HIGHCROFT INVESTMENTS PLC

Interim Report

30 June **2005**

Chairman's
Statement for the six months ended 30 June *2005*

- **Profit after taxation, but ignoring capital activities, increased by 13.3% to £658,000 from £581,000 in the period to June 2004 (see note 6).**
- **Profit for the period including valuation gains and losses increased by 67.9% to £1,921,000 from £1,144,000 in the period to June 2004.**
- **Interim dividend increased by 7.4% to 4.35p per share.**
- **Net assets per share up to 697p (June 2004 637p and December 2004 668p).**

International Financial Reporting Standards

This is our first set of results to be prepared, as we are required to do, following International Financial Reporting Standards (IFRS). IFRS require a very different presentation of our results and the differences are fully explained in the notes. There are three key changes as a result of this transition.

There are two changes in accounting policies. First, the deferred taxation on revaluation gains is now recognised on the balance sheet as an actual, rather than as a contingent, liability. Second, dividends to shareholders are recognised when paid rather than being deducted from the profits to which they relate.

Third, there are many changes in disclosure. The major change for Highcroft is that valuation gains and losses are recognised in the "income statement" (the statement which replaces the profit and loss account). Recent movements in the markets mean that we have primarily had gains and this has significantly added to reported profit. Clearly, in different markets, the reverse would have been the case.

Summary

In the six months to 30 June 2005, the profit for the period has increased by 67.9% to £1,921,000 from £1,144,000. This calculation of profit includes our net valuation gains on investment property and equity investments.

The profit for the period ignoring valuation gains, increased by 13.3% to £658,000 from £581,000.

The interim dividend will be 4.35p (2004 4.05p) an increase of 7.4%, continuing our policy of increasing dividend payments by more than inflation. The dividend is payable on 28 October 2005.

Net asset value, which now has the liability for deferred taxation on revaluation gains deducted from it, has risen to 697p per share from 637p and this continues to show a positive trend.

Operating Activities

The profit for the period ignoring valuation gains increased by 13.3% to £658,000. This reflects the underlying income and expenditure of the group, excluding the more volatile short term gains or losses on capital items. The extent of the increase is a little flattering as last year we incurred the cost of extensive repairs to one residential property and this year property operating expenses have so far been proportionately low. Rental income was up by 18.0% reflecting the benefit of new acquisitions and some rent reviews. Investment income was up 16.0% on the equivalent period in 2004, benefiting from a couple of special dividends and a slight shift in timing of dividend payments towards the first half of the year.

Capital Activities – investment property

The sale of a residential property generated a profit on disposal of £45,000 and the interim valuation of the portfolio produced net valuation gains of £1,156,000 with a slight decline in values of certain residential properties. At 30 June 2005, our investment property portfolio was valued at £31,446,000 (2004 £27,697,000).

There continues to be a steady stream of opportunities to invest in new properties but none have been available at prices which we felt offered the group a sufficient return. As well as looking at new properties, we are also exploring opportunities to enhance the value of the existing portfolio by means of modest development projects.

Capital Activities – equity investments

With our equity investments, we made net gains of £456,000 as compared with net gains of £22,000 in the first half of 2004. We have invested £615,000 in equities and sold various holdings for £375,000, a net injection of £240,000 cash into equities. At 30 June 2005, our equity investments were valued at £9,427,000 (2004 £7,927,000).

Net Asset Value

At 30 June 2005, net asset value was 697p per share (against 637p at June 2004 and 668p at 31 December 2004). As noted above, these values are restated to take into account, in particular, the deferred tax on revaluation gains but they still show a positive trend. The increase in the first half of 2005 has come from all sources – investment property net gains of £1,201,000, net gains of £456,000 in equity investments and distributable profit after tax of £658,000.

The Future

We are optimistic about the trading outlook for the group and the prospects for our operating profit in the second half. We have two relatively small commercial properties which we hope to sell by private treaty during the second half of 2005. Investment property and equity markets are outside our control but there are positive indications of what the second half of the year has in store. Whatever the markets may or may not deliver, the strength of our balance sheet gives us confidence in our future.

