretations issued during the year is set out below.

Standards amendments and interpretations effective in the year ended 31 December 2010 and adopted for the first time with no impact on these financial statements

- IAS 27 (revised) Consolidated and separate financial statements – consequential amendment arising from amendments to IFRS 3.
- IFRS 3 (revised) Business Combinations.

Amendments to and interpretations of existing standards that are relevant to the group but are not yet effective and have not been adopted early

There are no amendments to or interpretations of existing standards that have been published and are mandatory for the group's future accounting periods beginning on or after 1 January 2011.

Notes to the financial statements (continued)

for the year ended 31 December 2010

1 Significant accounting policies (continued)

Basis of consolidation
The group financial statements consolidate the financial statements of the company and its 100% subsidiary, Rodenhurst Estates Limited, which are both made up to 31 December 2010, 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 income statement 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 company's accounts.

Dividend revenue
Dividend revenue relating to exchange-traded equity investments is recognised in the income statement on the ex-dividend date. In some cases, the group may receive dividends in the form of shares rather than cash. In such cases, the group recognises the dividend income for the amount of cash dividend alternative with a corresponding increase in cost of investments.

Interest income
Interest income and expense is recognised in the income statement under the effective interest method as they accrue. Interest income is recognised on a gross basis, including withholding tax, if any.

Expenses
All expenses are recognised in the income statement 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.

Income tax
Income tax on the profit and loss for the periods presented comprises current and deferred tax, except where they relate 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 substantially 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 substantially enacted at the balance sheet date.

Investment property
Investment property is that which is held either to earn rental income or for capital appreciation or for both. Investment property 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 portfolio 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.

Notes to the financial statements (continued)

for the year ended 31 December 2010

1 Significant accounting policies (continued)

Investment property (continued)
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 gain or loss arising from a change in fair value is recognised in the income statement

Equity investments
The directors have adopted the fair value through profit and loss option for its qualifying financial assets on the basis that to do so is in accordance with its documented investment strategy. The equity investments are quoted and so are valued at market price.

Trade and other receivables
Trade and other receivables are recognised at fair value on initial recognition and subsequently at amortised cost. An impairment loss is recognised for the amount by which the receivable's carrying amount is believed to exceed its recoverable amount. To estimate the recoverable amount, management considers the payment history of the tenant and takes into account the most recent credit rating of the tenant.

Cash and cash equivalents
Cash comprises cash available at less than three months notice.

Trade and other payables
Trade and other payables are recognised at fair value on initial recognition and subsequently at amortised cost.

Interest-bearing borrowings
Interest-bearing borrowings are initially recognised at fair value less attributable costs. Thereafter the carrying amount is stated at amortised cost obtained using the effective interest rate method.

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.

Segment reporting
The format used for segmental reporting is by operating segment, as the group operates in only one geographical segment. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. A segment is a distinguishable component of the group that is engaged in generating income and expenses, which is subject to risks and rewards that are distinct from those of other segments and whose operating results are regularly reviewed by the group's chief operating decision maker.

Notes to the financial statements (continued)

for the year ended 31 December 2010

2 Segment reporting

The operating segment reporting format identifies the operating segments the performance of which is monitored by the group's management using a consistent internal reporting structure. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The group is comprised of the following main operating segments:

- commercial property comprising retail outlets, offices and warehouses
- residential property comprising mainly single-let houses
- financial assets comprising exchange-traded equity investments

	2010 £'000	2009 £'000
Commercial property		
Gross income	**1,995**	1,877
Profit for the year	**2,690**	2,236
Assets	**28,655**	26,485
Liabilities	**743**	656
Residential property		
Gross income	**58**	66
Profit for the year	**654**	375
Assets	**2,695**	2,386
Liabilities	**23**	3
Financial assets		
Gross income	**234**	292
Profit for the year	**618**	1,327
Assets	**7,528**	7,400
Liabilities	**1,110**	1,177
Total		
Gross income	**2,287**	2,235
Profit for the year	**3,962**	3,938
Assets	**38,878**	36,271
Liabilities	**1,876**	1,836

21% (2009: 22%) of gross commercial property income arises from two tenants each representing more than 10% of income.

