

Highcroft Investments PLC



A solid asset base and sustainable dividends

Interim Report and Financial Statements for
the period ended 30 June 2024

Chairman's interim statement 2024

Key Highlights:

*Gross rental income increased 11% to £2,895,000 (2023 £2,605,000)

*Net rental income increased 13% to £2,628,000 (2023 £2,335,000)

*94% occupancy in the property portfolio at period end (2023 93%)

*100% of Q1 and Q2 rent collected

*Total earnings per share 41.1p (2023 31.9p)

*Adjusted earnings per share increased 29% to 32.6p (2023 25.2p)

*Property valuation increased by 2.5% to £80,220,000 (December 2023 £78,275,000), a 0.6% increase on a like-for-like basis

*Net assets per share increased 0.8% to 1030p (June 2023 1080p, December 2023 1022p)

*Loan to value 33.9% (December 2023 34.7%)

*Interim dividend 23p per share (2023 23p)

Dear Shareholder

Operating environment

We are pleased to report on the activities in the first 6 months activities for Highcroft (the company).

The first half performance of Highcroft is pleasing, and we feel that it is well protected against the negative market environment with a strong portfolio, fixed interest rates and no loan facilities expiring before August 2026.

Board changes

We welcomed Douglas Conn to the board in May 2024 as a non-executive director and look forward to his participation in the growth and governance of the business.

Simon Costa has resigned from the board with effect from 31 August 2024, having served for over nine years as a non-executive director, senior independent director, chair of the audit committee and member of the remuneration and nomination committees. I would like to thank him for his service and commitment over this period.

Given that Highcroft is now listed on TISE, with less regulatory needs, the board has, at least for the time being, decided to operate with one independent non-executive director and our two other non-executive directors. I will chair the audit committee and David Warlow will join as a member and Douglas Conn will join the remuneration committee.

The board has also agreed that, given the size and lack of complexity of the company, the functions of the nomination committee will be incorporated within the main board responsibilities.

Change of listing

Highcroft successfully completed the transfer of its listing from the LSE Main Market to TISE in February 2024. This was an important step to supporting the long-term sustainability of the company given the ever-increasing costs associated with being listed on the LSE. We are already seeing the benefit of the move in lower costs and reduced compliance burden and expect to see even more savings next year and thereafter.

We do know that some shareholders have experienced challenges with the trading of shares on TISE. The company appointed Ravenscroft, a Channel Island based broker, to facilitate and assist shareholders to trade shares and we do hope that this continues to help. There is a link direct to Ravenscroft on the company website. It is important to remember that trading of shares is not controlled by the company but by shareholders and the price is set by buyers and sellers of the shares.

Asset activity

We continued with the development of a site at our Roche asset for a warehouse to be occupied by DHL. The project has been somewhat challenging in that the appointed contractor went into administration in November 2023 and we needed to secure a new contractor to complete the development. We have been fortunate to secure Nationwide Engineering Limited as a new contractor and they are on track for practical completion in October 2024. DHL will commence occupation from this date and have a 15-year lease over the property. Once completed we believe this will be a key asset in our portfolio and will contribute positively to our income and cashflow.

At 30 June 2024 the total value of our assets stood at £80.2m (30 June 2023: £78.3m). The increase is mainly due to the £1.5m of additions in the period on the DHL asset, and a 0.6% like-for-like increase in the valuation of our portfolio during the period. This compares to an all-property market decrease in valuation of 0.7% in the period.

The performance of our industrial and retail warehouse assets remains positive with increases of 0.9% and 3.0% respectively. This has been offset by the negative market sentiment on leisure and office assets where our valuations have fallen by 3.4% and 3.1%.

Leasing activity

Over the first half of the year, we have agreed one lease renewal and one reversionary lease on over 11,000 sq ft and, after the period end, we have agreed a reversionary lease on 27,000 sq ft. Whilst the headline rents agreed have remained at passing levels, the additional certainty and lease terms have positively impacted capital values.

