



Highcroft Investments PLC



Interim Report
30 June 2011

Highcroft Investments PLC is a Real Estate Investment Trust (REIT) holding property and equity investments.

Highlights

- ▶ Rental income up 3.7% to £1,040,000 (2010: £1,002,000).
- ▶ Profit before tax increased 7.2% to £1,299,000 (2010: £1,212,000).
- ▶ Basic earnings per share on all activities was 25.1p (2010: 25.4p).
- ▶ Net asset value per share increased to 724p (June 2010: 676p and December 2010: 716p).
- ▶ Interim property income distribution increased 4.5% to 11.5p per share compared with 11.0p in 2010.
- ▶ Net cash £3,306,000 (2010: £3,065,000) equivalent to 64p per share (2010: 59p per share).
- ▶ During the period three residential properties were disposed of and one lease extended yielding £1,300,000 (2010: £297,000).
- ▶ Contracts now exchanged for one further residential disposal and one commercial acquisition.

Contents

Chairman's statement	01	Condensed consolidated interim statement of changes in equity	04
Condensed consolidated statement of comprehensive income	02	Condensed consolidated statement of cash flows	05
Condensed consolidated statement of financial position	03	Notes	06

Chairman's statement for the six months ended 30 June 2011

Dear Shareholder

The results for the 6 months ended 30 June 2011 are, in the circumstances of significant economic uncertainty, solid and reassuring. They show a steady income position and a slight increase in net asset value.

Gross rental income rose a little compared with 2010, reflecting improved commercial rental revenue – including that from our new property in Warwick – offset to a degree by the decline in rent from residential properties as they become vacant and are sold. Net rental income fell as a result of necessary expenditure – particularly in Yeovil – associated with new leases. Dividend income from our equity portfolio was helped by a special one off dividend resulting in an increase to £126k (2010: £101k). The net effect of this was that the revenue account profits reduced to £832k (2010: £862k) resulting in earnings per share of 16.1p (2010: 16.7p). I can also report that, notwithstanding the £19k costs associated with the general meeting requisitioned by certain shareholders, our administrative expenses have reduced slightly to £165k (2010: £168k).

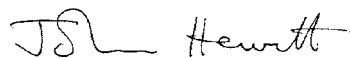
In capital terms, a mixture of net valuation gains on our investment properties and a small valuation loss on our equity portfolio produced a capital profit of £467k (2010: £453k), resulting in earnings per share of 9.0p (2010 8.7p).

Importantly, given the economic uncertainties with which the world is faced, our balance sheet remains very strong with cash at the half year end of £3.3m, no borrowings, and net assets per share of 724p (June 2010: 676p, December 2010: 716p).

We still believe that it is right to take a cautious view but continue to look at properties that fit our criteria for the medium term. We have recently exchanged contracts for the purchase of an industrial unit in Andover and this purchase is expected to be completed in November 2011. The initial yield is 6.4% with an unexpired lease term of 23 years let to a strong covenant and is representative of the sort of purchases that we seek. In the first half of 2011 we have also completed on the sale of three of our residential properties and completed one lease extension. This has resulted in net proceeds of £1.3m being received. A further residential property became vacant in February on which we exchanged contracts for the sale in July and this sale is expected to complete next month. We have not disposed of any equities in the 6 months and have made a modest further investment into the market of £378k.

We believe that shareholders can take comfort in these difficult economic times from the quality of our property portfolio. Our confidence in the medium term is reflected in our decision to declare an interim dividend of 11.5p per share (2010: 11.0p per share) payable on 20 October 2011.

Yours sincerely



John Hewitt
Chairman

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2011

Note	Unaudited First Half 2011			Unaudited First Half 2010			Audited Full Year 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Continuing operations									
	1,040	–	1,040	1,002	–	1,002	2,053	–	2,053
	(173)	–	(173)	(76)	–	(76)	(245)	–	(245)
	867	–	867	926	–	926	1,808	–	1,808
	–	58	58	–	42	42	–	108	108
	–	(23)	(23)	–	–	–	–	(8)	(8)
	–	35	35	–	42	42	–	100	100
	–	563	563	–	755	755	–	1,735	1,735
	–	(100)	(100)	–	(25)	(25)	–	(158)	(158)
	–	463	463	–	730	730	–	1,577	1,577
	126	–	126	101	–	101	234	–	234
	–	195	195	–	105	105	–	718	718
	–	(226)	(226)	–	(527)	(527)	–	(209)	(209)
	126	(31)	95	101	(422)	(321)	234	509	743
	(165)	–	(165)	(168)	–	(168)	(330)	–	(330)
	828	467	1,295	859	350	1,209	1,712	2,186	3,898
	7	–	7	5	–	5	10	–	10
	(3)	–	(3)	(2)	–	(2)	(1)	–	(1)
	4	–	4	3	–	3	9	–	9
	832	467	1,299	862	350	1,212	1,721	2,186	3,907
	–	–	–	–	103	103	144	(89)	55
	832	467	1,299	862	453	1,315	1,865	2,097	3,962
	16.1p	9.0p	25.1p	16.7p	8.7p	25.4p	36.0p	40.7p	76.7p