3 Administrative expenses

	2010 £'000	2009 £'000
Directors (note 4)	**156**	139
Auditor's fees		
Fees payable to the company's auditor for the audit of the company's annual accounts	**19**	19
Fees payable to the company's auditor for other services:		
Other services pursuant to legislation	**1**	3
Other expenses	**154**	122
	330	283

Notes to the financial statements (continued)

for the year ended 31 December 2010

4 Directors

	2010 £'000	2009 £'000
Remuneration in respect of directors was as follows:		
Remuneration	**143**	127
Social security costs	**13**	12
	156	139

The average number of employees, all of whom were directors, of the group during the year was 6 (2009: 6). All directors are considered to be key managers of the company. More detailed information concerning directors' remuneration is shown in the directors' remuneration report.

5 Income tax (credit)/expense

	2010 £'000	2009 £'000
Current tax:		
On revenue profits	**(60)**	–
On capital profits	**(19)**	34
Prior year (over)/underprovision	**(69)**	11
	(148)	45
Deferred tax (note 13)	**93**	343
Income tax (credit)/expense	**(55)**	388

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28% (2009: 28%).
The differences are explained as follows:

	2010 £'000	2009 £'000
Profit before tax	**3,907**	4,326
Profit before tax multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%).	**1,094**	1,211
Effect of:		
Tax exempt revenues	**(66)**	(66)
Profit not taxable as a result of REIT conversion	**(976)**	(809)
Chargeable gains/losses (more)/less than accounting profit	**(38)**	41
Adjustments to tax charge in respect of prior periods	**(69)**	11
Income tax (credit)/expense	**(55)**	388

6 Dividends

In 2010 the following dividends have been paid by the company:

	2010 £'000	2009 £'000
2009 Final: 16.0p per ordinary share (2008: 11.4p)	**827**	589
2010 Interim: 11.0p per ordinary share (2009: 10.0p)	**568**	518
	1,395	1,107

On 23 March 2011 the directors declared a property income distribution of 17.6p per share (2009: 16.0p) payable on 2 June 2011 to shareholders registered at 6 May 2011.

Notes to the financial statements (continued)

for the year ended 31 December 2010

7 Earnings per share

The calculation of earnings per share is based on the total profit for the year of £3,962,000 (2009: £3,938,000) and on 5,167,240 shares (2009: 5,167,240) which is the weighted average number of shares in issue during the year ended 31 December 2010 and throughout the period since 1 January 2010. There are no dilutive instruments.

In order to draw attention to the impact of valuation gains and losses which are included in the income statement but not available for distribution under the company's articles of association, an adjusted earnings per share based on the profit available for distribution of £1,965,000 (2009: £1,670,000) has been calculated.

	2010 £'000	2009 £'000
Earnings:		
Basic profit for the year	**3,962**	3,938
Adjustments for:		
Net valuation gains on investment property	**(1,577)**	(1,200)
Gains on investments	**(509)**	(1,445)
Income tax on gains	**89**	377
Adjusted earnings	**1,965**	1,670
Per share amount:		
Profit per share	**76.7p**	76.2p
Adjustments for:		
Net valuation gains on investment property	**(30.5p)**	(23.2p)
Gains on investments	**(9.9p)**	(28.0p)
Income tax on gains	**1.7p**	7.3p
Adjusted earnings per share	**38.0p**	32.3p

8 Investment property

	2010 £'000	2009 £'000	2008 £'000
Valuation at 1 January	**27,825**	26,344	35,545
Additions	**1,558**	281	–
Disposals	**(255)**	–	(275)
Revaluation gains/(losses)	**1,577**	1,200	(8,926)
Valuation at 31 December	**30,705**	27,825	26,344

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 Jones Lang LaSalle and has been prepared as at 31 December 2010, 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 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.

At 31 December 2010 investment property with a carrying amount of £4,950,000 is charged to Lloyds TSB Bank plc to provide security for any future borrowings.

