

Report of the directors

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

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

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

Directors

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

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

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

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

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

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

Financial instruments

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

Structure of share capital and rights and obligations attaching to shares

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

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

➤ To receive a dividend

The profits of the company available for dividend, and resolved to be distributed, shall be applied in the payment of dividends to the members and to persons becoming entitled to shares by transmission, in accordance with their respective rights and priorities. The company in general meeting may declare dividends accordingly.

➤ To a return of capital or assets, if available, on liquidation

Upon any winding up of the company, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the statutes, divide amongst the members in specie the whole or any part of the assets of the company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members of different classes of members.

➤ To receive notice of, attend and vote at an AGM

At each AGM, upon a show of hands, every member present in person or by proxy shall have one vote, and upon a poll, every member present in person or by proxy shall have one vote for every share of which they are the holder.

➤ To have, in the case of certificated shares, rights in respect of share certificates and share transfers

Every person whose name is entered as a member in the register as the holder of any certificated share shall be entitled without payment to one certificate for all the shares of each class held by them or, upon payment of such reasonable out-of-pocket expenses for every certificate after the first as the board shall from time to time determine, several certificates each for one or more of their shares. On any transfer of shares, the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof.

Directors' powers at the year end

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

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

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

Report of the directors continued

Substantial shareholders

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

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

Application of the Takeover Code

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

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

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

The CSA contained undertakings that inter alia:

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

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

Directors' indemnification and insurance

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

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

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

Dividends

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

Charitable donations

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

Disclosure of information to the auditor

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

Greenhouse gas emissions

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

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

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

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

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

Note 2: The annual energy costs for the limited shared areas within the portfolio was 30,147 kWh, 6,240 kg CO₂ (2022 18,796 kWh, 3,634 kg CO₂). During 2022 there was a significant amount of improvement and dilapidations work carried out at our void Cardiff property, for which the group is responsible. This work was completed in 2022 but the property remains void. For 2022, the energy usage for Cardiff was 49,387 kWh, 10,223 kg of CO₂. kWh are converted using the DEFRA Electricity conversion rate.

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

Methodology

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

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

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

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

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

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

Likely future developments in the business of the company

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

Auditor

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

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

Roberta Miles

Finance director
25 March 2024