

Highcroft Investments PLC



**A solid asset
base and
sustainable
dividends**

Annual report and accounts for
the year ended 31 December 2024

Highcroft Investments PLC

Who we are

Highcroft Investments PLC is an internally managed Real Estate Investment Trust (REIT), which invests in commercial property in England and Wales.

Our purpose

Highcroft's purpose is to provide our tenants with quality properties, in good locations, enabling them to succeed, and our stakeholders to benefit on a long-term, sustainable basis.

Our vision

Our vision is to ensure every opportunity has a positive impact on others.

Our culture

Our culture is open and supportive. Integrity is a value that defines our culture and underpins the way that we do business.

Our values

Our values are reputation, integrity and good governance built on long-term relationships, and on sustainability and responsibility.

Our strategy

Highcroft aims to deliver sustainable long-term income and capital growth for its shareholders through accretive asset management initiatives and recycling of capital in its regionally based property portfolio.

Our competitive strengths



An **EXPERIENCED**
team



GOOD-QUALITY
property assets



STRONG
balance sheet



MODERATE
gearing



View more online at:
www.highcroftplc.com

1. Dividends payable

58p

+4%

2024	58p
2023	56p
2022	56p
2021	55p

2. Net asset value per share

1,075p

+5%

2024	1,075p
2023	1,022p
2022	1,081p
2021	1,275p

3. Gross rental revenue

£6.4m

+10%

2024	£6.4m
2023	£5.8m
2022	£5.6m
2021	£5.9m

4. Net rental income

£5.4m

+4%

2024	£5.4m
2023	£5.2m
2022	£5.3m
2021	£5.3m

5. Adjusted earnings per share

69.0p

+10%

2024	69.0p
2023	62.8p
2022	62.9p
2021	56.7p

6. Total earnings per share

108.9p

2024	108.9p
2023	(3.7)p
2022	(137.0)p
2021	230.5p

7. Value of property assets

£82.6m

+5%

2024	£82.6m
2023	£78.3m
2022	£77.9m
2021	£87.6m

8. Net debt

£25.4m

2024	£25.4m
2023	£23.0m
2022	£20.0m
2021	£21.5m

9. Occupancy

94%

2024	94%
2023	94%
2022	94%
2021	93%

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Chairman's and Chief executive's statement



Charles Butler
Chairman



Strong performance resulting in an increased dividend.”



Paul Leaf-Wright
Chief executive

We are pleased to report the full year results of the group for the year ended 31 December 2024.

Results for the year

The results are positive and show a growth in earnings to £5,668,000 from a 2023 loss of £193,000 and an increase in net asset value per share of 5% to 1,075p.

The two key highlights of the group during the year were the finalisation of the transfer of the listing from the London Stock Exchange (LSE) to The International Stock Exchange (TISE) and the completion of the construction of the property in St Austell, now let to DHL on a 15-year lease. Both have had, and will continue to have, a positive impact on the group – the TISE listing helping to reduce and keep overhead costs contained and the DHL lease adding a secure long-term income producing asset to our portfolio.

Board of directors

As reported, Douglas Conn joined the board on 1 May 2024 as a non-executive director and Simon Costa resigned as a non-executive director on 31 August 2024. We would like to thank all board members for their input and support throughout the year.

In October 2024, we also said goodbye to Anne-Marie Palmer our company secretary, and thank her for her service, and welcomed Kerry Round as our new company secretary.

Governance

To help reduce the cost burden but still ensure a high standard of corporate governance, we have adopted the principles of the QCA Corporate Governance Code insofar as they are practical and cost effective for a business of our size and this is explained further in the governance report.

Balance sheet

As noted above, we were very pleased to complete the construction of the St Austell property, in October 2024, at a total cost of £4.9m. At the year end the independent valuation on this asset was £5.2m, a positive uplift against the cost. The build was funded out of existing cash resources and means the group's balance sheet is now fully invested. We would like to thank our asset managers, Cube, for managing and delivering this project which was, at times, very challenging.

Why invest in Highcroft?

01

Strong balance sheet and cash generative

Our £82.6m, 892,000 sq ft of assets underpin our balance sheet and financial strength.

02

Strong dividend returns

Our dividends performance and yield remains good and we are pleased to report an increase this year.

In November we sold one of our smaller retail assets, the Norwich property, for £625,000. The decision to sell was based on a need to bolster cash resources – given that much of our cash had been utilised on the St Austell asset – and the view that this property offered limited long-term upside.

The remainder of the portfolio continued to perform in line with expectations and was stable, as is reflected in the overall portfolio performance where the total value increased by 2.7% for the full year on a like-for-like basis. The retail warehouse assets performed well during the year and the industrial assets within our portfolio produced mostly positive uplifts in valuation, whereas the market around leisure, office and high street retail assets remained subdued to weak. We have struggled to either sell or find a tenant for our asset in Cardiff and this has seen the valuation on this asset decline further.

We will continue to focus on assets that provide long-term secure income and are supported by a strong underlying intrinsic asset value.

Gearing

The current debt at £27.2m represents gearing of 33% of the value of the investment property portfolio. The interest rates on the debt were fixed at historically low rates and the group is seeing material benefit from those low rates on our cost of debt. Current market rates are significantly higher. Our rates are fixed for periods expiring in 2026 through to 2030. We do face a potential risk that when these deals expire the cost to replace the debt will be higher and will therefore place pressure on our net income at that time; however, this is a risk which the board are monitoring and making plans to mitigate against.

Leasing activity

During the year there were three rent reviews documented, one lease renewal and two reversionary leases agreed in addition to the commencement of the lease at our newly developed site in St Austell.

Our occupancy level for the year averaged 94%, with the Cardiff office property and office space above our Oxford High Street retail assets being void for the entire year. In January 2025 we signed a new tenant for the Oxford High Street space which will see a positive uplift for this building.

Income statement

Net rental income grew by 4%, due to several factors explained on page 11 and is a positive outcome for the year. Costs were well controlled and, notwithstanding the one-off professional fees associated with the move to TISE, we are starting to see the savings and benefits. We should see further savings in 2025 where the full year of lower costs will be in place and there are no one-off fees. We should also be sheltered from the ever-increasing costs of the compliance and regulatory burdens that a group listed on the Main Market of the LSE has to bear.

A combination of the income growth and cost savings saw an increase in our revenue profit before tax of 8.8% for the year which is a most pleasing result.

Dividends

The company's interim dividend was maintained at 23 pence per share. The directors, on 27 March 2025, have voted an additional interim dividend of 35 pence per share, an increase of 2 pence per share (6%) over the 2023 final dividend declared on 25 March 2024. This additional interim dividend is payable on 16 May 2025 to shareholders on the register on 25 April 2025 and is in lieu of a final dividend.

Outlook

I would like to draw your attention to the announcement, on 27 March 2025, of a recommended all-share acquisition of Highcroft Investments PLC by LondonMetric Property PLC, to be effected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the "Potential Transaction"). I would recommend that all shareholders read this document carefully.

The announcement highlights, *inter alia*, the background to and reasons for the Potential Transaction and that we have received irrevocable undertakings from shareholders holding 60.2% of the company's issued share capital to vote in favour of this acquisition at the relevant meetings.

A scheme document containing further information about the Potential Transaction and the notices of a Court Meeting and General Meeting will be published within 28 days and it is expected that, if approved by the Court and the shareholders at the Court Meeting and General Meeting, the scheme will become effective on 21 May 2025.

Charles Butler

Chairman
27 March 2025

Paul Leaf-Wright

Chief executive
27 March 2025

03

Diversified and sustainable income from the UK property market

We have 22 assets spread across five sectors all geographically focused in the south of the UK with a WAULT of six years.

04

Experienced team

Our experienced executive and advisory team have consistently delivered on our strategy.

05

Growing occupier demand

In certain sectors there is increasing demand for the right property in the right places for good tenant covenants.

Our business model

We aim to deliver sustainable and long-term income and capital growth for shareholders

We endeavour to operate a cyclical model, buying when the market is low, generating rental income and selling, if appropriate, when the market is high in order to maximise cash to reinvest. We use a combination of our key resources to select the best opportunities within our chosen market sectors. We then redevelop and refurbish these in order to increase the value of the property, which allows us to secure higher rental incomes. We let our properties out on long leases, guaranteeing consistent income for our shareholders.

Our key resources

People

We are a small team with diverse skill sets. Our knowledge and understanding of the marketplace informs decisions. As a source of competitive advantage, the talent of our staff is integral in prudent decision making, ensuring that our performance is in line with our objectives.

Financial strength

We have a moderate level of gearing for a group investing in property. Our conservative capital structure and track record of delivering strong returns make us a lower risk investment than others.

Our tenants

Our tenants are diverse companies with wide-ranging requirements. As shown on pages 8 to 10, they are mainly large commercial companies requiring property on long-term leases.

Our key relationships

Our key relationships are those with all our stakeholders. See page 17 for details of our stakeholder engagement.

Key activities

1 We buy

We research, identify and react quickly to market opportunities, creating competitive advantage. Using our property management skills, we create opportunities within our portfolio to create value and/or yield. We look for:

- Location
- Potential for development
- Growth markets

We look to increase our average lot size, to uphold the quality of our tenants, grow the portfolio and navigate market uncertainty.

2 We generate

We use a combination of our key resources in order to select the best opportunities within our chosen market segments, to asset manage, redevelop or refurbish to increase the value, sustainability and income-producing capability of our assets.

3 We maximise potential

We maximise the value of our portfolio through redeveloping and refurbishing properties to meet tenant demands and maintain relationships to increase lease length and rental income. This also enables us to make our properties more sustainable – see page 18 for our sustainability journey and future plans.

4 We sell

To ensure long-term success we strategically sell smaller properties in under-performing markets or properties where the risk of ownership is high.

Strategic priorities

We have reviewed our strategic priorities in the year, considering our strategy, the external environment, and the interests of our stakeholders. Our priorities are set out below. Risks are discussed in detail on pages 13 to 16.

Strategic priorities

A
Continue to grow a sustainable commercial property portfolio with a bias towards the south of England and Wales.

B
Use modest gearing with medium-term maturity.

C
Provide a good dividend return.

How this priority will help us

Commercial assets, with good sustainability credentials, in these geographical areas are regarded by the directors as being best placed to outperform the market in any cycle. These locations are also considered relatively low risk and fit our risk profile.

The use of keenly priced debt to expand our property portfolio should increase our property profits available for distribution.

Maintaining a good property income distribution stream remains a fundamental priority.

Progress/opportunities

We have completed a development on vacant land at our St Austell site and a fifteen-year lease to DHL commenced in October 2024. This asset has an EPC A rating and is on track to achieve a BREEAM rating.

Our debt remains at £27.2m, with a weighted average interest rate of 3.06% and the first facility expiring in August 2026. This has provided us stability during the recent period of high interest rates and will continue to do so in the short term.

Dividends payable for 2024 are £3,020,000, 58p per share. As a REIT we are required to distribute 90% of our net property profits.

Risk*

1 2
3

5 6

All

*Please see pages 14 to 15

Strategic pillars

Value we generate to our stakeholders

Shareholders

We endeavour to maintain dividends for our shareholders, enhancing shareholder value through sustained capital and income growth resulting from our low-risk business strategy.

Tenants

Through supportive landlord/asset manager/tenant relationships, we improve environments by identifying and implementing opportunities to enhance our properties. We aim to create high-quality environments that contribute to our tenants' success in executing their business strategies.

Local communities

In addition to charitable donations to support the terminally ill and disadvantaged in the community, we contribute to economic prosperity by supporting the provision of suitable spaces in strategic locations. We foster employment and enable businesses to thrive in conducive environments.

Environment

We make a positive contribution to the environment through our existing properties and development project.

Our values

Reputation

Our reputation is important to us and has been gained by the efforts of many over several years. Maintaining a strong reputation is critical and we recognise the value this plays in our relationships with our stakeholders. Retaining our reputation relies on us doing the right thing and is, therefore, only achievable with us acting in accordance with all our values and maintaining a sustainable business.

Integrity

Integrity is a core value in how we conduct our business and an established part of our strategy. We gain trust by acting honestly at all times, by being open and candid in all our business relationships and, most importantly, in every one of our actions. When engaging with our stakeholders, we act with openness, honesty and integrity and the board and employees take responsibility to ensure that all our business processes are run with integrity.

Good governance

The board maintains good governance at the centre of its decisions and discussions. Our framework supports the effective delivery of our strategy, the sustainability of our business and the creation of value for all our stakeholders continues to be supported by our governance structures and processes. Following our move to TISE in February 2024 good governance remains a key value and the board endeavours to follow the appropriate guidance and rules.

Introduction to our strategy

Highcroft aims to deliver sustainable long-term income and capital growth for its shareholders through accretive asset management initiatives and recycling of capital in its regionally-based property portfolio.

Strategic pillars



Building a portfolio of high-quality commercial properties in the right places occupied under good lease fundamentals by the right tenants

We use our core strengths to identify under-performing or high-risk assets for disposal and to identify good replacement assets in our target geographical areas.



Using available capital, including debt, efficiently and effectively

We will invest cash as fully as is practicable, whilst maintaining an adequate headroom of working capital. We will continue to maintain modest gearing levels.



Delivering a sustainable income return to our investors

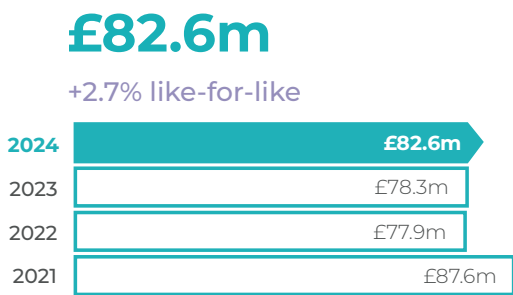
Whilst having regard to the constraints imposed by two concert parties, we aim to manage our asset base effectively and cost efficiently and to deliver a good dividend return for all our investors on a sustainable basis.

Our key performance indicators (KPIs)

The following key performance indicators are considered to be the most appropriate for measuring how successful the group has been in meeting its strategic objectives.

Financial KPIs

1 Movement in value of property assets



Link to strategy

A B C

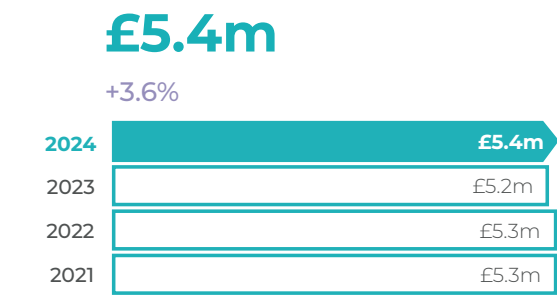
Link to risks*

1 3 4 6

The value of our assets has increased by £4.3m which represents an increase of 2.7% on a like-for-like* basis, which is ahead of the all-property market increase of 1.9%. For further information see page 12.

* like-for-like defined on page 59

2 Movement in net rental income



Link to strategy

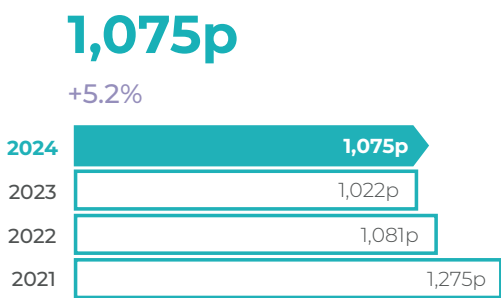
A B C

Link to risks*

1 3 4 6 8

As a REIT, we are required to distribute 90% of our relevant property profits. Increasing net rental income contributes towards an increase in our dividend. Net rental income increased by £185,000.

3 Movement in net asset value per share



Link to strategy

A B C

Link to risks*

1 3 4 6 8

Net asset value per share increased by 5.5% in 2024, as a result of the increase in our property valuation and also the net increase arising from our revenue profits net of dividends paid in the year.

*Please see pages 14 to 15

4 Achieve an adjusted EPS per share that is in line with the market

	Adjusted EPS % return	Weighted % market return
2024	6.8	5.9
2023	5.8	5.0
2022	4.9	4.5
2021	5.1	6.6

Link to strategy

C

Link to risks*

1 3 4 6 8

This KPI measures our adjusted earnings per share and compares it to the income return for the year. The 2024 performance was 14% above the market income return for the year and 18% higher than 2023.