Notes to the financial statements (continued)

for the year ended 31 December 2010

8 Investment property (continued)

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

	2010 £'000	2009 £'000	2008 £'000
Less than one year	**2,001**	1,881	1,828
Between one and five years	**6,025**	6,910	6,786
More than five years	**6,332**	7,374	9,525
	14,358	16,165	18,139

Property operating expenses are analysed as follows:

	2010 £'000	2009 £'000	2008 £'000
Arising from generating rental income	**159**	123	183
Not arising from generating rental income	**86**	130	117
	245	253	300

9 Equity investments

	2010 £'000	2009 £'000	2008 £'000
Valuation at 1 January	**7,397**	7,282	10,830
Additions	**1,028**	515	750
Disposals	**(3,393)**	(1,723)	(1,299)
Surplus/(deficit) on revaluation in excess of cost	**572**	1,230	(2,539)
Revaluation decrease below cost	**(6)**	(18)	(460)
Revaluation increase still less than cost	**10**	111	–
Valuation at 31 December	**5,608**	7,397	7,282

The analysis of gains and losses on equity investments shown in the income statement is as follows:

	2010 £'000	2009 £'000	2008 £'000
Realised gains on equity investments	**69**	263	5
Revaluation gains on equity investments	**649**	1,416	90
	718	1,679	95

	2010 £'000	2009 £'000	2008 £'000
Realised losses on equity investments	**136**	141	446
Revaluation losses on equity investments	**73**	93	3,089
	209	234	3,535

10 Trade and other receivables

	2010 £'000	2009 £'000	2008 £'000
Trade receivables	**124**	137	194
Bad debt provision	**(44)**	(61)	(41)
Net trade receivables	**80**	76	153
Other receivables	**13**	27	70
	93	103	223

Notes to the financial statements (continued)

for the year ended 31 December 2010

10 Trade and other receivables (continued)

Amounts due from tenants at each year end include amounts invoiced on 25 December in respect of rents in advance for the period 25 December to 24 March. At 31 December 2010 amounts due from tenants which were more than 90 days overdue, which related to rents for 2010 or earlier, totalled £52,000 (2009: £70,000). Provisions against these overdue amounts totalled £61,000 at the beginning of the year, of which £3,000 was released, £17,000 was written off and to which a further £3,000 was added to give a provision of £44,000 at 31 December 2010.

11 Trade and other payables

	2010	2009	2008
	£'000	£'000	£'000
Deferred income	**485**	467	466
Social security and other taxes	**138**	115	104
Other payables	**274**	195	256
	897	777	826

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

12 Interest bearing loan

	2010	2009	2008
	£'000	£'000	£'000
Medium term bank loan	**–**	–	1,240
The medium term bank loan comprises amounts falling due as follows:			
Between one and two years	**–**	–	28
Between two and five years	**–**	–	165
Over five years	**–**	–	1,047
	–	–	1,240

13 Deferred tax liabilities

Deferred taxation, arising from revaluation gains, provided for in the financial statements is set out below and is calculated using a tax rate of 27% (2009: 28%).

	Equity investments
2010	**£'000**
At 1 January 2010	**969**
Realised in the year	**(298)**
Provided in the year	**933**
At 31 December 2010	**764**

	Equity investments
2009	£'000
At 1 January 2009	688
Reversed in the year	(62)
Provided in the year	343
At 31 December 2009	969

Notes to the financial statements (continued)

for the year ended 31 December 2010

14 Share capital

	2010 **£'000**	2009 £'000	2008 £'000
Authorised 8,000,000 ordinary shares of 25p each	**2,000**	2,000	2,000
Allotted, called up and fully paid 5,167,240 (2009: 5,167,240) ordinary shares of 25p each	**1,292**	1,292	1,292

The directors monitor capital on the basis of total equity and operate within the requirements of the articles of association, which permit borrowings of up to 50% of total equity shown in the latest available audited financial statements. 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 is principally carried out by the realisation of liquid equity investments, the sale of vacant residential properties and the use of surplus cash. In the medium term the directors may again use medium term debt to finance future commercial property acquisitions in line with its long term strategy.

	2010 **£'000**	2009 £'000	2008 £'000
Total equity	**37,002**	34,435	31,604
Medium term debt	**–**	–	1,254
Medium term debt as a percentage of total equity	**–**	–	4.0%

15 Capital commitments

There were no capital commitments at 31 December 2010 or at 31 December 2009.

