Highcroft Investments PLC

Annual Report and Financial Statements
For the year ended 31 December 2017

www.highcroftplc.com
Stock code: HCFT

Shareholder Focused
Market Aware
Opportunity Driven

Welcome to the
Highcroft Investments
Annual Report 2017

Who we are
Highcroft Investments PLC is a Real Estate Investment Trust (REIT*) which has a portfolio of property based in England and Wales.

Our strategy
We aim to deliver sustainable income and capital growth through accretive asset management initiatives and recycling of capital.

We deliver our strategy by leveraging our strengths:

- An experienced team
- High quality property assets
- Financial strength
- Moderate gearing

We ensure that we are a sustainable business through our culture of being:

Shareholder focused
Our actions are centred on our shareholders; investments are considered in order to execute our strategy and increase shareholder value.

Market aware
Understanding the industry we operate within enables us to invest in specific areas and sectors to generate maximum value.

Opportunity driven
We are able to identify and react quickly to market opportunities in order to deliver returns above the industry average.

* A REIT is a property company which enables its shareholders to invest in property and receive benefits as if they owned the property directly.

Financial highlights

Increase value of property assets
£77.1m ↑16.8%

2017	£77.1m
2016	£66.0m
2015	£58.0m
2014	£46.5m
2013	£39.4m

+95.6%

Increase net asset value per share
1161p ↑8.4%

2017	1161p
2016	1071p
2015	1026p
2014	923p
2013	821p

+41.4%

Gross income from property
£4.8m ↑22.0%

2017	£4.8m
2016	£3.9m
2015	£3.4m
2014	£3.1m
2013	£2.7m

+74.5%

Increase dividends payable to shareholders
46.25p ↑12.8%

2017	46.25p
2016	41.00p
2015	38.80p
2014	36.00p
2013	33.75p

+37.0%

Net property income
£4.5m ↑21.5%

2017	£4.5m
2016	£3.7m
2015	£3.1m
2014	£2.9m
2013	£2.6m

+74.7%

Total earnings per share
132.3p ↑57.5%

2017	132.3p
2016	84.0p
2015	140.0p
2014	136.5p
2013	94.0p

Occupancy in our portfolio
100%

2017	100%
2016	100%
2015	100%
2014	100%
2013	100%

Net gearing
£17.5m/29% ↑8%

2017	£17.5m/29%
2016	£11.5m/21%
2015	£6.6m/13%
2014	£2.0m/4%
2013	£0.9m/2%

+27%

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Highcroft Investments online

View more information at:
www.highcroftplc.com

Operational highlights

'In 2017 we continued our confident approach in what we considered a cautious and uncertain market. Our search for well-let secure investments to provide good long-term income streams did not alter in spite of the nervousness witnessed amongst many investors in the market.'

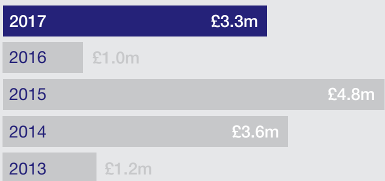
Simon Gill
Chief executive

Over the last five years our activities have improved the quality of our property assets and enabled us to improve returns to shareholders in line with our strategy.

Year	Acquisitions	Disposals
2017	**Type:** Warehouse **Location:** Nottingham **Purchase value:** £5.6m **Type:** Warehouse **Location:** St Austell **Purchase value:** £4.5m **Total acquisitions: £10.1m**	**Type:** Retail **Location:** Staines **Sales proceeds: £2.3m** **Realised gain: £nil** **Realised valuation loss: £0.7m**
2016	**Type:** Retail warehouse **Location:** Grantham **Purchase cost:** £7.4m **Type:** Leisure units **Location:** Coventry **Purchase cost:** £2.5m **Total acquisitions: £9.9m**	**Type:** Retail **Location:** Kingston **Sales proceeds:** £1.1m **Type:** Warehouse **Location:** Warwick **Sales proceeds:** £1.5m **Type:** Residential x 2 **Sales proceeds:** £0.4m **Total sales proceeds: £3.0m** **Realised gain: £0.1m** **Realised valuation surplus: £0.8m**
2015	**Type:** Retail warehouse **Location:** Wisbech **Total acquisitions: £8.7m**	**Type:** Leisure **Location:** Warrington **Sales proceeds:** £1.1m **Type:** Residential x 2 **Sales proceeds:** £1.3m **Total sales proceeds: £2.4m** **Realised gain: £0.4m** **Realised valuation surplus: £nil**
2014	**Type:** Warehouse **Location:** Ash Vale **Purchase cost:** £3.3m **Type:** Warehouse **Location:** Crawley **Purchase cost:** £2.8m **Total acquisitions: £6.1m**	**Type:** Retail **Location:** Beckenham **Sales proceeds:** £1.0m **Type:** Office **Location:** Bristol **Sales proceeds:** £2.3m **Type:** Residential x 3 **Sales proceeds:** £0.3m **Total sales proceeds: £2.6m** **Realised gain: £0.9m** **Realised valuation loss: £0.8m**
2013	**Type:** Retail warehouse **Location:** Bicester **Purchase cost:** £6.0m **Type:** Office **Location:** Cardiff **Purchase cost:** £2.5m **Total acquisitions: £8.5m**	**Type:** Retail **Location:** Reigate **Sales proceeds:** £1.3m **Type:** Retail **Location:** Petersfield **Sales proceeds:** £1.1m **Total sales proceeds: £2.4m** **Realised gain: £0.4m** **Realised valuation surplus: £1.0m**

Revaluation gains in year

£3.3m



Chairman's statement

'An excellent year with property income growth of 22%, an earnings per share increase of 57.5% to 132.3 pence and a 12.8% increase in total dividend to 46.25 pence per share'

Charles Butler
Non-executive chairman

Introduction

I am very pleased to be writing my first chairman's statement and reporting such a strong set of results. Before I do so however I must thank John Hewitt for his contribution to Highcroft through the last 18 years of which 11 were as non-executive chairman.

There is no doubt that 2017 has been a year of political events both inside and outside the UK and, with that, came a year of market uncertainty. Even with this challenging backdrop I am pleased to report that the company has reported record property income growth of 22%, an earnings per share increase of 57.5% to 132.3 pence and a 12.8% increase in total dividend to 46.25 pence per share.

Property portfolio

Under the guidance and leadership of Simon Gill we purchased two warehouses during the year which were financed by a combination of existing cashflow, recycled cash from a property sale and a new debt facility which in turn reduced the average cost of debt to 3.64% and left gearing at a modest 29%. At the year end the portfolio stood at 74% warehouses and retail warehouses with a small amount of residual residential and the remainder split between well let retail and offices.

Property rental growth of 22% for the year is the strongest performance over the last 5 years and with contracted rent at the year end being 21% up on the previous year end this shows the increase in rental income continuing into 2018.

We have stringent criteria for new tenant acceptance and at the year-end all properties were fully let to a strong tenant base. Through a combination of stable income yields and active asset management I am pleased to report an 8.4% increase in net asset value and 11.9% return on equity for the year (2016 8.0%).

People

I have only been in situ as chairman for a short period however I would like to thank and congratulate the team for their hard work throughout the year. We have a small but dedicated and experienced team at Highcroft and this sets us in good stead for the year ahead.

Dividend

The company's interim dividend was increased in by 8.3% and as a result of strong revenue growth, efficient use of debt and administration costs falling as a percentage of revenue we have increased the final dividend to 30.0 pence per share leading to a total dividend of 46.25 pence per share – an increase of 12.8%. Our stated strategy is to increase dividends in excess of inflation every year and I am pleased to say we have delivered an inflation busting 45.4% increase over the last 5 years.

Outlook

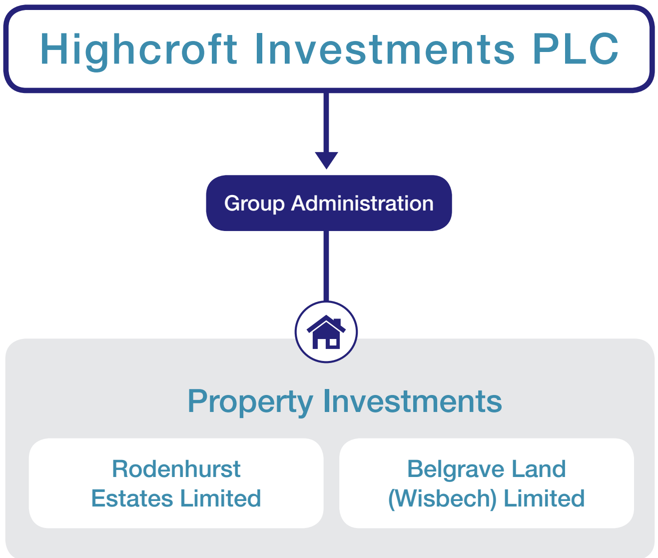
Highcroft is well positioned with a high quality income producing portfolio. We go into 2018 with positive momentum gained in 2017 and well positioned to continue our portfolio growth. We are however in an very competitive landscape with continuing political uncertainty so we remain cautious and diligent in our approach in ensuring we select the right properties to deliver long term shareholder value.

Charles Butler
Non-executive chairman

Group at a glance

Our structure

The property owning subsidiaries, Rodenhurst Estates Limited and Belgrave Land (Wisbech) Limited, are wholly owned and carry out the management and administration of the property assets on behalf of the group.



Read more about **Our business model** on page **9**

● Retail ● Office ● Warehouse
● Retail warehouse ● Leisure ● Residential

Our property assets

Our property assets are valued at £77,113,000. During the year our property assets increased in value by 4.9% on a like-for-like basis and by 17% taking into account our acquisitions and disposals during the year.

Property

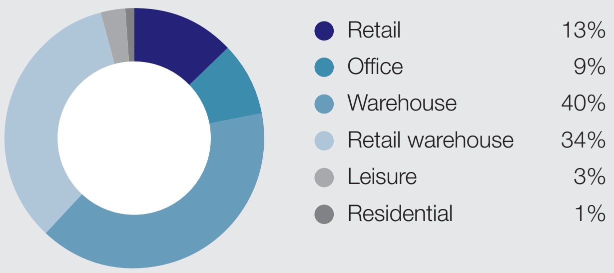
		£'000
1	Retail park in Wisbech let to Dunelm, Currys PC World, Carpetright, Halfords and Pets at Home	9,000
2	Retail warehouse in Grantham let to M&S and B&Q	7,350
3	Retail warehouse in Bicester let to Wickes	6,850
4	Warehouse in Nottingham let to Giant Booker	5,575
5	Warehouse in St Austell let to Wyndeham Roche	4,700
6	Warehouse in Milton Keynes let to Ikea	4,350
7	Warehouse in Ash Vale, Aldershot let to SIG Trading	4,250
8 9	Two retail units in Oxford let to Jigsaw	3,830
10	Office building in Cardiff let to Arriva Trains	3,550
11	Radio station and office building in Oxford let to the BBC	3,550
12	Warehouse in Andover let to Jewsons	3,450
13	Distribution centre in Kidlington, Oxfordshire let to Parcelforce	3,100
14	Retail warehouse in Crawley let to Pets at Home	3,050
15	Warehouse in Bedford let to Booker	2,700
16	Distribution centre in Southampton let to Metabo	2,650
17	Multi-let leisure unit in Coventry	2,275
18	Retail unit in Leamington Spa let to Mint Velvet	1,685
19	Multi-let retail units in Cirencester, with residential above	1,675
20	Retail unit in Oxford let to Hotel Chocolat	1,485
21	Retail unit in Norwich let to Harriets Tea Rooms	1,240
	Total commercial	**76,315**
	Residential property	**798**
	Total	**77,113**

Read more about **Our portfolio** on page **5, 6 and 7**

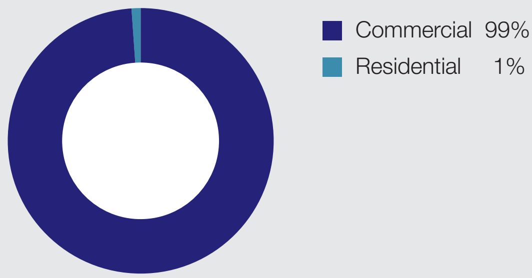
Property investments

We own 20 commercial properties, predominantly in southern England and Wales.

Split by sector %



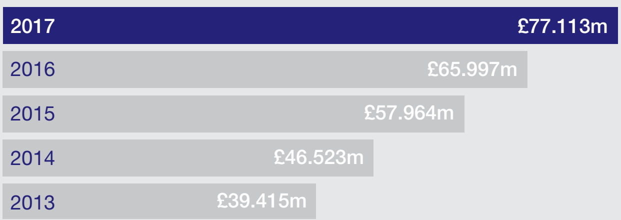
Total property investments %



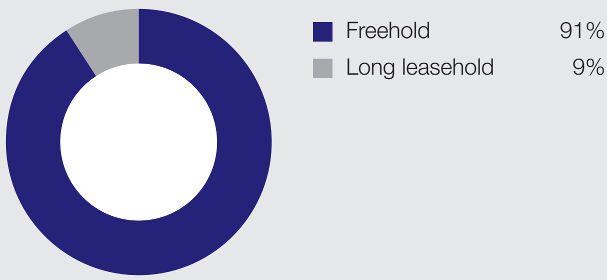
Investment properties at annual valuation

£77.113m

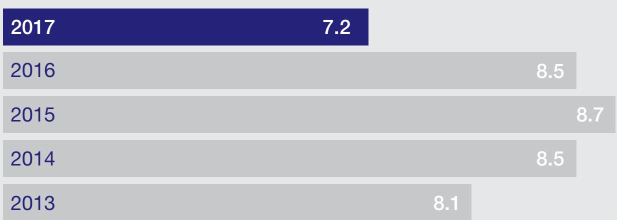
↑16.8%



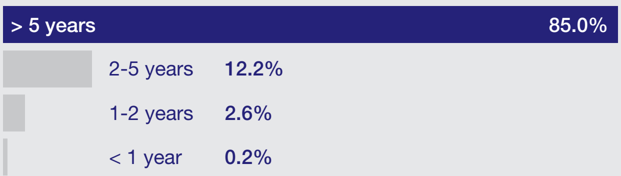
Tenure %



Weighted average lease length (years)



Weighted average lease expiries



Movements in property asset value

↑16.8%

Our portfolio

Andover

Long leasehold industrial investment. 19,330 sq ft.
Let to Saint-Gobain t/a Jewson

JEWSON

Ash Vale

Freehold warehouse unit.
25,000 sq ft.
Let to SIG Trading Ltd

SIG CONSTRUCTION ACCESSORIES

Bedford

Freehold warehouse unit.
40,500 sq ft.
Let to Booker Ltd

BOOKER WHOLESALE

Bicester

Freehold retail warehouse.
29,130 sq ft.
Let to Wickes Building Supplies Ltd

Wickes

Cardiff

Freehold offices.
17,800 sq ft.
Let to Arriva Trains Ltd

ARRIVA

Cirencester

Freehold retail and residential property.
Let to Ladbrokes,
Card Factory and others

Ladbrokes

Coventry

Freehold leisure investment.
Let to The Restaurant Group,
Greggs and Subway

GREGGS SUBWAY

Crawley

Freehold warehouse unit.
6,900 sq ft.
Let to Pets at Home

pets at home

Grantham

Freehold retail warehouse.
42,000 sq ft.
Let to B&Q and Marks & Spencer

B&Q M&S SIMPLY FOOD

Kidlington

Freehold warehouse investment.
30,250 sq ft.
Let to Parcel Force

PARCEL FORCE WORLDWIDE

Leamington Spa

Freehold shop
Let to Sabre Retail Ltd
t/a Mint Velvet

MINT VELVET

Milton Keynes

Freehold warehouse.
43,500 sq ft.
Let to IKEA

IKEA

Norwich

Freehold shop
Let to
Harriets Tearooms Ltd

Harriets
Est. 1999

Nottingham

Freehold warehouse.
84,000 sq ft.
Let to Giant Booker Ltd

BOOKER
WHOLESALE

Oxford

Two High Street properties, one long leasehold,
one freehold let to
Robinson Webster t/a Jigsaw

JIGSAW

Oxford

Freehold offices.
11,500 sq ft.
Let to the BBC

BBC

Oxford

Freehold High Street property.
Let to Hotel Chocolat

HOTEL Chocolat.