Elevating assets value



Case study

This 1.9-acre development plot of over-grown and steeply sloped land without planning consent, but within a permitted development area, formed part of an existing asset, in Roche, St Austell, that was purchased by the group in June 2017. It is a very well-located site, and close to the A30. The whole asset was, when acquired, let to Walstead Roche and includes 250,000 sq ft of buildings used as print works. As part of asset management initiatives in 2021 the development plot was carved out of the new lease arrangements with our existing tenant.

During 2021 and 2022 viability studies were carried out and heads of terms agreed with DHL for a 30,000sq ft parcel hub on a 15-year lease. Planning permission was applied for and received in 2022 and preliminary work on site commenced at the end of that year. The agreement for lease and construction contract was signed in early 2023 and building work commenced. After a hiatus in late 2023 caused by the liquidation of the main contractor, new contractors were appointed, and the building achieved practical completion in October 2024 and the lease commenced in December 2024.



This was a complex project, managing many works teams to get the best result for our shareholders and meet our objective of providing a high quality building that met all our tenant's requirements.

Total build costs were £4.9m, the December 2024 year-end valuation was £5.2m and the annual rent is £308,263, a 6.3% yield on cost. This has provided a good uplift in net asset value for our shareholder.

The project has delivered a prime logistics building with good environmental credentials being an EPC A and an anticipated BREEAM rating.

Our portfolio

Introduction

The portfolio balance has moved in the year with the finalisation of the development of our new warehouse asset, the sale of one of our high street retail assets and the transformation of one of our void high street retail units into a small office unit.

Key

Warehouse

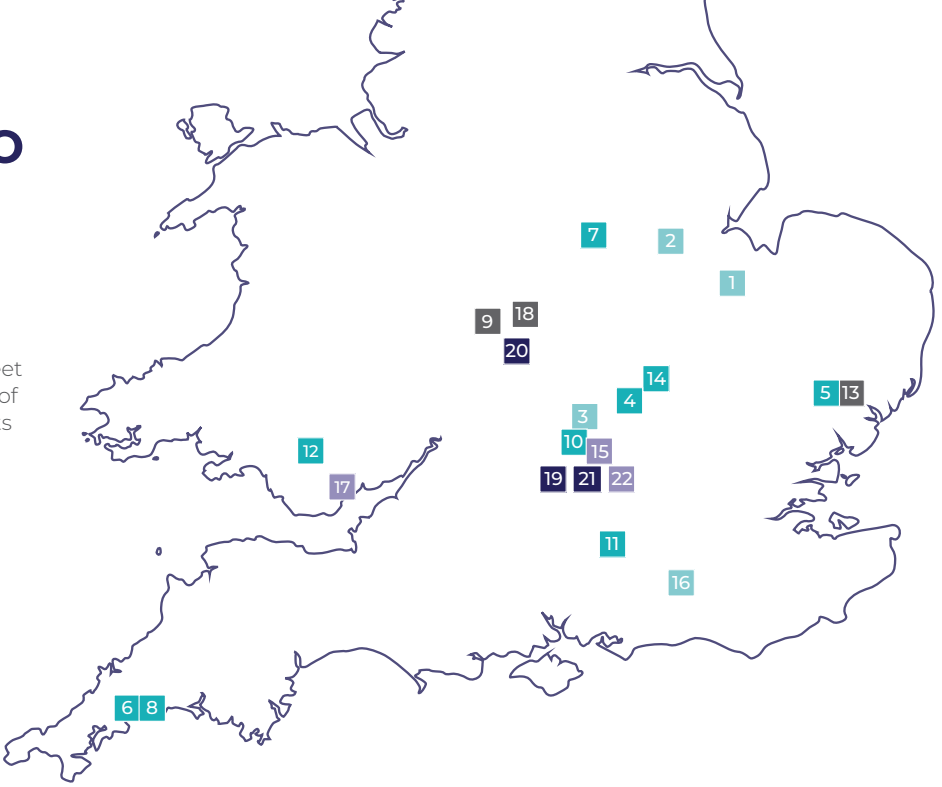
Retail warehouse

Leisure

Office

High street retail

The numbering represents the relative values of the properties



Warehouse (Freehold)

LET TO		LET TO	
ABERDARE 12  		KIDLINGTON 10  	
ASH VALE 11  		MILTON KEYNES 4  	
BEDFORD 14  		NOTTINGHAM 7  	
IPSWICH 5  		ST AUSTELL 6  	
ST AUSTELL 8  			

Retail warehouse (Freehold)

LET TO		LET TO	
BICESTER		GRANTHAM	
3		2	
			 
CRAWLEY		WISBECH	
16		1	
			    

Leisure (Freehold)

LET TO		LET TO	
COVENTRY		RUBERY	
18		9	
	  		
IPSWICH			
13			
	 		

Our portfolio continued

Office (Freehold)

LET TO		LET TO	
CARDIFF		OXFORD	
17 	VOID	15 	

OXFORD (PART LEASEHOLD/PART FREEHOLD)

22 	VOID (Let in January 2025 to Interactive Industries Ltd)
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High street retail (Freehold)

LET TO		LET TO	
LEAMINGTON SPA		OXFORD HIGH STREET	
20 	Sabre Retail Limited t/a Mint Velvet	21 	Sunzg Ltd t/a Endorphins
OXFORD HIGH STREET			
19 	Robinson Webster JIGSAW		

Key

-  Warehouse
-  Retail warehouse
-  Leisure
-  Office
-  High street retail

The numbering represents the relative values of the properties

For more details of our property portfolio, please visit our website at <https://www.highcroftplc.com/properties>

Financial review

Overview

	2024	2023
Profitability		
Net rental revenue	£5,359,000	£5,174,000
Adjusted earnings per share	69.0p	62.8p
Profit/(loss) for the year	£5,668,000	£(193,000)
Revenue profit before tax	£3,659,000	£3,364,000
Net admin expenses to gross rent	14.7%	20.2%
Investment returns		
Net asset value per share	1,075p	1,022p
Dividend payable per share	58p	56p
Total shareholder return	(25)%	0.6%
Return on equity	10.4%	-0.4%
Financing		
Net debt	25,392,000	22,971,000
Net debt to property value	31%	29%
Average cost of debt at the year end	3.06%	3.06%

2024 has been a successful year for the group. Gross and net rental revenue, asset valuations and net asset value have all increased whilst administration costs have fallen, and finance expense has remained the same. Our underlying adjusted revenue profit before tax (excluding revaluation gains and loss on disposal) increased by a very pleasing 10% to £3,592,000 (2023 £3,266,000).

Net assets have increased by 5% to £55,955,000 and we have a low net debt to property value of 31%. The average cost of debt at the year-end remains at 3.06% with no facilities expiring until August 2026. Our investment properties increased in value by £4,300,000 arising from additions of £2,833,000 to complete our development asset, disposals of £685,000 and a net valuation uplift of £2,152,000. The like-for-like valuation uplift was 2.7%, ahead of the all property market return of 1.8%.

The directors, on 27 March 2025, voted an additional interim dividend of 35p per share giving a total dividend for 2024 of 58p per share, an increase of 3.6%, which reflects a 9.7% yield on year-end share price.

Net rental revenue

We are pleased to report that our contracted annual rent at the year-end increased 5% to £6.1m (2023 £5.8m) and our minimum lease payments receivable increased 16% to £34.1m (2023 £29.5m). These arose from a combination of the completion of our development asset in St Austell, net of the disposal of our Norwich asset, together with the benefits of several asset management initiatives. Our occupancy remained at 94%. One additional small unit was vacated by the tenant in Q3. One void property has been re-let in Q1 and we hope to also re-let the vacant property in Q1.

This year our gross rental revenue and property costs include income and costs related to tenants' extra works as shown below.

	2024 £'000	2023 £'000
Gross rental revenue		
Rental income from leases	5,699	5,511
Recharged costs	156	227
Income from tenants' extra works	522	–
Licence fees	–	52
	6,377	5,790
Property costs		
Property asset manager fees	249	231
Other property costs	329	450
Bad debts recovered	(42)	(65)
Costs in respect of tenants' extra works	482	–
	1,018	616

The 3% increase in rental revenue from leases arises primarily from a full year of income from our 2023 acquisitions and the commencement of the lease at our completed development asset, offset by one-off backdated rent reviews in 2023. The decrease in other property costs to £329k is due to the lower costs incurred for recharge to tenants in the year.

Administration and other expenses

	2024 £'000	2023 £'000
Directors' remuneration	539	743
Auditor's remuneration including other services	70	81
Other expenses	329	348
Administration expenses	938	1,172
Net finance expense	833	833
Total expenses	1,771	2,005

Directors' remuneration fell by 27% (£204,000). There were no board base-salary increases in the year. The reduction is primarily due to a one-off charge of £150,000 in 2023 relating to the vesting of historic options issued under the Highcroft Incentive Plan, £55,000 of salary and bonus related to the previous CEO during his handover period in 2023 with a further £12,000 reduction in the finance director's bonus plan award in 2024 and reduced national insurance costs. These reductions were offset by cost increases related to the exit of one non-executive director, the cost of our new non-executive director, and to our CEO totalling £21,000. More detail can be found in the remuneration report on pages 25 to 26. Other expenses have reduced by £19,000 whilst including non-recurring delisting/listing fees of £79,000 (2023 £73,000) and £21,000 of non-recurring Q1 fees related to our LSE listing.

Financial review continued

Summary of profit before tax and income tax charge on revenue activities

	2024 £'000	2023 £'000
Revenue profit before tax	3,659	3,364
Income tax charge	(67)	(98)
Revenue profit for the year	3,592	3,266

The increase in the revenue profit for the year in 2024 of £326,000 arose from an increase in net rental income of £185,000 and a decrease in administration expenses of £234,000 and in tax charge of £31,000 offset by a reduction in finance income of £124,000. As a REIT whilst property profits are not chargeable to tax both external and intra-group interest, net of certain costs, is chargeable to tax. There was a capital profit before and after tax of £2,076,000 (2023 loss £3,459,000).

Investments

Investment property ¹	2024 £'000	2023 £'000
At 1 January	78,275	77,910
Acquisitions at cost	–	11,588
Cost of additions to assets under development	2,833	
Proceeds from disposals	(609)	(7,764)
Realised (losses)/gains from disposals	(76)	1,014
Revaluation gains on investment property	3,142	540
Revaluation losses on investment property	(990)	(5,013)
Net revaluation gains/(losses)	2,152	(4,473)
At 31 December:		
total property	82,575	78,275
less investment property under development	–	(1,625)
Total investment property	82,575	76,650

¹ Includes assets development.

Overall, our property portfolio increased in value during the year by £4,300,000. We sold our high street retail asset in Norwich in November and spent £2,833,000 on our development asset in St Austell. Our net gain on revaluation of £2,152,000 represents 2.7% on a like-for-like basis compared to an all-property capital market return of 1.8%. Our most significant revaluation gain, of 16.6%, related to our development asset which was completed in Q4 and is now included as investment property.

Financing and cashflow

Net cash generated from operating activities was £867,000 lower than 2023 at £3,568,000, primarily due to increases in trade and other receivables and decreases in trade and other payables, particularly as a result of the relative position of the DHL development at the two year-ends. All significant trade debtors were received in January. During the year we have invested surplus cash, and the proceeds of the sale of one of our smaller assets, into the completion of our new industrial asset at St Austell.

	2024 £'000	2023 £'000
Opening cash	4,229	7,206
Net cash from operating activities	2,719	3,778
Investment acquisitions – property	(2,833)	(11,588)
Investment disposals – property	609	7,764
Dividend paid	(2,916)	(2,916)
Share issue costs	–	(15)
Closing cash	1,808	4,229

Analysis of borrowing

	2024 £'000	2023 £'000
Handelsbanken term loans 2030	5,000	5,000
Handelsbanken term loans 2029	14,300	14,300
Handelsbanken term loan 2027	4,500	4,500
Handelsbanken term loan 2026	3,400	3,400
Total debt	27,200	27,200
Cash	(1,808)	(4,229)
Net debt	25,392	22,971
Net assets	55,955	53,203
Gearing	49%	51%

Our weighted average cost of total debt is 3.06% (2023 3.06%). All our loans are fixed term, fixed interest, non-amortising facilities.

Outlook

We believe that the quality of our assets, our ongoing asset management programme and spread of sector risk, all combined with our concentration of assets in the south of England and Wales, and our low fixed interest rate debt means that we are in a strong position to deliver a secure dividend return to our shareholders. We remain optimistic about the prospects for the group and its ability to meet its strategic objectives in the medium term.

Roberta Miles

Finance director
27 March 2025

Our risk

Risk framework

The group has a well-established risk management and internal control framework. The board has overall responsibility for risk management with a focus on determining the nature and extent of exposure to principal risks the group is willing to take in achieving its strategic objectives. The amount of risk is assessed in the context of the core strengths of our business and the external environment in which we operate.

The board believes that effective risk management is integral to our strategy of delivering long-term sustainable income and capital growth.

Strategic risk management reporting



Our approach to risk management is to identify the financial, operational and compliance risks that may prevent the attainment of our strategic objectives, or impact our future performance, solvency or liquidity. We evaluate the risks and take any appropriate action to reduce or remove the likelihood of these having a material impact. This process is regularly monitored and reviewed.

At the point any key strategic decision is taken, the potential risks are considered. Effective risk management is an important part of our board decision-making process.

All directors are kept up to date with key issues as they arise. The small size of the management team and regular consideration of risk areas means we can respond quickly to changes in the risk environment. The principal risks that have been identified, and the management and/or mitigation of these, are set out on pages 14 to 15. The board has identified that emerging risks are likely to be linked to our existing principal risks and these are outlined below.

Against the backdrop of economic and political challenges due to the continued impacts of the conflicts in the Middle East and Ukraine, high interest rates, and increasing business costs in the UK, we have continued to actively manage our risk exposure by maintaining a high occupancy across our portfolio and an efficient capital structure and liquidity position.

Risk appetite

Whilst risk is an integral part of our business, the general appetite of the group for risk is low.

Principal risks

We define a principal risk as one that is currently impacting on the group or could impact the group over the next 12 months. These principal risks are not a complete list of all risks facing the group but are a snapshot of the group's risk profile as at the date of this report. There were no changes to our principal risks in the year.

New factors affecting existing principal risks

The ongoing high interest rate pressures in the UK and the recent rise in business costs affecting the macro-economic outlook

Whilst there were two 0.25% cuts in base rates in the second half of 2024 base rate remained high at 4.75% at the year end. Corporation tax remains at 25%. The recently announced significant rise in the employers' national insurance burden and the cost of implementing the national minimum wage increases coupled with the anticipated rise in business rates all increase risk for our tenants.

The group is currently sheltered from interest rate rises as its debt is long term and on fixed rates with the next maturity in 2026. It is also partially sheltered from the high corporation tax rate due to its REIT status. The major effect of these changes is on all our stakeholders – particularly our tenants and their customers. The board continues to pay close attention to the evolving situation and to mitigating the risks for our business and all our stakeholders.

Strategic priorities

The objective of the group is to enhance shareholder value via a combination of increasing net asset value, profits and dividends and we set clear strategic objectives against which we measure our performance.