G J Kingerlee

Chairman 21 September 2005

Condensed
Consolidated Income Statement (unaudited)

for the six months ended 30 June ***2005***

	Note	**First Half 2005 £'000**	First Half 2004 £'000	Full Year 2004 £'000
Gross rental income		**943**	796	1,667
Property operating expenses		**(57)**	(65)	(127)
Net rental income		**886**	731	1,540
Profit on disposal of investment property		**45**	–	9
Valuation gains on investment property		**1,190**	908	1,545
Valuation losses on investment property		**(34)**	(246)	(310)
Net valuation gains on investment property		**1,156**	662	1,235
Dividend income		**155**	134	285
Gains on investments		**629**	358	1,042
Losses on investments		**(173)**	(336)	(139)
Net investment income		**611**	156	1,188
Administrative expenses		**115**	112	205
Net operating profit before net financing costs		**2,583**	1,437	3,767
Financial income		**4**	20	21
Financial expenses		**(49)**	(1)	(17)
Net financing costs		**(45)**	19	4
Profit before tax		**2,538**	1,456	3,771
Income tax expense	4	**617**	312	852
Profit for the financial period		**1,921**	1,144	2,919
Earnings per share	6	**37.2p**	22.1p	56.5p

Condensed
Consolidated Balance Sheet (unaudited) as at 30 June ***2005***

	Note	**30 June 2005 £'000**	30 June 2004 £'000	31 December 2004 £'000
Assets				
Investment property	7	**31,446**	27,697	30,523
Equity investments	8	**9,427**	7,927	8,731
Total non-current assets		**40,873**	35,624	39,254
Trade and other receivables		**241**	400	369
Cash at bank and in hand		**201**	–	–
Total current assets		**442**	400	369
Total assets		**41,315**	36,024	39,623
Equity				
Issued share capital		**1,292**	1,292	1,292
Revaluation reserve – property	9	**7,039**	6,012	6,322
– other	9	**3,091**	2,268	2,933
Capital redemption reserve		**95**	95	95
Realised capital reserve	9	**15,154**	14,596	14,766
Retained earnings	9	**9,353**	8,668	9,089
Total equity		**36,024**	32,931	34,497
Liabilities				
Interest-bearing loans and borrowings	10	**1,465**	–	1,499
Deferred tax liabilities		**2,712**	2,196	2,455
Total non-current liabilities		**4,177**	2,196	3,954
Bank overdraft		**–**	82	146
Interest-bearing loans and borrowings		**69**	–	69
Trade and other payables		**1,045**	815	957
Total current liabilities		**1,114**	897	1,172
Total liabilities		**5,291**	3,093	5,126
Total equity and liabilities		**41,315**	36,024	39,623

Condensed
Consolidated Statement of Cash Flow (unaudited)
for the six months ended 30 June ***2005***

		First Half 2005 £'000	First Half 2004 £'000	Full Year 2004 £'000
Operating activities				
Profit for the period		**1,921**	1,144	2,919
Adjustments for:				
Net valuation gains on investment property		**(1,156)**	(662)	(1,235)
Profit on disposal of investment property		**(45)**	–	(9)
Net gains on investments		**(456)**	(22)	(903)
Interest expense		**49**	1	17
Income tax expense		**617**	273	852
Operating profit before changes in working capital and provisions		**930**	734	1,641
Decrease in debtors		**129**	132	163
(Decrease)/increase in creditors		**7**	(31)	58
Cash generated from operations		**1,066**	835	1,862
Interest paid		**(49)**	(1)	(11)
Income tax paid		**(278)**	(218)	(451)
Cash flow from operating activities		**739**	616	1,400
Investing activities				
Purchase of fixed assets	– investment property	**–**	(1,599)	(4,089)
	– equity investments	**(615)**	(453)	(1,016)
Sale of fixed assets	– investment property	**278**	–	246
	– equity investments	**375**	610	1,249
Cash flow from investing activities		**38**	(1,442)	(3,610)
Financing activities				
Medium term loan		**(34)**	–	1,568
Dividends paid		**(395)**	(374)	(583)
Cash flow from investing activities		**(429)**	(374)	985
Net increase in cash and cash equivalents		**347**	(1,200)	(1,225)
Cash and cash equivalents at 1 January 2005		**(146)**	1,079	1,079
Cash and cash equivalents at 30 June 2005		**201**	(121)	(146)

