REI

REAL ESTATE INVESTORS PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

REAL ESTATE INVESTORS PLC

FINANCIAL STATEMENTS

For the year ended 31 December 2012

Company Registration Number:	5045715
Registered Office:	Cathedral Place, 3rd Floor 42-44 Waterloo Street Birmingham B2 5QB
Directors:	J R A Crabtree OBE: Chairman J J Jack: Non Executive Deputy Chairman W Wyatt: Non Executive Director P P S Bassi CBE: Chief Executive M H P Daly: Finance Director
Secretary:	M H P Daly
Auditors:	Grant Thornton UK LLP Chartered Accountants Registered Auditor Colmore Plaza 20 Colmore Circus Birmingham B4 6AT
Solicitors:	Gateley One Eleven Edmund Street Birmingham B3 2HJ
Nominated Adviser:	Smith & Williamson Corporate Finance Limited 25 Moorgate London EC2R 6AY
Broker:	Liberum Capital Limited Ropemaker Place, Level 12 25 Ropemaker Street London EC2Y 9LY
Bankers:	Lloyds Banking Group 55 Temple Row Birmingham B2 5LS
Registrars:	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

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For the year ended 31 December 2012

PEAT HOUSE, LEICESTER

Real Estate Investors plc (AIM: RLE), a property company focussed on investing in commercial property principally in the Midlands, today announces its results for the year ended 31 December 2012.

Financial Highlights

- Recurring Profit before tax* of £1.4 million (2011: £0.1 million)
- Profit before tax of £1.1 million (2011: loss of £6.7 million)
- EPRA EPS of 0.8p (2011: 0.1p)
- Portfolio valuation up 0.3%
- EPRA NAV per share up 2.6% to 56.1p (2011: 54.7p)
- EPRA NNNAV per share 54.6p (2011: 54.6p)
- Maiden dividend payment of 0.5p in respect of 2012 financial year
- Net loan to value 49% (2011: 46%), gross debt £40.6m (2011: £37.4m), cash £2.7m (2011: £4.5m), weighted average debt maturity 8.6 years (2011: 8 years)

Operational Highlights

- Gross property assets valued at £77.4 million (2011: £71.2 million) up 9%
- Contracted rental income up 10% to £6.6 million (2011: £6.0 million)
- Lease surrender premium £0.6 million (2011: £nil)
- 3 acquisitions totalling £6.5 million at an average net initial yield of 11.65%
- Sale of Birmingham land for £350,000, 22.4% above book value
- 51,623 sq ft of new lettings and 12,343 sq ft of lease renewals completed in the period adding £0.9 million rent per annum with a further £164,000pa in solicitors' hands as at 22 March 2013
- Overall occupancy level is at 86.5% (2011: 85%)

*****Profit before tax adjusted for loss on financial liabilities at fair value through profit and loss and net surplus/deficit on valuation of investment and inventory properties

Introduction

I am very pleased to be reporting Real Estate Investors plc's results for the year ended 31 December 2012, a year which saw both real progress into profitability and the payment of our inaugural dividend.

Of course, economic conditions generally and in the specific Midlands market in which we operate, have remained challenging. Property valuations continue to be flat or even negative, but we are beginning to see increasing investor demand which, combined with improving bank debt, should impact favourably on valuations in the foreseeable future.

The Year in Review

The year saw an uplift in the valuation of a number of our assets as a result of active asset management. Our contracted rental income rose to £6.6 million per annum, a rise of 10% and we anticipate further improvement in our occupancy levels.

Dividend

In October, the company paid its maiden dividend of 0.5p. As previously announced, it is our intention that this should be the beginning of a progressive dividend policy.

Current Year & Prospects

The underlying conditions for regional property companies are favourable and the outlook for your company is positive. We are confident of increasing improvement for our assets, with an encouraging combination of growing occupier demand, rising rental values and a marketplace now attracting outside investors.

On behalf of my colleagues, I extend our thanks to all our staff and advisers for their continued hard work and support.

Finally, I am sorry to advise that John Jack, one of the founding directors of REI Plc has decided to step down as a non-executive director from June 30th 2013. John has made an invaluable contribution to the business, and has always constructively challenged and provided good counsel to the board. I would like to thank John for his outstanding contribution and wish him every success for the future.

John Crabtree
Chairman
Date: 27 MARCH 2013

Chief Executive's Statement

Overview

I am delighted to report our results for the year in which we made profit before tax of £1,002,000 (2011: £6,692,000 loss), and paid our inaugural dividend of 0.5 pence for 2012. It is intended, but of course subject to future financial performance, that this is the beginning of a progressive dividend policy.