Condensed consolidated statement of financial position

at 30 June 2011

	Note	Unaudited 30 June 2011 £'000	Unaudited 30 June 2010 £'000	Audited 31 December 2010 £'000
Assets				
Non-current assets				
Investment property	7	29,902	28,300	30,705
Equity investments	8	5,954	5,221	5,608
Total non-current assets		35,856	33,521	36,313
Current assets				
Trade and other receivables		101	83	93
Cash at bank and in hand		3,306	3,065	2,472
Total current assets		3,407	3,148	2,565
Total assets		39,263	36,669	38,878
Liabilities				
Current liabilities				
Interest-bearing loans and borrowings		–	–	–
Current corporation tax		213	286	215
Trade and other payables		894	792	897
Total current liabilities		1,107	1,078	1,112
Non-current liabilities				
Interest-bearing loans and borrowings		–	–	–
Deferred tax liabilities		764	668	764
Total non-current liabilities		764	668	764
Total liabilities		1,871	1,746	1,876
Net assets		37,392	34,923	37,002
Equity				
Issued share capital		1,292	1,292	1,292
Revaluation reserve – property		5,904	6,442	6,670
Revaluation reserve – other		1,720	1,630	1,750
Capital redemption reserve		95	95	95
Realised capital reserve		21,099	19,238	19,810
Retained earnings		7,282	6,226	7,385
Total equity		37,392	34,923	37,002

Condensed consolidated interim statement of changes in equity

for the six months ended 30 June 2011

a) First half 2011 – Unaudited

	Equity £'000	Revaluation reserves		Capital	Realised	Retained	Total £'000
		Property £'000	Other £'000	Redemption £'000	Capital £'000	Earnings £'000	
At 1 January 2011	1,292	6,670	1,750	95	19,810	7,385	37,002
Dividends	–	–	–	–	–	(909)	(909)
Transactions with owners	–	–	–	–	–	(909)	(909)
Total comprehensive profit for the period	–	–	–	–	–	1,299	1,299
Identification of non-distributable items recognised in income statement:							
Revaluation gains/(losses)	–	463	(30)	–	–	(433)	–
Tax on revaluation gains and losses	–	–	–	–	–	–	–
Realised gains	–	–	–	–	35	(35)	–
(Surplus)/deficit attributable to assets sold	–	(1,254)	–	–	1,254	–	–
Excess of cost over revalued amount taken to retained earnings	–	25	–	–	–	(25)	–
Total comprehensive income for the period	–	(766)	(30)	–	1,289	806	1,299
At 30 June 2011	1,292	5,904	1,720	95	21,099	7,282	37,392

b) First half 2010 – Unaudited

	Equity £'000	Revaluation reserves		Capital	Realised	Retained	Total £'000
		Property £'000	Other £'000	Redemption £'000	Capital £'000	Earnings £'000	
At 1 January 2010	1,292	5,696	2,656	95	18,229	6,467	34,435
Dividends	–	–	–	–	–	(827)	(827)
Transactions with owners	–	–	–	–	–	(827)	(827)
Total comprehensive profit for the period	–	–	–	–	–	1,315	1,315
Identification of non-distributable items recognised in income statement:							
Revaluation gains/(losses)	–	730	(27)	–	–	(703)	–
Tax on revaluation gains and losses	–	–	69	–	–	(69)	–
Realised losses	–	–	–	–	(95)	95	–
(Surplus)/deficit attributable to assets sold	–	(9)	(1,095)	–	1,104	–	–
Excess of cost over revalued amount taken to retained earnings	–	25	27	–	–	(52)	–
Total comprehensive income for the period	–	746	(1,026)	–	1,009	586	1,315
At 30 June 2010	1,292	6,442	1,630	95	19,238	6,226	34,923

c) Full year 2010 – Audited

	Equity £'000	Revaluation reserves		Capital	Realised	Retained	Total £'000
		Property £'000	Other £'000	Redemption £'000	Capital £'000	Earnings £'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)
Total comprehensive profit for the period	–	–	–	–	–	3,962	3,962
Identification of non-distributable items recognised in income statement:							
Revaluation gains/(losses)	–	1,577	572	–	–	(2,149)	–
Tax on revaluation gains and losses	–	(93)	–	–	93	–	–
Realised gains	–	–	–	–	(58)	58	–
(Surplus)/deficit attributable to assets sold	–	(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