Gearing

The company continues to benefit from the fixed rate borrowings that are in place and the fact that there are no loans maturing until August 2026. Our weighted average borrowing cost is 3.1%, which is considerably below current market rates. Our loan to value is 33.9% which we believe to be conservative, and we continue to meet all our debt covenants. We have put in place an overdraft facility of £1.2m to assist with the management of our short-term cashflow.

We have deployed some of our excess cash into the Roche asset and have sufficient resources to fund the remainder of the construction costs.

Income statement

Our gross rental income increased 11% to £2.9m over the prior period and was largely a result of the two new assets we purchased in Q2 2023 now contributing to revenue for the full period. Our occupancy was stable during the period at 94%. Our void properties are our refurbished Cardiff office unit that we are actively marketing and a small office unit above our Oxford High Street properties. Since the period end the tenant at one of our smaller units at Wisbech has gone into CVA and we are looking for new tenants.

Total earnings increased to 41.1p per share (2023: 31.9p) although adjusted earnings (excluding asset revaluations) were 32.6p per share, up from 25.2p per share in 2023.

This is a very pleasing set of results given a generally negative external environment of high interest rates and continued high levels of inflation.

Dividend

The board is pleased to confirm an interim property income distribution of 23p (2023 23p) per share, payable on 25 October 2024 to shareholders on the register at 27 September 2024 (with an ex-dividend date of 26 September 2024). This dividend is reflective of the steady performance of the company.

Charles Butler

Chairman

2 September 2024

Condensed consolidated interim statement of comprehensive income (unaudited)

for the six months ended 30 June 2024

	Unaudited Six months ended 30 June					
	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Continuing operations						
Gross rental income	2,895	-	2,895	2,605	-	2,605
Property operating expenses	(267)	-	(267)	(270)	-	(270)
Net rental income	2,628	-	2,628	2,335	-	2,335
Net gain on disposal of investment property	-	-	-	-	1,014	1,014
Valuation gains on investment property	-	1,275	1,275	-	1,261	1,261
Valuation gains on investment property under development	-	74	74	-	70	70
Valuation losses on investment property	-	(905)	(905)	-	(1,995)	(1,995)
Net valuation gains on investment property	-	444	444	-	(664)	(664)
Administrative expenses	(526)	-	(526)	(693)	-	(693)
Operating profit before net financing costs	2,102	444	2,546	1,642	350	1,992
Finance income	54	-	54	134	-	134
Finance expenses	(416)	-	(416)	(414)	-	(414)
Net finance costs	(362)	-	(362)	(280)	-	(280)
Profit before tax	1,740	444	2,184	1,362	350	1,712
Income tax charge	(42)	-	(42)	(52)	-	(52)
Total profit and comprehensive income for the financial period	1,698	444	2,142	1,310	350	1,660
Basic and diluted earnings per share			41.1p			31.9p

Condensed consolidated interim statement of financial position (unaudited)

as at 30 June 2024

	Unaudited 30 June 2024 £'000	Audited 31 December 2023 £'000
Assets		
Investment property	77,020	76,650
Investment property under development	3,200	1,625
Total non-current assets	80,220	78,275
Current assets		
Trade and other receivables	1,610	1,226
Cash at bank and in hand	2,291	4,229
Total current assets	3,901	5,455
Total assets	84,121	83,730
Liabilities		
Current liabilities		
Trade and other payables	(3,294)	(3,327)
Total current liabilities	(3,294)	(3,327)
Non-current liabilities		
Interest-bearing loans and borrowings	(27,200)	(27,200)
Total non-current liabilities	(27,200)	(27,200)
Total liabilities	(30,494)	(30,527)
Net assets	53,627	53,203
Equity		
Issued share capital	1,302	1,302
Share premium	312	312
Share based payment reserve	-	-
Other equity reserve	-	-
Revaluation reserve – property	9,680	9,955
Capital redemption reserve	95	95
Realised capital reserve	30,437	30,437
Retained earnings	11,801	11,102
Total equity	53,627	53,203