Notes (unaudited)

for the six months ended 30 June ***2005***

1. Interim report

The results for the six months ended 30 June 2005 are unaudited. This interim report will not appear as an advertisement in any newspaper but copies are being sent to all shareholders and are available at the company's registered office.

The interim report does not constitute full accounts as defined by the Companies Act 1985 but should be read in conjunction with the most recent financial statements. Full accounts for 2004 have been delivered to the Registrar of Companies, bearing an unqualified audit opinion.

2. Significant accounting policies

Highcroft Investments PLC is a company domiciled in the United Kingdom. The consolidated financial statements of the company for the six months ended 30 June 2005 comprise the company and its subsidiary, together referred to as the group.

a. Statement of compliance

This interim report has been prepared in accordance with IAS 34 on Interim Financial Reporting and the requirements of International Financial Reporting Standard (IFRS) 1, First-time adoption of International Financial Reporting Standards relevant to interim reports. The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with IFRS as adopted for use in the European Union. This is because, as disclosed in note 2i, the directors have anticipated that IAS 39 Financial Instruments: Recognition and Measurement The Fair Value Option, will be so adopted in time to be applicable to the next annual financial statements.

b. Basis of preparation

The financial statements are presented in pounds sterling, rounded to the nearest thousand. They are prepared on the historical cost basis except that investment property and equity investments are stated at their fair value.

The accounting policies have been consistently applied to the results, other gains and losses, assets, liabilities and cash flows of entities included in the consolidated financial statements and are consistent with those used in the previous year except as follows:

1) Dividend payments are now dealt with when paid as a change of equity in the revenue reserve. Final dividends proposed are not recognised as a liability. This is to comply with IAS 10, Events after the Balance Sheet Date.

2) The deferred tax which would be payable if revalued assets were sold at their revalued amount is now provided for on the balance sheet and not simply noted as a contingent liability. Changes in the provision are recognised in the Income Statement. This is to comply with IAS 12, Income Taxes.

3) All gains and losses and changes in the value of our financial assets are recognised in the Income Statement. This is to comply with IAS 39, Financial Instruments.

4) All gains and losses and changes in the value of our investment properties are recognised in the Income Statement. This is to comply with IAS 40, Investment Properties.

2. Significant accounting policies *(continued)*

The impact of these changes in accounting policy as previously reported at 31 December 2004, 30 June 2004 and 1 January 2004 (the date of transition to IFRS) is, in summary, as follows.

More details are contained in note 10.

	31 December 2004	30 June 2004	1 January 2004
a) On total equity:	£'000	£'000	£'000
As previously reported	36,557	34,918	33,901
Changes in respect of:			
Dividend payments	395	209	374
Deferred tax	(2,455)	(2,196)	(2,114)
Restated	34,497	32,931	32,161

	Year to 31 December 2004	Half year to 30 June 2004
b) On profit for the period:	£'000	£'000
As previously reported	607	372
Changes in respect of:		
Dividend payments	604	209
Deferred tax	(433)	(82)
Revaluation gains on financial assets	864	21
Realised gains on financial assets	35	1
Revaluation gains on investment properties	1,235	662
Realised gains on investment properties	7	–
Restated	2,919	1,183

There has been a change in the presentation of the cash flow statement but no fundamental change to the underlying figures.

The preparation of financial statements in conformity with IFRS requires management to make judgement, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. Significant accounting policies *(continued)*

c. Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary, Rodenhurst Estates Limited, which are both made up to 30 June 2005. Profits or losses on intra-group transactions are eliminated in full.

d. Rental income

Rental income from investment property is recognised in the income statement on a straight line basis over the term of the lease.

e. Dividend income

Dividend income 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.

f. Interest income

Interest income and expense is recognised in the income statement as it accrues. Interest income is recognised on a gross basis, including withholding tax, if any.

g. Expenses

All expenses are recognised in the income statement on an accrual basis.

h. Investment property

Investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties are 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.