Condensed consolidated interim statement of cash flows

for the six months ended 30 June 2011

	Unaudited First Half 2011 £'000	Unaudited First Half 2010 £'000	Audited Full Year 2010 £'000
Operating activities			
Profit for the period	1,299	1,315	3,962
Adjustments for:			
Net valuation gains on investment property	(463)	(730)	(1,577)
Gain on disposal of investment property	(35)	(42)	(100)
Net losses/(gains) on investments	31	422	(509)
Finance income	(7)	(5)	(10)
Finance expense	3	2	1
Income tax expense	–	(103)	(55)
Operating cash flow before changes in working capital and provisions	828	859	1,712
(Increase)/decrease in trade and other receivables	(8)	20	10
(Decrease)/increase in trade and other payables	(3)	13	120
Cash generated from operations	817	892	1,842
Finance income	7	5	10
Finance expense	(3)	(2)	(1)
Income tax paid	–	–	(25)
Net cash flows from operating activities	821	895	1,826
Investing activities			
Purchase of fixed assets – investment property	–	–	(1,558)
– equity investments	(378)	(727)	(1,028)
Sale of fixed assets – investment property	1,300	297	355
– equity investments	–	2,481	3,326
Net cash flows from investing activities	922	2,051	1,095
Financing activities			
Loan repayments	–	–	–
Dividends paid	(909)	(827)	(1,395)
Net cash flows from financing activities	(909)	(827)	(1,395)
Net increase in cash and cash equivalents	834	2,119	1,526
Cash and cash equivalents at 1 January 2011	2,472	946	946
Cash and cash equivalents at 30 June 2011	3,306	3,065	2,472

Notes (Unaudited)

for the six months ended 30 June 2011

1. Nature of operations and general information

Highcroft Investments PLC ('Highcroft') and its subsidiary's (together 'the group') principal activities are investment in property and equities. It is incorporated and domiciled in Great Britain. The address of Highcroft Investments PLC's registered office, which is also its principal place of business, is Thomas House, Langford Locks, Kidlington, OX5 1HR. Highcroft's condensed consolidated interim financial statements are presented in Pounds Sterling (£), which is also the functional currency of the group. These condensed consolidated interim financial statements have been approved for issue by the directors on 25 August 2011. The financial information for the year ended 31 December 2010 set out in this interim report does not constitute statutory accounts as defined in Section 404 of the Companies Act 2006. The group's statutory financial statements for the year ended 31 December 2010 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498(2) or Section 498(5) of the Companies Act 2006.

2. Basis of preparation

These condensed consolidated interim financial statements are for the six months ended 30 June 2011. They have been prepared in accordance with IAS 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the group for the year ended 31 December 2010.

These condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and the measurement of equity investments at fair value. These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 31 December 2010.

The accounting policies have been applied consistently throughout the group for the purposes of preparation of these condensed consolidated interim financial statements.

3. Segmental reporting

Segmental information is presented in the condensed consolidated interim financial statements in respect of the group's business segments. The business segment reporting format reflects the group's management and internal reporting structure. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. All gross income is from external tenants or external investments.

The group is comprised of the following main business segments:

- ▶ Commercial property comprising retail outlets, offices and warehouses.
- ▶ Residential property comprising mainly single-let houses.
- ▶ Financial assets comprising exchange-traded equity investments.

	First Half 2011 £'000	First Half 2010 £'000	Full Year 2010 £'000
Commercial property			
Gross income	1,020	970	1,995
Profit for the period	859	1,212	2,690
Assets	31,560	29,024	28,655
Liabilities	713	630	743
Residential property			
Gross income	20	32	58
Profit for the period	365	338	654
Assets	1,742	2,423	2,695
Liabilities	10	10	23
Financial assets			
Gross income	126	101	234
Profit/(loss) for the period	75	(235)	618
Assets	5,961	5,222	7,528
Liabilities	1,148	1,106	1,110
Total			
Gross income	1,166	1,103	2,287
Profit for the period	1,299	1,315	3,962
Assets	39,263	36,669	38,878
Liabilities	1,871	1,746	1,876

The largest tenant represents 10% of gross commercial property income.