External risks

1	2	3	4
Macro-economic and political outlook	Regulatory and compliance burden	Occupier demand and tenant default	Commercial property investor demand
The UK economic climate, the conflicts in the Middle East and Ukraine, the high UK interest rates and the impact of higher business costs for our tenants could impact the delivery of our planned revenue and capital strategy. How we manage/mitigate the risk We monitor macro-economic data and, with our advisers, the detailed data from the UK property sector. Our activities are restricted solely to the UK, although our tenants are largely global businesses. Commentary During 2024, the economic environment continued to be challenging. UK interest rates fell by 0.5% but employer taxation and other business costs will rise in 2025. There remains a level of uncertainty regarding the future outlook. We executed our strategy of completing our development asset and disposing of one smaller high street retail asset in the year.	There is an ever-increasing regulatory burden both as a listed entity, a property group and as a REIT. How we manage/mitigate the risk We use our company secretary and our advisory team to ensure that the board remains up to date with the evolving regulatory requirements for a listed real estate group. We use a team of advisers to enhance the skills of our experienced, but small, internal team. Commentary In February 2024 we delisted from the LSE and listed on TISE. On TISE the current and future regulatory burden is lower and has reduced our risk assessment in 2024.	Further weakening in the UK economy, reduced consumer confidence, business activity and investment could result in tenant administration/ CVA and reduce income, rental growth and capital performance. How we manage/mitigate the risk We review market data and industry trends with our advisers, to assess whether any risk-mitigating steps need to be taken. We invest in the lower-risk areas of the south of England and Wales and across different sectors reducing our exposure to an individual sector or tenant. Commentary At March 2025 we have 22 properties with 29 tenants and 28 individual covenants. At the year end, two of our properties were void representing 6% of the annual rent roll. One has been let since the year end. One tenant went into CVA in the year.	Any drop in, amongst other things, the health of the UK economy, or in the availability of finance, or the attractiveness of sterling, may result in a reduction in investor demand for UK property, which may result in a fall in our asset valuations. How we manage/mitigate the risk We review market data together with industry trends with our advisers, to assess whether any risk-mitigating steps need to be taken. Commentary In Q4 2024, the impact of slightly lower interest rates led to an increase in demand by commercial property investors. Our asset valuations, particularly in the industrial and retail warehouse sectors benefitted from this change.

Change in risk assessment in the year	Change in risk assessment in the year	Change in risk assessment in the year	Change in risk assessment in the year
Link to strategic priority	Link to strategic priority	Link to strategic priority	Link to strategic priority
A C	A C	A C	C

Our strategic priorities are set out on page 04 and can be summarised as:

- A** Continue to grow a sustainable commercial property portfolio with a bias towards the south of England and Wales
- B** Use medium-term gearing at a modest level
- C** Provide a good dividend return

Internal risks

5

Availability and cost of finance and debt covenant requirements

Increased costs of borrowing and reduced availability of appropriately priced finance would affect our ability to refinance debt and/or increase cost. Breach of debt covenants could trigger loan defaults and require repayment of facilities.

How we manage/mitigate the risk

The board aims to only assume a moderate level of gearing, thereby increasing the likelihood of being seen as an attractive banking proposition for lenders. Our preference is for fixed-interest, non-amortising debt with a spread of maturity dates. We monitor our LTV and debt requirements and maintain a good long-term relationship with our bank.

Commentary

All our debt is fixed interest non-amortising debt and our next loan maturity is in August 2026. If we wish to draw additional debt, we have pre-agreed headroom of £7.8m, subject to terms and security, and this includes a £1.2m overdraft facility.

6

Business strategy

If the group has the wrong strategy for the current stage of the property cycle and the macro-economic climate, there will be reduced profitability and capital values.

How we manage/mitigate the risk

Our strategy is determined to be consistent with our stated risk appetite of low and is based on our evaluation of the macro-economic environment. Individual investment or divestment decisions are made by the board and subject to a risk evaluation.

Commentary

During 2024, a year still dominated by negative conditions, our capital performance was above the market and our rent collection was 100%.

7

Key personnel

A number of critical business processes lie in the hands of a few people. Failure to recruit, develop and retain staff and directors with the right skills and experience, may result in significant underperformance, or impact the effectiveness of operations and decision making, in turn impacting business performance.

How we manage/mitigate the risk

Remuneration packages are reviewed periodically to ensure that the group can retain, motivate and incentivise key staff. We outsource a number of key routine processes to minimise the risk of business interruption. The board reviews the key advisers, at least annually.

Commentary

In 2025 the remuneration policy will be reviewed further.

8

Sustainability

If the group fails to address climate-related risks in the short, medium and long term, the group's assets and its ability to let its investment properties could be compromised.

How we manage/mitigate the risk

Sustainability is considered as part of our risk discussions.

Commentary

Our EPC assessment and improvement strategy continued and other activities have been undertaken. Further details are available on page 18.

Change in risk assessment in the year



Link to strategic priority

B **C**

Change in risk assessment in the year



Link to strategic priority

A **B** **C**

Change in risk assessment in the year



Link to strategic priority

A **B** **C**

Change in risk assessment in the year



Link to strategic priority

A **B** **C**

Our risk continued

Going concern statement

Assessment of going concern

The directors have assessed the group's ability to continue as a going concern. This includes a review of the continuing uncertainties created by the conflicts in the Middle East and Ukraine and the ongoing high interest-rate environment and nervous market sentiments in the UK, driven by higher business costs. They have paid particular attention to how these may impact rental income, the group's cash resources, borrowing facilities and dividend distributions. They have also considered the effects of the Potential Transaction.

The group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the strategic report. The financial performance of the group for 2024, including its cashflows, liquidity and borrowing facilities, are set out in the financial statements with additional information in the financial review on pages 11 to 12. Note 19 to the consolidated financial statements includes information on the group's financial instruments and on its approach to credit and liquidity risk.

At 31 December 2024, the group had £1.8m of cash and cash equivalents and fixed-term, fixed-interest, non-amortising borrowing of £27.2m, which expires during the period August 2026 to July 2030 and additional headroom of £7.8m. The group has a moderate gearing of 49% and its net debt to investment property valuation is 32% at the year end.

During March 2025 the group finalised its annual review with Handelsbanken plc. The group has approved headroom limits of £35m of which £27.2m are currently drawn. To assist with the management of our cashflow we have a £1.2m overdraft facility in place until 31 March 2025 when it reduces to £0.8m. This facility has not been used. The £7.8m of undrawn headroom limits can be used, subject to terms and security, for short-term or longer-term funding requirements.

Our primary debt covenants relate to interest cover and the loan-to-value ratio. They are tested annually, and the LTV covenant is based on the valuations addressed to the bank (which may not be the same as the current valuations). The group has eight unsecured properties with a total value of £27,650,000 that could be added to the secured property pool to maintain the income and LTV covenants if necessary.

The group has a secure property income stream from 29 tenants with no undue reliance on any one tenant. We have been unable to secure a new tenant for our refurbished and improved Cardiff property, for which the lease ended in June 2021, and our small upper floors unit at High Street Oxford that became void in 2023 had been re-let in January 2025. Based on this experience, the board has carefully reviewed its forecast assumptions regarding potential void periods and lease incentives at break dates and lease ends. Our debtor position remains good with 100% of our 2024 rent collected and 99% of our Q1 2025 rent collected. Our assets are all in England and Wales and therefore our tenants and their stakeholders are shielded to some extent from the direct impact of global conflicts and supply chain shortages. However there do remain uncertainties arising from supply chain issues arising from the conflicts and also pressures arising from the high interest rate environment in the UK. These uncertainties may affect our tenants' ability to carry on their normal business and generate cash to pay their rent. We have taken this into account in our sensitivity analyses.

The group's most significant outflows are its PID and bank interest payments, which made up 51% and 15% of the 2024, non-capital, cashflow outflows respectively. There are no current significant capital projects at any of our properties although the directors have included the anticipated costs of carrying out the ESG and sustainability actions that have been identified as necessary in the period under review.

The directors have reviewed the projected cashflows of the group and its compliance with debt covenants. They have also overlaid their best estimates of the impact of global impact of the conflicts in the Middle East and Ukraine and the high interest rates in the UK on to their forecasting and considered scenarios, including:

- Rent collections reducing in the forecast period, affecting cash generation and covenant compliance.
- Void properties and those that may become void at lease end and/or break dates remaining void for a longer than usual period, thereby reducing income and increasing costs.
- Property valuations reducing, adversely affecting the related debt covenants.

The directors also have stress-tested the forecasts, considering the level of fall in income and valuations that would cause the business to be unable to pay its liabilities as they fall due, see page 39 and have concluded that the possibility of these scenarios occurring is remote.

The audit committee reviewed the analysis supporting the going concern basis of preparation of the accounts. This review included the forecast 12-month cashflows, from the date of approval of the financial statements, headroom on debt covenants, the value of unsecured assets and undrawn loan facilities. They also reviewed the quality and parameters of the stress testing. Having completed their review, the committee recommended to the board that it was appropriate to adopt a going concern basis.

Going concern statement

The directors are not aware of any material uncertainties that may cast significant doubt upon the group's ability to continue as a going concern. They have considered the audit committee's recommendation and concluded that there is a reasonable expectation that the group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the annual report and accounts.

Stakeholder engagement

Section 172(1) statement

The board of directors confirms that it has, during the year, acted to promote the long-term success of the company for all of its stakeholders, including its shareholders, whilst having due regard to the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006.

The table below summarises the company's key stakeholders, highlights the issues which matter most to them and the board engagement during the year.

Stakeholder group	What matters to this stakeholder group	How the board engages	Board activity and/or key decisions
Our shareholders	- Smooth transition to TISE - Growth strategy - Healthy returns - Long-term sustainability - Risk management and internal control - Governance	- Trading updates - Annual Report and Accounts - TISE exchange announcements - General meetings - Direct shareholder engagement as required - Corporate website	- Appointment of Ravenscroft (CI) Limited as our broker and market-maker on TISE - Access to the board via company secretary and email - Shareholder response to the move to TISE monitored at board meetings
Our tenants	- Fit-for-purpose spaces that are able to evolve with their business and meet their future needs - Appropriate rent levels - Appropriate lease conditions	- The company's asset managers, Cube Asset Management Ltd ("Cube"), attend part of every board meeting and present a report including any tenant issues - Periodic direct engagement with tenants	Board member visits to St Austell site
Our employees	- Wellbeing - Health and safety - Financial stability of the company - Learning and development opportunities - Diversity and equality - Culture	- A small employee base ensures regular communication by the board - Employee policies and processes	Approval of the revised Speak Up (whistleblowing) policy
Our service providers	- Responsible payment terms - Open dialogue and clear communication - Fair contract terms - Compliance with legislation and regulation - Business conduct - Reliability	The board receives regular updates in relation to service provider activities	Annual review of service providers by the board
Our local communities and the environment	- That the company makes a positive contribution to communities and the environment through existing properties and future developments - Reduce carbon emissions - Reduce environmental impact	- Quarterly meetings with asset managers always include environmental matters - Ongoing review of EPC assessments and upgrading properties and assessments on a cyclical basis	- Approval of charitable donations in the year - New asset developed has achieved an EPC A rating and is on track to achieve a BREEAM rating

Sustainability

The environment and climate change

As a group our aim is to minimise our environmental impact. We seek to understand the environmental performance of our portfolio and to implement improvement policies where possible. In 2024, we carried out Energy Performance Certificate (EPC) assessments on eight properties, representing 16% of our portfolio by area. Our newly developed property achieved an EPC A rating. This brings our cumulative assessments to 21 units representing 64% of our portfolio. All properties assessed in 2023 and 2024 meet the current standards.

At the year-end our portfolio's EPC ratings varied, with 4% rated as A, 8% as B, 55% as C, and 27% as D. The remaining 6% fell into the E category. To improve these ratings, to enhance and future-proof these properties, we are collaborating with external energy performance consultants to understand capital costs and liaising with tenants to determine the most valuable and cost-effective solutions.

Further assessments will be conducted on a rolling basis, ensuring alignment with the Minimum Energy Efficiency Standards (MEES) target of achieving EPC ratings of C or above by 1 April 2027.

Other environmental initiatives

In addition to our EPC assessments, we are actively pursuing various environmental activities to promote sustainability across our portfolio as set out below.

Green leases: We have prioritised the inclusion of green clauses in all new lease renewals and lease re-gears, encouraging tenants to adopt environmentally responsible practices. These clauses require tenants to provide energy consumption data, enabling us to better understand their operational requirements and identify opportunities to optimise energy usage.

Solar implementation: We are currently engaged in discussions regarding the implementation of solar panels across selected properties within our portfolio. By harnessing solar energy, our aim is to not only decrease our carbon footprint but also drive cost savings and increase energy resilience. We have installed solar panels on our new asset at St Austell.

Electric vehicle (EV) infrastructure: We have installed EV charging points at our new asset at St Austell and are exploring the feasibility of installing EV charging infrastructure at select retail parks.

Completed development property: The completed development at St Austell has achieved an EPC A rating in respect of its energy efficiency due to various design features including photovoltaics and electric vehicle charging. The group is also targeting a BREEAM Rating with respect to the site's wider sustainability credentials including the construction process and its environmental impact. Given the group's wider adjacent ownership of the Walstead Roche printing facility a biodiversity net gain of over 10% is being achieved by accretive planting and wildlife management of both the development site and adjacent landscaping. The warehouse design included measures to mitigate solar gain whilst utilising natural light by inclusion of windows and brise soleil.

Paul Leaf-Wright

Chief executive
27 March 2025



Governance report



View more online at:
www.highcroftplc.com

Chairman's Statement of Governance 2024

Corporate governance is essential to ensuring our business is run in the right way for effective decision making for the benefit of all our stakeholders. Our governance arrangements continue to support the development and delivery of strategy by facilitating the sharing of information to inform decisions, enabling engagement with key stakeholders, maintaining a sound system of risk management and internal controls, providing insight and knowledge from the non-executive directors and facilitating the development and monitoring of key performance indicators.

The board was pleased to welcome Douglas Conn as a new non-executive director in May. Douglas brings a wealth of property investment and directorship experience to the board and the board welcomes his input and guidance on future strategic decisions.

During the year, the group successfully transitioned its listing from the LSE to TISE. Achieving a high standard of corporate governance remains important to us and therefore we have adopted the principles of the QCA Corporate Governance

Code 2023 insofar as is practical and cost effective for a group of our size and nature.

A summary explanation of the group's application against each key principle of the Code is on page 20 and this should be read in conjunction with the S172(1) Statement on page 17.

We continue to operate with a small board and executive team and recognise the difficulties this poses in relation to any separation of duties. Whilst we continue to be mindful of this risk, our governance structure was reviewed by the external auditor and the audit committee as part of its review of internal control, and both found our structure to be adequate, given the group's size, complexity and purpose.

With the move to TISE and the application of a new governance code, this year has been a year of transition and adjustment for the company in relation to its corporate governance and reporting. We have embraced this change and look forward to cementing our approach in 2025.

Charles Butler
 Chairman

Governance framework



Attendance at board and committee meetings 2024

	Board	Audit committee	Remuneration committee	Nomination committee ¹
Charles Butler	6/6	2/2	1/1	1/1
David Warlow ²	6/6	1/1	–	–
Douglas Conn ³	3/3	–	–	–
Paul Leaf-Wright	6/6	–	–	–
Roberta Miles	6/6	–	–	–
Simon Costa ⁴	4/4	1/1	1/1	1/1

¹ Following the recommendation by the nomination committee to appoint Douglas Conn as a member of the board and following the move to TISE, taking into account the group's size and lack of complexity, the decision was made to disband the nomination committee, with the responsibilities being assumed by the board.

² David Warlow was appointed to be a member of the audit committee, following the resignation of Simon Costa.

³ Douglas Conn was appointed to the board with effect from 1 May 2024.

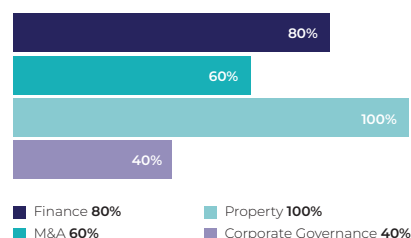
⁴ Simon Costa resigned from the board with effect from 31 August 2024.

Governance report continued

Board composition

All directors receive an induction on joining the board which involves meeting with key stakeholders and is designed to assist them with understanding the group and its operations. During the year, the board considers the skills, experience and tenure of its current members. The board reflects on how this skillset enables it to deliver strategy and meet future business challenges as well as reflecting on future succession plans and any identifying any training needs. For more information on the board directors, see page 22.

Directors core areas of skill and expertise as at 31 December 2024:



It was agreed by the board that all members be proposed for re-election at the annual general meeting. The board considered and agreed that the chairman remains independent.