Southampton

Freehold warehouse.
25,250 sq ft.
Let to Metabo (UK) Ltd

metabo

St Austell

Freehold warehouse/industrial.
250,000 sq ft.
Let to Wyndham Roche Ltd

wyndeham roche

Wisbech

Freehold retail warehouse park.
55,650 sq ft. Let to PC World, Halfords, Dunelm, Pets at Home and Carpetright

Currys PC World | halfords | pets at home | Dunelm mill | Carpetright

Our marketplace

The marketplace

Macroeconomic landscape

Following the 2016 vote to leave the EU there was a great deal of uncertainty, but 2017 has seen a positive bounce back in the real estate investment market throughout the UK. The UK economy surprised most commentators, with unemployment falling to the lowest level since 1975, consumer spending robust, and occupier take-up healthy. The weakening of the pound made investing in UK property very attractive to foreign investors, who were drawn largely to London and the South-East. Overall transaction volumes were up 15% on 2016 levels. Despite political and economic concerns, the UK continues to attract a large inflow of funds from foreign investors not only due to the value of the pound, but also because of the stability of the property market, the strength of our legal system and the UK demographics. Looking forward, potential factors including Brexit, the ongoing effect of the changes in the business rate regime in 2017, rising base rates and political uncertainty, may have a negative effect on occupational activity, investment demand and property returns. Since the UK and EU reached agreement on phase one of the Brexit process at the end of 2017, the pound has rallied significantly. On the other hand, a growth in lending, the shortage of supply for regional commercial property, new capital sources, greater clarity over Chinese capital flows, and the predicted global economic recovery should have a positive effect on the marketplace.

Retail market

Whilst 2017 was a volatile year for the UK economy and for the retail sector, Q4 2017 was more positive than had been anticipated. High inflation was the most significant driver of this sector in 2017. CPI dropped slightly to 3.0% in December but remains above the government's target rate. It is expected that this period of relatively high inflation will last throughout 2018. Whilst consumer confidence fell at the end of 2017, occupier demand remains strong in prime regional high street locations in London and the South-East.

Industrial market

Occupier take-up totalled 26.6 million square feet in 2017 and the occupational market has benefitted from a structural shift towards e-commerce. Healthy global growth and sterling weakness also drove export growth in 2017.

The investment market

The retail sector represents circa 35% of investible UK property; however, it accounted for less than 15% of the trading activity in 2017. It is expected that liquidity will start to rise in 2018. This class of asset is evolving towards an income stock fitting the need for income returns.

It is anticipated that good quality secondary towns will become more attractive given that the yield differential to prime locations and, in particular, secondary retail warehouse yields have sharpened. Local authorities are still expected to remain as active buyers in this sector although it is possible that they may face tighter regulations on borrowing.

Currently, just 6% of UK industrial stock is in foreign ownership (less than any of the other major property types), but this is changing. Overseas investment accounted for almost 50% of activity in the 12 months to September 2017, focused on distribution warehouses. This activity has resulted in falling industrial yields.

Market aware – What this means for Highcroft

The directors constantly monitor the market and liaise closely with all of their advisers in order to be fully apprised of market trends and fluctuations. We take into account the macroeconomic landscape and ensure that we position and grow our portfolio in areas where the positive factors will have greatest effect, and the potentially negative factors will have the lowest impact. This is important in order to maintain the property valuations and income stream and to assess when is the right time to either sell a certain property, due to a possible future decline in value, or to buy a new investment which has good income and growth prospects.

Opportunity driven – Our response to these trends

It is not the aim of the directors to follow market trends slavishly, but instead to consider what is best for Highcroft's shareholders on a long-term basis. Our small but efficient team, coupled with our medium gearing and availability of additional debt facilities, has the ability to react swiftly to any opportunity, enabling us to take advantage ahead of our competitors. Over the course of a year we review many potential transactions. Our reviews include factors such as location, covenant, quality of asset, development opportunities and price, and our selection process enables us to choose the right opportunities that will maximise shareholder value. With our experienced team we are able to look at opportunistic deals rather than be directed by an analyst or research team and we have the ability to source, execute and manage these in a competitive market.

Our business model

Our business model and structure

Our method of value generation is simple: we aim to maximise our return for shareholders, primarily via an increase in dividend. We endeavour to operate a countercyclical 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 in order to select the best opportunities within our chosen market segments, redevelop and refurbish in order to increase the value of the property, thus allowing us to secure higher rental incomes. We let our properties out on long leases, guaranteeing consistent income for our shareholders.

Our key resources and competitive advantage

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 medium level of gearing for a company 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 page 4, they are mainly large commercial companies requiring property on long-term leases.

Our inputs

Experienced people

Financial strength and medium gearing

High quality property assets

✓ Opportunity driven

What we do

We invest predominantly in commercial property within southern England and Wales, areas we believe offer the most opportunity

✓ Market aware

Asset management

We sell underperforming assets when the market is in a period of growth, maximising returns, and reinvest the proceeds, ensuring that our portfolio is as profitable as possible in the changing marketplace

✓ Shareholder focused

Our key activities

We increase shareholder value through strong revenue streams and capital appreciation

Capital appreciation

We increase the value of our assets through:

Acquisition

Disposal and reinvestment

Development

Refurbishment

Strong revenue streams

We sustain income through:

Letting our properties to commercial tenants on long leases

Managing our properties ensuring we continually meet the needs of our tenants

The value we generate

Shareholders

Strong returns on investment, growing revenue streams, growing dividend payments and capital appreciation

Tenants

Appropriate space for their operations, offered on long leases

Society

We provide large employers with the vital space for their operations, thus bringing employment and economic prosperity to the communities where our properties are situated

Our strategy

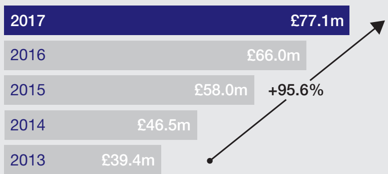
The objective of the group is to generate secure and sustainable income growth to drive an increasing dividend which, when coupled with capital value growth, will deliver strong total shareholder returns. We set clear strategic priorities against which we measure our performance.

Strategic priority	How this priority will help us achieve our objective	Progress in 2017	Future opportunities
A Continue to grow our commercial property portfolio with a bias towards the south of England and Wales.	The directors regard commercial assets in these geographical areas as being best placed to outperform the market in any cycle. These locations are also considered relatively low risk and fit our risk profile.	Our new acquisitions in Nottingham and St Austell and disposal of our Staines assets have resulted in a larger portfolio which retains the preferred geographical bias. Our geographical coverage has spread in order to ensure that adequate yields are maintained.	As asset sourcing is likely to remain challenging, the geographical spread may need to be expanded to ensure that adequate yields are maintained without increasing the inherent risk to an unacceptable level.
B Increase the average lot size.	As many costs are directly related to the number of assets rather than their size, increasing the average lot size should reduce average property costs, thus increasing the net property income available for distribution.	Average lot size increased from £3.3m to £3.6m.	Future growth will come from revaluation gains, new assets being bought that are larger lots than our average and also from the disposal of smaller underperforming units.
C Continue to reduce our residential property holdings.	A focus on commercial property will improve net property income. Residential properties of the size that we owned were disproportionately cost and management intensive and there was limited potential for future growth.	There was a leasehold enfranchisement process in progress on our remaining residential asset. The tenants' appeals failed at the end of 2017.	It is intended that the property will be put into auction during 2018.
D Continue to reduce the proportion of our assets held in equities and reinvest in commercial property.	Progress towards becoming a pure REIT will ensure management focus and yield enhancement, thus increasing the net property income available for distribution.	£0.5m realised from equities during 2017.	£0.5m of cash released from the equity portfolio in January 2018 and current valuation of remaining portfolio is £1.5m.
E Pursue capital growth opportunities within our property asset base.	Identifying growth opportunities will enable either enhanced sales prices to be achieved or improve the yield from our properties.	Detailed planning application submitted for three A3 units at our Wisbech property. This was granted after the year end.	Options are being considered for additional asset management opportunities.
F Use medium-term gearing at a modest level.	The use of keenly priced debt to expand our property portfolio should increase our net property income.	£10.1m of acquisitions funded by a combination of £4.5m of new debt, £0.5m from equity disposals, £2.3m from property disposals, and existing cash resources.	We have negotiated headroom with one lender of £5.6m and would consider additional gearing to fund further acquisitions.
G Provide a dividend increase in excess of inflation.	Maintenance of a property income distribution stream that is increasing in real terms is our highest priority for enhancing shareholder value.	Increase in property income distribution payable of 12.8%.	As a REIT we are required to distribute 90% of our net property income.

Our Key Performance Indicators (KPIs)

Increase value of property assets

£77.113m ↑16.8%



Link to strategic priorities:

A D E

Why this is a measure

The value of our property portfolio and its movement on a like-for-like basis versus the market give a good measure of the performance, and composition, of our assets on a capital basis in the year.

Commentary on performance

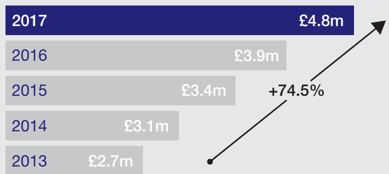
The valuation of our property assets has increased by 16.8% and 4.9% on a like-for-like basis in line with the market. For more details see page 17.

Looking forward

We consider that the sector and geographical spread of our property assets together with their lease lengths and covenant strength result in a portfolio that should perform well.

Increase gross property income

£4.765m ↑22.0%



Link to strategic priorities:

A B C D E F G

Why this is a measure

As a REIT we are required to distribute 90% of our relevant property profits. Increasing gross property income contributes towards an increase in our dividend.

Commentary on performance

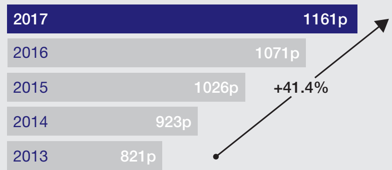
During the year there has been a 22.0% increase in gross property income and a 75% increase over the last five years. For more details see pages 15 to 16.

Looking forward

Gross property income may increase in 2017 through a combination of investment of surplus cash, limited additional gearing, lease events on existing assets and the effect of a full year's income on 2017 acquisitions.

Increase net asset value per share

1161p ↑8.4%



Link to strategic priorities:

A

Why this is a measure

Net asset value per share gives a simple, clear measure of the overall group performance taking into account asset performance, the result for the year and dividends to shareholders. It is a measure of increase in shareholder value.

Commentary on performance

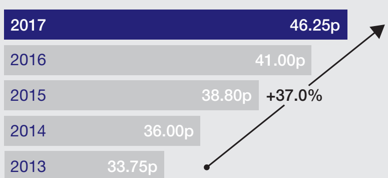
The net asset value per share has increased by 8.4% in the year which, given the overall performance of the property market, is a pleasing result.

Looking forward

Uncertainties arising from the ongoing Brexit process and foreign currency fluctuations attracting foreign investors into our market will create challenges for us in 2018. However, our asset base is strong and we are well placed to continue to outperform the market.

Increase dividends payable to shareholders

46.25p ↑12.8%



Link to strategic priorities:

G

Why this is a measure

This KPI is directly linked to one of our key strategic priorities of enhancing shareholder value by increasing dividends payable.

Commentary on performance

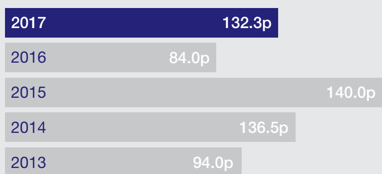
The increase of 12.8% in the year is significantly in excess of inflation.

Looking forward

It is hoped that in the future dividend increases will remain in excess of inflation.

Total earnings per share

132.3p ↑57.5%



Link to strategic priorities:

E G

Why this is a measure

Total earnings per share reflects the total performance in the year of the group, including both income and capital results.

Commentary on performance

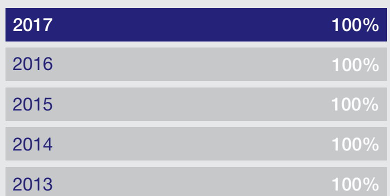
Our performance was underpinned by a growing revenue performance and a pleasing year of capital growth.

Looking forward

We are hopeful that the strength of our portfolio will enable us to perform well in an uncertain marketplace.

Occupancy levels

100%



Link to strategic priorities:

G

Why this is a measure

High occupancy levels enable us to maximise income, reduce costs and maximise shareholder value.

Commentary on performance

We continue to have 100% occupancy.

Looking forward

We shall endeavour to maintain this level, notwithstanding the forthcoming lease events in the portfolio.

Operating review

'We have continued with our strategy of purchasing well let high quality property investments. We have improved the quality of the portfolio, increased the weighting towards those sectors that are performing well and delivered an 8.4% increase in net asset value per share to 1161 pence.'

Simon Gill
Chief executive

Property income

We had a strong operational performance in the year. We maintained a 100% occupancy rate across the portfolio and completed one new lease and one rent review and these, together with the effect of our acquisitions and disposals, resulted in an increase in our contracted rent and our gross rental income.

	2017	2016	Change in year
Contracted rent as at year end	**£4,966,000**	£4,110,000	+21%
Occupancy	**100%**	100%	-

Investments

In line with our stated strategy we continue to:

- focus on our commercial property assets;
- sell our residential assets; and
- reduce our equity portfolio.

During the year the group realised £477,000 (2016 £1,174,000) of cash from equities and reinvested this, together with existing cash, a new bank loan of £4,500,000 and the proceeds of disposal of one commercial property, into two commercial property acquisitions. As a result of this activity the proportion of our assets held as equities reduced to 2.7% (2016 3.6%).

During the year we obtained planning permission at one of our retail parks for three A3 units and we are progressing our plans for the associated pre-lettings and development.

Our property valuation increased by 17% and our like-for-like valuation increased by 4.9% in line with the market. The industrial/ warehouse sector performed well generally as evidenced by an increase in excess of 12% on our Bedford property where there had been no asset management changes during the year. This was complemented by an 18% increase in the value of our Oxford office property and a 24% increase in the value of one of the High Street, Oxford retail units where there had been a rent review and a new lease agreed respectively.

Property disposals

In February 2017 we completed on the sale of our multi-let high street retail unit in Staines, where contracts had been exchanged in 2016. This property had been acquired in 2006 when town centre retail trading had not encountered the full effect of internet competition; the loss of two significant tenants led to them being replaced with less high profile occupiers on less attractive terms. The property was identified as having development potential and a detailed planning consent was obtained to build 9 residential units above the existing shops and offices. The sales price of £2,292,000 was 80% in excess of the December 2015 (pre planning permission) valuation. We continue to review our property portfolio for potential disposals. In December 2017, following the failure of the tenants leasehold enfranchisement appeal at our one remaining residential asset, we decided to dispose of this asset during 2018 and it has therefore been classified as a current asset.

Property acquisitions

The group purchased two property investments in the year. More details can be found below and on page 13.

In March we acquired a warehouse unit in Nottingham let to Giant Booker Limited on a lease expiring in February 2030. The current rent of £341,046 pa is subject to five yearly reviews to fixed uplifts which will see the rent increase to £436,568 pa in 2025. The purchase price was £5,280,000 (net of costs) to provide a net yield of 6.1%.

In June we acquired a large warehouse unit near St Austell, Cornwall, let to Wyndeham Roche Ltd with a lease expiring in April 2021. The rent is £500,000 pa. This property was acquired for £4,200,000 (net of costs) to produce a net yield of 11.2%.

These two acquisitions continued our strategy of increasing and improving the quality of our commercial property portfolio whilst reducing our equity and residential property portfolios.

Sector balance and outlook

During the past four years we have gradually reshaped the portfolio to minimise our risk to the weaker sectors of the property market. This has led to the sale of some of our high street retail assets at a time when private investor demand for smaller property investments has been strong, producing good results; the proceeds of these sales have been reinvested into larger properties in stronger sectors. We still have a commitment to sell our remaining residential property in order that our portfolio will consist of only commercial investments.

Case studies - recent acquisitions

Wyndeham Complex, St Austell

Occupied by: Wyndeham Roche Ltd

Reason for acquisition

In June we acquired the freehold interest in the Wyndeham Complex, St Austell, which comprises two industrial units totalling approximately 250,000 sq ft let on a single lease to Wyndeham Roche Limited until April 2021. The property was acquired because of the modest rent being paid (£2.00 per sq ft) and the attractive yield the purchase price offered, 11.2% net of costs.

The property is capable of division, if required in the future, and there is vacant land between the two units which could provide a development site for the future.

How this links to our strategy

The acquisition is part of our strategy of providing enhanced returns to our shareholders and increasing the average lot size of our properties. The low rent provides an opportunity for growth in the future and units of this size are relatively few in this area of the UK.

Purchased: June 2017

- Current tenant: Wyndeham Roche Ltd
- Rental income: £500,000 pa
- Cost: £4,479,000 (£4,200,000 net of costs)
- Net initial yield: 11.2%
- December 2017 valuation: £4,700,000

Completion of the purchase was achieved, bank finance arranged and environmental and structural surveys undertaken, within four weeks of solicitors being instructed – once again showing our ability to respond when the right opportunity arises. The attractive, high yield will help to provide increased returns to our shareholders.