Any gain or loss arising from a change in fair value is recognised in the income statement.

i. Financial assets

IAS 39 introduced new categories of financial instruments (e.g. financial assets and financial liabilities at fair value through the profit and loss account). Under IAS 39, designation of any financial assets at fair value through the profit and loss account may be made upon initial recognition at the group's discretion but subject to certain conditions detailed below arising from the amendment to IAS 39 issued on 16 June 2005. The group shall not reclassify a financial asset into or out of fair value through profit or loss while it is held. Transitional provisions to IAS 39 allow the group a one time opportunity to designate currently held financial assets as a financial asset at fair value through profit or loss despite the requirement to make such designation upon initial recognition. At 1 January 2004, all investments held as fixed assets by the group with the carrying amount and fair value of £8,062,000 were designated at fair value through profit and loss. IAS 39, as amended, allows an entity to designate a financial asset, a financial liability, or a group of financial instruments (financial assets, financial liabilities or both) at a fair value through profit or loss provided that doing so results in more relevant information (as detailed in IAS 39 revised). Designation must be on initial recognition and is irrevocable. The directors have adopted the fair value option for its qualifying financial assets on the basis that to do so is in accordance with its documented investment strategy.

2. Significant accounting policies *(continued)*

j. Trade and other receivables

Trade and other receivables are recognised at fair value on initial recognition. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

k. Issued share capital

Ordinary shares are classified as equity. Dividends are recognised as a liability in the period in which they are declared.

l. Interest-bearing borrowings

Interest-bearing borrowings are initially recognised at fair value less attributable costs. Thereafter the carrying amount is stated at amortised cost.

m. Trade and other payables

Trade and other payables are stated at cost.

n. Income tax

Income tax on the profit and loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss.

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 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. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

o. Segmental reporting

A segment is a distinguishable component of the group that is engaged in generating income and expenses (business segment) which is subject to risks and rewards that are different from those of other segments. The business segment is considered to be the primary reporting segment.

3. Segment reporting

Segment information is presented in the 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.

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.

3. Segment reporting *(continued)*

	First Half 2005 £'000	First Half 2004 £'000	Full Year 2004 £'000
Commercial property			
Gross income	**906**	757	1,586
Profit for the period	**1,430**	824	1,867
Assets	**29,124**	24,856	27,856
Liabilities	**3,183**	1,272	3,098
Residential property			
Gross income	**37**	39	81
Profit for the period	**13**	110	112
Assets	**2,753**	3,223	3,019
Liabilities	**673**	748	738
Financial assets			
Gross income	**155**	134	285
Profit for the period	**478**	210	940
Assets	**9,438**	7,945	8,748
Liabilities	**1,435**	1,073	1,290
Total			
Gross income	**1,098**	930	1,952
Profit for the period	**1,921**	1,144	2,919
Assets	**41,315**	36,024	39,623
Liabilities	**5,291**	3,093	5,126

4. Taxation

	First Half 2005 £'000	First Half 2004 £'000	Full Year 2004 £'000
Current tax:			
On revenue profits	**223**	191	413
On capital profits	**20**	–	6
Deferred tax	**374**	121	433
	617	312	852

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

Notes (unaudited)

for the six months ended 30 June ***2005***

5. Dividends

On 21 September 2005, the directors declared an ordinary interim dividend of 4.35p per share (2004 4.05p) payable on 28 October 2005 to shareholders registered at 7 October 2005.

The following dividends have been paid by the group.

	First Half 2005 £'000	First Half 2004 £'000	Full Year 2004 £'000
7.65p per ordinary share (2004 7.25p)	**395**	374	374
4.05p per ordinary share	**–**	–	209
	395	374	583

6. Earnings per share

The calculation of earnings per share is based on the profit for the period of £1,921,000 (2004 £1,144,000) and on 5,167,240 shares (2004 5,167,240) which is the weighted average number of shares in issue during the period ended 30 June 2005 and throughout the period since 1 January 2004.