The economic backdrop has remained fragile, and for most of the year, sentiment has been negative, with property valuations in the regions broadly flat. However, we have seen a significant improvement in our occupier enquiries, and for the first time in five years, an improving investor market, that is looking to the region for opportunities to attain capital growth and superior yields to those achieved in London and the South East.

Investors seeking to buy in our region, include insurance companies, traditional funds, opportunity funds, public and private property companies. This investor demand and vastly improved availability of bank debt, will, I believe, impact on valuations during 2013/2014, across our region and portfolio. This view is shared by a number of leading surveying firms and expert commentators.

This year has seen a valuation uplift in a number of our assets, where new lettings, renewals and other asset management initiatives have been implemented. We anticipate further upside yield compression and asset management opportunities throughout the portfolio.

The fair value movement charge on our financial instrument of £320,000 is a reflection of the market's view on long term interest rates and it is a non-cash item. In total, we now have a provision of £5.3 million which even if there is no change in the interest rate environment, will decrease in the future, and we would expect to be in a position to recover the entire £5.3 million provision. Since the year end, and as at March 1st, the hedge cost has improved by £340,000 in our favour.

Property Portfolio/Leasing Activity

Over the last few years, our underperforming assets have been our prime city centre stock, this is where we have seen the biggest improvement in enquiries, and where we believe we will see capital growth due to improving investor demand, bank lending and yield compression. The differential in yields between the London, South East market and the West Midlands is excessive, and all market experts are predicting a narrowing of this differential.

At year end, our contracted rental income had risen by 10% to £6.6 million. Over the period we completed two lease renewals (totalling 12,343 sq ft and generating £0.2 million rent) and 25 new lettings (totalling 51,623 sq ft and generating £0.7 million rent).

New tenants include AFH Financial Group Plc at Avon House in Bromsgrove. The letting is for a term of 11 years, with a tenant break in September 2018, at a commencing rent of £173,000 per annum, rising to £202,000 per annum at the first review. We also secured a surrender premium of £640,000 at our Metro Court site, and simultaneously we are in negotiation to let the space to the local authority. We maintain our investment spread and diversity, with no excessive exposure to a single tenant or occupier.

Many of the lettings we have completed over the last few years, have been at relatively 'soft' rental levels with a strengthening market and improving demand we anticipate a reduction in incentives and rent free periods which should lead to an uplift in rental values in due course.

Occupancy at year end was 86.5% (2011: 85%). We anticipate further improvement in our occupancy levels throughout the coming year based upon existing enquiries and viewings in the latter part of 2012 and early 2013.

The weighted average lease length of the portfolio was 5.5 years at period end (2011: 5.1 years) or 4.2 years to first break (2011: 3.4 years).

Portfolio Valuation

Portfolio valuation at 31 December 2012:

	£m	%
Core Portfolio		
Offices		
Birmingham	25.8	33.4
Other West Midlands	22.4	28.9
Total Offices	**48.2**	**62.3**
Total Retail	**21.9**	**28.3**
Total Core Portfolio	**70.1**	**90.6**
Non Core Portfolio	**7.3**	**9.4**
Total Portfolio	**77.4**	**100.0**

The independent valuation of the Group's property portfolio at 31 December 2012 totalled £77.4 million compared with £71.2 million at 31 December 2011. The like for like portfolio valuation uplift was 0.3%. The IPD Monthly Index All Property declined by 4.2% over the same period.

At 31 December 2012, the portfolio net initial yield was 8.6% (2011: 8.4%).

Our non-Birmingham City centre offices and retail stock in West Bromwich, Walsall, Bromsgrove and Kings Heath have performed well. Occupier demand here has been stable and secure and a number of occupiers are looking to make long term lease commitments during 2013.

Our investments in Leicester let to KPMG, and a retail park in Derby where we have submitted a planning application for a 45,000 sq ft food store, continue to perform well. A successful planning application at Derby will enhance the capital value.

Our portfolio remains stable and secure, with significant asset management opportunities that will enhance the income and capital values.

Acquisitions
We acquired off-market, 85-89 Colmore Row in December 2012 from Pricewaterhousecoopers acting as receivers for the sum of £4 million in cash. The purchase price represented an 8.6% net initial yield and the capital value per sq ft of £151 is below replacement cost. This is a prime landmark building, let to Chubb, Malcolm Hollis, FleetMilne Residential, Leonard Curtis and Building Design Partnership. Rental income is £360,000 per annum with an ERV of £450,000 per annum. The building is mostly let at £20 per sq ft, yet we have placed the remaining void unit on the market at £25 per sq ft, and anticipate future renewals at this level and above, in this building and others, indeed we are in legals at £25 per sq ft at a nearby property.