The Midway, Nottingham

Occupied by: Giant Booker Limited

Reason for acquisition

In March we acquired the freehold interest in an industrial unit in The Midway, Lenton Lane Industrial Estate, Nottingham, let to Giant Booker Ltd on a lease expiring in February 2030. The property was acquired because of the long lease to a good covenant; the rent is £341,046 pa and there are fixed uplifts in 2020 and 2025 to £385,862 pa and £436,568 pa respectively. The yield on acquisition was 6.1% which, based upon the fixed increases, will rise to 6.9% in 2020 and 7.8% in 2025.

How this links to our strategy

This acquisition continued our policy of buying properties which provide long-term, secure income at attractive yields. This is a regional outlet for Giant Booker Ltd and the only one in Nottingham.

Purchased: March 2017

- Current tenant: Giant Booker Limited
- Rental income: £341,046 pa with fixed increases in 2020 and 2025
- Cost: £5,602,000 (£5,280,000 net of costs)
- Net initial yield: 6.1%
- Reversionary yield: 2020 6.9%, 2025 7.8%
- December valuation: £5,575,000

This acquisition was completed in 3.5 days from solicitors being instructed, which is our quickest ever transaction, and shows our ability to perform swiftly when the need arises, especially in such a competitive market where there is a scarcity of the right stock of properties.

Strategic Report

Operating review continued

The property portfolio is split, by valuation, as follows:

	2017 %	2016 %	2015 %	2014 %	2013 %
Retail	**13**	18	20	23	29
Warehouse	**40**	29	34	38	33
Retail warehouse	**34**	39	33	20	15
Office	**9**	10	12	14	17
Leisure	**3**	3	-	2	2
Residential	**1**	1	1	3	4
Total	**100**	100	100	100	100

40% of our portfolio (by valuation) is in warehousing and 34% in retail warehousing and we continue to look for more opportunistic situations, as our recent acquisition in Cornwall displays. We consider that the portfolio has been reconfigured to provide the best shareholder returns for the future. We will, however, also look at other sectors of the property market, where we do not currently have any investment, but which may afford us opportunities to increase our returns and spread our risk.

Simon Gill
Chief executive

Case study - recent disposal

111 High Street, Staines, Middlesex

Occupied by: Princess Alice Hospice, Pampurred Pets, First Call Contract Services Ltd

Reason for disposal

This was a multi-let retail property occupying a secondary location at the end of the trading pitch in Staines. The profile of the tenants was significantly different from when the property was originally acquired in 2006; of the four leases, two had break options in 2018, one was due to expire in 2019 and the fourth was holding over from September 2015. This end of the High Street had many empty shop units due to development proposals which were taking a long time to come to fruition and, in our opinion, the retail pitch was deteriorating.

In order to create value from this deteriorating position we obtained detailed planning consent, in June 2016, to build nine residential units above the existing shops and offices. We then considered this to be the optimum time for a disposal.

How this links to our strategy

- We constantly assess the properties within our portfolio with the purpose of selling the weaker properties and reinvesting the proceeds into investments which are likely to show better performance. The sale of our Staines property was part of the strategy of reducing our exposure to the high street where there are limited growth opportunities.
- 2006 cost: £2,991,533
- December 2016 valuation: £2,292,000
- Tenants: Princess Alice Hospice (2 units), Pampurred Pets, First Call Contract Services Ltd
- Rental income: £119,150 pa (excluding holding over income)
- Sale price: £2,292,000
- Net yield: 4.91%

This disposal in February 2017 was 52.8% in excess of the June 2016 valuation and 80% in excess of the December 2015 valuation. The proceeds were swiftly reinvested into our Nottingham purchase.

Financial review

> 'Our focus on our core strategic objectives has delivered further strong growth for our shareholders with our gross and net rental income being at an all time high.'

Roberta Miles
Finance director

Strategic Report

Overview

	2017	2016	Change in year
Profitability			
Net rental income	**£4,506,000**	£3,708,000	+21.5%
Adjusted earnings per share	**64.8p**	56.3p	+15.1%
IFRS profit for the year	**£6,835,000**	£4,343,000	+57.4%
Net admin expenses to gross rent	**13.9%**	16.7%	-280bps
Investment returns			
Net asset value per share	**1161p**	1071p	+8.4%
Dividend per share	**46.25p**	41.0p	12.8%
Return on equity	**11.9%**	8.0%	+390bps
Financing			
Net debt	**£17,496,000**	£11,531,000	+£5,965,000
Gearing (net debt to net assets)	**29%**	21%	+800bps
Average cost of debt	**3.64%**	3.83%	-19bps

The group has continued to perform strongly during the year; gross rental income increased by 22.0% to £4,765,000 and net rental income by 21.5% to £4,506,000. This has arisen from rental growth, net acquisitions in the year and recognising a full year of income from our two acquisitions completed in August 2016. Whilst our administrative and finance costs also increased in the year, our underlying revenue profit (excluding realised and revaluation gains) has increased by 15% and has supported an increase in our dividend of 12.8%.

Net assets have increased by 8.4% to £59,977,000 and we have a modest net gearing level of 29%. The average cost of debt is 3.64%. Our investment properties increased in value by £3,288,000 (4.9% on a like-for-like basis) and our equity investments also showed a gain in value of £121,000 during the year.

We are proposing a final dividend this year of 30.0p per share, giving a total dividend for 2017 of 46.25p per share, an increase of 12.8%. Since 2009 (our first full accounting year as a REIT) our dividends have risen by a total of 78% – a compound annual increase of 7.5%. In the same period our net assets per share have increased by 74% from 666p to 1161p per share.

Income

Total income has increased by 20%.

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Commercial property income	**4,749**	3,886	3,402	3,044	2,691
Residential property income	**16**	20	33	35	40
Gross income from property	**4,765**	3,906	3,435	3,079	2,731
Income from equity investments	**92**	144	182	437	234
Total income	**4,857**	4,050	3,617	3,516	2,965

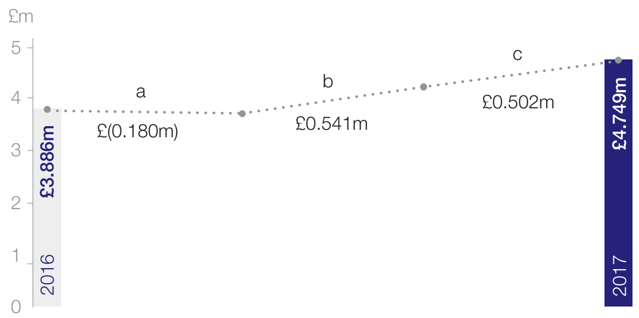
The income from equity investments has reduced in line with the reduction in our equity portfolio.

Financial review continued

The annual growth in property income can be summarised as:

	2017 %	2016 %	2015 %	2014 %	2013 %
Increase in gross income from property	**22**	14	12	13	16

Growth in commercial property income



a 2017 disposals
b 2017 acquisitions
c Like-for-like increase on assets held at 31 December 2016

Administration and other expenses

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Directors' remuneration	**492**	451	378	306	188
Auditor's remuneration including other services	**31**	58	37	34	22
Other expenses	**140**	142	118	92	135
Administration expenses	**663**	651	533	432	345
Net finance expense	**651**	495	358	170	54
Total expenses	**1,314**	1,146	891	602	399

In 2014 the group introduced a performance related element to directors' pay and this, together with rises in base salaries, reflecting the increased demands of the business, has increased directors' remuneration. These changes are described in more detail in the directors' remuneration report. Finance costs increased as the group took a further £4,500,000 of medium-term borrowing in June 2017 to help fund the St Austell acquisition, and from the effect of a full year's cost of the £3,400,000 debt raised in August 2016 being included. Auditor's remuneration including other services has fallen as our new auditor, Mazars LLP, does not, unlike our previous auditor, perform any taxation services for the group. Other expenses including audit and related services have reduced due to a lower level of professional fees incurred in the year.

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

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Profit before tax on revenue activities	**3,287**	2,840	2,815	3,693	2,830
Income tax credit	**61**	72	56	65	91
Profit for the year on revenue activities	**3,348**	2,912	2,871	3,758	2,921

The increase in the revenue profit for the year in 2017 was influenced by an increase in net rental income of £798,000 and offset by a decrease in net realised gains on investment property of £133,000, a decrease in dividend revenue of £52,000, and increases in administration expenses of £12,000 and finance expenses of £154,000.

Assets

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Commercial property*	**76,315**	65,413	57,505	45,215	37,935
Residential property	**798**	584	459	1,308	1,480
Equities	**2,131**	2,469	3,155	4,532	5,227
Total investments*	**79,244**	68,466	61,119	51,055	44,642

* Including assets held for sale classified as current asset investments.

Our investments increased due to a combination of acquisitions, net of disposals, and revaluation gains.

Summary of property investment activities

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Additions at cost	**10,086**	9,896	8,590	6,084	8,488
Net proceeds from disposals	**(2,259)**	(2,972)	(2,332)	(3,548)	(2,340)
Net investment in property portfolio	**7,827**	6,924	6,258	2,536	6,148

Realised and unrealised property gains

Our valuations are undertaken by Knight Frank LLP as reported in note 8 to the consolidated accounts. The capital performance of our property portfolio can be summarised as follows:

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Realised gains on investment property	**1**	134	418	941	415
Realised losses on investment property	**-**	-	-	(4)	-
	1	134	418	937	415
Revaluation gains on investment property	**3,365**	2,509	4,840	3,785	1,833
Revaluation losses on investment property	**(77)**	(1,536)	(75)	(150)	(590)
	3,288	973	4,765	3,635	1,243

The realised gains arose from the disposal of our Staines property in February 2017. Overall our property portfolio increased in value during the year by £3,288,000 which represents 4.9% on a like-for-like basis. Two of our most significant revaluation gains related to our office property in Oxford where a rent review was successfully concluded, and one of our retail shops in Oxford where a new lease was successfully finalised with the existing undertenant with no void, no incentive and an increased rent. There were two minor revaluation losses in the year, one relating to one of our acquisitions where the revaluation has not exceeded the purchase price including costs and the other to a shortening lease at our Cardiff property.

Equity investments

In 2017, in line with our strategy to sell down the portfolio and reinvest in commercial property, we released £477,000 of cash from our equity portfolio at the beginning of the year and invested this into our Nottingham asset. Our portfolio is now spread across 13 holdings of which 46% are in overseas stocks.

Additional information regarding performance is in note 8 to the consolidated financial statements.

Financing and cashflow

Net cash generated from operations was £659,000 higher at £3,568,000 It is the directors' intention to reinvest surplus cash into the commercial property portfolio when suitable opportunities arise.

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Opening cash	**3,369**	4,852	2,039	3,128	3,274
Net cash from operating activities	**3,568**	2,909	2,523	2,910	2,414
Investment acquisitions - property	**(10,086)**	(9,896)	(8,590)	(6,084)	(8,488)
Investment acquisitions - equities	**-**	(3)	(7)	(649)	(125)
Investment disposals - property	**2,259**	2,972	2,332	3,548	2,340
Investment disposals - equities	**477**	1,176	969	969	1,382
Dividend paid	**(2,183)**	(2,041)	(1,914)	(1,783)	(1,669)
Medium-term loan	**4,500**	3,400	7,500	-	4,000
Closing cash	**1,904**	3,369	4,852	2,039	3,128

Strategic Report

Financial review continued

Analysis of borrowing

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Handelsbanken term loan 2027	**4,500**	-	-	-	-
Handelsbanken term loan 2026	**3,400**	3,400	-	-	-
Handelsbanken term loan 2022	**7,500**	7,500	7,500	-	-
Handelsbanken term loans 2020	**4,000**	4,000	4,000	4,000	4,000
Total debt	**19,400**	14,900	11,500	4,000	4,000
Cash	**(1,904)**	(3,369)	(4,852)	(2,039)	(3,128)
Net debt	**17,496**	11,531	6,648	1,961	872
Net assets	**59,977**	55,325	53,023	47,702	42,428
Gearing (net of cash)	**29%**	21%	13%	4%	2%

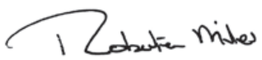
Our average cost of total debt was 3.64% (2016 3.83%)

Outlook

The investment and occupational commercial property markets remain cautious in the current macro-economic climate. However 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 east of England and Wales 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 and long term.

Approved by the board and signed on its behalf.



Roberta Miles
Finance director
22 March 2018

Our risks

Risk management

The board recognises that risk management is essential for the achievement of the group's strategic objectives and the board is responsible for the system of internal control and the review of its effectiveness. Whilst risk is an inherent part of our business model our general appetite for risk is low.

Our approach to risk management is to identify both the financial and non-financial risks that may prevent the attainment of our strategic objectives, our future performance, solvency or liquidity. We then 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.

The audit committee has been delegated responsibility from the board for the assurance of the risk management process. The executive board is responsible for the day-to-day management of risks, which includes the ongoing identification, assessment and mitigation of risks. They are also responsible for the design, implementation and evaluation of the system of internal controls and for ensuring its operational effectiveness. At the point that 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 on at least a monthly basis. The small size of the management team and regular consideration of risk areas mean we are able to respond quickly to changes in the risk environment.

Brexit

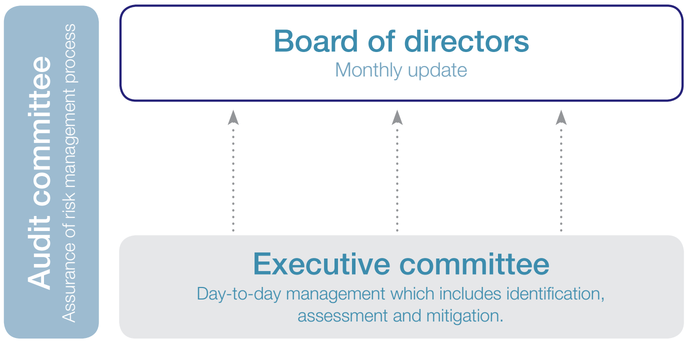
There is continued uncertainty surrounding the potential impact of Brexit and this, coupled with exchange rate fluctuations and the inflow of foreign funds, has created a more competitive marketplace. Our ability to react with our advisers, process the required due diligence, approvals and finance quickly set us apart from other potential bidders in our acquisition of the Nottingham property. We have not, to date, seen any material impact on our tenants arising from the Brexit process, however there is an ongoing risk that investor and occupier demand could be negatively impacted whilst the Brexit terms are negotiated. We anticipate that the strengths of our portfolio – in terms of location, lease lengths, covenants, and sector spread will minimise the impact of this risk.

Going concern

At 31 December 2017 the group had fixed-term non-amortising borrowing of £19,400,000 that expires in the period 2020-2027, and has additional headroom available of £5,600,000. Additionally, the group has an overdraft facility of £750,000 and has a relatively low level of gearing of 29%. The group has a secure property income stream from a number of occupiers with no undue reliance on any one tenant.

The group carefully monitors its forecast cashflows and it had £2,122,000 of relatively liquid assets, in the form of listed equity investments, which it can draw on if necessary.

The directors have reviewed the current and projected position of the group and its compliance with debt covenants. They have concluded that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, and that there are no material uncertainties that lead to significant doubt upon the group's ability to continue as a going concern. On the basis of this review, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.



Viability statement

In accordance with C.2.2 of the 2014 revision of the UK Corporate Governance Code, the directors have assessed the viability of the group over a longer period than the 12 months required by the 'going concern' provision. The board conducted this review for a period of three years to coincide with its detailed review of the group's financial budgets and forecasts. The period is consistent with the periods until the next lease event on many of our properties, and expires just after the expiry of our first two loans which represent 21% of our total debt.

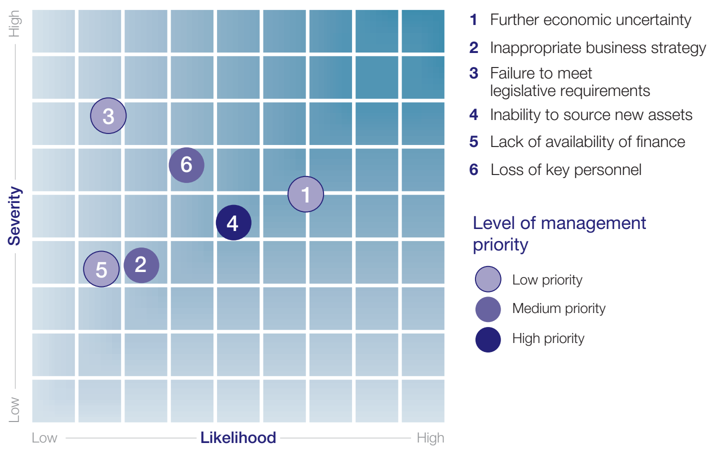
The board considered the group's cashflows including the required cashflows to meet the dividend requirement of the REIT regime, REIT compliance, income profile, loan to value and other key financial metrics. The board has also considered the level of equity and property capital transactions that are likely to occur.