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 £658,000 (2004 £581,000) has been calculated.

	First Half 2005 £'000	First Half 2004 £'000	Full Year 2004 £'000
Earnings:			
Basic earnings per share	**1,921**	1,144	2,919
Adjustments for:			
Net valuation gains on investment property	**(1,201)**	(662)	(1,244)
Gains and losses on investments	**(456)**	(22)	(903)
Income tax on gains and losses	**394**	121	439
Adjusted earnings per share	**658**	581	1,211
Per share amount:			
Basic earnings per share	**37.2p**	22.1p	56.5p
Adjustments for:			
Net valuation gains on investment property	**(23.2)p**	(12.8)p	(24.1)p
Gains and losses on investments	**(8.8)p**	(0.4)p	(17.5)p
Income tax on gains and losses	**7.6p**	2.3p	8.5p
Adjusted earnings per share	**12.8p**	11.2p	23.4p

7. Investment property

	First Half 2005	First Half 2004	Full Year 2004
Valuation at 1 January 2005	**30,523**	25,436	25,436
Additions	**–**	1,599	4,089
Disposals	**(233)**	–	(237)
Surplus on revaluation	**1,156**	662	1,235
Valuation at 30 June 2005	**31,446**	27,697	30,523

The directors have used an external independent valuation of properties at 30 June 2005.

8. Equity investments

Listed and unlisted	**First Half 2005 £'000**	First Half 2004 £'000	Full Year 2004 £'000
Valuation at 1 January 2005	**8,731**	8,062	8,062
Additions	**615**	453	1,016
Disposals	**(343)**	(609)	(1,211)
Surplus on revaluation	**424**	21	864
Valuation at 30 June 2005	**9,427**	7,927	8,731

9. Reserves

a) First half 2005

	Non-distributable			Distributable
	Revaluation reserves		Realised	Retained
	Property £'000	Other £'000	Capital £'000	Earnings £'000
At 1 January 2005	6,322	2,933	14,766	9,089
Profit for the financial period	–	–	–	1,921
Dividends to shareholders	–	–	–	(395)
Non-distributable items recognised in income statement:				
Valuation gains and losses	1,156	424	76	(1,656)
Tax on valuation gains and losses	(269)	(105)	(20)	394
Gains attributable to assets sold	(233)	(214)	448	–
Tax on gains attributable to assets sold	63	53	(116)	–
At 30 June 2005	7,039	3,091	15,154	9,353

9. Reserves *(continued)*

The nature and purpose of group reserves is as follows:

- The property revaluation reserve is for gains and losses on investment property currently held and is non-distributable.
- The other revaluation reserve is for gains and losses on investments currently held and is non-distributable.
- The realised capital reserve is for gains and losses on investment property and investments no longer held and is non-distributable.

b) First half 2004

	Non-distributable			Distributable
	Revaluation reserves		Realised	Retained
	Property	Other	Capital	Earnings
	£'000	£'000	£'000	£'000
At 1 January 2004	5,526	2,462	14,325	8,461
Profit for the financial period	–	–	–	1,144
Dividends to shareholders	–	–	–	(374)
Non-distributable items recognised in income statement:				
Valuation gains and losses	662	21	1	(684)
Tax on valuation gains and losses	(176)	55	–	121
Gains attributable to assets sold	–	(309)	309	–
Tax on gains attributable to assets sold	–	39	(39)	–
At 30 June 2004	6,012	2,268	14,596	8,668

c) Full year 2004

	Non-distributable			Distributable
	Revaluation reserves		Realised	Retained
	Property	Other	Capital	Earnings
	£'000	£'000	£'000	£'000
At 1 January 2004	5,526	2,462	14,325	8,461
Profit for the financial period	–	–	–	2,919
Dividends to shareholders	–	–	–	(583)
Non-distributable items recognised in income statement:				
Valuation gains and losses	1,235	864	42	(2,141)
Tax on valuation gains and losses	(244)	(189)	–	433
Gains attributable to assets sold	(257)	(234)	491	–
Tax on gains attributable to assets sold	62	30	(92)	–
At 31 December 2004	6,322	2,933	14,766	9,089