Governance activities at a glance

- Annual general meeting held on 15 May 2024
- Overseeing the de-listing from LSE and listing on TISE
- Approval to adhere, where reasonable, to the QCA Corporate Governance Code 2023
- Appointment of new non-executive director
- Appointment of new company secretary
- Approval of a change in registered office
- Review and approval of an updated schedule of matters reserved for the board

Compliance with the QCA Corporate Governance Code 2023

Principle	Compliant	How this was applied	Where to find further information
Principle 1. Establish a purpose, strategy and business model which promote long-term value for shareholders		➤ The group's purpose is 'to provide our tenants with quality properties in good locations, enabling them to succeed, and our stakeholders to benefit on a long-term, sustainable basis'. ➤ This purpose is supported by the group's strategy to deliver sustainable long-term income and capital growth for its shareholders through accretive asset management initiatives and recycling of capital in its regionally based property portfolio. ➤ The board's annual schedule of agenda items ensures that the business plan is reviewed at least once every year.	■ Overview (page IFC) ■ Our business model (page 04) ■ Strategic pillars (page 05) ■ Our key performance indicators (page 06) ■ Stakeholder engagement (page 17)
Principle 2. Promote a corporate culture that is based on ethical values and behaviours		➤ Our culture is defined as being open and supportive. Integrity is a value that defines our culture and underpins the way that we do business.	■ SI72(I) Statement and Stakeholder engagement (page 17) ■ Sustainability (page 18)
Principle 3. Seek to understand and meet shareholder needs and expectations		➤ The relationship with the controlling shareholder and how minority shareholders are protected is set out in the Report of the Directors on page 27.	■ SI72(I) Statement and Stakeholder engagement (page 17) ■ Report of the Directors (page 27) ■ For more information on shareholders and the information provided to them, please see: www.highcroftplc.com/investor/investor-centre/
Principle 4. Take into account wider stakeholder interests, including social and environmental responsibilities, and their implications for long-term success		➤ Quarterly meetings with asset managers include environmental matters. ➤ EPC assessments undertaken and updated to ensure the company continues to operate responsibly.	■ SI72(I) Statement and Stakeholder engagement (page 17) ■ Sustainability (page 18)

Principle	Compliant	How this was applied	Where to find further information
Principle 5. Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation		➤ The board is responsible for establishing and maintaining the group's system of risk management and internal controls. ➤ The board meets regularly and business and financial risks are discussed as part of the property and financial updates. ➤ The audit committee is responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements prior to their submissions to the board for approval. ➤ The independence of the auditor is confirmed and approved by the board on an annual basis.	■ Our risks (page 13) ■ Audit committee report (page 23) ■ Audit committee terms of reference can be found at www.highcroftplc.com
Principle 6. Establish and maintain the board as a well functioning, balanced team led by the Chair		➤ Board members are proposed for re-election at the annual general meeting on an annual basis. ➤ The board's responsibilities are documented in a schedule of matters reserved for the board and an annual agenda schedule. ➤ Following changes to the board composition during the second-half of the year, there is only one independent non-executive director. To mitigate this change, the group has continued to follow its procedures in relation to conflicts of interest and will remain open to opportunities with regards to recruiting an additional independent member.	■ Board of Directors (page 22) ■ More information on board members, can be found at online at www.highcroftplc.com
Principle 7. Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities		➤ The company has a governance framework appropriate for its size and complexity. ➤ The board reflects on its composition including diversity, experience and skills, when considering recruitment and succession plans. ➤ The board continues to be supported by the audit and remuneration committees, as well as the external company secretary and other professional advisers.	■ Board of Directors (page 22) ■ More information on board members and Terms of Reference for the committees, can be found at online at www.highcroftplc.com
Principle 8. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement		➤ The board undertook an internal board evaluation in December 2023. In recognition that 2024 was a year of considerable change and transition, the board agreed to defer the next internal review until 2025. The board has not undertaken an externally facilitated board performance review. Given the lack of size and complexity of the company, the board feel incurring this cost would not be in the best interests of the shareholders. ➤ Following the move to TISE and taking into account the group's size and lack of complexity, the decision was made to disband the nomination committee, with the responsibilities being assumed by the board.	■ Overview (page IFC) ■ Our key performance indicators (page 06)
Principle 9. Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture		➤ The current remuneration policy and practice explain how this supports the delivery and attainment of the company's purpose, business model and strategy. ➤ Approval of the remuneration report is included as a resolution to the annual general meeting.	■ Directors' remuneration report (page 25)
Principle 10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders		➤ The group has a governance framework consisting of the board, supported by the executive committee, audit committee and remuneration committee.	■ Introduction to corporate governance (page 19) ■ S172(1) Statement and Stakeholder engagement (page 17)

Board of directors



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www.highcroftplc.com

Charles Butler
Non-executive
chairman



Appointed: 2018

Skills & Experience: Charles was considered to be independent upon appointment and is considered, by the board, to have remained independent throughout the year. Charles qualified as a chartered accountant and, prior to joining the board, was the CEO of Market Tech Holdings PLC, where he transformed a small group of central London real estate assets into a profitable, listed company with a £1.3bn portfolio. Charles is also non-executive chairman of Best of the Best plc and non-executive director of Essensys plc.

Douglas Conn
Non-independent
non-executive director



Appointed: 2024

Skills & Experience: Douglas brings a wealth of experience to the board having been a director of Stewart & Wight Ltd, a property investment company, since 1991. Douglas is a member of the D G & M B Conn and associates concert party which has an aggregate beneficial interest of 25.35% in the share capital of the company.

Paul Leaf-Wright
Executive director:
Chief executive



Appointed: 2023

Skills & Experience: Paul has over 40 years of property and financial services experience. He established Leaf Capital in 2004 and, in 2013, co-founded and was CEO of Atlantic Leaf Properties a UK Real Estate Investment Trust which was listed on the JSE (South Africa) and SEM (Mauritius) markets.

Roberta Miles
Executive director:
Finance director



Appointed: 2010

Skills & Experience: Roberta has over 30 years business experience as a chartered accountant and board director. She has been involved in fundraising and M&A activities for technology companies and has contributed to the growth and performance of Highcroft over the last 15 years.

David Warlow
Non-independent
non-executive director



Appointed: 2022

Skills & Experience: David is a director of Kinglerlee Holdings Limited, a construction and property development group of companies. David represents the interests of Kinglerlee Holdings Limited which, together with its subsidiaries, has an aggregate beneficial interest of 27.3% in the share capital of the company and forms part of the Kinglerlee Concert Party.

Key



Chairman



Member



Executive
committee



Audit
committee



Remuneration
committee

Audit committee report

Audit, risk and internal control

2024 key achievements

- Consideration of 2024 financial reporting following the February 2024 delisting from the LSE and listing on TISE
- Further consideration of valuer appointment for 2024 and 2025 given the change in the RICS regulations in 2023

Monitoring quality and integrity

I am pleased to introduce the audit committee report for the year ended 31 December 2024. We set out below a summary of our main responsibilities and key activities during the year. As a committee, we are responsible for monitoring the quality and integrity of the group's reporting, and for continuing to develop and maintain a sound system of risk management and internal control.

Main responsibilities

In line with the authority delegated by the board, the audit committee has the following main responsibilities:

- **Risk management and internal controls**
reviewing the system of internal controls and risk management.
- **Financial reporting**
monitoring the quality and integrity of the company's financial statements and any formal announcements relating to financial performance, and considering significant financial reporting issues, judgements and estimates.
- **Property valuations**
considering the process and outcome and the effectiveness and independence of the external valuer.
- **External audit**
oversight and remuneration of the external auditor, and review of the policy for non-audit services provided by the external auditor.

Composition of the committee and attendance at meetings

	1 January 2024 to 31 August 2024	From 31 August 2024
Committee chairman	Simon Costa ¹	Charles Butler ²
Member committee	Charles Butler ²	David Warlow ³

¹ Independent non-executive director.

² Independent non-executive chairman of the board.

³ Non-independent non-executive director.

The board is satisfied that the members of the committee during the year have sufficient financial experience, commercial acumen and real estate sector knowledge and experience to carry out their duties effectively. Attendance at committee meetings is set out on page 19.

The terms of reference were reviewed during the year end and are available on the group's website at: www.highcroftplc.com.

External Auditor

Forvis Mazars LLP were appointed as auditors to the group in 2017. The group's audit partner is Nargis Shaheen Yunis who rotated onto this role, in line with regulation. The audit committee ensures that the external auditor is independent, by reviewing the terms of engagement. It also reviews the level of fees for non-audit services and ensures that this is not material.

Financial reporting and fair, balanced and understandable reporting

The committee continues to review the content and tone of the preliminary results, annual report and interim results prior to their publication, the application of the group's accounting policies and the detail of any changes to the financial reporting requirements, particularly having regard to the change of listing from the LSE to TISE during the year.

The committee reviewed the key messaging included in the annual report and interim results, paying particular attention to those matters considered to be important to the group by virtue of their size, complexity, level of judgement required or potential impact on their financial statements.

The committee also considered the annual report and accounts, as a whole, on behalf of the board and made a recommendation to the board that it resolve that they were fair, balanced and understandable and provided the information necessary for stakeholders to assess the group's position, performance, business model and strategy. The committee ensured that the board continued to present a balanced and understandable assessment of the group's position and prospects in all interim and other price-sensitive public reports to regulators. The responsibilities of the directors with regard to the financial statements are described on page 29, and that of the auditor on pages 30 to 34.

Risk management and internal controls

The board is responsible for an ongoing process to identify, evaluate and manage the risks facing the business, establishing and maintaining a sound system of internal control and for reviewing its effectiveness. The committee considered the group's risk appetite and concluded that it remains set at an appropriate level and is in line with the group's strategy. The audit committee is responsible for overseeing the adequacy and effectiveness of the risk management and internal control systems. The system of internal control is designed to meet the 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. Highcroft is very small when considering the number of people working directly in the business. Our group structure is simple and transparent and our internal control procedures and policies are well established, reviewed annually internally, and subject to review during the external audit. The internal financial control system was in place for the period under review up to the date of approving the accounts.

The committee has considered the internal control and risk management systems in relation to the financial reporting process and concluded that they are adequate.

The audit committee reports on each of its meetings at the subsequent board meeting.

Audit committee report continued

Audit, risk and internal control

Principal responsibilities of the committee and its related activities

Financial reporting

The committee is responsible for monitoring the integrity of the group's financial statements and any formal announcements relating to performance. It paid particular attention to those matters that were considered to be important to the group due to their subjectivity, the level of judgement involved or their effect on the financial statements.

In 2024, the key issues relating to our financial statements that were considered are set out below:

Significant issues considered	Potential risk	How those issues were addressed	Conclusion
Valuation of property portfolio	The valuation of our investment property portfolio is inherently subjective as it is undertaken on the basis of assumptions made by valuers, which may not prove to be accurate. The outcome of the valuation is significant in terms of our results, future investment decisions and remuneration.	The external valuers carried out a valuation at 30 June 2024 and 31 December 2024. They also provided an overview of the UK property market and the detailed performance of the group's assets. The valuer attended a meeting with the board and the auditor after the year end, where the agenda included the process adopted by the valuer, data provision by management, comparable market data and assumptions used by the valuer including estimated rental values and yields. It also reviewed a commentary on the relevant qualifications of the valuer and on their independence.	The committee was satisfied with the valuation process, the independence and effectiveness of the group's external valuer and the valuation disclosures included in the annual report. The committee recommended to the board that the group consider appointing a new valuer for 2026 in line with recent changes in RICS regulations.
Revenue recognition	Revenue may be recorded in the incorrect accounting period, or fail to be recorded at all, or fictitious revenues may be recorded.	The committee considered the appropriateness of the controls in place in the revenue cycle, having particular regard to the use of external agents and the controls in place over their work including the reconciliations performed and reviewed internally.	The committee concluded that the revenue recognition policies and controls were appropriate.
REIT status	The group loses its REIT status	The committee considered the controls in place to ensure compliance with REIT tests. In particular, they reviewed the compliance with the distribution requirement and the impact of forecasted results and trends on this criterion. They further reviewed the non-statutory clearance application process that had been undertaken regarding the delisting from the LSE and listing on TISE.	The committee concluded that the group's REIT status had been maintained during the year.
Going concern statement	If this basis was inappropriate then there could be material misstatements in the financial statements.	The committee reviewed the analysis supporting the preparation of the financial statements on a going concern basis. This review included forecast cashflows, loan maturities, headroom on our debt covenants and undrawn debt facilities.	The committee concluded that the going concern method of preparation remained appropriate. The going concern statement is set out on page 16.

In addition, the committee consider the additional risks that may arise related to Highcroft's status as an associated undertaking of Kingerlee Holdings Limited which commenced on 10 December 2020.

Charles Butler

Chair of the audit committee

27 March 2025

Directors' remuneration report

Policy, practices, supporting strategy

Main responsibilities

In line with the authority delegated by the board, the remuneration committee has the following main responsibilities:

- assist the board to fulfil its responsibility to shareholders to ensure that executive remuneration is designed to support strategy and promote sustainable success and is aligned to company purpose and linked to delivery of the company's long-term strategy.
- determine and agree with the board the policy for the remuneration of the executive directors to ensure that they are appropriately incentivised to enhance the group's performance and are rewarded for their contribution to the success of the business. Design, monitor and assess incentive arrangements and assess performance and outcomes against them.
- maintenance of active dialogue with shareholders, ensuring their views are sought and considered when setting and implementing remuneration policy.

Members of the committee

	1 January 2024 to 31 August 2024	From 31 August 2024
Committee chairman	Simon Costa ¹	Charles Butler ²
Member committee	Charles Butler ²	David Warlow ³

¹ Independent non-executive director.

² Independent non-executive chairman of the board.

³ Non-independent non-executive director.

The attendance at committee meetings during the year is set out on page 19.

Major decisions made during the year

During the year, the remuneration committee met to:

- review the remuneration policy approved at the 2023 AGM and agree that no changes were required.
- agree the bonus plan criteria and awards for executive directors for 2023.
- agree that there should be no salary rises for directors in 2024.
- agree the fees for Douglas Conn (appointed 1 May 2024).
- refer to the board the agreement of the exit package for Simon Costa (resigned 31 August 2024).

Remuneration philosophy

The board's stated objective is to enhance shareholder value through a combination of increasing asset value, profits and dividends. To achieve this objective, the board must focus its efforts on the strategic priorities that it believes will maximise the likelihood of success. The committee welcomes engagement with shareholders and welcomes feedback on the form and content of this report.

Remuneration policy

The current remuneration policy was revised in 2023 and approved by 99.2% of the shareholders voting at the 2023 AGM. A copy of the policy can be found on the company's website www.highcroftplc.com.

The objective of the group's remuneration policy is to embed a clear, transparent remuneration structure, which helps drive the group's strategy by properly rewarding performance. The board's policy is that the remuneration of all directors should reflect their experience and expertise, and the particular value that they add to the group. In addition, the packages should be sufficient to attract and retain individuals of an appropriate calibre and capability and should reflect the duties and responsibilities of the directors and the value and amount of time committed to the group's affairs. The packages should continue to be aligned with our remuneration philosophy with at least one element of performance-related pay for each executive director.

Directors' service contracts

Executive directors have service contracts, within which there is a notice period by either party of six months. Non-executive directors have a formal appointment document for a period of up to three years subject, at any time, to termination on six months' notice by either party. All directors retire and are subject to election at the first AGM after their appointment. The board follows the QCA Code recommendations in that all directors offer themselves for re-election at each AGM and intends to follow this recommendation in 2025.

A summary of the directors' contracts is set out below:

Non-executive directors	Date of appointment as director	Effective date of current appointment letter	Expiry of term	Notice period
Charles Butler	2 January 2018	2 January 2024	1 January 2027	Six months
Douglas Conn ¹	1 May 2024	1 May 2024	30 April 2027	Six months
David Warlow	1 August 2022	1 August 2022	1 August 2025	Six months

¹ Appointed 1 May 2024.

Executive directors	Date of appointment as director	Date of contract	Notice period
Paul Leaf-Wright	1 January 2023	3 January 2023	Six months
Roberta Miles	1 July 2010	7 December 2017	Six months

Directors' remuneration report continued

Policy, practices, supporting strategy

Audit

The law requires the group's auditor to report on whether certain disclosures of directors' remuneration specified by law are not made. The auditor's opinion is included in the independent auditor's report on page 33.