16 Contingent liabilities

There were no contingent liabilities at 31 December 2010 or 31 December 2009.

17 Related party transactions

Kingerlee Holdings Limited owns, through its subsidiaries, 25.36% (2009: 25.36%) of the company's shares and D H Kingerlee and J C Kingerlee are directors and shareholders of both the company and Kingerlee Holdings Limited. The transactions between the company and Kingerlee Holdings Limited or its subsidiaries were as follows:

	2010 **£'000**	2009 £'000
Property income distribution or dividend	**354**	280
Service charge in relation to services provided at Thomas House, Kidlington	**14**	14
Repairs to properties	**2**	–
Amounts outstanding at the end of the year	**2**	–

The company owns 100% of Rodenhurst Estates Limited. The transactions between the company and Rodenhurst Estates Limited were as follows:

	2010 **£'000**	2009 £'000
Dividend received	**–**	1,000
Management charge receivable	**118**	116
Interest receivable on intercompany loan	**5**	50
Amounts outstanding at the end of the year	**359**	1,040

Notes to the financial statements (continued)

for the year ended 31 December 2010

18 Financial instruments and financial risk

The following table presents financial instruments measured at fair value in the statement of financial position in accordance with fair value hierarchy. This hierarchy groups financial instruments into three levels based on the significance of issues used in measuring the fair value of the financial instruments. The fair value hierarchy has the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: the fair value of financial instruments that are not traded in an active market, for example, investments in unquoted companies, is determined by reference to the last known price at which shares were traded.

There have been no transfers between these classifications in the year (2009: none). The change in fair value for the current and previous years is recognised through the consolidated statement of comprehensive income.

IFRS 7 measurement classification – 2010	**Level 3 Unquoted equity investments £'000**	**Level 1 Quoted equity investments £'000**	**Total Quoted and unquoted £'000**
Opening cost	**4**	**3,371**	**3,375**
Opening unrealised (loss)/gain	**5**	**4,017**	**4,022**
Opening fair value at 1 January 2010	**9**	**7,388**	**7,397**
Additions at cost	**–**	**1,028**	**1,028**
Disposal proceeds	**–**	**(3,326)**	**(3,326)**
Net loss realised on disposal	**–**	**(67)**	**(67)**
Change in fair value in the year on assets held at 31 December 2010	**–**	**576**	**576**
Closing fair value at 31 December 2010	**9**	**5,599**	**5,608**
Closing cost	**4**	**2,390**	**2,394**
Closing unrealised gain	**5**	**3,209**	**3,214**
At 31 December 2010	**9**	**5,599**	**5,608**

IFRS 7 measurement classification – 2009	Level 3 Unquoted equity investments £'000	Level 1 Quoted equity investments £'000	Total Quoted and unquoted £'000
Opening cost	4	4,212	4,216
Opening unrealised (loss)/gain	5	3,061	3,066
Opening fair value at 1 January 2009	9	7,273	7,282
Additions at cost	–	515	515
Disposal proceeds	–	(1,845)	(1,845)
Net profit realised on disposal	–	122	122
Change in fair value in the year on assets held at 31 December 2009	–	1,323	1,323
Closing fair value at 31 December 2009	9	7,388	7,397
Closing cost	4	3,371	3,375
Closing unrealised gain	5	4,017	4,022
At 31 December 2009	9	7,388	7,397

Notes to the financial statements (continued)

for the year ended 31 December 2010

18 Financial instruments and financial risk (continued)

Categories of financial instruments	2010 Carrying amount £'000	2010 Income/ (expense) £'000	2009 Carrying amount £'000	2009 Income/ (expense) £'000
Financial assets designated at fair value through the income statement				
Equity investments	**5,608**	**576**	7,397	1,323
Loans and receivables				
Trade and other receivables	**93**	**–**	103	–
Cash and cash equivalents	**2,472**	**–**	946	–
	2,565	**–**	1,049	–
Financial liabilities measured at amortised cost				
Trade and other payables	**897**	**–**	777	–
	897	**–**	777	–

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 2010 the group had no borrowings and fair values were not materially different from book values.