10. Interest-bearing loans and borrowings

	First Half 2005 £'000	First Half 2004 £'000	Full Year 2004 £'000
Medium term bank loan	**1,465**	–	1,499

The medium term bank loan comprises amounts falling due as follows:

	First Half 2005 £'000	First Half 2004 £'000	Full Year 2004 £'000
Between one and two years	**71**	–	71
Between two and five years	**238**	–	238
Over five years	**1,156**	–	1,190
	1,465	–	1,499

11. Explanation of transition to IFRS

As stated in note 2(a), these are the group's first consolidated interim financial statements for part of the period covered by the first IFRS annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in note 2 have been applied in preparing the consolidated interim financial statements for the six months ended 30 June 2005, the financial statements for the year ended 31 December 2004 and the preparation of an opening IFRS balance sheet at 1 January 2004 (the group's date of transition).

In preparing its opening IFRS balance sheet, comparative information for the six months ended 30 June 2004 and financial statements for the year ended 31 December 2004, the group has adjusted amounts reported previously in financial statements prepared in accordance with previous GAAP.

An explanation of how the transition from previous GAAP to IFRS has affected the group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes (unaudited)

for the six months ended 30 June ***2005***

11. Explanation of transition to IFRS *(continued)*

At 1 January 2004		Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Assets				
Investment property		25,436	–	25,436
Equity investments		8,062	–	8,062
Total non current assets		33,498	–	33,498
Trade and other receivables		532	–	532
Cash at bank and in hand		1,079	–	1,079
Total current assets		1,611	–	1,611
Total assets		35,109	–	35,109

At 1 January 2004		Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Equity				
Issued share capital		1,292	–	1,292
Revaluation reserve – property	a.	6,560	(1,034)	5,526
– other	a.	3,542	(1,080)	2,462
Capital redemption reserve		95	–	95
Realised capital reserve		14,325	–	14,325
Profit and loss account	b.	8,087	374	8,461
Total equity		33,901	(1,740)	32,161
Liabilities				
Interest-bearing loans and borrowings		–	–	–
Deferred tax liabilities	a.	–	2,114	2,114
Total non-current liabilities		–	2,114	2,114
Bank overdraft		–	–	–
Interest-bearing loans and borrowings		–	–	–
Trade and other payables	b.	1,208	(374)	834
Total current liabilities		1,208	(374)	834
Total liabilities		1,208	1,740	2,948
Total equity and liabilities		35,109	–	35,109

11. Explanation of transition to IFRS *(continued)*

At 30 June 2004		Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Assets				
Investment property		27,697	–	27,697
Equity investments		7,927	–	7,927
Total non current assets		35,624	–	35,624
Trade and other receivables		400	–	400
Cash at bank and in hand		–	–	–
Total current assets		400	–	400
Total assets		36,024	–	36,024

At 30 June 2004		Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Equity				
Issued share capital		1,292	–	1,292
Revaluation reserve – property	a.	7,222	(1,210)	6,012
– other	a.	3,254	(986)	2,268
Capital redemption reserve		95	–	95
Realised capital reserve		14,596	–	14,596
Profit and loss account	b.	8,459	209	8,668
Total equity		34,918	(1,987)	32,931
Liabilities				
Interest-bearing loans and borrowings		–	–	–
Deferred tax liabilities	a.	–	2,196	2,196
Total non-current liabilities		–	2,196	2,196
Bank overdraft		–	–	–
Interest-bearing loans and borrowings		–	–	–
Trade and other payables	b.	1,106	(209)	897
Total current liabilities		1,106	(209)	897
Total liabilities		1,106	1,987	3,093
Total equity and liabilities		36,024	–	36,024