Notes (Unaudited) (continued)

for the six months ended 30 June 2011

4. Income tax (credit)/expense

	First Half 2011 £'000	First Half 2010 £'000	Full Year 2010 £'000
Current tax:			
On revenue profits	–	–	(60)
On capital profits	–	(34)	(19)
Prior year underprovision	–	–	(69)
	–	(34)	(148)
Deferred tax	–	(69)	93
	–	(103)	(55)

The taxation charge has been based on the estimated effective tax rate for the full year. As a Real Estate Investment Trust the group does not pay corporation tax on its profits and gains from its commercial and residential property activities.

5. Dividends

On 25 August 2011, the directors declared a property income dividend of 11.5p per share (2010: 11.0p interim dividend) payable on 20 October 2011 to shareholders registered at 23 September 2011.

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

	First Half 2011 £'000	First Half 2010 £'000	Full Year 2010 £'000
2010 final: 17.6p per ordinary share (2009 final: 16.0p)	909	827	827
2010 interim: 11.0p per ordinary share	–	–	568
	909	827	1,395

6. Earnings per share

The calculation of earnings per share is based on the profit for the period of £1,295,000 (2010: £1,315,000) and on 5,167,240 shares (2010 5,167,240) which is the weighted average number of shares in issue during the period ended 30 June 2011 and throughout the period since 1 January 2010. The allocation differs to that disclosed in the year end published accounts to better reflect the designation of realised investment gains as capital in nature and to ensure consistency with prior years. There is no impact on the total year end results.

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 £828,000 (2010: £862,000) has been calculated.

	First Half 2011 £'000	First Half 2010 £'000	Full Year 2010 £'000
Earnings:			
Basic earnings	1,299	1,315	3,962
Adjustments for:			
Net valuation profits on investment property	(498)	(772)	(1,677)
Losses/(gains) on investments	31	422	(509)
Income tax on (gains)/losses	–	(103)	89
Adjusted earnings	832	862	1,865
Per share amount:			
Basic earnings per share	25.1p	25.4p	76.7p
Adjustments for:			
Net valuation gains on investment property	(9.6p)	(14.9p)	(32.5p)
Losses/(gains) on investments	0.6p	8.2p	(9.9p)
Income tax on (gains)/losses	0.0p	(2.0p)	1.7p
Adjusted earnings per share	16.1p	16.7p	36.0p

Notes (Unaudited) (continued)

for the six months ended 30 June 2011

7. Investment property

	First Half 2011 £'000	First Half 2010 £'000	Full Year 2010 £'000
Valuation at 1 January 2011	30,705	27,825	27,825
Additions	–	–	1,558
Disposals	(1,266)	(255)	(255)
Gain on revaluation	463	730	1,577
Valuation at 30 June 2011	29,902	28,300	30,705

The directors have used an external independent valuation of properties at 30 June 2011 which has been carried out consistently with the annual valuation.

8. Equity investments

	First Half 2011 £'000	First Half 2010 £'000	Full Year 2010 £'000
Valuation at 1 January 2011	5,608	7,397	7,397
Additions	378	727	1,028
Disposals	–	(2,601)	(3,393)
(Deficit)/surplus on revaluation in excess of cost	(30)	(290)	572
Revaluation decrease below cost	(11)	(27)	(6)
Revaluation increase still below cost	9	15	10
Valuation at 30 June 2011	5,954	5,221	5,608

9. Related party transactions

Kingerlee Holdings Limited owns, through its wholly owned subsidiaries, 25.4% (2010: 25.4%) of the company's shares and D H Kingerlee and J C Kingerlee are directors of both the company and Kingerlee Holdings Limited. During the period, the group made purchases from Kingerlee Holdings Limited or its subsidiaries, being a service charge in relation to services at Thomas House, Kidlington of £7,000 (2010: £7,000). The amount owed at 30 June 2011 was nil (2010: nil). All transactions were undertaken on an arm's length basis.

Directors and advisers

Company number	224271
Directors	John Hewitt, MA (non-executive chairman) Christopher Clark, BA FCIS FSI (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	Jones Lang LaSalle Finance 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



Highcroft Investments PLC
Thomas House
Langford Locks
Kidlington
Oxon
OX5 1HR