The board also conducted a sensitivity analysis taking into account the potential impacts of the group's principal risks, as set out on page 20, actually occurring.

Based on the results of the analysis the directors have a reasonable expectation that the group will be able to continue in operation, and meet its liabilities as they fall due over the three year period of their assessment.

Risk heat map

The diagram below illustrates the relative positioning of our risks in terms of impact and likelihood, and the level of management focus on each.



Our risks continued

We have reviewed the risks in the year. The table below summarises the key risks that face the business, their potential impact, the details of how we manage and mitigate the risk and a commentary on how we have performed.

	Risk	Impact of risk	How we manage/mitigate the risk
1	**Further economic uncertainty** *Link to strategic objectives:* A B G	The economy falters or enters a period of uncertainty. **Impact**: Poorer than expected revenue and capital performance.	External factors such as macroeconomic conditions and political risks, including Brexit, are outside of the group's control. We regularly review, with our property advisers, key current and forecast data for the various sectors in which we operate. The group ensures that its investments are biased towards the south of England and Wales and in areas which are considered lower risk, and spreads its investment risk across a number of sectors (retail, office, retail warehouse, leisure and warehouse). We assess, with the aid of our advisers, the financial status and creditworthiness of existing and potential tenants particularly when a new lease is entered into, or a new property acquired. The group spreads its exposure by individual property and covenant so that the risks associated with the default of an individual tenant are minimized. Rent collections are regularly reviewed by our property managers and monitored by the executive directors.
2	**Inappropriate business strategy** *Link to strategic objectives:* A B C D G	The group has the wrong strategy for the current stage of the property cycle and the economic climate. **Impact**: Reduced group profitability and capital value.	Board meetings are held on a regular basis for planning and forecasting for the business. Forecasts are updated for changes in economic conditions and opportunities as they arise. The executive board is very closely involved in the day-to-day management of the business, and has regular contact with its team of advisers to ensure that it is fully briefed on market forecasts. The chief executive has extensive experience in the property sector.
3	**Failure to meet legislative requirements** *Link to strategic objectives:* G	The group fails to meet its REIT requirements. **Impact**: Potential expulsion from the REIT regime, higher costs for the group and reduced dividends for shareholders.	The board monitors compliance with REIT criteria, including the distribution requirement, monthly. We have further reduced the equity portfolio to improve our income and asset ratios. Our gearing and cost of finance are at a level where the interest cover test is not an issue.
4	**Inability to source new assets** *Link to strategic objectives:* A B D G	The group is unable to source new property with suitable fundamentals. **Impact**: Reduced profitability, growth and return to shareholders as our liquid assets and potential debt facilities are not fully invested.	The board has an extensive network of contacts in the property industry and is able to identify both on and off-market opportunities at an early stage. The board is open to alternative acquisition methods such as corporate acquisition or development opportunities.
5	**Lack of availability of finance** *Link to strategic objectives:* F G	The group is unable to fund investment opportunities at an appropriate cost. **Impact**: Growth of group curtailed and increased cost of funding.	The board aims to only assume a moderate level of gearing thus 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.
6	**Key personnel** *Link to strategic objectives:* A B C D E F G	The group is unable to retain and attract high calibre directors. **Impact**: Negative impact on the group's performance as the team lack the skills necessary to deliver business objectives.	Remuneration packages are reviewed annually to ensure that the group can retain, motivate and incentivise key staff. There is an appropriate mix of in-house resource and outsourcing. Succession planning and the composition of the board are regularly reviewed by the nomination committee.

Strategic key

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

- A Continue to grow our commercial property portfolio with a bias towards the south of England and Wales
- B Increase the average lot size
- C Continue to reduce our residential property holdings
- D Continue to reduce the proportion of our assets held in equities and reinvest in commercial property
- E Pursue capital growth opportunities within our property asset base
- F Use medium-term gearing at a modest level
- G Provide a dividend increase in excess of inflation

Commentary	Movement in risk exposure
Our property assets have performed well in the period. During 2017 bad debts were nil and we had no voids. Our rent collections were good and arrears are low. The group has 29 commercial tenants and our five largest tenants by current passing rent provide 36% (2016 36%) of current income. During 2017 our market capitalisation reduced further due to heightened uncertainty in certain sectors of the equity market. This situation has, however, reversed since the year-end.	↑ Real estate values are at risk during the process of exit from the EU.
The group has continued to review its portfolios and considered opportunities to sell assets that appear to have little opportunity for rental or capital growth, and to acquire assets that fit our acquisition criteria.	→
Equity investments are a smaller percentage of our total assets. Other ratios are well within acceptable limits and do not give a cause for concern.	→
Our ability to react swiftly to opportunities meant that we were able to source new investment property in 2017. The market, however, remains tough and the availability of suitable assets is low.	↑ The process of Brexit and the associated currency market movements have encouraged overseas investors into the market resulting in increased competition.
Our level of debt increased in 2017 to £19.4m (2016 £14.9m). We have headroom with one lender of £5.6m and a number of lenders have expressed interest in lending to the group. Net gearing is 29%.	→
There were no executive board changes during the year. The remuneration committee has carefully considered the performance related element of remuneration. The board was able to attract a high calibre long-list of potential candidates for the position of chairman which became vacant during the year.	→

Corporate social responsibility

Our culture

We strive to conduct our business in an ethical and responsible manner making a positive contribution to society whilst minimising any negative impacts on people and the environment.

Our stakeholders

Fairness and equality. We value the contributions made by all of our employees and our advisory team. We aim to select, recruit and develop the best employees and advisers and create an environment where everyone is treated with dignity and respect and where individual differences are valued. We achieve this by ensuring that there are equal opportunities in recruitment and selection processes, paying fair and competitive salaries and fees, and being opposed to any form of discrimination for any reason.

Employee alignment. We align our executive management team with our shareholders via the performance related element of their remuneration. A performance share plan has not been introduced because David Kingerlee, a member of the management team, would be unable to participate due to the Kingerlee Concert Party restrictions.

Diversity. We believe that a diverse team is an important factor in maximising business effectiveness. We aim to maintain the right blend of skills, experience and knowledge in the board and its advisory teams.

At 31 December 2017, and throughout the year, the average composition of the group's employees was as follows:

	Male	Female
Directors	4	1
Other staff	-	1
Total	4	2

The environment

We recognise that natural resources are finite and should be used responsibly. We seek to understand the environmental performance of our portfolio and to implement improvement policies where possible. In particular:

- we commission an independent environmental report for all acquisitions. This includes a review of the historic and current site usage and any contamination present;
- during refurbishment projects we ensure that materials are chosen that will not damage either health or the environment. We also ensure that any hazardous materials found to be present are removed safely and in accordance with legislation;
- all sites are visited at least annually by our asset managers and any environmental issues identified are reported to the chief executive immediately and recorded in the managers' quarterly management report;
- all new leases require occupiers to observe relevant environmental regulations;
- all our property maintenance suppliers have SafeContractor accreditation. The vetting, tendering, appointment and management of these suppliers follows the principles of our asset manager's purchasing policy;
- our asset managers recognise the requirement for, and actively encourage, sustainable working practices to minimise environmental impacts both in respect of their own business activities and when managing clients' properties; and
- are committed to operating to an environmental policy and environmental management system that satisfies the requirements of BS EN ISO 14001: 2004 accreditation and as part of which they measure and set targets for improvement.

Communities we serve

The board consider the impact on the local communities, including neighbouring tenants, when development and refurbishment activity take place. A project manager is used to oversee the work and only approved suppliers are used. Care is taken to ensure that health and safety is taken into account at all stages of the work.

The board also considers the potential impact on the local community and on existing tenants when planning permissions are applied for, and would listen to any legitimate concerns raised.

Charity

During 2017 donations were made to local and national charities totalling £6,000. These charities support the sick, the terminally ill and the disadvantaged. An example of our support is one local hospice where we have donated £7,000 in total over the last 6 years which has enabled them to fund improved equipment for administering pain relief and also replacement bed hoists.

This strategic report on pages 8 to 22 was approved by the board and signed on its behalf.

Simon Gill
Chief executive

Chairman's introduction to corporate governance

'All members of the board support the principles of good corporate governance.'

Simon Costa
Senior independent director, and acting chairman
20 September 2017 to 2 January 2018

Dear shareholder

Welcome to the corporate governance section of the group's annual report. Whilst Highcroft is a relatively small premium listed group, good corporate governance remains one of our core values and we strive to follow the appropriate guidance and rules. We believe that good corporate governance helps to ensure proper oversight by the board and that we are taking the most appropriate actions in order to achieve our strategic onjectives.

We have clear approval procedures and protocols in place, and all our property and equity capital transactions are approved in accordance with these policies. The board carries out a regular review of these protocols.

Our strategy is set out on page 10. All the board support this strategy and ensure that any matters that it approves are in line with this strategy.

The board recognises the importance of staying up to date with the ever-evolving corporate governance framework within which we operate, and in adopting the spirit of all the recommendations.

The board complies with the provisions of the UK Corporate Governance Code other than the fact that it does not have two independent non-executive directors in addition to the independent non-executive chairman. Whilst the board is always mindful of the Code, it has decided that the cost of compliance with this provision would outweigh any benefits given the small size and lack of complexity of the group. This position was further exacerbated during the period after the chairman, John Hewitt, resigned for unforseen personal reasons on 20 September 2017 until a new chairman was appointed on 2 January 2018. I was appointed as acting non-executive chairman for this period. As part of the new chairman, Charles Butler's, induction in January 2018, all key decisions taken in the above period were reviewed and ratified.

Audit committee meetings are attended, by invitation, by the finance director and other executives may be invited to attend from time to time. The committee regularly meets the external auditor without management being present.

We recognise the importance of shareholder communication and its place within a sound governance framework. During the year we have had regular contact with our key shareholders. The Kingerlee Concert Party falls within the definition of a controlling shareholder as it owns in excess of 30% of the share capital of the company and there is a Controlling Shareholder Agreement in place as required by the Listing Rules. We look forward to welcoming many of our shareholders to our annual general meeting (AGM) on 17 May 2018.

This governance report on pages 23 to 36 highlights our compliance with the UK Corporate Governance Code during the year and explains governance structure. All members of the board support the principles of good corporate governance and believe that we comply with the provisions of the UK Corporate Governance Code as is appropriate.

John Hewitt resigned as chairman on 20 September 2017. The board had not had prior notice of this resignation and thus I assumed the role of acting chairman and the board immediately took steps to start the search and appointment process for a successor as chairman. An understanding of the importance of good corporate governance was a key attribute that we sought in every candidate.

Simon Costa
Senior independent director, and acting chairman
20 September 2017 to 2 January 2018

Board of directors

Highcroft has an experienced team of directors.

Simon Costa

Non-executive director and senior independent director (acting non-executive chairman 20 September 2017 - 2 January 2018)

Appointment to the board

Simon joined the board as senior independent director in May 2015.

Committee membership

Chairman of the remuneration and audit committees and member of the nomination committee. (nomination committee chairman 20 September 2017 - 2 January 2018).

Other appointments

Simon is currently senior bursar at a college of the University of Oxford. He is responsible for overseeing the management of their endowment, the management of the finance function and serves on several college committees.

Previous experience/ brings to the board

Simon was formerly an investment banker specialising in global M&A activities and then for nine years ran his own property company. He advised US and UK public and private corporations on finance, operations, and strategy, as well as owning a small property portfolio. Simon's particular breadth of experience provides the board with a greater range of market knowledge and skills, which are particularly relevant to a company with growth aspirations.

Charles Butler

Non-executive chairman

Appointment to the board

Charles joined the group as non-executive chairman on 2 January 2018.

Committee membership

Chairman of the nomination committee and a member of the audit and remuneration committees.

Other appointments

Charles is a non-executive director at Mysale Group PLC, a leading international online retailer, and of Avocet Systems Ltd, an online programmatic advertising company.

Previous experience/ brings to the board

Charles is a chartered accountant who until recently was the CEO of Market Tech Holdings where he transformed a small group of central London real estate assets into a profitable, listed company with £1.3bn of real estate assets. With a successful track record in running public companies, M&A, raising equity and debt for expansion, Charles is well positioned to help the company navigate its next phase of growth.

Roberta Miles

Finance director & company secretary

Appointment to the board

Roberta joined the group in April 2010 and was appointed to the board as finance director and company secretary in July 2010.

Committee membership

Executive committee.

Other appointments

Roberta acts as company secretary or chief financial officer for a number of companies. She is currently a director of both MCD Ventures Limited and Cyber Security Challenge UK Limited.

Previous experience/ brings to the board

Roberta qualified as a chartered accountant in 1988 and after leaving the profession in 1996 has maintained a portfolio of part-time, executive, board-level roles in a variety of businesses at various stages of their life cycle. Her acute attention to detail, financial acumen and business expertise are a valuable asset to the board and her lively and positive approach to all matters is something that all boardrooms should possess. The board benefits greatly from the experience of her varied executive roles.

Simon Gill

Chief executive

Appointment to the board

Simon joined the group as property director in April 2013 and assumed the role of chief executive in August 2013.

Committee membership

Simon chairs the executive committee.

Other appointments

Simon runs his own property investment and development business and is a director of Waingate Management Services Limited and Solar Estates Limited.

Previous experience/ brings to the board

Simon is a chartered surveyor who started his property career in one of the major London practices, subsequently becoming a partner in Allsop & Co, before setting up his own advisory practice in 1988. Later he took on the role of principal by setting up various joint ventures and becoming an asset manager to one of Close Brothers' private equity funds. Simon's long-term involvement and experience in the property market in his various positions mean that opportunities for the board are assessed on a quick and efficient basis so that the correct decisions are reached at an early stage.

David Kingerlee

Executive director

Appointment to the board

David joined the group as an executive director in September 1996.

Committee membership

Executive committee.

Other appointments

David is an executive director of each of the Kingerlee group of companies which trade in the construction and property development sectors. He is chairman of Kingerlee Limited and Kingerlee Holdings Limited.

Previous experience/ brings to the board

David's long-term involvement and knowledge of the company provides a solid bedrock to the management of the business. His technical skills and attention to detail are invaluable in the day-to-day running of the group and our internal IT systems. His other business activities provide the directors with practical solutions and opinion to any property issues.

John Hewitt

John was non-executive chairman and chairman of the nomination committee and a member of the audit and remuneration committees until he stepped down from the board for unforseen personal reasons on 20 September 2017. Our new non-executive chairman Charles Butler joined the board on 2 January 2018.

Corporate governance

Governance structure

The board

The board is responsible for leading and controlling the group's activities and, in particular:

- Approving objectives, strategy and policies
- Business planning
- Review of performance
- Risk assessment
- Dividends
- Appointment of board members and key advisers

The board has three sub-committees comprised of its non-executive directors and a management committee consisting of the executive directors. All directors receive an induction on joining the board and there is an annual review of skills and knowledge and any necessary training is identified and undertaken.

Chairman

The chairman is responsible for the leadership of the board and for ensuring its effectiveness. He sets the agenda for meetings and ensures that adequate, accurate, clear board information is circulated in a timely manner, that all matters are discussed properly and promotes a culture that encourages constructive open debate on all key issues. John Hewitt held this role until 20 September 2017. Simon Costa was appointed acting chairman from then until 2 January 2018 when Charles Butler took up his appointment as chairman.

Independent non-executive directors

The non-executive directors are deemed to be independent of management and any business or other relationship that could interfere with the exercise of their independent judgement. They help facilitate the strategic decision-making process and the monitoring of the performance of the executive management in achieving the agreed strategy and objectives. Drawing on their extensive experience and knowledge, they act as both a sounding board and as objective, constructive challengers to the executive board.

Senior independent director

The Code recommends that the board appoints one of the independent non-executive directors as senior independent director (SID). The SID is available to shareholders if they have concerns and also provides a sounding board for the chairman, reviews the performance of the chairman and serves as an intermediary for other directors when necessary. Simon Costa has held this role since his appointment in 2015.

Board committees

Executive committee

This committee is comprised of the executive directors and chaired by the chief executive. It is responsible for the implementation of strategy and policies and the day-to-day decision making and administration of the group.

Audit committee

This committee is comprised of the non-executive directors and is chaired by Simon Costa.

Remuneration committee

This committee is comprised of the non-executive directors and is chaired by Simon Costa.

Nomination committee

This committee is comprised of the non-executive directors and was chaired by John Hewitt until 20 September 2017. Simon Costa chaired this committee during the period 20 September 2017 to 2 January 2018.