11. Explanation of transition to IFRS *(continued)*

At 31 December 2004		Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Assets				
Investment property		30,523	–	30,523
Equity investments		8,731	–	8,731
Total non current assets		39,254	–	39,254
Trade and other receivables		369	–	369
Cash at bank and in hand		–	–	–
Total current assets		369	–	369
Total assets		39,623	–	39,623

At 31 December 2004		Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Equity				
Issued share capital		1,292	–	1,292
Revaluation reserve – property	a.	7,538	(1,216)	6,322
– other	a.	4,172	(1,239)	2,933
Capital redemption reserve		95	–	95
Realised capital reserve		14,766	–	14,766
Profit and loss account	b.	8,694	395	9,089
Total equity		36,557	(2,060)	34,497
Liabilities				
Interest-bearing loans and borrowings		1,499	–	1,499
Deferred tax liabilities	a.	–	2,455	2,455
Total non-current liabilities		1,499	2,455	3,954
Bank overdraft		146	–	146
Interest-bearing loans and borrowings		69	–	69
Trade and other payables	b.	1,352	(395)	957
Total current liabilities		1,567	(395)	1,172
Total liabilities		3,066	2,060	5,126
Total equity and liabilities		39,623	–	39,623

11. Explanation of transition to IFRS *(continued)*

a. Under previous GAAP, deferred tax on sale of assets at their balance sheet value was noted as a contingent liability. The group has applied IAS 12 on Income Taxes which requires full provision for this potential liability.

b. Under previous GAAP, dividends declared in respect of an accounting period were recognised as a liability at the end of that accounting period. The group has applied IAS 10 which requires dividends proposed before the financial statements are authorised to be disclosed as a note only.

Reconciliation of profit for half year to 30 June 2004	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Gross rental income	796	–	796
Property operating expenses	(65)	–	(65)
Net rental income	731	–	731
Profit on disposal of investment property	–	–	–
Valuation gains on investment property	–	908	908
Valuation losses on investment property	–	(246)	(246)
Net valuation gains on investment property	–	662	662
Dividend income	134	–	134
Gains on investments	–	358	358
Losses on investments	–	(336)	(336)
Net investment income	134	22	156
Administrative expenses	112	–	112
Net operating profit before net financing costs	753	684	1,437
Financial income	20	–	20
Financial expenses	(1)	–	(1)
Net financing costs	19	–	19
Profit before tax	772	684	1,456
Income tax expense	191	82	273
Profit for the financial period	581	602	1,183
Earnings per share	11.3p	11.6p	22.9p

Notes (unaudited)

for the six months ended 30 June ***2005***

Reconciliation of profit for year to 31 December 2004	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Gross rental income	1,667	–	1,667
Property operating expenses	(127)	–	(127)
Net rental income	1,540	–	1,540
Profit on disposal of investment property	9	–	9
Valuation gains on investment property	–	1,545	1,545
Valuation losses on investment property	–	(310)	(310)
Net valuation gains on investment property	–	1,235	1,235
Dividend income	285	–	285
Gains on investments	39	1,003	1,042
Losses on investments	–	(139)	(139)
Net investment income	324	864	1,188
Administrative expenses	205	–	205
Net operating profit before net financing costs	1,668	2,099	3,767
Financial income	21	–	21
Financial expenses	(17)	–	(17)
Net financing costs	4	–	4
Profit before tax	1,672	2,099	3,771
Income tax expense	419	433	852
Profit for the financial period	1,253	1,666	2,919
Earnings per share	24.2p	32.3p	56.5p

12. Related party transactions

Kingerlee Holdings Limited owns 24.5% (2004 24.4%) of the company's shares and D H Kingerlee, G J Kingerlee and J C Kingerlee are directors and shareholders of both the company and Kingerlee Holdings Limited. During the period, the group made purchases from Kingerlee Holdings Limited or its subsidiaries, being repairs to properties of £1,000 (2004 £15,000) and a service charge in relation to services at Thomas House, Kidlington of £7,000 (2004 £7,000). The amount owed at 30 June 2005 was £7,000 (2004 £1,000). All transactions were undertaken on an arm's length basis.