Annual report on remuneration for the year

Directors' remuneration 2024 excluding employer's NIC

	2024				2023				
	Base Salary £	Pension/ Pension Allowance	Bonus plan cash award	Total	Base Salary £	Pension/ Pension Allowance	Bonus plan cash award	Benefits	Total
Charles Butler	58,000	–	–	58,000	58,000	–	–	–	58,000
Douglas Conn	7,333	–	–	7,333	–	–	–	–	–
Simon Costa	51,333	–	–	51,333	44,000	–	–	–	44,000
Simon Gill	–	–	–	–	38,125	1,144	15,250	763	55,282
Paul Leaf-Wright	75,000	2,250	30,000	107,250	68,750	2,063	30,000	–	100,813
Roberta Miles	180,000	5,400	60,000	245,400	180,000	5,400	72,000	–	257,400
David Warlow	11,000	–	–	11,000	11,000	–	–	–	11,000
	382,666	7,650	90,000	480,316	399,875	8,607	117,250	763	526,495

During 2023, as a consequence of the introduction of the new remuneration policy, all the existing unvested share awards relating to 2019, 2020, 2021, and 2022 vested and the associated expense of £149,909 was charged against profits in 2023. These costs are not included in the above table as the awards were included in that table for the year to which the award related.

Highcroft Bonus Plan 2024

The maximum opportunity under the 2024 Bonus Plan was 40% of salary for the chief executive and 100% of salary for the finance director. The awards were based on the performance of the company in the year and strategic non-financial metrics. The remuneration committee used their judgement in considering financial performance measures and applied discretion in arriving at the final awards.

The awards for 2024 were:

	% of maximum	Amount awarded
Paul Leaf-Wright	100%	£30,000
Roberta Miles	33%	£60,000

Professional advice

During the year the committee took remuneration and employment advice from Weightmans LLP at a cost of £1,851.

Statement of implementation of remuneration policy in the next financial year

Salaries 2025

A decision to review the salaries of the board has been deferred to Q2 2025 and they remain unchanged from those agreed with effect from 1 January 2023.

Highcroft Bonus Plan 2025

The maximum opportunity under the Highcroft Bonus Plan for 2025 will be as defined in the remuneration policy and will be calculated by remuneration committee exercising their judgement and if appropriate their discretion.

Directors' shareholding guideline

Under the remuneration policy introduced in May 2023 executive directors are encouraged, but not required, to build up a shareholding in the company.

Interests of the directors in the shares of the company

The interests of the directors in office at 31 December 2024, and their connected persons, in the shares of the company at 31 December 2024 and at 31 December 2023, were as follows:

	31 December 2024	31 December 2023
Charles Butler	–	–
Douglas Conn (appointed 1 May 2024)	857,999	n/a
Paul Leaf-Wright	–	–
Roberta Miles	24,181	24,181
David Warlow	–	–

Statement of shareholder voting

At the AGM in 2024 the resolution to approve the directors' remuneration report received the following voting from shareholders:

Votes cast in favour	2,507,972	99.1%
Votes cast against	23,172	0.9%
Total votes cast	2,531,144	100.0%
Votes withheld	–	–

Charles Butler

Chair of the remuneration committee
27 March 2025

Report of the directors



View more online at:
www.highcroftplc.com

The directors present their report together with the audited financial statements for the year ended 31 December 2024. This report has been prepared under S415 Companies Act 2006 and The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 and should be read in conjunction with the Governance report on pages 19 to 29, the Financial statements on pages 35 to 58 and the Report of the auditor on pages 30 to 34.

Highcroft Investments PLC is an internally managed Real Estate Investment Trust (REIT) which invests in commercial property in England and Wales. The company is listed on The International Stock Exchange, having previously been listed on the premium segment of the main market of the London Stock Exchange. 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
Douglas Conn (appointed 1 May 2024)	Non-executive director
Simon Costa (resigned 31 August 2024)	Senior independent non-executive director
Paul Leaf Wright	Chief executive
Roberta Miles	Finance director
David Warlow	Non-executive director

In accordance with good practice, all continuing directors will retire and offer themselves for election or re-election at the forthcoming 2025 AGM.

The board confirms that 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.

Appointment of company secretary

Following the resignation of Anne-Marie Palmer as company secretary, the board resolved by way of written resolution dated 14 October 2024, to appoint Kerry Round as company secretary with effect from 1 November 2024. The board also approved that company secretarial support would be provided by Round Governance Services Limited.

Structure of share capital and rights and obligations attaching to shares

The company's allotted and issued share capital, as at 31 December 2024, was £1,301,665 (2023 £1,301,665) divided into 5,206,659 (2023 5,206,659) 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.

Substantial shareholders

The company had been notified of the following direct or indirect interests amounting to 3% or more of its issued share capital as at the end of the financial year and at 27 March 2025:

	Beneficial	Number of shares
D G & M B Conn and associates	25.35%	1,320,047
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	13.07%	680,997
Total – Kingerlee Concert Party	40.36%	2,101,660

Controlling shareholder

A controlling shareholder is defined by the FCA as 'any person who exercises or controls, on their own or together with any other person with whom they are acting in concert, 30% or more of the votes able to be cast on all or substantially all matters at general meetings of 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 27 March 2025, held 2,101,660 ordinary shares, representing 40.36% of the company's issued share capital. The Kingerlee Concert Party is, therefore, a controlling shareholder. The persons comprising the Kingerlee Concert Party were confirmed by the Takeover Panel in 1999.

During the year, the controlling shareholder agreement that had been in place with the Kingerlee Concert Party since 2014 lapsed due to the de-list from the LSE. The company considered whether a new controlling shareholder agreement was required to provide ongoing transparency on the relationship and to protect minority shareholders. After careful review the board decided that the costs involved outweighed any benefit as the safeguards already in place, and disclosed, offered sufficient protection.

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.

Report of the directors continued

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.

Auditor

Forvis 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.

Political and charitable donations

During the year, the group made charitable donations of £9,900. No political contributions were made.

Employment of people with disabilities

During the year, the company has maintained its policy of providing equal opportunities for the appropriate employment, training and development of people with disabilities. If any employee should become disabled during the course of their employment, our policy is to oversee the continuation of their employment.

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.

Post balance sheet events

On 27 March 2025, a recommended all-share acquisition of Highcroft Investments PLC by LondonMetric Property PLC, to be effected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the "Potential Transaction") was announced. A scheme document containing further information about the acquisition and the notices of a Court Meeting and General Meeting will be published within 28 days and it is expected that, if approved by the Court and the shareholders at the Court Meeting and General Meeting the scheme will become effective on 21 May 2025. It is not possible to estimate the effect of this Potential Transaction on the group.

Additional statutory information

Requirement	Location in Annual Report	Page Number
Interests of the directors in the shares of the company	Directors' remuneration report	25
Financial instruments: The groups exposure to, and management of, capital risk and liquidity risk	Note 19 to the consolidated financial statements	50
Dividends	Note 6 of the consolidated financial statements	43
Likely future developments in the business of the company	Strategic report – Business model	06-18

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

Roberta Miles
Finance director
27 March 2025

Statement of directors' responsibilities

In respect of the annual report, remuneration report and the financial statements

The directors are responsible for preparing the annual report, remuneration 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 prepared the group financial statements in accordance with the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom for the group, and have elected to prepare the parent 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 judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS and UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 and the remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and 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 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 this information.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website: www.highcroftplc.com. Visitors to the website should be aware that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom for the group and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) for the parent company, 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;
- the annual report, including the strategic 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; and
- the report and accounts, taken as a whole, are fair, balanced, and understandable and provide the necessary information for shareholders to assess the group's performance, business model and strategy.

On behalf of the board.

Charles Butler

Chairman
27 March 2025

Independent auditor's report

to the members of Highcroft Investments plc

Opinion

We have audited the financial statements of Highcroft Investments plc (the 'Parent Company'; the 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2024 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 Cashflows and the notes 1 to 22 to the consolidated financial statements, including material accounting policy information, the Company Statement of Financial Position, the Company Statement of Changes in Equity and notes 1 to 13 to the financial statements, including material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) and the provisions of the Companies Act 2006.

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 2024 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern;
- Evaluating the Directors' method to assess the Group's and the Parent Company's ability to continue as a going concern as approved by the board of Directors on 27th March 2025;
- Making enquiries of Directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Group's and the Parent Company's future financial performance. This included examining the minimum cash inflow and committed outgoings under the cash flow forecasts, continued access to borrowing facilities, the ability to continue operate the Group's and the Company's borrowings within its financial covenants and evaluating whether the Directors' conclusion that liquidity headroom remained in all events was reasonable;
- Challenging the appropriateness of the Directors' key assumptions in their cash flow forecasts, as described in Note 1 of the material accounting policy information, by reviewing supporting evidence in relation to these key assumptions and assessing the Directors' consideration of severe but plausible scenarios. This included assessing the viability of mitigating actions within the Directors' control;
- Evaluating the key assumptions used and judgments applied by the Directors in forming their conclusions on going concern;
- Testing the accuracy information used to prepare the Directors' forecasts; and
- Reviewing the appropriateness of the Directors' disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matter in forming our opinion above, together with an overview of the principal audit procedures performed to address this matter and our key observations arising from those procedures.

The matter, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Investment property valuation (Group) Refer to page 23 (Report of the Audit Committee), page 39 (Note 1 Material accounting policy information, accounting estimates and judgments and investment property) and pages 44 to 47 (Note 8 Investment property). The Group has a portfolio of investment properties consisting of warehouse/industrial, retail warehouse, high street retail, office and leisure in England and Wales. The Group's investment properties were carried at £82.6m as at 31 December 2024 (2023: £78.3m). The valuations were carried out by the third party valuer Knight Frank (the 'valuer'). The valuer was engaged by the Directors and performed their work in accordance with the Royal Institute of Chartered Surveyors ("RICS") Valuation – Professional Standards and the requirements of IAS 40 'Investment property'. Investment properties make up 95.9% (2023: 93.5%) of total assets by value and is considered to be the key driver of commercial property return for the Group and involves significant level of judgment in ascertaining the fair value under IFRS 13. The valuation of the investment properties is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property. The wider challenges currently facing the real estate sector, as a result of regional and macroeconomic factors, further contributed to the subjectivity in establishing valuations at 31 December 2024. As a result, the valuation of investment properties is considered to be a Key Audit Matter.	Our audit work included but was not limited to: ➤ Understanding Management's review controls on the third-party valuation report by discussing with Management and performing a walkthrough to evaluate the design and implementation of review controls; ➤ Evaluating the valuer's, independence competence, capabilities and objectivity; ➤ Obtaining the valuation reports and evaluating that valuation approach was in accordance with the RICS standards; ➤ For all properties, testing of completeness and accuracy of data used in the valuation models and engaging our own valuation specialist to review the appropriateness of the valuation approaches, methods and techniques to ensure they are reasonable across the portfolio of assets; ➤ On a sample basis, engaging our valuation specialist to critically assess reasonableness and suitability of the key valuation assumptions and compare the property valuations to publicly available recent comparable property transactions; ➤ Evaluating the adequacy of the disclosure in the financial statements, including the valuation methodology, assumptions and fair value hierarchy used under IFRS13; and ➤ To address the risk of management override, testing all journal entries and other adjustments made in the preparation of the financial statements relating to investment property valuation. Our observations Based on the work performed and evidence obtained, we consider the methodology and assumptions used to value the investment properties to be appropriate.

Independent auditor's report

to the members of Highcroft Investments plc

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

Group materiality

Overall materiality	£860,900 (2023: £837,300)
How we determined it	The overall Group statutory materiality has been calculated with reference to the Group's total assets, of which it represents 1% (2023: 1% of the Group's total assets).
Rationale for benchmark applied	Total assets have been identified as the principal benchmark within the financial statements as it is considered to be the focus of the shareholders. 1% has been chosen to reflect the level of understanding of the stakeholders of the Group in relation to the inherent uncertainties around accounting estimates and judgments.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. On the basis of our risk assessments, together with our assessment of the Group's overall control environment, we set performance materiality at £602,600 (2023: £586,110) which is approximately 70% (2023: 70%) of overall Group materiality.
Reporting threshold	We agreed with the Directors that we would report to them misstatements identified during our audit above £25,800 (2023: £25,119) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Parent company materiality

Overall materiality	£519,730 (2023: £540,150)
How we determined it	The Parent Company's statutory materiality has been calculated with reference to the Parent Company's total assets, of which it represents 1% (2023: 1% of the Parent Company's total assets). For the purposes of the Group audit, we capped the overall materiality for the company to be 62% (2023: 65%) of the Group overall materiality.
Rationale for benchmark applied	Total assets have been identified as the principal benchmark within the financial statements as it is considered to be the focus of the shareholders. 1% has been chosen to reflect the level of understanding of the stakeholders of the Group in relation to the inherent uncertainties around accounting estimates and judgments.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. On the basis of our risk assessments, together with our assessment of the Group's overall control environment, we set performance materiality at £363,800 (2023: £378,105) which is approximately 70% (2023: 70%) of overall Company materiality.
Reporting threshold	We agreed with the Directors that we would report to them misstatements identified during our audit above £15,600 (2023: £16,205) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the Directors made subjective judgments, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the group and the parent company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Our group audit scope included an audit of the Group and the Parent Company financial statements. Based on our risk assessment, all components of the Group, including the Parent Company, were subject to full scope audit performed by the Group audit team. For each component in the scope of the Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £73,500 and £771,500. For all components across the Group performance materiality was set at 70%.

At the parent company level, the group audit team also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: compliance with the Real Estate Investment Trust (REIT) status.

Independent auditor's report

to the members of Highcroft Investments plc

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the group and the parent company, the industry in which they operate, and the structure of the group, and considering the risk of acts by the group and the parent company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the Directors, Management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities;
- Reviewing minutes of directors' meetings in the year and up until the authorisation of the financial statement; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Quoted Companies Alliance Corporate Governance Code, Disclosure Guidance and Transparency Rules, UK Tax legislation and Companies Act 2006.

In addition, we evaluated the Directors' and Management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgments and assumptions in significant accounting estimates, in particular in relation to revenue recognition, valuation of investment property, and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the Directors and Management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and Management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the audit committee on 12 May 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is eight years, covering the years ending 31 December 2017 to 31 December 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with our additional report to the audit committee.

Use of the audit report

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.

Nargis Shaheen Yunis

(Senior Statutory Auditor) for and on behalf of
Forvis Mazars LLP

Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU

27 March 2025

Consolidated statement of comprehensive income

for the year ended 31 December 2024

	Note	2024			2023		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gross rental revenue		6,377	–	6,377	5,790	–	5,790
Property operating expenses	8	(1,018)	–	(1,018)	(616)	–	(616)
Net rental income		5,359	–	5,359	5,174	–	5,174
(Loss)/profit on disposal of investment property		–	(76)	(76)	–	1,014	1,014
Valuation gains on investment property	8	–	3,142	3,142	–	540	540
Valuation losses on investment property under development	9	–	–	–	–	(145)	(145)
Valuation losses on investment property	8	–	(990)	(990)	–	(4,868)	(4,868)
Net valuation gains/(losses) on investment property		–	2,152	2,152	–	(4,473)	(4,473)
Administration expenses	3	(938)	–	(938)	(1,172)	–	(1,172)
Net operating profit/(loss) before net finance expense		4,421	2,076	6,497	4,002	(3,459)	543
Finance income		71	–	71	195	–	195
Finance expense		(833)	–	(833)	(833)	–	(833)
Net finance expense		(762)	–	(762)	(638)	–	(638)
Profit/(loss) before tax		3,659	2,076	5,735	3,364	(3,459)	(95)
Income tax charge	5	(67)	–	(67)	(98)	–	(98)
Profit/(loss) for the year after tax		3,592	2,076	5,668	3,266	(3,459)	(193)
Total profit/(loss) and comprehensive income/(loss) for the year attributable to the owners of the parent		3,592	2,076	5,668	3,266	(3,459)	(193)
Basic and diluted profit/(loss) per share	7			108.9p			(3.7)p

The total column represents the statement of total comprehensive income as defined in IAS 1.