The key roles and responsibilities of the audit, remuneration and nomination committees are set out in the reports on pages 27 to 33.

The terms of reference of these committees are available on the group's website.

Compliance with the UK Corporate Governance Code (the Code)

The company has applied the principles of good governance contained in the Code, a copy of which is available at www.frc.org.uk.

Corporate governance continued

Board effectiveness

The board meets at least six times per year and has a schedule of matters specifically reserved for its decision, including approval of: strategy, all capital transactions, issue of shares, documents to shareholders including annual report and accounts, stock exchange announcements, dividends, board membership and remuneration and related party transactions. It also approves the terms of reference of all sub-committees and conducts an annual evaluation of the board.

The board receives appropriate and timely information and the directors are free to seek any further information they consider necessary. All directors have access to advice from the company secretary and independent professionals at the company's expense. The chairman reviews directors' training needs annually and appropriate training is available for new directors and other directors as identified by that plan.

Formal procedures appropriate to the size of the business are in use for performance evaluation of the board and its committees. They include objective-setting and review with the use of an external facilitator on a periodic basis. In 2017 the board conducted a self-performance evaluation by way of a questionnaire designed to assess the strength of the board and its committees and also to identify areas for improvement. This process was led by the acting chairman and the results were discussed by the board. The board considered itself to be generally effective in all the key areas identified in the questionnaire. These areas included contribution to results and achievement of strategic objectives, management controls and risk, operating styles and methods and shareholder relationships.

During 2017 the number of board and non-executive committee meetings and individual participation was as follows:

	Board	Audit	Remuneration	Nomination
Number of meetings	**7**	**3**	**1**	**2**
John Hewitt (resigned 20 September 2017)	4 of 5	2 of 2	nil of nil	nil of nil
Simon Costa	7	3	1	2
Simon Gill	7	N/A	N/A	2 (part)
David Kingerlee	7	N/A	N/A	2 (part)
Roberta Miles	7	3 (part)	N/A	2 (part)

Relations with shareholders

The board values the views of its shareholders and recognises their interest in the company's strategy and performance, board membership and quality of management. The chairman and other directors are available to meet shareholders if required. The AGM provides a forum, both formal and informal, for shareholders to meet and discuss relevant matters with all the directors. Documents are sent to shareholders at least 23 clear days before the meeting. Separate resolutions are proposed on each substantial issue so that they can be given proper consideration, and there is a resolution to receive and consider the annual report and financial statements and the directors' remuneration report. The company counts all proxy votes and will indicate the level of proxies lodged on each resolution. Full details of the AGM voting is included on the company's website after the meeting. The company has no institutional shareholders but has continued a programme of meetings with key shareholders, subject to regulatory constraints, and the board is provided with feedback from these meetings.

The company has a controlling shareholder and this is explained fully on page 35.

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, namely the independent shareholders.

Shareholders who wish to communicate with the board should contact the company secretary in the first instance via our website www.highcroftplc.com.

Report of the audit committee

'A robust system of risk management and internal control is an essential element of Highcroft's processes. The audit committee is committed to monitoring the effectiveness and integrity of these processes and of the group's reporting.'

Simon Costa
Chairman of the audit committee

Welcome to the report of the audit committee. 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 integrity of the group's reporting, and in continuing to develop and maintain a sound system of risk management and internal control.

Composition of the committee

The committee consisted of Simon Costa as its chairman throughout the year and John Hewitt for the period until 20 September 2017. After the year end, on 2 January 2018, Charles Butler joined the committee. The committee meets regularly during the year, in line with the financial reporting timetable and in 2017 met three times for routine business. Roberta Miles, as finance director, attends part of each meeting and the external auditor attends all meetings. The committee has an agenda item at each meeting to discuss business without any executive directors being present. There was one meeting in the period 20 September 2017 to 31 December 2017 and all the business of that meeting – primarily relating to the approval of the audit plan – was reconsidered by a meeting of the committee, once Charles Butler had joined as a member, in early January and ratified.

Activities of the committee

Financial reporting. The committee considers all significant issues in relation to the financial statements, which in 2017 continued to be the valuation of our property and investment portfolios and the changing financial reporting requirements relating, in particular, to United Kingdom accounting standards. The committee considers the valuation process, including the submission of the data by management, the comparable data provided by the valuer and the assumptions used by the valuer. The valuation reports are reviewed and, if necessary, key judgements and assumptions are challenged. The committee also ensures that the external auditor has full access to the valuer and attends the presentation given by the valuer after the year end. The group has a fixed fee arrangement with the valuer in line with best practice. It also considers the results of the auditor's work, the interim and annual reports prior to their publication, the application of the company's accounting policies and the detail of any changes to the financial reporting requirements. 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 shareholders to assess the group's performance. The committee ensures that the board presents a balanced and understandable assessment of the company's position and prospects in all interim and other price-sensitive public reports to regulators. The responsibilities of the directors as regards the financial statements are described on page 36, and that of the auditor on page 40.

External auditor. The audit committee reviews the terms of engagement with the external auditor annually and ensures that the external auditor is independent. It has received and reviewed written disclosures from the auditor regarding independence. Mazars LLP were appointed as auditors to the group in 2017 and carry out no other services for the group other than an review of the interim statement for which the fee is £1,000. The audit fee is £30,000.

The audit committee reviews the objectivity and effectiveness of the external auditor annually and makes a recommendation to the board for their reappointment to be approved at the AGM. In 2016 due to the Revised Ethical Standard issued by the Financial Reporting Council in June 2016, and effective for periods commencing on or after 17 June 2016, Grant Thornton were unable to continue with the dual roles of auditor and tax adviser for the 2017 financial year. As previously reported, Mazars LLP were appointed by the board after a tender process carried out during 2016 and their appointment was approved unanimously by the shareholders at the 2017 AGM. The external auditor is required to rotate the group audit partner every five years.

In order to ensure that the external audit is as effective as possible the auditors must identify the appropriate risks as part of their planning process. For this financial year Mazars LLP submitted a detailed audit plan at the planning audit committee meeting which outlined key risks (including the valuation of investment property and equities, risk of revenue misstatement due to the inclusion of fraudulent transactions and areas of accounting capable of manipulation). The directors are satisfied that the risks identified by the auditors are consistent with those identified internally.

At each audit committee meeting the committee reserves time for a meeting without executive management being present. The committee discuss matters including: the quality of the information provided to the auditor by the executives, confirmation that the auditor has not been restricted in their audit process and a discussion of any areas where they have had to use their professional scepticism.

Report of the audit committee continued

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 audit committee is responsible for overseeing the effectiveness of the risk management and internal control systems. The system of internal control is designed to meet the particular needs of the group and the risks to which it is exposed, and by its very nature provide reasonable, but not absolute, assurance against material misstatement or loss. The internal control system was in place for the period under review up to the date of approving the accounts. There is an ongoing process to identify, evaluate and manage the risks facing the business. The entire system of internal control was reviewed during the year and the conclusion was that the systems are adequate for a group of this size and complexity. This review has been undertaken in accordance with guidance published by The Institute of Chartered Accountants in England and Wales.

The key procedures, which exist to provide effective internal control, include: clear limits of authority; annual revenue, cash flow and capital forecasts, reviewed regularly during the year, monthly monitoring of cash flow and capital expenditure reported to the board, quarterly and half year revenue comparisons with forecast; financial controls and procedures; clear guidelines for capital expenditure and disposals, including defined levels of authority; meetings of the board to authorise share purchases and sales; an audit committee, which approves audit plans and published financial information and reviews reports from the external auditor arising from the audit and deals with significant control matters raised; regular board meetings to monitor areas of concern; annual review of risks and internal controls; annual review of compliance with the Code.

More detail regarding our management of risk within our strategic framework is set out on page 19.

The committee has considered the internal control and risk management systems in relation to the financial reporting process and considered them adequate. These include: suitably qualified staff preparing the documents, information being prepared in good time to allow adequate internal review and audit processes to take place and a review with the auditors prior to the release of the financial results.

Internal audit. The board has considered the need for an internal audit function but has decided that the size of the group does not justify it at present. The board reviews this position annually.

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

Simon Costa
Chairman of the audit committee

Report of the nomination committee

‘Most of the committee’s work in the year related to the search for a new chairman to succeed John Hewitt.’

Simon Costa
Senior independent director and acting chairman of the nomination committee
20 September 2017 to 2 January 2018

Welcome to the report of the nomination committee. We set out below a summary of the main responsibilities and key activities during the year.

Composition of the committee

The committee consisted of the non-executive directors John Hewitt (until 20 September 2017) and Simon Costa. It was chaired by the chairman of the board John Hewitt until his resignation on 20 September 2017 when Simon Costa was appointed as acting chairman. If this committee is dealing with the successor to the chairmanship it would, in any case, be chaired by another non-executive director and may involve an external consultant. The key objective of the committee is to ensure that the board comprises individuals with the requisite skills, knowledge and experience to ensure that it is effective in discharging its responsibilities. It is responsible for recommending board and board committee membership changes to the board, for board succession planning and for identifying suitable candidates for board vacancies to be nominated for board approval.

Activities of the committee

Appointment of a new non-executive chairman. During the year our key activity was to appoint a successor to John Hewitt as chairman of the board. Once John Hewitt had resigned the committee consisted of only Simon Costa. Simon Costa therefore ensured that at all stages the other board members were fully aware of, and able to contribute to, the decisions being taken about process and selection. In considering the appointment of a new chairman the committee considered the attributes and values required to help the functioning of the whole board, given the skills and experience of the existing board members. In this context the committee agreed the selection criteria for the new chairman, including: independence; experience and understanding of the role of a chairman of a listed company board; ability to contribute at a strategic level to the future success of the group; relevant corporate experience; an understanding of, and continuing interest in, the property market; an understanding of the requirements of the UK Corporate Governance Code; and an understanding of a small non-hierarchical organisation. The committee did consider using a head-hunter or an external consultant to assist with this process but, given the size and nature of the group, the fact that an appointment had to be made on a timely basis and the cost of either form of assistance, it was considered most appropriate to use internal resources.

The committee consulted with external advisers and contacts and drew up a long list of 17 candidates of whom six were shortlisted and four were interviewed. The advisers and contacts included experienced professionals who understand Highcroft’s business but were independent of any individual whose name they put forward. The committee took up references to assist with the selection process. In addition Panmure, as our corporate finance adviser, carried out their own due diligence on the preferred candidate in line with best practice. Both male and female candidates were considered at all stages. The nomination committee recommended that Charles Butler be appointed as chairman with effect from 2 January 2018. They judged that his skills and experience were a good fit to the identified requirements of the group. In addition, Charles Butler was judged to have sufficient time to discharge the requirements of the role. The board accepted this recommendation and Charles Butler was appointed as chairman with effect from 2 January 2018.

Succession planning

The committee recognises that succession planning is a key part of its remit and also the importance of creating succession plans so that the board can fulfil the group’s long-term strategy.

Plans are reviewed regularly in the light of the skills and experience that are required both now and in the medium-term, in a rapidly changing environment in order for the business to achieve its strategy and objectives.

Diversity

The company recognises the benefits of all aspects of diversity (not limited to gender, ethnic group, background, age or cognitive and personal strengths). The company maintains a policy of ensuring that, during the recruitment process, all aspects of diversity are considered and there is a selection of candidates who have a good balance of skills, knowledge and experience. The company aims to employ the best candidates available in every position on the basis of merit and ability.

Simon Costa
Senior independent director, and acting chairman of the nomination committee
20 September 2017 to 2 January 2018

Directors' remuneration report

'The board has prepared this report in accordance with the requirements of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations). An ordinary resolution for the approval of this report will be put to the members at the forthcoming AGM.'

Simon Costa
Chairman of the remuneration committee

The law requires the group's auditor, Mazars LLP, to report on whether the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the independent auditor's report on page 37.

It is my pleasure to introduce this year's remuneration report.

Membership of the committee

My fellow member of the committee, until his resignation from the board on 20 September 2017, was John Hewitt. For the period from 20 September 2017 to 2 January 2018, on which date Charles Butler was appointed to the board and to serve on this committee, I was the sole member of the committee. John and I were both non-executive directors. The board considered our independence and the fact that John Hewitt had a shareholding of 0.65% of the company and had served as a director for 18 years. The board concluded that we were both independent. Neither of the committee members had any potential conflicts of interest arising from cross-directorships nor any day-to-day involvement in running the business. The board considered Charles Butler's independence prior to his appointment to the committee and concluded that he was independent. After Charles Butler's appointment to the committee the key decisions taken by the committee in the period when I was the sole member were reviewed by the new committee and ratified.

Remuneration philosophy

The board's stated objective is to enhance shareholder value through a combination of increasing asset value, profits and dividends. In order 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.

Major decisions made during the year

During the year the remuneration committee met to:

- Agree the performance-related pay scheme for executive directors. It was agreed that this would continue to take the form of a discretionary cash bonus that was calculated by reference to both group and individual performance during the year. Consideration was again given to the use of external independent remuneration consultants but this was decided not to be cost effective.
- Review the level of directors' fees for 2018. It concluded that, having regard for the amount and quality of work that the directors were required to undertake, it was appropriate to increase the salaries for Simon Gill and Roberta Miles for 2018. The executives' salaries were benchmarked and additional increases for all directors were proposed and confirmed.

Remuneration policy

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.

The remuneration packages of all directors are reviewed annually and include four elements:

Base salary. It is intended that the base salaries will be reviewed and benchmarked annually. Incremental increases will be made in line with inflation. In addition, if there are increases due to benchmarks, role changes or other factors, these will be explained in the annual report.

Benefits. No benefits are currently payable.

Pensions. The auto enrolment date for the company was 1 April 2016. An appropriate scheme was in place by 1 January 2016. The initial minimum level of company contribution of 1% was offered to the three eligible directors of whom two opted out. This employer contribution level will rise at least in line with the regulatory requirements.

Performance-related pay. A performance-related pay scheme was introduced in 2014 for the executive directors, in accordance with the remuneration policy, whereby a discretionary bonus is available for superior performance. The cap on the bonus is 10% of distributions paid to shareholders in the year.

If any director agrees to waive any element of their remuneration the board will consider making an additional donation to charity.

This policy, which was effective from 1 January 2014, was unanimously approved by the shareholders at the 2017 AGM. In accordance with the Regulations, an ordinary resolution to approve the directors' remuneration policy will be put to shareholders at least once every three years.

Components of total reward

During the year, the directors were entitled to a base salary, a pension and a discretionary bonus. They were not eligible to receive any other benefits. The directors are not entitled to participate in any long-term incentive plan or share option scheme. All base salaries are paid monthly and are not performance related. There are no provisions for compensation payments on termination.

Directors' service contracts

Executive directors are given service contracts within which there is a notice period by either party of six months, and with no provision for compensation payments on termination. 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 and with no provision for compensation payments on termination. All directors retire and are subject to election at the first AGM after their appointment. The Board follows the Code recommendations in that all directors offer themselves for re-election at each AGM.

Future policy

It is intended that future remuneration policy will remain consistent with the current policy. It is intended that any new directors will be paid in accordance with our remuneration policy and would, if applicable, participate in variable remuneration arrangements on the same basis as existing directors.

Consideration of consideration of employment conditions elsewhere in the company

There is only one employee of the company, a part-time bookkeeper, whose salary is decided by benchmarking, to the market, her skills, experience and contribution to the market. The directors did not consult with this employee in setting the directors' remuneration policy as it was not considered beneficial to do so.

Consideration of shareholder views

During the year a member of the remuneration committee engages with key shareholders to ensure that their views are understood when considering remuneration policy.

Directors' contracts

A summary of the contracts of the directors in office at the end of the year is set out below:

Non-executive directors	Date of appointment as director	Date of current appointment letter	Expiry of term
Simon Costa	15 May 2015	22 March 2018	15 May 2021

Executive directors	Date of appointment as director	Date of contract	Notice period
Simon Gill	1 April 2013	7 December 2017	Six months
David Kingerlee	12 September 1996	7 December 2017	Six months
Roberta Miles	1 July 2010	7 December 2017	Six months

In addition to the above directors, John Hewitt, who was appointed to the board in 1999, resigned from the board on 20 September 2017 and Charles Butler was appointed as non-executive chairman with effect from 2 January 2018, with a contract dated 14 December 2017 that expires on 1 January 2021.

Annual remuneration report

Relative importance of spend on pay

The directors are the only employees of the group other than one part-time book-keeper.

	2017 £'000	2016 £'000	2015 £'000
Directors' remuneration	**440**	404	338
Distributions paid to shareholders	**2,183**	2,041	1,914
Directors' remuneration as a percentage of distributions paid to shareholders	**20.2%**	19.8%	17.7%

Remuneration of the directors undertaking the role of chief executive (CEO)

The table below shows the total remuneration of Simon Gill (from 31 July 2013) and Jonathan Kingerlee (until 31 July 2013) in respect of their role as CEO.