Purchases during the first half included 'Apex' in Edgbaston, for the sum of £1.7 million, let to Lombard North Central (Natwest) and Royal London Life, producing £353,000 per annum on leases expiring in December 2015 and producing a net initial yield of 20%. The properties were acquired from, the receivers acting for the mortgagees, Capital Asset Services (London) Ltd. The vendors acquired these properties in March 2005 for the sum of £4.5 million. Additionally, we acquired a part-vacant freehold property at High Street, West Bromwich (a former Allied Carpets retail store, with offices above) for £475,000. This property will be refurbished and re-let, with potential income of £150,000 per annum. The vendor paid £1.6 million in May 2006. These purchases meet our acquisition criteria, and we believe we will be able to add value and achieve attractive yields.

Sales
The marketplace remains a 'buyers' market and we are therefore very much in acquisition gear. We will sell assets in due course, but at positively higher values than those that can be achieved in the present market.

Our planned exit from some of our assets will be subject to the completion of our asset management initiatives and the improving market demand.

During this period we sold land in Birmingham, with planning consent, to Bromford Housing Association for £350,000, representing a 22.3% premium to the £286,000 book value.

Finance
As at 31st December 2012, gross debt was £40.6 million (2011: £37.4 million) with cash and undrawn facilities of £4.2 million (2011: £6.0 million). The weighted average debt maturity was 8.6 years (2011: 8 years) with a weighted average cost of debt of 6.3% (2011: 6.1%) at year end (100% fixed or hedged, 2011: 81%).

Net loan to value was 49% (2011: 46%) and net interest cover based on adjusted earnings before interest and tax as a ratio of finance costs was 1.6 (2011: 1.0). Both loan to value and interest cover fall comfortably within the banking covenants.

We have enjoyed excellent banking support throughout the financial crisis over the last 5 years, and continue to receive the support of our bankers at Lloyds, Handelsbanken and Aviva. We have cash and a number of income producing and unencumbered properties that we may seek to refinance, so as to create further cash to take advantage of opportunities that meet our criteria.

In March 2012, we completed a refinancing of £10.3 million with Aviva for a term of 15 years, fixed at 5.2% inclusive. We anticipate completion of a new refinance of unencumbered assets during Q2 2013, taking advantage of competitive and historically low interest rates.

More generally, we note a marked difference in the appetite of lenders across the banking sector to fund property transactions. This is seen in auction houses across the UK and evidenced by the rising number of transactions. Loan to value tends to be a maximum of 60-65%. The exception is that little or no debt is available for any speculative refurbishment or development.

Outlook & Summary

The outlook for regional property assets is clearly favourable so long as the improvements in occupier demand, bank debt and investor appetite remain. We believe that this will be the case with upside potential, resulting in rising capital values, occupancy levels and rental values, it would not surprise me if we saw significant valuation improvement in 2013-14.

The regional economy continues to benefit from the success enjoyed by the automotive sector, in particular Jaguar Land Rover. Whilst our portfolio is geographically spread across the Midlands, we hold significant assets in the prime city core which we expect will benefit from Enterprise Zone status. The £600 million New Street Station redevelopment, a £129 million Metro extension linking Snow Hill station to New Street station, the £65 million airport runway extension, the £250 million Birmingham City University campus and £188 million new library, will all contribute to the improving economic activity. Additionally, I understand that during 2012, Birmingham saw a 40% increase in foreign investment against a UK decline of 2%.

A few years ago, I stated that the financial crisis and the property market turmoil would reveal winners and losers and I believed that REI would emerge as a winner. Nothing has changed to alter my view.

We have existing capital and access to banking support to acquire further assets that comply with our purchase criteria and capitalise on our market reputation and 'preferred buyer status'.

We continue to monitor REIT legislation, and we will convert if the benefits and circumstances present a compelling commercial argument.

Finally, John Jack has decided to step down as a non-executive director from 30 June 2013 and I would also like to express my thanks to John for his contribution and support over the last few years. On behalf of all the staff and management I would like to wish him all the best for the future.

PAUL BASSI CBE DL D.UNIV DSc
CHIEF EXECUTIVE
27 MARCH 2013

85-89 COLMORE ROW, BIRMINGHAM

The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2012.

Principal activity
The principal activities of the Group are the investment in and trading of commercial properties.

Business review
A review of the Group's performance and future prospects is given in the chairman's and chief executive's statements.