Market risk

Market risk arises from the group's activities as investors in properties and equities. The valuation of these investments is the principal area of judgement exercised by the directors and in so doing they take the valuations of external advisers, carried out at the balance sheet date but in the knowledge that market conditions change from time to time.

Credit risk

The group's credit risk, i.e. 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. The amount of trade receivables presented in the balance sheet is calculated after any allowances for doubtful receivables, estimated by the directors. The allowance as at 31 December 2010 was £44,000 (2009: £61,000).

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 Lloyds TSB Bank plc and cash is also held by the group's property managers and brokers acting as agents, though not for long periods of time.

Liquidity risk

The group's liquidity risk, i.e. the risk that it might encounter difficulty in meeting its obligations, applies to its trade payables and medium term borrowings. The group has not encountered any difficulty in paying its trade payables in good time.

Interest rate risk

The group finances its operations through retained profits and medium term borrowings. Neither fixed rate instruments nor interest rate swaps have been used. The group places any cash balances on deposit at rates which are fixed in the short term but for sufficiently short periods that there is no need to hedge against the implied risk.

When medium term borrowings are used variable rates of interest apply. There were no borrowings in 2010.

Notes to the financial statements (continued)

for the year ended 31 December 2010

18 Financial instruments and financial risk (continued)

Currency exchange risk

The group is not directly exposed to currency risk as it does not trade in foreign currencies. However, most of the group's equity investments are held in international companies and 24.8% (2009: 22.5%) of the equity investment portfolio comprises overseas holdings. The inherent currency risk affecting those holdings is an indistinguishable factor in determining their market value and is taken into consideration as part of the overall assessment of investment risk.

Maturity of group financial liabilities

At 31 December 2010 there were no group financial liabilities at variable rates (2009: £nil).

Borrowing facilities

The group has no undrawn committed borrowing facilities.

19 Net assets per share

	2010 **£'000**	2009 £'000
Net assets	**37,002**	34,435
Ordinary shares in issue	**5,167,240**	5,167,240
Basic net assets per share	**716p**	666p

20 Post balance sheet events

Following the year end two residential properties were sold at their year end fair values which totalled £821,000.
In addition an agreement for lease has been exchanged for the Yeovil property.

Five year summary

for the year ended 31 December 2010

	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Investment properties – at annual valuation	**30,705**	27,825	26,344	35,545	41,487
Equity investments – at market value	**5,608**	7,397	7,282	10,830	11,794
Total net assets	**37,002**	34,435	31,604	41,713	42,875
Net asset value per share in issue at end of each year	**716p**	666p	612p	807p	830p
Revenue (excluding gains/losses on disposals of assets)	**£'000**	£'000	£'000	£'000	£'000
Gross income from property	**2,053**	1,943	2,124	2,126	2,038
Dividend income	**234**	292	450	406	489
Profit available for distribution	**1,965**	1,670	1,922	1,562	1,500
Share capital					
Average number in issue (000s)	**5,167**	5,167	5,167	5,167	5,167
Basic earnings/(loss) per ordinary share	**76.7p**	76.2p	(179.3p)	(8.5p)	84.8p
Adjusted earnings per ordinary share	**38.0p**	32.3p	37.3p	30.2p	29.0p
Dividends paid per ordinary share	**28.60p**	26.00p	18.40p	14.25p	13.70p
All-Share Index	**3,063**	2,761	2,141	3,287	3,221
Highcroft year end share price	**495p**	445p	305p	717p	732p

Report of the Independent Auditor to the members of Highcroft Investments PLC

for the year ended 31 December 2010

Independent auditor's report to the members of Highcroft Investments PLC

We have audited the financial statements of Highcroft Investments PLC for the year ended 31 December 2010 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 cash flows, the notes to the financial statements, the parent company balance sheet , the parent company reconciliation of movements in shareholders' funds and the notes to the parent company financial statements. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

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 2010 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion 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;
- the information given in the report of the directors' for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance statement set out on pages 4 to 5 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Report of the Independent Auditor to the members of Highcroft Investments PLC (continued)

for the year ended 31 December 2010

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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 company.

Under the Listing Rules, we are required to review:

- the directors' statement, set out on page 6, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration

Grant Thornton UK LLP.