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Simon Gill	**192**	182	152	111	21	-	-	-	-	-
Jonathan Kingerlee	**-**	-	-	-	20	35	35	34	34	37
	192	182	152	111	41	35	35	34	34	37
Percentage change in total remuneration of CEO	**5%**	19%	37%	171%	17%	-	1%	-	(8%)	12%

Governance

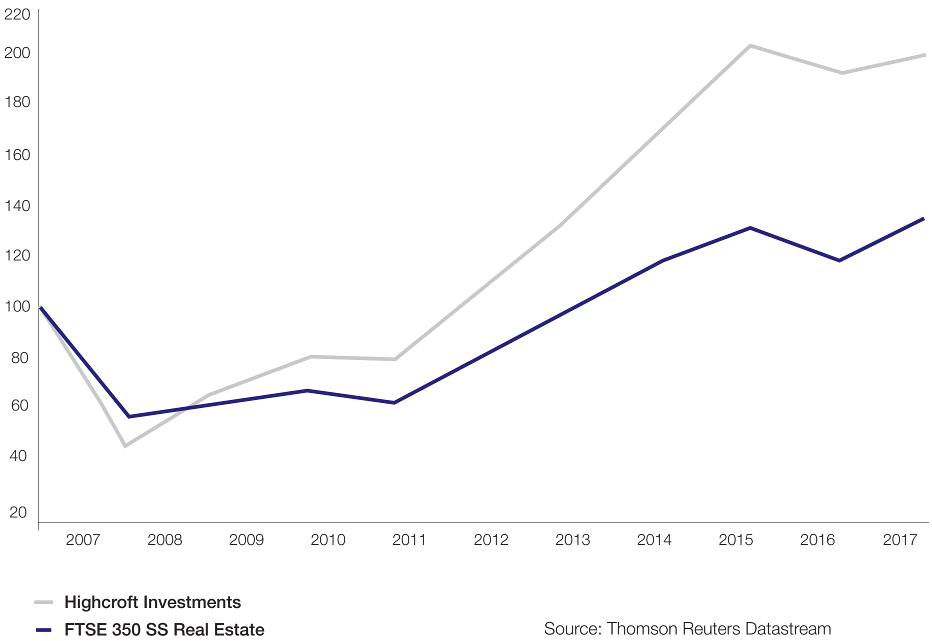
Directors' remuneration report continued

Company performance

The board is responsible for the group's performance.

The graph below shows the company's Total Shareholder Return (TSR) compared to the FTSE 350 Super Sector Real Estate Index over the last ten years which the board considers to be the most appropriate benchmark. TSR is defined as share price growth plus reinvested dividends.

Total Shareholder Return performance graph



Source: Thomson Reuters Datastream

Statement of implementation of remuneration policy in the next financial year

The group does not intend to make any significant changes to remuneration policy during 2018. Base salaries have been reviewed in accordance with this policy. As laid out in the policy, a pension scheme was introduced with effect from 1 January 2016. The company will, during 2018, continue with the policy of not paying benefits.

Directors' remuneration (audited)

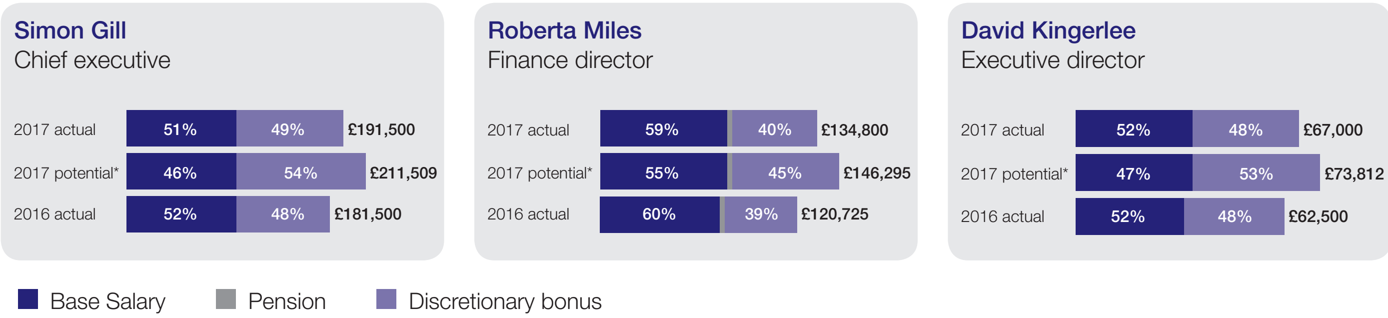
	2017				2016			
	Base salary £	Pension £	Discretionary bonus £	Total £	Base salary £	Pension £	Discretionary bonus £	Total £
John Hewitt*	22,500	-	-	22,500	21,250	-	-	21,250
Simon Costa	24,000	-	-	24,000	18,000	-	-	18,000
Simon Gill	97,500	-	94,000	191,500	95,000	-	86,500	181,500
David Kingerlee	35,000	-	32,000	67,000	32,500	-	30,000	62,500
Roberta Miles	80,000	800	54,000	134,800	72,500	725	47,500	120,725
	259,000	800	180,000	439,800	239,250	725	164,000	403,975

* Resigned 20 September 2017

There were no benefits in kind. The annual discretionary bonus for the financial year was based on personal performance and on the achievement of the group's strategic objectives, in the context of the performance of the market and the upper limit approved by shareholders in the remuneration policy of 10% of distributions paid to shareholders in the year. The total discretionary bonus of £180,000 (2016 £164,000) represents 8.24% (2016 8.04%) of distributions paid to shareholders in 2017.

Executive directors remuneration

The charts below show the 2017 actual remuneration against potential opportunity for the year and the 2016 remuneration for each executive director. Full disclosure of the single total figure for remuneration is set out above.



* 2017 potential assumes that maximum distribution of 10% of distributions paid to shareholders in the year was paid out in the same ratio as the actual bonuses paid

Interests of the directors in the shares of the company (audited)

The interests of the directors, and their connected persons, in the shares of the company at 31 December 2017 were as follows:

Directors:	
Simon Costa	-
Simon Gill	-
David Kingerlee	1,535,803
Roberta Miles	4,950

The interests of David Kingerlee set out above include the interests of his connected persons who include certain members of the Kingerlee Concert Party as described on page 35. David Kingerlee's personal beneficial holding at 31 December 2017 was 89,470 (2016 89,470).

Between 1 January 2018 and 22 March 2018, the only movements in the directors share interests were the increase of Roberta Miles' beneficial holding by 1,000 shares to 5,950.

Statement of shareholder voting

At the AGM in 2017 the resolutions to approve the directors' remuneration report and to approve the directors' remuneration policy both received the following voting from shareholders:

Votes cast in favour	2,914,730	100%
Votes cast against	-	-
Total votes cast	2,914,730	100%
Votes withheld	-	-

Approved by the board and signed by:

Simon Costa
Chairman of the remuneration committee
22 March 2018

Report of the directors

The corporate governance report on pages 23 to 36 forms part of the report of the directors

The directors present their report together with the audited financial statements for the year ended 31 December 2017.

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

Directors

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

John Hewitt:	Non-executive chairman (resigned 20 September 2017)
Simon Costa:	Senior independent non-executive director (and acting chairman 20 September 2017 to 2 January 2018)
Simon Gill:	Chief executive
David Kingerlee:	Executive director
Roberta Miles:	Finance director

Charles Butler was appointed to the board as non-executive chairman with effect from 2 January 2018.

The board recognises the requirement of the UK Corporate Governance Code regarding the segregation of roles and division of responsibilities between the chairman and chief executive and has complied with this requirement during the year.

The interests of the directors in the shares of the company are included in the remuneration report on page 33.

In accordance with the Code, all directors will retire and offer themselves for re-election at the forthcoming AGM on 17 May 2018.

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

Financial instruments

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

Structure of share capital and rights and obligations attaching to shares

The company's allotted and issued share capital as at 31 December 2017 was £1,291,810 (2016 £1,291,810) divided into 5,167,240 (2016 5,167,240) ordinary shares of 25 pence each, each of which was called up and fully paid. There have been no changes to the share capital since the year end.

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

- **To receive a dividend.** The profits of the company available for dividend, and resolved to be distributed, shall be applied in the payment of dividends to the members and to persons becoming entitled to shares by transmission, in accordance with their respective rights and priorities. The company in general meeting may declare dividends accordingly.
- **To a return of capital or assets, if available, on liquidation.** Upon any winding up of the company, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the statutes, divide among the members in specie the whole or any part of the assets of the company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members of different classes of members.
- **To receive notice of, attend and vote at an AGM.** At each AGM upon a show of hands every member present in person or by proxy shall have one vote, and upon a poll every member present in person or by proxy shall have one vote for every share of which he or she is the holder.
- **To have, in the case of certificated shares, rights in respect of share certificates and share transfers.** Every person whose name is entered as a member in the register as the holder of any certificated share shall be entitled without payment to one certificate for all the shares of each class held by him or, upon payment of such reasonable out-of-pocket expenses for every certificate after the first as the board shall from time to time determine, several certificates each for one or more of his shares. On any transfer of shares, the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof.

Substantial shareholders

As at 31 December 2017 the following notifications of interests in 3% or more of the company's ordinary share capital in issue at the date of this report had been received:

D G & M B Conn and associates		21.68%		1,120,305
Controlling shareholder – Kingerlee Concert Party comprising:		41.89%		2,164,466
– the wholly owned subsidiaries of Kingerlee Holdings Limited:				
Kingerlee Limited	9.97%		515,000	
Kingerlee Homes Limited	7.70%		397,673	
T H Kingerlee & Sons Limited	9.58%		494,770	
Total	27.25%			
– other associates	14.65%		757,023	

Between 1 January 2018 and 22 March 2018 no changes in these interests had been notified to the company.

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 above table together with their connected parties and associates form the Kingerlee Concert Party which, as at 22 March 2018, held 2,164,466 ordinary shares, representing 41.89% 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. The company can confirm that, in accordance with these rules:

- it entered into a controlling shareholder agreement (CSA) with the Kingerlee Concert Party on 13 November 2014
- the company has complied with the independence provisions in the CSA from 1 January 2017 until 31 December 2017 (the period)
- so far as the company is aware, the independence provisions in the CSA have been complied with by the controlling shareholder and its associates in the period
- so far as the company is aware, the procurement obligation in the CSA has been complied with by the controlling shareholder in the period.

The CSA contains undertakings that inter alia:

- transactions and relationships with the controlling shareholder (and/or any of its associates) will be conducted at arm’s length and on normal commercial terms
- neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the company or any member of its group from complying with its obligations under the Listing Rules and
- neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

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.

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 of the Companies Act 2006.

Greenhouse gas emissions

Under the Companies Act 2006 (Strategic and Directors’ Reports) Regulations 2013, the company is required to report annual greenhouse gas emissions. The directors have considered this obligation and taken into account the following factors:

- the group operates from a serviced office within a larger building and has no direct responsibility for energy usage;
- the annual energy cost for the limited shared commercial areas within the property portfolio are less than £1,000 pa;
- the car fuel used by the group and its advisers is considered de minimis.

On this basis the directors do not consider that it is practicable or valuable to report any detailed data on greenhouse gas emissions.

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 he or she ought to have taken as a director to make themself aware of any audit information and to establish that the auditor is aware of that information.

Auditor

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

Post balance sheet events

There were no post balance sheet events requiring disclosure.

This report was approved by the board.

Roberta Miles
Finance director
22 March 2018

Statement of directors' responsibilities

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 International Financial Reporting Standards as adopted by the European Union (IFRSs) 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 IFRSs and UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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;
- the directors have taken all 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, prepared in accordance with IFRSs as adopted by the European Union 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; and
- 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
22 March 2018

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') and its subsidiaries (the 'group') for the year ended 31 December 2017 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 cash flows, the notes to the consolidated financial statements, the company statement of financial position, the company statement of changes in equity and the notes to the company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent company financial statements is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland'.

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 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards (united Kingdom Generally Accepted Accounting Practice), including FRS102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS regulation.

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 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 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.

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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 19 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 20 in the annual report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 19 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 19 in the annual report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Independent auditor’s report

To the members of Highcroft Investments PLC

Investment property valuation

The group has a significant portfolio of investment properties which is measured in accordance with IAS 40 ‘Investment property’. This valuation leads to a significant audit risk due to the estimates and judgements required to be made in ascertaining the value under IFRS 13.

Our audit work included but was not restricted to:

- assessing the work completed by the third party property valuers, including whether the valuers have the appropriate expertise and whether the valuation has been completed using a fair value methodology suitable for audit
- assessing the reasonableness of previous assumptions made by the valuers, by checking to actual disposal sale prices in the year
- reviewing the key assumptions made and appraising these against available market data such as forecasts for market yield, market growth and return on investment percentages
- comparing the property valuations to publically available recent comparable property transactions
- testing on a sample basis additions and disposals of properties throughout the year back to supporting documentation (completion statements)
- review the adequacy of the disclosure in the financial statements, including the valuation methodology, assumptions and fair value hierarchy used.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit and in evaluating the effect of misstatements on the financial statements and our audit. Materiality is used so we can plan and perform our audit to obtain reasonable, rather than absolute assurance about whether the financial statements are free from material misstatement. The level of materiality we set is based on our assessment of the magnitude of misstatements that individually or in aggregate, could reasonably be expected to have influence on the economic decisions the users of the financial statements may take based on the information included in the financial statements. Based on our professional judgement the level of overall materiality we set for the financial statements is outlined below:

Overall group materiality:	£817,000
Benchmark applied:	This has been calculated with reference to the group’s total assets, of which it represents approximately 1%.
Basis for chosen benchmark:	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 judgements.

On the basis of our risk assessments, together with our assessment of the group’s overall control environment, our judgement was that performance materiality was £572,000 which is approximately 70% of overall group materiality. We also determine a lower level of specific materiality for certain areas such as the consolidated statement of comprehensive income, directors’ remuneration and related party transactions.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £25,000 as well as any misstatements below that amount that, in our opinion, warranted reporting for qualitative reasons.

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 £75,000 and £652,000. The parent company materiality was set at £499,000. For all components across the group performance materiality was set at 70%

An overview of the scope of our audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether accounting policies are appropriate to the group’s and parent company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify an information that is apparently incorrect, based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

Our group audit was scoped by obtaining an understanding of the group and its environment, including an assessment of risks of material misstatement at the group level. Based on that assessment, all trading entities within the group were subject to a full statutory audit scope and at the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 36 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on page 27 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 23 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with 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 those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.
- 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 its environment obtained in the course of the audit, we have not identified material misstatements in:
- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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 specific by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Independent auditor’s report

To the members of Highcroft Investments PLC

Responsibilities of directors

As explained more fully in the directors’ responsibilities statement set out on page X, 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.

A further description of our responsibilities for the audit of the financial statements is located 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 1 year, covering the year ending 31 December 2017.

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 the additional report to the audit committee.

Stephen Eames
Senior Statutory Auditor
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
The Pinnacle, 160 Midsummer Boulevard, Milton Keynes, MK9 1FF

22 March 2018

Consolidated statement of comprehensive income

for the year ended 31 December 2017

	Note	2017 Revenue £'000	2017 Capital £'000	2017 Total £'000	2016 Revenue £'000	2016 Capital £'000	2016 Total £'000
Gross rental revenue		4,765	–	**4,765**	3,906	–	3,906
Property operating expenses	8	(259)	–	**(259)**	(198)	–	(198)
Net rental income		4,506	–	**4,506**	3,708	–	3,708
Net gains on disposal of investment property		1	–	**1**	134	–	134
Valuation gains on investment property		–	3,365	**3,365**	–	2,509	2,509
Valuation losses on investment property		–	(77)	**(77)**	–	(1,536)	(1,536)
Net valuation gains on investment property	8	–	3,288	**3,288**	–	973	973
Dividend revenue		92	–	**92**	144	–	144
Gains on equity investments	9	–	230	**230**	–	546	546
Losses on equity investments	9	–	(91)	**(91)**	–	(58)	(58)
Net investment income		92	139	**231**	144	488	632
Administration expenses	3	(663)	–	**(663)**	(651)	–	(651)
Net operating profit before net finance expense		3,936	3,427	**7,363**	3,335	1,461	4,796
Finance income		2	–	**2**	11	–	11
Finance expense		(651)	–	**(651)**	(506)	–	(506)
Net finance expense		(649)	–	**(649)**	(495)	–	(495)
Profit before tax		3,287	3,427	**6,714**	2,840	1,461	4,301
Income tax credit/(charge)	5	61	60	**121**	72	(30)	42
Profit for the year after taxation		3,348	3,487	**6,835**	2,912	1,431	4,343
Total profit and comprehensive income for the year attributable to the owners of the parent		3,348	3,487	**6,835**	2,912	1,431	4,343
Basic and diluted earnings per share	7	–	–	**132.3p**	–	–	84.0p

The total column represents the statement of comprehensive income statement as defined in IAS1.