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

Consolidated statement of financial position

at 31 December 2024

	Note	2024 £'000	2023 £'000
Assets			
Non-current assets			
Investment property	8	82,575	76,650
Investment property under development	9	–	1,625
Total non-current assets		82,575	78,275
Current assets			
Trade and other receivables	11	1,701	1,226
Cash and cash equivalents		1,808	4,229
Total current assets		3,509	5,455
Total assets		86,084	83,730
Liabilities			
Current liabilities			
Trade and other payables	12	2,929	3,327
Total current liabilities		2,929	3,327
Non-current liabilities			
Interest bearing loan	13	27,200	27,200
Total non-current liabilities		27,200	27,200
Total liabilities		30,129	30,527
Net assets		55,955	53,203
Equity			
Issued share capital	14	1,302	1,302
Share premium		312	312
Share-based payment reserve		–	–
Revaluation reserve – property		10,652	9,955
Other equity reserve		–	–
Capital redemption reserve		95	95
Realised capital reserve		29,450	30,437
Retained earnings		14,144	11,102
Total equity attributable to the owners of the parent		55,955	53,203

These financial statements were approved by the board of directors on 27 March 2025 and signed on its behalf by:

Paul Leaf-Wright
Director

Charles Butler
Director

Company number: 00224271

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

Consolidated statement of changes in equity

2024	Issued share capital £'000	Share premium £'000	Revaluation reserve – property £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2024	1,302	312	9,955	95	30,437	11,102	53,203
Transactions with owners:							
Dividends	–	–	–	–	–	(2,916)	(2,916)
	–	–	–	–	–	(2,916)	(2,916)
Reserve transfers:							
Non-distributable items recognised in income statement:							
Revaluation gains	–	–	2,152	–	–	(2,152)	–
Realised loss	–	–	–	–	(76)	76	–
Deficit attributable to asset sold in the year	–	–	911	–	(911)	–	–
Change in excess of cost over fair value through retained earnings	–	–	(2,366)	–	–	2,366	–
	–	–	697	–	(987)	290	–
Total comprehensive profit for the year	–	–	–	–	–	5,668	5,668
At 31 December 2024	1,302	312	10,652	95	29,450	14,144	55,955

2023	Issued share capital £'000	Share premium £'000	Share-based payment reserve £'000	Revaluation reserve – property £'000	Other equity reserve £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2023	1,299	226	160	11,499	(207)	95	29,623	13,481	56,176
Transactions with owners:									
Issue of shares	3	101	–	–	(104)	–	–	–	–
Share issue costs	–	(15)	–	–	–	–	–	–	(15)
Dividends	–	–	–	–	–	–	–	(2,916)	(2,916)
	3	86	–	–	(104)	–	–	(2,916)	(2,931)
Reserve transfers:									
Non-distributable items recognised in income statement:									
Revaluation losses	–	–	–	(4,473)	–	–	–	4,473	–
Realised gains	–	–	–	–	–	–	1,014	(1,014)	–
Deficit attributable to assets sold in the year	–	–	–	200	–	–	(200)	–	–
Change in excess of cost over fair value through retained earnings	–	–	–	2,729	–	–	–	(2,729)	–
Share award vested	–	–	(311)	–	311	–	–	–	–
	–	–	(311)	(1,544)	311	–	814	730	–
Share award expensed	–	–	151	–	–	–	–	–	151
Total comprehensive loss for the year	–	–	–	–	–	–	–	(193)	(193)
At 31 December 2023	1,302	312	–	9,955	–	95	30,437	11,102	53,203

Consolidated statement of cashflows

at 31 December 2024

	Note	2024 £'000	2023 £'000
Operating activities			
Profit/(loss) before tax		5,735	(95)
Adjustments for:			
Net valuation (gains)/losses on investment property		(2,152)	4,473
Net loss/(gain) on disposal of investment property		76	(1,014)
Share-based payment expense		–	150
Finance income		(71)	(195)
Finance expense		833	833
Operating cashflow before changes in working capital and provisions		4,421	4,152
Increase in trade and other receivables		(475)	(83)
(Decrease)/increase in trade and other payables		(378)	366
Cash generated from operations		3,568	4,435
Finance income received		71	195
Finance expense paid		(833)	(833)
Income taxes paid		(87)	(19)
Net cashflows from operating activities		2,719	3,778
Investing activities			
Sale of current assets – investment property		609	7,764
Purchase of non-current assets – investment property under development	9	(2,833)	(1,770)
Purchase of non-current assets – investment property	8	–	(9,818)
Net cashflows from investing activities		(2,224)	(3,824)
Financing activities			
Dividends paid		(2,916)	(2,916)
Share issue costs		–	(15)
Net cashflows from financing activities		(2,916)	(2,931)
Net decrease in cash and cash equivalents		(2,421)	(2,977)
Cash and cash equivalents at 1 January		4,229	7,206
Cash and cash equivalents at 31 December		1,808	4,229

Notes to the consolidated financial statements

for the year ended 31 December 2024

1 Material accounting policy information

Highcroft Investments PLC is a company domiciled in the United Kingdom. The consolidated financial statements of the company for the year ended 31 December 2024 comprise the company and its subsidiaries, together referred to as the group. The principal activity of the group is investment in commercial property in England and Wales. The accounting policies remain unchanged.

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom.

In light of the ongoing conflicts in the Middle East and Ukraine, and with the effect of the high levels of interest rates and inflation on the UK economy, and the sectors in which the group and company operates, the directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the group's and company's financial statements for the year ended 31 December 2024. They have also considered the effects of the Potential Transaction. The group's and company's going concern assessment considers the group's and company's principal risks, identified on pages 14 to 15 of this document, and is dependent on a number of factors, including cashflow and liquidity, continued access to borrowing facilities, and the ability to continue to operate the group's and company's borrowings within its financial covenants. The debt has a number of financial covenants that the group is required to comply with including an LTV covenant, a 12-month historical interest cover ratio, and the facility agreements have cure provisions in the event of a breach. The going concern assessment is based on a 12-month outlook from the date of the approval of these financial statements, using the group's five-year forecast. This forecast is based on a reasonable scenario, which includes the following key sensitivities:

- 10% reduction in net income from our portfolio.
- An increase in the assumed inflation rates by 5%.

Under each scenario, the group and company are forecast to maintain sufficient cash and liquidity resources and remain compliant with their financial covenants.

The directors have also stress tested the forecasts considering the level of fall in income and valuations that would cause the business to be unable to pay its liabilities as they fall due and have concluded that the possibility of these scenarios occurring is remote.

Based on the consideration above, the board believes that the group and company have the ability to continue in business for at least 12 months from the date of approval of the financial statements for the year ended 31 December 2024, and, therefore, have adopted the going concern basis in the preparation of this financial information.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

Analysis of statement of comprehensive income

The profit or loss section of the statement of comprehensive income is analysed into two columns, being revenue and capital. The capital column comprises valuation gains and losses on property, profits and losses on disposal of property, and the related tax impact. The revenue column includes all other items.

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 consolidated statement of comprehensive income and consolidated statement of financial position. 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 constitutes the principal area of estimate and judgement exercised by the directors in the preparation of these financial statements (Note 8). The valuation of investment properties at fair value is carried out by external advisers who the directors consider to be suitably qualified to carry out such valuations. The fair value of the property portfolio is calculated using an income capitalisation technique whereby contracted and market rental values are capitalised with a market capitalisation rate. 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, which are also the major sources of estimation uncertainty used in the valuation, include the value of future rental income, the outcome of future rent reviews, and the net initial yield. Estimates and judgements are continually evaluated and are based on historical information of the group, the best judgement of the directors, and are adjusted for current market conditions. In the process of applying the group's accounting policies, management is of the opinion that any instances of the application of judgements did not have a significant effect on the amounts recognised in the financial statements. A sensitivity analysis has been performed on key inputs, methods and assumptions used in the estimation process (Note 8).

Notes to the consolidated financial statements continued

for the year ended 31 December 2024

1 Material accounting policy information continued

New accounting standards and interpretations

There are no new accounting standards or interpretations issued during the year that would materially affect the group.

There are no amendments to, or interpretations of, existing standards that are relevant to the group but are not yet effective and have not been adopted other than IFRS 18, a new standard which replaces IAS1, effective for accounting periods commencing on or after 1 January 2026, which requires improved presentation and disclosure of information in the financial statements. The impacts of this new standard are still being addressed.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its 100% subsidiaries: Rodenhurst Estates Limited, BL (Wisbech) Limited and Belgrave Land (Wisbech) Limited, which are all made up to 31 December 2024, 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 statement of comprehensive income 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 group's accounts. Dilapidations' income is recognised in the statement of comprehensive income when the amount is receivable from the tenant. Income related to tenants' extra works is recognised on an accrual basis.

Finance costs

Interest is recognised using the effective interest method, which calculates the amortised cost of a financial liability and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount of the financial liability.

Property costs and expenses

All property costs and expenses are recognised in the statement of comprehensive income 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 when the asset is disposed of.

Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax, except where it relates 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 substantively 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 substantively enacted at the date of the statement of financial position.

Investment property

Investment property is that which is held either to earn rental income or for capital appreciation or for both. Investment property, including assets under development, 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 properties 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.

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

1 Material accounting policy information *continued*

Assets classified as held for sale

Where a board decision has been made to dispose of an investment property in its present condition prior to the year end, and the following conditions are met; an active programme to locate a buyer has been initiated, the asset is being actively marketed at a reasonable price, it is unlikely that there will be any significant changes to the plan to sell the asset and it is regarded as highly probable that a sale will complete within one year, the property is included within current assets and stated at fair value.

Trade and other receivables

Trade and other receivables, which are generally due for settlement, in advance, prior to the relevant quarter or month, are recognised and carried at the original invoice amount less an allowance for any uncollectable amounts. The group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for all applicable trade receivables. In determining the expected credit losses, the group takes into account any recent payment behaviours and future expectations of likely default events such as 90 days past due. Trade and other receivables are written off once all avenues to recover the balances are exhausted. Receivables written off are no longer subject to any enforcement activity.

Cash and cash equivalents

Cash and cash equivalents comprise cash available with an original maturity of less than three months.

Financial liabilities

The group's financial liabilities include trade and other payables and borrowings.

Trade payables and borrowings are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

Loans and borrowings are classified as current liabilities unless the group has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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.

Share-based payment reserve

The share-based payment reserve included the unissued element of the Highcroft Incentive Plan (HIP) award that had been recorded in the comprehensive income statement. The HIP was closed in 2023.

Revaluation reserve – property

This revaluation reserve includes annual revaluation gains and losses less applicable deferred taxation and is non-distributable. Unrealised revaluation losses during the year are transferred to retained earnings.

Other equity reserve

The other equity reserve is debited with the value of the shares issued under the Highcroft Incentive Plan (HIP) and credited with the value of the shares as they vest. The HIP was closed in 2023.

Share premium

Share premium represents the excess over nominal value of the fair value consideration for equity shares net of expenses of the share issue.

Capital redemption reserve

The capital redemption reserve is a statutory non-distributable reserve into which amounts are transferred following the redemption or purchase of issued share capital.

Realised capital reserve

The realised capital reserve includes realised revaluation gains and losses less attributable income tax and is non-distributable in line with the company's articles of association.

Retained earnings

Retained earnings include total comprehensive income less revaluation gains on properties and any applicable taxation less dividends paid.

Notes to the consolidated financial statements continued

for the year ended 31 December 2024

1 Material accounting policy information continued

Segment reporting

The group has one main operating segment – commercial property – and, therefore, no additional segmental information is required. A segment is a distinguishable component of the group whose operating results are regularly reviewed by the group's chief operating decision maker, who is the chief executive. For management purposes, the group uses the same measurement policies as those used in its financial statements.

2 Segment reporting

The group is comprised of one main operating segment. All of the revenue is received from England and Wales.

In 2024, the rent from one tenant represented £668,000, 10.5% of the gross rental revenue of £6,377,000. In 2023, £648,000, 11.2% of gross rental revenue of £5,790,000.

3 Administrative expenses

	2024 £'000	2023 £'000
Directors (Note 4)	539	743
Auditor's fees		
– Fees payable to the company's auditor for the audit of the company's accounts – current year ¹	70	65
– Fees payable to the company's auditor for other services	–	16
Staff costs (excluding directors' remuneration):		
– remuneration	72	81
– social security costs	8	9
– pension costs	1	1
Other expenses ²	248	257
	938	1,172

¹ The audit fee for 2024 includes £17,232 (2023 £12,300) related to the completion of a group reporting questionnaire for the Kingerlee Holdings Limited's auditor. This amount is recoverable in full from Kingerlee Holdings Limited and has been netted off other expenses.

² Other expenses for 2024 includes £79,000 (2023 £73,000) of costs relating to costs incurred in the year relating to the listing on TISE and the de-listing from the London Stock Exchange, both in February 2024.

4 Directors

	2024 £'000	2023 £'000
Remuneration in respect of directors was as follows:		
Remuneration	480	677
Social security costs	59	66
	539	743

The average number of employees was seven (2023 seven), all of whom, other than a part-time management accountant and a part-time company secretary (resigned 31 October 2024), were directors of the group. All directors are considered to be key managers of the company. More detailed information concerning directors' remuneration, including the disclosure of the highest paid director, is shown in the directors' remuneration report.

5 Income tax charge

	2024 £'000	2023 £'000
Current tax:		
On revenue profits – current year	70	90
– prior year	(3)	8
Income tax charge	67	98

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 25% (2023 23.5%).

The differences are explained as follows:

	2024 £'000	2023 £'000
Profit/(loss) before tax	5,735	(95)
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 25% (2023 23.5%)	1,434	(22)
Effect of:		
Profit not taxable as a result of REIT status	(1,364)	112
Adjustment in respect of prior year	(3)	8
Income tax charge	67	98

6 Dividends

In 2024, the following dividends have been paid by the company:

	2024 £'000	2023 £'000
2023 Final: 33p per ordinary share (2022 33p)	1,718	1,718
2024 Interim: 23p per ordinary share (2023 23p)	1,198	1,198
	2,916	2,916

On 27 March 2025, the directors declared an interim property income distribution of £1,822,000, 35p per share, (2023 final property income distribution of £1,718,000, 33p per share), payable on 16 May 2025 to shareholders registered on 26 April 2025.

Notes to the consolidated financial statements continued

for the year ended 31 December 2024

7 Earnings per share

The calculation of earnings per share is based on the total profit after tax for the year of £5,668,000 (2023 loss £193,000) and on 5,206,659 shares (2023 5,203,775), which is the weighted average number of shares in issue during the year ended 31 December 2024. There are no dilutive instruments.

In order to draw attention to the profit that is not due to the impact of valuation gains and losses that are included in the statement of comprehensive income, but not available for distribution under the company's articles of association, an adjusted earnings per share, a non GAAP measure, based on the profit available for distribution of £3,592,000 (2023 £3,266,000) has been calculated.

	2024 £'000	2023 £'000
Earnings:		
Basic profit/(loss) for the year	5,668	(193)
Adjustments for:		
Loss/(profit) on disposal of investment property	76	(1,014)
Net valuation (gains)/losses on investment property	(2,152)	4,473
Adjusted earnings	3,592	3,266
Per share amount:		
Profit/(loss) per share (unadjusted)	108.9p	(3.7p)
Adjustments for:		
Loss/(profit) on disposal of investment property	1.4p	(19.5p)
Net valuation (profit) losses on investment property	(41.3)p	86.0p
Adjusted earnings per share	69.0p	62.8p

8 Investment property

	2024 £'000	2023 £'000
Total valuation at 1 January	76,650	71,160
Additions	–	9,818
Disposals	(685)	–
*Transfer of opening valuation from investment properties under development (Note 9)	1,625	–
*Transfer of additions from investment properties under development (Note 9)	2,833	–
*Transfer of cost to investment properties under development (Note 9)	–	(281)
*Transfer of revaluation loss to investment properties under development (Note 9)	–	281
Revaluation gains	3,142	540
Revaluation losses	(990)	(4,868)
Valuation at 31 December	82,575	76,650

* These transfers relate to the development site at St Austell which was classified as an asset development from the commencement of build in Q2 2022 until practical completion in Q4 2024

In accordance with IAS 40, the carrying value of investment properties, including investment property under development (Note 9) is their fair value as determined by independent external valuers. This valuation has been conducted by Knight Frank LLP, as external valuers, and has been prepared as at 31 December 2024, in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors, on the basis of market value. The historical cost of the group's investment property is £80,561,000 (2023 £77,273,000).

8 Investment property *continued*

Valuation process

The valuation reports produced by the independent external valuers are based on information provided by the group such as current rents, terms and conditions of lease agreements, service charges and capital expenditure (if any). This information is derived from the group's property management and financial information systems and is subject to the group's overall control environment.