Nicholas Watson
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
statutory auditor, chartered accountants
Oxford
23 March 2011

Company balance sheet

at 31 December 2010

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Fixed assets					
Investments	5		**35,819**		34,267
Current assets					
Debtors	6	**378**		1,047	
Cash at bank		**1,917**		299	
		2,295		1,346	
Creditors – amounts falling due within one year	7	**356**		208	
Net current assets			**1,939**		1,138
Total assets less current liabilities			**37,758**		35,405
Capital and reserves					
Called up share capital	8		**1,292**		1,292
Reserves					
– Realised capital	9	**5,717**		4,679	
– Capital redemption		**95**		95	
– Revaluation	9	**29,340**		26,808	
– Retained earnings	9	**1,314**		2,531	
			36,466		34,113
Shareholders' funds	11		**37,758**		35,405

These financial statements were approved by the board of directors on 23 March 2011.

John Hewitt

J C Kingerlee

Directors
Company number – 224271

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

Notes to the company's financial statements

for the year ended 31 December 2010

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable UK GAAP accounting standards and under the historical cost convention except for the revaluation of fixed assets. The principal accounting policies of the company have remained unchanged from the previous year.

Income from fixed asset investments

Income from fixed asset investments includes dividends received in the year and interest receivable for the year.

Dividends payable

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

Investments

Investments are included at the following valuations:

- shares in subsidiary undertaking – at market value (net assets as shown by its financial statements are taken as a reasonable estimate of market value),
- equity investments (all listed on a recognised investment exchange) – at market value,
- unlisted investments – at market value estimated by the directors.

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

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Unprovided deferred taxation would crystallise on the sale of assets at their balance sheet value.

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 profit 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 profit after tax for the year was £754,000 (2009: £2,490,000). Information regarding directors' remuneration appears on pages 14 and 15 of the consolidated financial statements.

3 Auditor's fees

	2010 **£'000**	2009 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	**19**	19
Fees payable to the company's auditor for other services:		
Other services pursuant to legislation	**1**	3
	20	22

Notes to the company's financial statements (continued)

for the year ended 31 December 2010

4 Dividends

In 2010 the following dividends have been paid by the company:

	2010	2009
	£'000	£'000
2009 Final: 16.0p per ordinary share (2008: 11.4p)	**827**	589
2010 Interim: 11.0p per ordinary share (2009: 10.0p)	**568**	518
	1,395	1,107

On 23 March 2011, the directors declared a property income distribution of 17.6p per share (2009: 16.0p) payable on 2 June 2011 to shareholders registered at 6 May 2011.

5 Equity investments

	Total	Shares in subsidiary undertaking	Other investments Listed	Other investments Unlisted
	£'000	£'000	£'000	£'000
Valuation at 1 January 2010	34,267	26,870	7,388	9
Additions at cost	1,028	–	1,028	–
Disposals	(3,393)	–	(3,393)	–
Surplus on revaluation in excess of cost	3,913	3,341	572	–
Revaluation decrease below cost	(6)	–	(6)	–
Revaluation increase still less than cost	10	–	10	–
Valuation at 31 December 2010	35,819	30,211	5,599	9

Equity investments are included at their market value. If investments had not been revalued they would have been included on the historical cost basis at the following amounts:

	Total	Shares in subsidiary undertaking	Other investments Listed	Other investments Unlisted
	£'000	£'000	£'000	£'000
Cost at 31 December 2010	6,148	3,754	2,390	4
Cost at 31 December 2009	7,129	3,754	3,371	4

At 31 December 2010, the company held 100% of the allotted ordinary share capital and voting rights of Rodenhurst Estates Limited which is a property owning company, registered in England and Wales and operating in England.