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

Consolidated statement of financial position

at 31 December 2017

	Note	2017 £'000	Restated 2016 £'000
Assets			
Non-current assets			
Investment property	8	**76,315**	63,739
Equity investments at fair value through profit or loss	9	**2,131**	2,469
Total non-current assets		**78,446**	66,208
Current assets			
Investment property	8	**798**	2,258
Trade and other receivables	10	**537**	631
Cash and cash equivalents		**1,904**	3,369
Total current assets		**3,239**	6,258
Total assets		**81,685**	72,466
Liabilities			
Current liabilities			
Trade and other payables	11	**2,054**	1,866
Total current liabilities		**2,054**	1,866
Non-current liabilities			
Interest bearing loans	12	**19,400**	14,900
Deferred tax liabilities	13	**254**	375
Total non-current liabilities		**19,654**	15,275
Total liabilities		**21,708**	17,141
Net assets		**59,977**	55,325
Equity			
Issued share capital	14	**1,292**	1,292
Revaluation reserve – property		**18,015**	14,276
– other		**538**	659
Capital redemption reserve		**95**	95
Realised capital reserve		**26,611**	27,020
Retained earnings		**13,426**	11,983
Total equity attributable to the owners of the parent		**59,977**	55,325

These financial statements were approved by the board of directors on 22 March 2018.

Simon Gill
Charles Butler
Directors

Company number – 00224271

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

Consolidated statement of changes in equity

2017	Issued share capital £'000	Revaluation reserves Property £'000	Revaluation reserves Other £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2017	1,292	14,276	659	95	27,020	11,983	55,325
Transactions with owners:							
Dividends	–	–	–	–	–	(2,183)	(2,183)
Reserve transfers:							
Non-distributable items recognised in income statement:							
Revaluation gains	–	3,288	124	–	–	(3,412)	–
Tax on revaluation gains	–	–	64	–	–	(64)	–
Realised gains	–	–	–	–	16	(16)	–
(Surplus)/loss attributable to assets sold in the year	–	734	(309)	–	(425)	–	–
Excess of cost over revalued amount taken to retained earnings	–	(283)	–	–	–	283	–
	–	3,739	(121)	–	(409)	(3,209)	–
Total comprehensive income for the year	–	–	–	–	–	6,835	6,835
At 31 December 2017	**1,292**	**18,015**	**538**	**95**	**26,611**	**13,426**	**59,977**

2016	Issued share capital £'000	Revaluation reserves Property £'000	Revaluation reserves Other £'000	Capital redemption reserve £'000	Realised capital reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2016	1,292	14,764	667	95	25,586	10,619	53,023
Transactions with owners:							
Dividends	–	–	–	–	–	(2,041)	(2,041)
Reserve transfers:							
Non-distributable items recognised in income statement:							
Revaluation gains	–	973	467	–	–	(1,440)	–
Tax on revaluation gains	–	–	(26)	–	–	26	–
Realised gains	–	–	–	–	149	(149)	–
Surplus attributable to assets sold in the year	–	(836)	(449)	–	1,285	–	–
Excess of cost over revalued amount taken to retained earnings	–	(625)	–	–	–	625	–
	–	(488)	(8)	–	1,434	(938)	–
Total comprehensive income for the year	–	–	–	–	–	4,343	4,343
At 31 December 2016	1,292	14,276	659	95	27,020	11,983	55,325

Consolidated statement of cashflows

for the year ended 31 December 2017

	2017 £'000	2016 £'000
Operating activities		
Profit before tax on ordinary activities	**6,714**	4,301
Adjustments for:		
Net valuation gains on investment property	**(3,288)**	(973)
Net gain on disposal of investment property	**(1)**	(134)
Net gain on investments	**(139)**	(488)
Finance income	**(2)**	(11)
Finance expense	**651**	506
Operating cashflow before changes in working capital and provisions	**3,935**	3,201
Decrease in trade and other receivables	**94**	10
Increase in trade and other payables	**196**	193
Cash generated from operations	**4,225**	3,404
Finance income	**2**	11
Finance expense	**(651)**	(506)
Income taxes paid	**(8)**	–
Net cashflows from operating activities	**3,568**	2,909
Investing activities		
Purchase of non-current assets – investment property	**(10,086)**	(9,896)
– equity investments	**–**	(3)
Sale of – investment property	**2,259**	2,972
– equity investments	**477**	1,176
Net cashflows from investing activities	**(7,350)**	(5,751)
Financing activities		
Dividends paid	**(2,183)**	(2,041)
New bank borrowings	**4,500**	3,400
Net cashflows from financing activities	**2,317**	1,359
Net decrease in cash and cash equivalents	**(1,465)**	(1,483)
Cash and cash equivalents at 1 January	**3,369**	4,852
Cash and cash equivalents at 31 December	**1,904**	3,369

Notes to the consolidated financial statements
for the year ended 31 December 2017

1 Significant accounting policies
Highcroft Investments PLC is a company domiciled in England and Wales. The consolidated financial statements of the company for the year ended 31 December 2017 comprise the company and its subsidiaries, together referred to as the group. The accounting policies remain unchanged.

Basis of preparation
These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and the measurement of equity investments at fair value.

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 and all gains and losses on financial assets 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 and carrying investments at fair value through profit and loss constitutes the principal areas of estimate and judgement exercised by the directors in the preparation of these financial statements. The valuations of investment properties and equity investments at fair value are carried out by external advisers who the directors consider to be suitably qualified to carry out such valuations. The primary source of evidence for property valuations is recent, comparable market transactions on arm's-length terms. However the valuation of the group's property portfolio is inherently subjective, which may not prove to be accurate. 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, the rate of voids and the length of such voids. 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.

New accounting standards and interpretations
The group's approach to new accounting standards and interpretations issued during the year is set out below.

There are no standards, amendments and interpretations effective in the year ended 31 December 2017 and adopted for the first time, other than the IAS7 initiative.

Amendments to, and interpretations of, existing standards that are relevant to the group but are not yet effective and have not been adopted early are set out below.

- IFRS 9 Financial Instruments (effective 1 January 2018)
- Amendments to IFRS 9 Financial Instruments (effective 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)
- IAS 40 Investment Property (effective 1 January 2018)

Management have considered IFRS 9 and IFRS 15 and do not consider that they will have a material impact on the group's accounts. Management will assess the impact of all the changes required by IFR516 during 2018.

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 2017, 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.

Dividend revenue
Dividend revenue relating to exchange-traded equity investments is recognised in the statement of comprehensive income when the right to receive the payment is established. In some cases, the group may receive dividends in the form of shares rather than cash. In such cases, the group recognises the dividend income for the amount of cash dividend alternative with a corresponding increase in cost of investments.

Notes to the consolidated financial statements continued
for the year ended 31 December 2017

1 Significant accounting policies continued

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.

Expenses
All 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 and 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 substantially 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 substantially 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 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.

Equity investments
The directors have designated the group's qualifying financial assets at fair value through profit and loss on the basis that to do so is in accordance with its documented investment strategy. Over 99.6% of the group's equity investments are quoted and are valued at market price.

Trade and other receivables
Trade and other receivables are recognised at fair value on initial recognition and subsequently at amortised cost. An impairment loss is recognised for the amount by which the receivable's carrying amount is believed to exceed the present value of the future cashflows. To estimate the recoverable amount, management considers the payment history of the tenant and takes into account the most recent credit rating of the tenant.

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.

Revaluation reserves

Revaluation reserves include annual revaluation gains and losses less applicable deferred taxation and are non-distributable.

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 on equity investments less attributable income tax and is non-distributable.

Retained earnings

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

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.

Segment reporting

As described in the 2016 annual report the group has two main operating segments: property and financial assets. In identifying these operating segments, management follows the group's distribution of assets in accordance with its investment strategy. As the financial assets comprise less than 3% of total assets the group will operate with only one business segment with effect from 1 January 2018. Segmental assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. 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 officer. For management purposes, the group uses the same measurement policies as those used in its financial statements.

2 Segment reporting

The operating segment reporting format identifies the operating segments, the performance of which is monitored by the group's management using a consistent internal reporting structure. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The group is comprised of the following main operating segments:

- property comprising retail outlets, offices, warehouses and retail warehouses in England and Wales and a small residual interest in a block of residential flats
- financial assets comprising exchange-traded equity investments.

	2017			2016		
	Property £'000	**Financial assets £'000**	**Total £'000**	Property £'000	Financial assets £'000	Total £'000
Gross income	**4,765**	**92**	**4,857**	3,906	144	4,050
Profit for the year	**6,497**	**338**	**6,835**	3,694	649	4,343
Capital expenditure	**10,086**	**–**	**10,086**	9,896	3	9,899
Assets	**79,527**	**2,158**	**81,685**	68,442	4,024	72,466
Liabilities	**21,054**	**654**	**21,708**	16,380	763	17,143

In 2017 no tenant represented more than 8.3% of gross rental income (in 2016 the largest two tenants represented 12% and 10% of gross rental income).

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

3 Administrative expenses

	2017 £'000	2016 £'000
Directors (note 4)	**492**	451
Auditor's fees		
Fees payable to the company's auditor for the audit of the company's annual accounts	**30**	29
Fees payable to the company's auditor for other services:		
– taxation	**–**	28
– other services	**1**	1
Other expenses	**140**	142
	663	651

4 Directors

	2017 £'000	2016 £'000
Remuneration in respect of directors was as follows:		
Remuneration	**439**	403
Pension costs	**1**	1
Social security costs	**52**	47
	492	451

The average number of employees was six (2016 six) all of whom, other than a part-time bookkeeper, were directors of the group. All directors are considered to be key managers of the company. More detailed information concerning directors' remuneration is shown in the directors' remuneration report.

5 Income tax credit

	2017 £'000	2016 £'000
Current tax:		
On revenue profits	**(61)**	12
On capital profits	**3**	(80)
	(58)	(68)
Deferred tax (note 13)	**(63)**	26
Income tax credit	**(121)**	(42)

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2016 20%).

The differences are explained as follows:

	2017 £'000	2016 £'000
Profit before tax	**6,714**	4,301
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2016 20%)	**1,276**	860
Effect of:		
Tax exempt revenues	**(40)**	(123)
Profit not taxable as a result of REIT status	**(1,481)**	(963)
Chargeable gains more than accounting profit	**55**	59
Use of management expenses	**82**	125
Effect of change in tax rate on deferred tax liability	**(13)**	–
Income tax credit	**(121)**	(42)

6 Dividends

In 2017 the following dividends have been paid by the company:

	2017 £'000	2016 £'000
2016 Final: 26.0p per ordinary share (2015 24.5p)	**1,343**	1,266
2017 Interim: 16.25p per ordinary share (2016 15.0p)	**840**	775
	2,183	2,041

On 22 March 2018 the directors recommended a property income distribution of £1,550,000, 30.0p per share (2016 £1,343,000, 26.0p per share) payable on 1 June 2018 to shareholders registered at 4 May 2018.

7 Earnings per share

The calculation of earnings per share is based on the total profit after tax for the year of £6,835,000 (2016 £4,343,000) and on 5,167,240 shares (2016 5,167,240) which is the weighted average number of shares in issue during the year ended 31 December 2017 and throughout the period since 1 January 2016. There are no dilutive instruments.

In order to draw attention to the impact of valuation gains and losses which 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 based on the profit available for distribution of £3,348,000 (2016 £2,912,000) has been calculated.

	2017 £'000	2016 £'000
Earnings:		
Basic profit for the year	**6,835**	4,343
Adjustments for:		
Net valuation gains on investment property	**(3,288)**	(973)
Gains on investments	**(139)**	(488)
Income tax on (profit)/losses	**(60)**	30
Adjusted earnings	**3,348**	2,912
Per share amount:		
Earnings per share (unadjusted)	**132.3p**	84.0p
Adjustments for:		
Net valuation gains on investment property	**(63.6p)**	(18.9p)
Gains on investments	**(2.7p)**	(9.4p)
Income tax on losses	**(1.2p)**	0.6p
Adjusted earnings per share	**64.8p**	56.3p

8 Investment property

	2017 £'000	2016 £'000
Valuation at 1 January	**65,997**	57,964
Additions	**10,086**	9,896
Disposals	**(2,258)**	(2,836)
Revaluation gains	**3,288**	973
Valuation at 31 December	**77,113**	65,997
Less property categorised as current asset	**(798)**	(2,258)
Property categorised as fixed asset	**76,315**	63,739

In accordance with IAS 40 the carrying value of investment properties is their fair value as determined by external valuers. This valuation has been conducted by Knight Frank LLP, as external valuers, and has been prepared as at 31 December 2017, in accordance with the Appraisal & Valuation Standards of the Royal Institution of Chartered Surveyors, on the basis of market value. This value has been incorporated into the financial statements at fair value categorised with level 2 inputs (see note 18).

The historical cost of the group's investment properties is £63,957,000 (2016 £56,863,000).

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

8 Investment property continued

The independent valuation of all property assets uses market evidence and also includes assumptions regarding income expectations and yields that investors would expect to achieve on those assets over time. Many external economic and market factors, such as interest rate expectations, bond yields, the availability and cost of finance and the relative attraction of property against other asset classes, could lead to a reappraisal of the assumptions used to arrive at current valuations. Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate in isolation would result in a significantly lower (higher) fair value. Generally a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate and an opposite change in the long-term vacancy rate.

In addition, nine investment properties with a carrying amount of £41,890,000 (2016 seven properties with a valuation of £30,830,000) are charged to Svenska Handelsbanken AB (publ) to secure the group's 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:

	2017 £'000	2016 £'000
Less than one year	4,884	4,082
Between one and five years	14,282	12,956
More than five years	16,431	17,707
	35,597	34,745

Property operating expenses are all analysed as arising from generating rental income.

9 Equity investments

	2017 £'000	2016 £'000
Valuation at 1 January	2,469	3,155
Additions	–	3
Disposals	(459)	(1,159)
Surplus on revaluation in excess of cost	124	467
Revaluation decrease below cost	(3)	(11)
Revaluation increase still less than cost	–	14
Valuation at 31 December	2,131	2,469

The analysis of gains and losses on equity investments shown in the statement of comprehensive income is as follows:

	2017 £'000	2016 £'000
Realised gains on equity investments	19	52
Revaluation gains on equity investments	211	494
	230	546
Realised losses on equity investments	1	34
Revaluation losses on equity investments	90	24
	91	58

10 Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	–	75
Accrued rent receivable	487	539
Other receivables	50	17
	537	631

Amounts due from tenants at each year end include amounts invoiced on 25 December in respect of rents in advance for the period 25 December to 24 March. At 31 December 2017 amounts due from tenants which were more than 90 days overdue, which related to rents for 2017 or earlier, totalled £nil (2016 £nil).

Accrued rent receivable arises from the IFRS treatment of rent free periods and is due to the recognition of rental income on a straight-line basis over the lease term, with the difference between this and the cash receipt being included as a debtor. Once the rent free periods have expired the debtor will reduce to £nil over the relevant lease terms. During the year £nil of the balance at 31 December 2017 (2016 £19,000) was written off to commercial rental income as contracts had been unconditionally exchanged to dispose of the relevant property.

11 Trade and other payables

	2017 £'000	2016 £'000
Deferred income	1,060	865
Social security and other taxes	469	392
Other payables	525	609
	2,054	1,866

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

12 Interest bearing loan

	2017 £'000	2016 £'000
Medium-term bank loans	19,400	14,900
The medium-term bank loans comprise amounts falling due as follows:		
Between one and two years	–	–
Between two and five years	4,000	4,000
Over five years	15,400	10,900
	19,400	14,900

The average effective interest rate is 3.64% (2016 3.83%).

13 Deferred tax liabilities

Deferred taxation, arising from revaluation gains on equity investments, provided for in the financial statements is set out below and is calculated using a tax rate of 19% (2016 20%).

	2017 £'000	2016 £'000
At 1 January	375	425
Realised in the year	(57)	(76)
Released in the year	(64)	26
At 31 December	254	375

14 Share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid 5,167,240 (2016 5,167,240) ordinary shares of 25p each	1,292	1,292

The directors monitor capital on the basis of total equity and operate within the requirements of the articles of association. There was £19,400,000 of medium-term debt at 31 December 2017 (2016 £14,900,000). 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 realisation of liquid equity investments, the sale of residential property and 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.