In addition, the valuation reports are based on assumptions and models used by the independent valuer. The assumptions are typically market related such as yields and discount rates and are based on their professional judgement and market observation. Each property is considered a separate asset class based on the unique nature, characteristics and risks of the property.

The executive director responsible for the valuation process verifies all major inputs to the external valuation reports, assesses the individual property valuation changes from the prior year valuation report and holds discussions with the independent valuer. When this process is complete, the whole board then meet the valuer in the presence of the auditor. The valuation report is recommended to the audit committee, which considers it as part of its overall responsibilities.

Valuation technique

The fair value of the property portfolio has been determined using an income capitalisation technique whereby contracted and market rental values are capitalised with a market capitalisation rate. The resulting valuations are cross-checked against the initial and equivalent yields and the fair market values per square foot derived from comparable recent market transactions on arm's-length terms.

These techniques are consistent with the principles in IFRS 13 Fair Value Measurement and use significant unobservable inputs such that the fair value measurement of each property within the portfolio has been classified as level 3 in the fair value hierarchy.

Significant unobservable inputs

31 December 2024		Warehouse	Retail warehouse	Leisure	Office	High street retail	Total
Valuation technique		Income capitalisation					
Fair value of property portfolio	£'000	42,690	22,225	9,425	5,215	3,020	82,575
Area	sq ft	631,006	133,543	88,145	30,835	8,005	891,534
Gross estimated rental value (ERV)	£'000	3,409	1,742	812	659	246	6,868
ERV per sq ft							
Minimum	£	2.40	11.57	7.32	12.42	28.64	
Maximum	£	11.28	25.00	26.16	24.38	32.76	
Weighted average	£	7.38	14.08	11.52	21.73	30.88	
Net initial yield							
Minimum	%	5.31	4.75	7.14	0.00	5.34	
Maximum	%	11.56	6.74	9.26	6.66	11.25	
Weighted average	%	7.15	5.82	8.34	2.90	7.68	

Notes to the consolidated financial statements continued

for the year ended 31 December 2024

8 Investment property continued

31 December 2023		Warehouse	Retail warehouse	Leisure	Office	High street retail	Total
Valuation technique		Income capitalisation					
Fair value of property portfolio	£'000	36,950	21,175	9,650	4,900	3,975	76,650
Area	sq ft	602,673	133,543	88,145	29,567	12,622	866,550
Gross estimated rental value (ERV)	£'000	2,988	1,693	812	610	359	6,462
ERV per sq ft							
Minimum	£	2.40	10.87	7.32	20.00	19.41	
Maximum	£	10.56	24.42	26.16	21.60	34.70	
Weighted average	£	6.62	13.75	11.52	20.67	29.55	
Net initial yield							
Minimum	%	3.01	6.24	6.99	0.00	0.00	
Maximum	%	10.77	7.28	8.99	7.11	10.40	
Weighted average	%	6.90	6.89	8.15	2.96	7.00	

Sensitivities of measurement of significant unobservable inputs

As set out on page 39, the valuation of the group's property portfolio is open to judgements that are inherently subjective by nature.

Unobservable input	Impact on the fair value measurement of a significant increase in input	Impact on the fair value measurement of a significant decrease in input
Estimated rental value (ERV)	Increase	Decrease
Net initial yield	Decrease	Increase

There is no inter-relationship between these two inputs.

Information about the impact of changes in unobservable inputs on the fair value of the group's property portfolio

Sensitivities for changes in assumptions have been set out below at +/- 5% for ERV and +/- 50bps for IY, which are deemed to be the levels that give a reasonable worst-case scenario given the like-for-like valuation increase of 2.7% already recognised in the year.

31 December 2024	Warehouse £'000	Retail warehouse £'000	Leisure £'000	Office £'000	High street retail £'000	Total £'000
Fair value of property portfolio	42,690	22,225	9,425	5,215	3,020	82,575
Impact on valuation of:						
+5% on ERV	1,871	1,106	470	260	150	3,857
-5% on ERV	(1,871)	(1,106)	(470)	(263)	(150)	(3,860)
-50bps on IY	285	160	58	27	22	552
+50bps on IY	(281)	(157)	(58)	(33)	(22)	(551)

8 Investment property *continued*

31 December 2023	Warehouse £'000	Retail warehouse £'000	Leisure £'000	Office £'000	High street retail £'000	Total £'000
Fair value of property portfolio	36,950	21,175	9,650	4,900	3,975	76,650
Impact on valuation of:						
+5% on ERV	1,844	1,057	481	244	196	3,822
-5% on ERV	(1,844)	(1,057)	(481)	(247)	(196)	(3,825)
-50bps on IY	322	156	61	24	25	588
+50bps on IY	(316)	(153)	(60)	(29)	(25)	(583)

Additional property disclosures including property covenant information

At 31 December 2024 14 investment properties with a carrying amount of £54,925,000 (2023 14 properties with a valuation of £53,340,000) are charged to Handelsbanken plc to secure the group's short-term and medium-term loans.

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

	2024 £'000	2023 £'000
Less than one year	5,914	5,575
Between one and five years	15,031	13,894
More than five years	13,132	10,006
	34,077	29,475

£482,000 of property operating expenses relate to the completion of tenant's fit-out works at our development site. This generated £522,000 of associated income. All other property operating expenses are analysed as arising from generating rental income and include the movement in the bad debt provision.

9 Investment property under development

	2024 £'000	2023 £'000
Valuation at 1 January	1,625	–
Additions	2,833	1,770
*Transfer opening valuation to investment properties at valuation (Note 8)	(1,625)	–
*Transfer of additions to investment properties at valuation (Note 8)	(2,833)	–
Revaluation losses	–	(145)
Valuation at 31 December	–	1,625

Investment property under development has been valued by Knight Frank LLP using the same process and techniques as for Investment property (Note 8). In 2023 Knight Frank considered the stage reached in construction and the costs remaining to be spent at the date of valuation.

10 Assets classified as held for sale

There were no assets held for sale at either 31 December 2023 or at 31 December 2024.

Notes to the consolidated financial statements continued

for the year ended 31 December 2024

11 Trade and other receivables

	2024 £'000	2023 £'000
Trade receivables	659	228
Accrued rent receivable	914	729
Other receivables	128	269
	1,701	1,226

Included in trade receivables are amounts due from tenants at each year end and include amounts invoiced on 25 December 2024 in respect of rents in advance for the period 25 December 2024 to 27 March 2025. At 31 December 2024, amounts due from tenants that were more than 90 days overdue, which related to rents for 2024 or earlier, totalled £44,000 (2023 £60,000), of this amount £nil related to 2023 or earlier. Trade receivables are shown after deducting a provision for bad and doubtful debts, which excludes VAT, of £37,000 (2023 £50,000). The provision for doubtful debts is calculated as an expected credit loss on trade and other receivables in accordance with IFRS 9 (see Note 1). The credit to the income statement in relation to write offs and provisions made against doubtful debts was £14,000 (2023 credit £49,000). The expected credit loss is recognised on initial recognition of a debtor and is reassessed at each reporting period. In order to calculate the expected credit loss, the group applies a forward-looking outlook to historic default rates. In the current reporting period, the forward-looking outlook has considered the impacts of the conflict in Ukraine and the Middle East, and the effect of the high inflation and interest rates in the UK. The historic default rates used are specific to receivables that are 90 days past due. Specific provisions are also made in excess of the expected credit loss where information is available to suggest that a higher provision than the expected credit loss is required. In the current reporting period, an additional review of tenant debtors was undertaken to assess recoverability in light of the difficult macro-economic climate and other factors. The directors consider that the carrying amount of trade and other receivables is approximate to their fair value. There is no concentration of credit risk with respect to trade and other receivables as all of the group's tenants have terms that require them to pay their rent in advance.

12 Trade and other payables

	2024 £'000	2023 £'000
Deferred income	1,060	1,025
Social security and other taxes	533	592
Accruals	449	978
Other payables	887	732
	2,929	3,327

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

13 Interest-bearing loans

	2024 £'000	2023 £'000
Medium-term bank loan	27,200	27,200
The medium-term bank loans comprise amounts falling due as follows:		
Between one and two years	3,400	–
Between two and five years	18,800	7,900
Over five years	5,000	19,300
	27,200	27,200

Further analysis of the short-term and medium-term bank loans is set out on page 12. The two key loan covenants relate to interest cover and security cover. They are tested on 31 December each year. The relevant documentation has been provided and the covenants adhered to at 31 December 2024.

The weighted average effective interest rate is 3.06% (2023 3.06%).

14 Share capital

The movement in the number of 25p ordinary shares in issue is shown below:

	2024		2023	
	Number	£'000	Number	£'000
At 1 January	5,206,659	1,302	5,194,963	1,299
Issued under the Highcroft Incentive Plan	–	–	11,696	3
At 31 December	5,206,659	1,302	5,206,659	1,302

The directors monitor capital on the basis of total equity and operate within the requirements of the articles of association. There was £nil of short-term debt and £27,200,000 of medium-term debt at 31 December 2024 (2023 £nil short-term debt and £27,200,000 of medium-term debt).

15 Share premium

	2024 £'000	2023 £'000
At 1 January	312	226
Share issue costs	–	(15)
Issued under the Highcroft Incentive Plan	–	101
At 31 December	312	312

16 Capital commitments

At 31 December 2024 there were capital commitments of £nil (31 December 2023 £77,000). Due to the liquidation, in November 2023, of the main contractor at the development site at St Austell there was no significant capital commitment at that year end as the replacement contractor was not appointed until March 2024.

17 Contingent liabilities

There were no contingent liabilities at 31 December 2024 or at 31 December 2023.

18 Related party transactions

Kingerlee Holdings Limited owns, through its subsidiaries, 27.3% (2023 27.3%) of the company's shares. David Warlow is both a director and shareholder of Kingerlee Holdings Limited. The transactions between the group and Kingerlee Holdings Limited or its subsidiaries were as follows:

	2024 £'000	2023 £'000
Transactions by the company:		
Property income distribution paid to related party	796	796
Recharge of Forvis Mazars LLP's fee for completion of group audit questionnaire (including VAT)	21	15
Recharge of sundry costs (£160, 2023 £nil) paid to related party	–	–

Notes to the consolidated financial statements continued

for the year ended 31 December 2024

18 Related party transactions continued

Paul Leaf-Wright, appointed as a director of the company on 1 January 2023 is also a consultant to Cube Management Limited trading as Cube Asset Management who were appointed as property asset managers on 1 January 2023. The transactions between the group and Cube Asset Management were as follows:

	2024 £'000	2023 £'000
Transactions by the company:		
Fees and expenses paid to related party	179	161
Incentive payable to related party	70	70

The company owns 100% of Rodenhurst Estates Limited and BL (Wisbech) Limited and Belgrave Land (Wisbech) Limited. The transactions between these companies have been eliminated on consolidation. Details of the net assets and profit for the financial year of these companies are set out on page 57 of this annual report.

The key management personnel are the directors of the group. Their remuneration is set out in Note 4. In addition, the following directors received dividends, during their period of office, during the year in respect of their shareholdings:

	2024 £'000	2023 £'000
Douglas Conn (appointed 1 May 2024)	82	–
Roberta Miles	14	14

In addition to the above dividends the related parties, as defined by IAS 24, of Douglas Conn received dividends of £196,000 from 1 May 2024 to 31 December 2024.

19 Financial instruments and financial risk

Categories of financial instruments

	2024		2023	
	Carrying amount £'000	Gains/ (losses) £'000	Carrying amount £'000	Gains/ (losses) £'000
Financial assets measured at amortised cost:				
Trade and other receivables	1,701	–	1,226	–
Cash and cash equivalents	1,808	–	4,229	–
	3,509	–	5,455	–
Financial liabilities measured at amortised cost:				
Interest-bearing loans	27,200	–	27,200	–
Trade and other payables	1,336	–	1,710	–
	28,536	–	28,910	–

19 Financial instruments and financial risk *continued*

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 2024, the group had £27,200,000 of medium-term borrowing (2023 £27,200,000 of medium-term borrowing), of which £3,400,000 is repayable in 2026, £4,500,000 in 2027, £14,300,000 in 2029 and £5,000,000 in 2030 at fixed interest rates with a weighted average of 3.06% (2023 3.06%). The fair values of loans and receivables and financial liabilities held at amortised cost were not materially different from book values. A maturity analysis, based on contractual, undiscounted payments is set out below:

2024						
	Carrying amount £'000	Total contractual undiscounted cashflow £'000	Due within 1 year £'000	Due in more than 1 but less than 2 years £'000	Due in more than 2 but less than 5 years £'000	Due in more than 5 years £'000
Bank loans	27,200	30,418	833	4,198	20,331	5,056
Other payables and accruals	1,336	1,336	1,336	–	–	–

2023						
	Carrying amount £'000	Total contractual undiscounted cashflow £'000	Due within 1 year £'000	Due in more than 1 but less than 2 years £'000	Due in more than 2 but less than 5 years £'000	Due in more than 5 years £'000
Bank loans	27,200	31,254	833	833	9,953	19,635
Other payables and accruals	1,710	1,710	1,710	–	–	–

Credit risk

The group's credit risk, that is 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 and rent deposits may be requested in certain circumstances. The amount of trade receivables presented in the balance sheet is calculated after any allowances for credit losses, estimated by the directors. The allowance as at 31 December 2024 was £44,000 (2023 £60,000). The group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December 2024 as summarised in the table above.

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 Handelsbanken plc. Cash is also held by the group's property managers, lawyers and registrars acting as agents, though not, other than for tenant deposits, for long periods of time. The group only places cash holdings with major financial institutions that satisfy specific criteria.

Capital risk

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 policy is principally carried out by the use of surplus cash. In the medium term, the directors may use additional medium-term debt to finance future commercial property acquisitions in line with its long-term strategy.

Liquidity risk

The group's liquidity risk, i.e. the risk that it might encounter difficulty in meeting its obligations as they fall due, applies to its trade payables and any short and medium-term borrowings that the group takes out from time to time. The group has not encountered any difficulty in paying its trade payables in good time. The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows.

Notes to the consolidated financial statements continued

for the year ended 31 December 2024

19 Financial instruments and financial risk continued

Interest rate risk

The group finances its operations through retained profits and medium-term borrowings at an interest rate that is fixed over the term of the loan. Interest rate swaps have not been used. The group places any cash balances on deposit at rates that may be fixed in the short term but for sufficiently short periods that there is no need to hedge against the implied risk.

Currency exchange risk

The group is not directly exposed to currency risk.

Market risk

The group is not directly exposed to market risk.

Borrowing facilities

The group has no undrawn committed borrowing facilities.

20 Changes in liabilities arising from financing activities

	Bank loans (Note 13)	
	2024 £'000	2023 £'000
At 1 January	27,200	27,200
Interest charged	833	833
Interest paid	(833)	(833)
At 31 December	27,200	27,200

21 Net assets per share

	2024	2023
Net assets	£55,955,000	£53,203,000
Ordinary shares in issue	5,206,659	5,206,659
Basic net assets per share	1,075p	1,022p

22 Post balance sheet events

On 27 March 2025, the directors declared an interim property income distribution of £1,822,000, 35p per share.

On 27 March 2025, a recommended all-share acquisition of Highcroft Investments PLC by LondonMetric Property PLC, to be effected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the "Potential Transaction") was announced. A scheme document containing further information about the acquisition and the notices of a Court Meeting and General Meeting will be published within 28 days and it is expected that, if approved by the Court and the shareholders at the Court Meeting and General Meeting the scheme will become effective on 21 May 2025. It is not possible to estimate the effect of this Potential Transaction on the group.

Company statement of financial position

at 31 December 2024

	Note	2024		2023	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	5		51,827		47,847
Current assets					
Debtors	6	3,895		3,515	
Cash at bank		994		2,653	
		4,889		6,168	
Creditors – amounts falling due within one year	7	761		812	
Net current assets			4,128		5,356
Total assets less current liabilities			55,955		53,203
Net assets			55,955		53,203
Capital and reserves					
Called-up share capital	8		1,302		1,302
Reserves					
– Share-based payment		–		–	
– Realised capital		8,728		8,728	
– Other equity		–		–	
– Share premium		312		312	
– Capital redemption		95		95	
– Revaluation		41,564		37,584	
– Retained earnings		3,954		5,182	
			54,653		51,901
Shareholders' funds			55,955		53,203

The company reported a total consolidated profit and comprehensive income for the financial year ended 31 December 2024 of £5,668,000 (2023 loss £193,000).