6 Debtors

	2010	2009
	£'000	£'000
Owed by subsidiary undertaking	**359**	1,044
Other debtors	**19**	3
	378	1,047

Notes to the company's financial statements (continued)

for the year ended 31 December 2010

7 Creditors – amounts falling due within one year

	2010	2009
	£'000	£'000
Corporation tax	**215**	90
Other taxes and social security	**7**	1
Other creditors	**134**	117
	356	208

8 Share capital

	2010	2009
	£'000	£'000
Authorised 8,000,000 ordinary shares of 25p each	**2,000**	2,000
Allotted, called up and fully paid 5,167,240 (2009: 5,167,240) ordinary shares of 25p each	**1,292**	1,292

9 Reserves

	Revaluation	Realised capital	Retained earnings
	£'000	£'000	£'000
At 1 January 2010	26,808	4,679	2,531
Profit retained	–	–	754
Dividends paid	–	–	(1,395)
Revaluation surplus – equities	576	–	(576)
Revaluation surplus – Rodenhurst Estates Limited	3,341	–	–
Realised losses	–	(49)	–
Tax on realised gains	–	(298)	–
Surplus attributable to assets sold in the year	(1,385)	1,385	–
At 31 December 2010	29,340	5,717	1,314

The revaluation reserve includes annual revaluation gains and losses, less attributable taxation. The realised capital reserve includes realised revaluation gains and losses, less attributable taxation. In accordance with the articles of association the revaluation and realised capital reserves are not distributable.

10 Deferred taxation

Deferred taxation provided and unprovided for in the financial statements is set out below and is calculated using a tax rate of 27% (2009: 28%). Unprovided deferred taxation would crystallise if equity investments were sold at their balance sheet value.

	Provided		Unprovided	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Unrealised capital gains	**–**	–	**6,764**	6,353

Notes to the company's financial statements (continued)

for the year ended 31 December 2010

11 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Profit for the financial year	**754**	2,490
Dividends	**(1,395)**	(1,107)
	(641)	1,383
Other recognised gains and losses:		
Surplus on revaluation of assets	**3,341**	1,705
Realised (losses)/gains	**(49)**	88
Tax on prior years' surplus now realised	**(298)**	(63)
Net increase in shareholders' funds	**2,353**	3,113
Shareholders' funds at 1 January 2010	**35,405**	32,292
Shareholders' funds at 31 December 2010	**37,758**	35,405

12 Capital commitments

There were no capital commitments at 31 December 2010 or at 31 December 2009.

13 Contingent liabilities

There were no contingent liabilities at 31 December 2010 or at 31 December 2009.

14 Related party transactions

Kingerlee Holdings Limited through its subsidiaries owns 25.36% (2009: 25.36%) of the company's shares and D H Kingerlee and J C Kingerlee are directors and shareholders of both the company and Kingerlee Holdings Limited. The transactions between the company and Kingerlee Holdings Limited or its subsidiaries, all of which were undertaken on an arm's length basis, were as follows:

	2010 £'000	2009 £'000
Property income distribution or dividend	**354**	280
Service charge in relation to services provided at Thomas House, Kidlington	**14**	14
Amounts outstanding at the end of the year	**–**	–

Under the provision of FRS 8, transactions between Highcroft Investments PLC and Rodenhurst Estates Limited are exempt from these disclosure requirements as Rodenhurst is a wholly-owned subsidiary.

Shareholder notes

Directors and advisers

Company number	224271
Directors	John Hewitt, MA (non-executive chairman) Christopher Clark, BA FCSI (non-executive) Richard Stansfield, BSc FRICS (non-executive) Jonathan Kingerlee (chief executive) Roberta Miles, MA FCA (finance) David Kingerlee (executive)
Company secretary	Roberta Miles, MA FCA
Independent auditor	Grant Thornton UK LLP Registered Auditor Chartered Accountants 3140 Rowan Place John Smith Drive Oxford Business Park South Oxford OX4 2WB
Bankers	Lloyds TSB Bank plc The Atrium Davidson House Forbury Square Reading RG1 3EU
Corporate finance advisers	Charles Stanley Securities 131 Finsbury Pavement London EC2A 1NT
Property advisers	King Sturge LLP 30 Warwick Street London W1B 5NH
Independent valuers	Jones Lang LaSalle 22 Hanover Square London W1A 2BN
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Solicitors	Clarkslegal LLP One Forbury Square The Forbury Reading RG1 3EB
Registered office	Thomas House Langford Locks Kidlington Oxon OX5 1HR www.highcroftplc.com

Back cover
Top: Distribution centre in Kidlington, let to Parcelforce
Bottom: Industrial unit in Leamington Spa, let to Nationwide Crash Repair

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