Notes to the consolidated financial statements continued
for the year ended 31 December 2017

15 Capital commitments
There were no capital commitments at 31 December 2017 or at 31 December 2016.

16 Contingent liabilities
There were no contingent liabilities at 31 December 2017 or 31 December 2016.

17 Related party transactions
Kingerlee Holdings Limited owns, through its subsidiaries, 27.2% (2016 27.2%) of the company's shares and David Kingerlee is a director and shareholder of both the company and Kingerlee Holdings Limited. The transactions between the group and Kingerlee Holdings Limited or its subsidiaries were as follows:

	2017 £'000	2016 £'000
Transactions by the company:		
Property income distribution paid to related party	595	556
Rent paid to related party	14	14

The company owns 100% of Rodenhurst Estates Limited and of 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 58 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 the year (or period of office if shorter) in respect of their shareholdings:

	2017 £'000	2016 £'000
John Hewitt (resigned 20 September 2017)	7	9
David Kingerlee	38	35
Roberta Miles	2	1

18 Financial instruments and financial risk
The following table presents financial instruments measured at fair value in the statement of financial position in accordance with fair value hierarchy. This hierarchy groups financial instruments into three levels based on the significance of issues used in measuring the fair value of the financial instruments. The fair value hierarchy has the following levels:

- **Level 1:** quoted prices in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's-length basis;
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3:** the fair value of financial instruments that are not traded in an active market – for example, investments in unquoted companies – is determined by reference to the last known price at which shares were traded.

There have been no transfers between these classifications in the year (2016 none). The change in fair value for the current and previous year is recognised through the consolidated statement of comprehensive income. The reconciliation of the carrying amounts of the financial instruments classified within levels 1 and 3 is set out below.

Investment properties are carried at fair value categorised with level 2 inputs. Details of the valuation process are included in note 8 to the financial statements.

IFRS 13 measurement classification	2017 Level 3 Unquoted equity investments £'000	2017 Level 1 Quoted equity investments £'000	2017 Total Quoted and unquoted £'000	2016 Level 3 Unquoted equity investments £'000	2016 Level 1 Quoted equity investments £'000	2016 Total Quoted and unquoted £'000
Opening cost	4	496	500	4	1,204	1,208
Opening unrealised gain	5	1,964	1,969	5	1,941	1,946
Opening fair value at 1 January	9	2,460	2,469	9	3,145	3,154
Additions at cost	–	–	–	–	3	3
Disposal proceeds	–	(477)	(477)	–	(1,176)	(1,176)
Net profit realised on disposal	–	18	18	–	18	18
Change in fair value in the year on assets held at 31 December	–	121	121	–	470	470
Closing fair value at 31 December	9	2,122	2,131	9	2,460	2,469
Closing cost	4	350	354	4	496	500
Closing unrealised gain	5	1,772	1,969	5	1,964	1,969
At 31 December	9	2,122	2,131	9	2,460	2,469

Categories of financial instruments	2017 Carrying amount £'000	2017 Gains £'000	2016 Carrying amount £'000	2016 Gains £'000
Financial assets designated at fair value through profit and loss:				
Equity investments	2,131	121	2,469	470
Loans and receivables:				
Trade and other receivables	537	–	631	–
Cash and cash equivalents	1,904	–	3,369	–
	2,441	–	4,000	–
Financial liabilities measured at amortised cost:				
Interest bearing loans	19,400	–	14,900	–
Trade and other payables	525	–	609	–
	19,925	–	15,509	–

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 2017 the group had £19,400,000 (2016 £14,900,000) of medium-term borrowing of which £4,000,000 is repayable in 2020, £7,500,000 in 2022, £3,400,000 in 2026 and £4,500,000 in 2027 at fixed interest rates averaging 3.64% (2016 3.83%). The fair values of loans and receivables and financial liabilities held at amortised cost were not materially different from book values. A maturity analysis is set out below:

2017	Carrying amount £'000	Total contractual undiscounted cashflow £'000	Due within one year £'000	Due in more than one but less than two years £'000	Due in more than two but less than five years £'000	Due in more than five years £'000
Medium-term bank loans	19,400	23,283	706	706	13,013	8,858
Trade and other payables	525	525	525	–	–	–

2016	Carrying amount £'000	Total contractual undiscounted cashflow £'000	Due within one year £'000	Due in more than one but less than two years £'000	Due in more than two but less than five years £'000	Due in more than five years £'000
Medium-term bank loans	14,900	18,087	571	571	5,474	11,471
Trade and other payables	609	609	609	–	–	–

Notes to the consolidated financial statements continued
for the year ended 31 December 2017

18 Financial instruments and financial risk continued
Market risk
Market risk arises from that portion of the group's activities relating to investment in equities. This risk relates to the effect of market conditions on the pricing of the equities which forms the key component of their year-end valuation. This risk is mitigated by the equity portfolio being spread by both geography and sector. If the equity market had been 2% higher (or lower) at the year-end then the profit for the year would have been £43,000 higher (or lower) and the total equity would have been increased (or decreased) by £43,000.

Credit risk
The group's credit risk, i.e. 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. The amount of trade receivables presented in the balance sheet is calculated after any allowances for doubtful receivables, estimated by the directors. The allowance as at 31 December 2017 was £nil (2016 £nil). The group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 December 2017 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 Lloyds Bank plc and Svenska Handelsbanken AB (publ). Cash is also held by the group's property managers, lawyers and brokers acting as agents, though not for long periods of time. The group only places cash holdings with major financial institutions that satisfy specific criteria.

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 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 and its current assets exceed its current liabilities. 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.

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 which 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. However, most of the group's equity investments are held in international companies and 47.9% (2016 46.2%) of the equity investment portfolio comprises overseas holdings. The inherent currency risk affecting those holdings is an indistinguishable factor in determining their market value and is taken into consideration as part of the overall assessment of investment risk.

Borrowing facilities
The group has no undrawn committed borrowing facilities.

19 Changes in liabilities arising from financing activities

	Bank loans (note 12) £'000
At 1 January 2017	14,900
New loans	4,500
Interest charged	651
Interest paid	(651)
At 31 December 2017	19,400

20 Net assets per share

	2017	2016
Net assets	**£59,977,000**	£55,325,000
Ordinary shares in issue	**5,167,240**	5,167,240
Basic net assets per share	**1161p**	1071p

21 Prior year adjustment
The prior year balance sheet has been restated to include £2,258,000 of fixed asset investment property as current asset investment property as contracts had been unconditionally exchanged on the sale of the underlying asset prior to 31 December 2016 and the group expected to realise this asset within 12 months of the balance sheet date.

Company statement of financial position

at 31 December 2017

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Investments	5		**57,372**		52,982
Current assets					
Debtors	6	**3,235**		1,558	
Cash at bank		**22**		1,546	
		3,257		3,104	
Creditors – amounts falling due within one year	7	**398**		386	
Net current assets			**2,859**		2,718
Total assets less current liabilities			**60,231**		55,700
Provision for liabilities	8		**254**		375
Net assets			**59,977**		55,325
Capital and reserves					
Called up share capital	9		**1,292**		1,292
Reserves					
– Realised capital		**7,662**		7,395	
– Capital redemption		**95**		95	
– Revaluation		**46,121**		41,524	
– Retained earnings		**4,807**		5,019	
			58,685		54,033
Shareholders' funds	10		**59,977**		55,325

The profit and total comprehensive income for the period was £6,835,000 (2016 £4,343,000).

These financial statements were approved by the board of directors on 22 March 2018.

Simon Gill
Charles Butler
Directors

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 2017

	Note	Share capital £'000	Realised capital reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2017		1,292	7,395	95	41,524	5,019	55,325
Profit and total comprehensive income for the period	2	–	–	–	–	6,835	6,835
Dividends paid		–	–	–	–	(2,183)	(2,183)
Revaluation loss equities		–	–	–	121	(121)	–
Revaluation gain of subsidiaries		–	–	–	4,728	(4,728)	–
Realised gains		–	15	–	–	(15)	–
Tax on realised gains		–	(57)	–	57	–	–
Surplus attributable to assets sold in the year		–	309	–	(309)	–	–
Balance at 31 December 2017		**1,292**	**7,662**	**95**	**46,121**	**4,807**	**59,977**

	Note	Share capital £'000	Realised capital reserve £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2016		1,292	7,008	95	39,469	5,159	53,023
Profit and total comprehensive income for the period	2	–	–	–	–	4,343	4,343
Dividends paid		–	–	–	–	(2,041)	(2,041)
Revaluation loss equities		–	–	–	470	(470)	–
Revaluation gain of subsidiaries		–	–	–	1,958	(1,958)	–
Realised gains		–	14	–	–	(14)	–
Tax on realised losses		–	(76)	–	76	–	–
Surplus attributable to assets sold in the year		–	449	–	(449)	–	–
Balance at 31 December 2016		1,292	7,395	95	41,524	5,019	55,325

Notes to the company financial statements
for the year ended 31 December 2017

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 subsidiaries and certain financial instruments as specified in the accounting policies below. The principal accounting policies of the company have remained unchanged from the previous year.

In preparing these financial statements the company has taken advantage of disclosure exemptions allowed by FRS102. The financial statements do not include:

- a statement of cashflows and related notes
- certain disclosures in respect of financial instruments
- disclosure of related party transactions with wholly-owned members of the group.

Dividend revenue
Dividend revenue relating to exchange-traded equity investments is recognised in the statement of comprehensive income when the right to receive the payment is established. In some cases, the group may receive dividends in the form of shares rather than cash. In such cases, the group recognises the dividend income for the amount of cash dividend alternative with a corresponding increase in cost of investments.

Interest income
Interest is recognised under the effective interest rate method.

Dividends payable
Dividend payments are dealt with when declared and recognised in equity in retained earnings. Final dividends proposed are not recognised as a liability.

Investments
Investments are included at the following valuations:

- shares in subsidiary undertakings – at fair value.
- equity investments (99.6% are listed on a recognised investment exchange) – at market value.
- unlisted investments – at market value estimated by the directors.

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

Receivables
Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are categorised as loans and receivables. These are measured at amortised cost using the effective interest rate method, less any impairment. Discounting is omitted where the effect of discounting is immaterial.

Deferred taxation
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 group'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.

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.

Notes to the company financial statements continued

for the year ended 31 December 2017

1 Accounting policies continued

Revaluation reserves

Revaluation reserves include annual revaluation gains and losses less applicable deferred taxation and are non-distributable.

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 on equity investments less attributable income tax and is non-distributable.

Retained earnings

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

2 Company profit 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 £6,835,000 (2016 £4,343,000). Information regarding directors' remuneration appears on pages 30 to 33 of this annual report.

3 Auditor's fees

	2017 £'000	2016 £'000
Fees payable to the company's auditor for the audit of the group's annual accounts	30	29
Fees payable to the company's auditor for other services:		
Taxation compliance services	–	6
Other taxation services	–	3
Audit related assurance services	1	1
	31	39

4 Dividends

In 2017 the following dividends have been paid by the company:

	2017 £'000	2016 £'000
2016 Final: 26.0p per ordinary share (2015 24.5p)	1,343	1,266
2017 Interim: 16.25p per ordinary share (2016 15.0p)	840	775
	2,183	2,041

On 22 March 2018 the directors recommended a property income distribution of £1,550,000, 30.0p per share (2016 £1,343,000, 26.0p per share) payable on 1 June 2018 to shareholders registered at 4 May 2018.

5 Investments

	Total £'000	Shares in subsidiary undertaking £'000	Other investments Listed £'000	Other investments Unlisted £'000
Valuation at 1 January 2017	52,982	50,513	2,460	9
Disposals	(459)	–	(459)	–
Surplus on revaluation in excess of cost	4,852	4,728	124	–
Revaluation decrease below cost	(3)	–	(3)	–
Valuation at 31 December 2017	**57,372**	**55,241**	**2,122**	**9**

5 Investments continued

Equity investments are included at their market value. If investments had not been revalued they would have been included on the historical cost basis at the following amounts:

	Total £'000	Shares in subsidiary undertaking £'000	Other investments Listed £'000	Other investments Unlisted £'000
Cost at 31 December 2017	**10,621**	**10,271**	**346**	**4**
Cost at 31 December 2016	10,771	10,271	496	4

At 31 December 2017 the company held 100% of the allotted ordinary share capital and voting rights of Rodenhurst Estates Limited, which is a property owning company registered in England and Wales and operating in England and Wales. In turn Rodenhurst Estates Limited owned 100% of the allotted ordinary share capital and voting rights of BL (Wisbech) Limited, which is a holding company registered in England and Wales and operating in England. In turn BL (Wisbech) Limited owned 100% of the allotted ordinary share capital and voting rights of Belgrave Land (Wisbech) Limited, a property owning company registered in England and Wales and operating in England. All the subsidiaries had the same registered office address as the company: Thomas House, Langford Locks, Kidlington, Oxfordshire, OX5 1HR.

At 31 December 2017 the net assets and the profit for the financial year of these subsidiaries were:

	2017		2016	
	Net assets £'000	**Profit for the financial year £'000**	Net assets £'000	Profit/loss for the financial year £'000
Rodenhurst Estates Limited	**55,240**	**6,728**	50,513	3,957
BL (Wisbech) Limited	**–**	**–**	–	–
Belgrave Land (Wisbech) Limited	**3,856**	**337**	3,518	(281)

6 Debtors

	2017 £'000	2016 £'000
Owed by subsidiary undertakings	**3,229**	1,548
Other debtors	**6**	10
	3,235	1,558

7 Creditors – amounts falling due within one year

	2017 £'000	2016 £'000
Other taxes and social security	**47**	46
Other creditors	**351**	340
	398	386

8 Provision for liabilities – deferred taxation

Deferred taxation, arising from revaluation gains on equity investments, provided for in the financial statements is set out below and is calculated using a tax rate of 19% (2016 20%).

	2017 £'000	2016 £'000
At 1 January	**375**	425
Additions	**–**	26
Utilised	**(57)**	(76)
Reversals	**(64)**	–
At 31 December	**254**	375

9 Share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid 5,167,240 (2016 5,167,240) ordinary shares of 25p each	**1,292**	1,292

Notes to the company financial statements continued

for the year ended 31 December 2017

10 Capital commitments

There were no capital commitments at 31 December 2017 or at 31 December 2016.

11 Contingent liabilities

There were no contingent liabilities at 31 December 2017 or at 31 December 2016.

12 Related party transactions

Kingerlee Holdings Limited, through its subsidiaries, owns 27.2% (2016 27.2%) of the company's shares and David Kingerlee is a director and shareholder of both the company and Kingerlee Holdings Limited. The transactions between the company and Kingerlee Holdings Limited or its subsidiaries, all of which were undertaken on an arm's-length basis, were as follows:

	2017 £'000	2016 £'000
Property income distribution paid to related party	595	521
Rent paid to related party	14	14

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 this company and all their costs are incurred by the company as follows:

	2017 £'000	2016 £'000
Remuneration	441	405
Pension costs	1	1
Social security costs	52	47
	494	453

The average number of employees of the company was six (2016 six) all of whom, other than a part-time bookkeeper, were directors of the company. More detailed remuneration concerning directors' remuneration is shown in the directors' remuneration report on pages 30 to 33.

Group five year summary (unaudited)

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Investment properties – at annual valuation	**77,113**	65,997	57,964	46,523	39,415
Equity investments – at market value	**2,131**	2,469	3,155	4,532	5,227
Total net assets	**59,977**	55,325	53,023	47,702	42,428
Net asset value per share in issue at end of each year	**1161p**	1071p	1026p	923p	821p
Revenue (excluding gains/losses on disposals of assets)					
Gross income from property	**4,765**	3,906	3,435	3,079	2,731
Net admin expenses to gross rent	**13.9%**	16.7%	15.5%	14.0%	12.6%
Profit available for distribution	**3,348**	2,912	2,871	3,758	2,921
Share capital					
Average number in issue (000's)	**5,167**	5,167	5,167	5,167	5,167
Basic earnings per ordinary share	**132.3p**	84.0p	140.0p	136.5p	94.0p
Adjusted earnings per ordinary share	**64.8p**	55.7p	55.6p	72.7p	56.5p
Dividends payable per ordinary share	**46.25p**	41.0p	38.8p	36.0p	33.75p
FTSE 350 Real Estate Index	**568**	515	588	543	469
Highcroft year-end share price	**887.5p**	897.5p	987.5p	855p	720p

Directors and advisers

Company number
00224271

Directors
Charles Butler BSc ACA
(Non-executive chairman)
appointed 2 January 2018
Simon Costa, BSSc MA MPhil
(Non-executive)
Simon Gill, BSc FRICS (Chief executive)
David Kingerlee (Executive)
Roberta Miles, MA FCA (Finance)

Company secretary
Roberta Miles, MA FCA

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Statutory Auditor
Chartered Accountants
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