These financial statements were approved by the board of directors on 27 March 2025.

Paul Leaf-Wright
Director

Charles Butler
Director

Company number: 00224271

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

Company statement of changes in equity

for the year ended 31 December 2024

	Note	Share capital £'000	Realised capital reserve £'000	Share premium £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2024		1,302	8,728	312	95	37,584	5,182	53,203
Profit for the year	2	–	–	–	–	–	1,688	1,688
Other comprehensive income for the year	2	–	–	–	–	–	3,980	3,980
Dividends paid		–	–	–	–	–	(2,916)	(2,916)
Revaluation gain of subsidiaries		–	–	–	–	3,980	(3,980)	–
At 31 December 2024		1,302	8,728	312	95	41,564	3,954	55,955

	Note	Share capital £'000	Share-based payment reserve £'000	Realised capital reserve £'000	Other equity reserve £'000	Share premium £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2023		1,299	160	8,728	(207)	226	95	40,399	5,476	56,176
Profit for the year	2	–	–	–	–	–	–	–	2,622	2,622
Other comprehensive income for the year	2	–	–	–	–	–	–	–	(2,815)	(2,815)
Dividends paid		–	–	–	–	–	–	–	(2,916)	(2,916)
Revaluation loss of subsidiaries		–	–	–	–	–	–	(2,815)	2,815	–
Issue of shares	3	–	–	–	(104)	101	–	–	–	–
Share issue costs		–	–	–	–	(15)	–	–	–	(15)
Share award expensed		–	151	–	–	–	–	–	–	151
Share award vested		–	(311)	–	311	–	–	–	–	–
At 31 December 2023		1,302	–	8,728	–	312	95	37,584	5,182	53,203

Notes to the company financial statements

for the year ended 31 December 2024

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and with the Companies Act 2006. The financial statements have been prepared under the historical cost convention except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The principal accounting policies of the company have remained unchanged from the previous year.

These financial statements have been prepared on a going concern basis and in adopting the going concern basis the directors have, based on the information available at the date of this report, considered the financial implications of the conflicts in the Middle East and Ukraine and the effects of the high levels of interest rates and inflation in the UK and the effect of all of these on our stakeholders. For further information see page 16.

In preparing these financial statements, the following disclosure exemptions have been taken:

- The requirement to present a cashflow and related notes
- Financial instrument disclosures including:
 - Categories of financial instruments;
 - Items of income, expenses, gains or losses relating to financial instruments; and
 - Exposure to, and management of, financial risks.

Accounting estimates and judgements

The valuation of investments in subsidiary undertakings at market value, calculated as the net assets of the undertaking is the key estimate used in the preparation of the accounts. The key asset of the subsidiaries is their investment property and as disclosed on page 39 the key assumptions which are also the major sources of estimation uncertainty in arriving at the market valuation are the value of future rental income and net initial yield (Note 5).

Dividend revenue

Dividend revenue is recognised in the statement of comprehensive income when the right to receive the payment is established.

Share-based employee remuneration

Share-based employee remuneration is determined with reference to the fair value of the cash award that is used to purchase the newly issued shares at the date at which the award is agreed and charged to the income statement over the service and vesting period on a straight-line basis. The Highcroft Incentive Plan, under which share based remuneration was awarded, terminated in 2023.

Interest income

Interest is recognised under the effective interest method.

Dividends payable

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

Investments

Investments, being shares in subsidiary undertakings, are included at market value (net assets as shown by their financial statements are taken as a reasonable estimate of market value as their assets and liabilities are carried at fair value).

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

Receivables

Trade receivables and other receivables that have fixed or determinable payments are categorised as basic financial assets and measured at cost.

Deferred tax

Deferred tax is recognised in respect of all timing differences at the reporting date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax liabilities are presented within provisions for liabilities.

Financial liabilities

The company's financial liabilities include trade and other payables. Trade payables are recognised initially at fair value less transaction costs and subsequently measured at amortised cost. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Notes to the company financial statements continued

for the year ended 31 December 2024

1 Accounting policies continued

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 loss 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 £5,668,000 (2023 loss £193,000). Information regarding directors' remuneration appears on pages 25 to 26 of this annual report.

3 Auditor's fees

	2024 £'000	2023 £'000
Fees payable to the company's auditor for the audit of the group's annual accounts ¹	70	65
Fees payable to the company's auditor for other services:		
Audit-related assurance services	–	16
	70	81

¹ The audit fee for 2024 includes £17,232 (2023 £12,300) related to the completion of a group audit questionnaire for the Kingerlee Holdings Limited's auditor. This amount is recoverable in full from Kingerlee Holdings Limited and has been netted off other expenses.

4 Dividends

In 2024, the following dividends have been paid by the company:

	2024 £'000	2023 £'000
2023 Final: 33p per ordinary share (2022 33p)	1,718	1,718
2024 Interim: 23p per ordinary share (2023 23p)	1,198	1,198
	2,916	2,916

On 24 March 2025, the directors declared an interim property income distribution of £1,822,000, 35p per share (2023 final property income distribution of £1,714,000, 33p per share), payable on 16 May 2025 to shareholders registered on 26 April 2025.

5 Investments

	Shares in subsidiary undertaking	
	2024 £'000	2023 £'000
Valuation at 1 January 2024	47,847	50,663
Gain/(loss) on revaluation in excess of cost	3,980	(2,816)
Valuation at 31 December 2024	51,827	47,847

At 31 December 2024, the company held 100% of the following companies, which are all registered in England and Wales and that all have the same registered office address as the company: Lambourne House, 311-321 Banbury Road, Oxford, OX2 7JH.

Subsidiary	Primary activity	Immediate parent company	Ownership
Rodenhurst Estates Limited	Property investment	Highcroft Investments PLC	100%
BL (Wisbech) Limited	Holding company	Rodenhurst Estates Limited	100%
Belgrave Land (Wisbech) Limited	Property investment	BL (Wisbech) Limited	100%

5 Investments continued

At 31 December 2024, the net assets and the profit/(loss) for the financial year of these subsidiaries were:

	2024		2023	
	Net assets £'000	Profit for the financial year £'000	Net assets £'000	Profit for the financial year £'000
Rodenhurst Estates Limited	51,827	5,980	47,847	184
BL (Wisbech) Limited ¹	–	–	–	–
Belgrave Land (Wisbech) Limited	4,988	725	4,262	476

¹ BL (Wisbech) Limited is a dormant intermediate holding company between Belgrave Land (Wisbech) Limited and Rodenhurst Estates Limited. It holds the shares in Belgrave Land (Wisbech) Limited at cost.

6 Debtors

	2024 £'000	2023 £'000
Owed by subsidiary undertakings	3,858	3,479
Other debtors	37	36
	3,895	3,515

7 Creditors – amounts falling due within one year

	2024 £'000	2023 £'000
Other taxes and social security	262	274
Other creditors	499	538
	761	812

8 Share capital

The movement in the number of 25p ordinary shares in issue is shown below:

	2024		2023	
	Number	£'000	Number	£'000
At 1 January	5,206,659	1,302	5,194,963	1,299
Issued under the Highcroft Incentive Plan	–	–	11,696	3
At 31 December	5,206,659	1,302	5,206,659	1,302

9 Share premium

	2024 £'000	2023 £'000
At 1 January	312	226
Share issue costs	–	(15)
Issued under the Highcroft Incentive Plan	–	101
At 31 December	312	312

Notes to the company financial statements continued

for the year ended 31 December 2024

10 Capital commitments

There were no capital commitments at 31 December 2024 or at 31 December 2023.

11 Contingent liabilities

There were no contingent liabilities at 31 December 2024 or at 31 December 2023.

12 Related party transactions

Kingerlee Holdings Limited owns, through its subsidiaries, 27.3% (2023 27.3%) of the company's shares, and David Warlow is a director and shareholder of Kingerlee Holdings Limited. The transactions between the group and Kingerlee Holdings Limited or its subsidiaries were as:

	2024 £'000	2023 £'000
Property income distribution paid to related party	796	796
Recharge of Forvis Mazars LLP's fee for completion of group audit questionnaire (including VAT)	21	15
Recharge of sundry costs (£160, 2023 £nil) paid to related party	–	–

Paul Leaf-Wright, appointed as a director of the company on 1 January 2023 is also a consultant to Cube Management Limited trading as Cube Asset Management who were appointed as property asset managers on 1 January 2023. The transactions between the group and Cube Asset Management were as follows:

	2024 £'000	2023 £'000
Transactions by the company:		
Fees and expenses paid to related party	179	161
Bonus payable to related party	70	70

Under the provisions of section 33 FRS 102, transactions between Highcroft Investments PLC and its subsidiaries Rodenhurst Estates Limited, BL (Wisbech) Limited and Belgrave Land (Wisbech) Limited are exempt from these disclosure requirements as they are all wholly owned subsidiaries.

13 Employees

The employees of the group are all employees of the company and all their costs are incurred by the company as follows:

	2024 £'000	2023 £'000
Remuneration	552	758
Pension costs	1	1
Social security costs	67	75
	620	834

Information regarding directors' remuneration is included in Note 4 to the consolidated financial statements.

List of definitions

Adjusted EPS % return: The earnings per share, adjusted for the impact of valuation gains and losses, as a percentage of the opening net asset value per weighted average share in issue in the year.

Contracted rental revenue: The annualised rent due from tenants.

Company voluntary arrangement (CVA): A procedure that allows a company to settle debts by paying only a proportion of the amount that it owes to creditors.

Energy performance certificate (EPC): An energy performance certificate is a standardised document prepared by an energy assessor that measures the energy efficiency of a building.

Environmental, social and governance factors (ESG): Environmental criteria include the energy the company uses, the waste it discharges, the resources it needs and the consequences for the world. They encompass greenhouse gas emissions and climate change. Social criteria include the relationships that the company has with its broad range of stakeholders. Governance is the internal system of controls, policies and procedures used to govern itself, make effective decisions, comply with regulation and meet the needs of external stakeholders.

Estimated rental value (ERV): The rent at which the space could be let out in the market conditions prevailing at the date of valuation.

Fully repairing and insuring (FRI): An FRI lease is where the tenant has responsibility for all external and internal maintenance, decorations and repairs as well as liability for insuring the building.

Gearing: Total debt divided by total equity.

General Meeting (GM): A general meeting of the shareholders of the company.

Interest cover ratio (ICR): The number of times net interest payable is covered by rental income of the secured properties.

Like-for-like basis: The movement in a value adjusted to exclude the effect of purchases and sales.

Loan-to-value (LTV): Drawn debt divided by the fair value of the property portfolio. For bank facility purposes, the 'fair value of the property portfolio' is replaced by the valuation included on valuation reports addressed to the bank.

Minimum Energy Efficiency Standards (MEES): The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 require certain steps to be taken by landlords to comply with the Minimum Energy Efficiency Standards therein. The initial requirement in 2023 was for non-domestic properties to have a valid EPC to allow them to be let or to continue to be let.

Net debt: Borrowings plus bank overdraft less cash and cash equivalents.

Net initial yield (IY): The valuer's net income as a percentage of the market value plus standard costs of purchase.

Property income distribution (PID): Dividends from profits of the group's tax-exempt property rental business under the REIT regulations.

Quoted Companies Alliance Corporate Governance Code (QCA Code): The QCA Corporate Governance Code published by the Quoted Companies Alliance in 2023, as amended from time to time.

Real Estate Investment Trust (REIT): The UK REIT regime was launched on 1 January 2007. On 1 April 2008, Highcroft elected to convert to REIT status. The REIT legislation was introduced to provide a structure that closely mirrors the tax outcomes of direct ownership in property and removes tax inequalities between different real estate investors. It provides a liquid and publicly available vehicle that opens the property market to a wide range of investors. A REIT is exempt from corporation tax on qualifying income and gains of its property rental business providing various conditions are met. It remains subject to corporation tax on non-exempt income and gains. Subject to concessions granted during the Covid-19 pandemic, REITs must distribute at least 90% of their income profits from their tax-exempt property rental business, by way of dividend, known as a property income distribution (PID). These distributions can be subject to withholding tax at 20%. If the REIT distributes profits from the non-tax-exempt business, the distribution will be taxed as an ordinary dividend in the hands of the investors (non-PID).

Return on equity: Total profit and comprehensive income divided by average total equity.

Reversionary yield: The yield that would be achieved if the passing rent adjusts to the level of the ERV.

TISE: The International Stock Exchange.

Total shareholder return: The growth in the ordinary share price as quoted on the stock exchange where the ordinary shares are listed plus dividends per share received for the year, expressed as a percentage of the share price at the beginning of the year.

Weighted average unexpired lease term (WAULT): The average lease term remaining to the first to occur on each lease of a tenant break option, or lease expiry, across the portfolio, weighted by rental income.

Group five-year summary (unaudited)

	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Investment properties – at annual valuation	82,575	78,275	77,910	87,565	82,060
Total net assets	55,955	53,203	56,176	66,117	57,121
Net asset value per share in issue at end of each year	1,075p	1,022p	1,081p	1,275p	1,104p
Revenue (excluding gains/losses on disposals of assets)					
Gross income from property	6,377	5,790	5,608	5,928	6,084
Net admin expenses to gross rent	14.7%	20.2%	21.2%	19.6%	17.6%
Profit available for distribution	3,592	3,266	3,265	2,939	3,503
Share capital					
Weighted average number in issue (000s)	5,207	5,204	5,192	5,184	5,172
Basic earnings per share	108.9p	(3.7p)	(137.0p)	230.5p	(22.2p)
Adjusted earnings per share	69.0p	62.8p	62.9p	56.7p	67.7p
Dividends payable per share	58p	56p	56p	55p	57p
Highcroft year end share price	600p	880p	930p	875p	720p

Directors and advisers

Company number

00224271

Directors

Charles Butler, BSc ACA
(Non-executive chairman)

Douglas Conn, BSc appointed
1 May 2024 (Non-executive)

Simon Costa, BSc MA MPhil resigned
31 August 2024 (Non-executive)

Paul Leaf-Wright, B Compt (Hons) SA
(Chief executive)

Roberta Miles, MA FCA
(Finance director)

David Warlow, BA MBA FCA
(Non-executive)

Company secretary

Kerry Round, FCG

Registered office and business address

Lambourne House
311-321 Banbury Road
Oxford
OX2 7JH
United Kingdom

Independent auditor

Forvis Mazars LLP
Statutory Auditor
Chartered Accountants
30 Old Bailey
London
EC4M 7AU

Independent valuer

Knight Frank LLP
55 Baker Street
London
W1U 8AN

Bankers

Handelsbanken plc
Latimer House
Langford Locks
Kidlington
Oxon
OX5 1GG

Solicitors (as to English law)

Clarkslegal LLP
5th Floor
Thames Tower
Station Road
Reading
RG1 1LX

Walker Morris LLP
33 Wellington Street
Leeds
LS1 4DL

Bryan Cave Leighton Paisner LLP
Governor's House
5 Laurence Pountney Hill
London
EC4R 0BR

Property managing agent

Workman LLP
Alliance House
12 Caxton Street
London
SW1H 0QS

Corporate finance advisers (until 20 February 2024)

Singer Capital Markets Advisory LLP
One Bartholomew Lane
London
EC2N 2AX

Corporate finance advisers

Shore Capital and Corporate Limited
Cassini House
57 St James's Street
London
SW1A 1LD

Registrars

MUFG Corporate Markets
Central Square
PXS 1
29 Wellington Street
Leeds
LS1 4DL

Tax advisers

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Property asset managers

Cube Management Limited
113a Jermyn Street
London
SW1Y 6HJ

TISE Listing Agent

Appleby (Jersey) LLP
13-14 Esplanade
St Helier
JE1 1BD
Jersey

Broker and market-maker

Ravenscroft (CI) Limited
PO Box 222
20 New Street
St. Peter Port
Guernsey
GY1 4JG



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Highcroft

Investments PLC

Lambourne House
311-321 Banbury Road
Oxford
OX2 7JH