Key Performance Indicators

Create sustainable long-term returns for shareholders
- To sustain real growth in earnings per share
- Annual revenue profit to exceed budgeted target
- Increase net assets per share

The above continue to be the key performance indicators of the Group, but last year was a year of unprecedented economic, bank and property turmoil which meant that these targets were not achieved. In our focus area of Birmingham and the wider West Midlands, we have been one of few active investors and believe we have acquired assets favourably. However, these acquisitions are almost the only comparable evidence available to valuers, and have contributed to our portfolio valuations remaining static, despite our active asset management and improving rental income.

Key risks and uncertainties

Risk area	
Investment portfolio	**Mitigation**
• Tenant default • Change in demand for space • Market pricing affecting value	• Not reliant on one single tenant or business sector • Focused on established business locations for investment • Monitor asset concentration • Portfolio diversification between office and retail properties • Building specifications not tailored to one user • Continual focus on current vacancies and expected changes
Financial	
• Reduced availability or increased cost of debt • Interest rate sensitivity	• Low gearing policy • Fixed rate debt and hedging in place • Existing facilities sufficient for spending commitments • On-going monitoring and management of the forecast cash position • Internal procedures in place to track compliance
People	
• Retention/recruitment	• Remuneration structure reviewed • Regular assessment of performance

Directors
The directors who served during the year were as follows:

J R A Crabtree OBE	Chairman – Non-Executive
J J Jack	Deputy Chairman – Non-Executive
W Wyatt	Non-Executive Director
P P S Bassi CBE	Chief Executive
M H P Daly	Finance Director

J R A Crabtree and M H P Daly will retire and submit themselves for re-election at the forthcoming Annual General Meeting.

Substantial shareholdings
The Company has been notified of the following interests that represent 3% or more of the issued share capital of the Company at 19 February 2013.

	Number	%
Caledonia Investments Plc	20,154,812	28.22
P P S Bassi	9,050,000	12.67
Ruffer	8,690,716	12.17
Henderson Global Investors	6,590,132	9.23
Blackrock Investment Management	4,501,127	6.30
Friends Provident International	3,469,257	4.86
Standard Life Investments	3,090,909	4.33
Reech CBRE Alternative Real Estate	2,215,171	3.10

Creditor payment policy
The Group's policy is to settle all agreed liabilities within 30 days of receipt of invoice or provision of goods or services if later. At 31 December 2012 trade payables represented 44 days (2011: 51 days) purchases based on the total purchases for the year.

Charitable donations
The Group made no charitable donations during the period (2011: £nil).

**METRO COURT,
WEST BROMWICH**

Statement of directors' responsibilities
The directors are responsible for preparing the Directors' 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 elected to prepare Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). 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 profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRSs 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 Group 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 comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:
- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Annual General Meeting
The Annual General Meeting will be held at Cathedral Place, 3rd Floor, 42-44 Waterloo Street, Birmingham, B2 5QB on 11 June 2013 at 11 am.

Auditor
Grant Thornton UK LLP offer themselves for re-appointment as auditor in accordance with Section 489 of the Companies Act 2006.

BY ORDER OF THE BOARD

M H P Daly
Secretary

Date: 27 MARCH 2013

Company No 5045715

GATEWAY HOUSE, BIRMINGHAM

Directors' statement on corporate governance

The Board of Directors is accountable to shareholders for the good corporate governance of the Group. Under the AIM rules for companies, the Group is not required to comply with the UK Corporate Governance Code (June 2010). However, the Board is aware of the best practice defined by the Code and seeks to adopt procedures to institute good governance insofar as practical and appropriate for a Group of its size while retaining its focus on the entrepreneurial success of the business. The main elements of the Group's governance procedure are documented below.

Application of principles

Directors

The composition of the Board is set out on page 7. The Board currently comprises three non-executive directors and two executive directors. The Board aims to meet monthly and is provided with relevant information on financial, business and corporate matters prior to meetings. The Board is responsible for overall Group strategy, approval of property and corporate acquisitions and disposals, approval of substantial items of capital expenditure, and consideration of significant operational and financial matters. The Board has established both an Audit and Remuneration Committee. Given the small size of the Board, it is not considered necessary to establish a separate Nominations Committee. All members of the Board are fully consulted on the potential appointment of a new director. All directors are subject to re-election every three years.

Accountability and audit

The Audit Committee comprises two non-executive directors, J R A Crabtree and J J Jack, and the finance director, by invitation. The committee oversees the adequacy of the Group's internal controls, accounting policies and financial reporting and provides a forum through which the Group's external auditor reports to the non-executive directors.

Going concern

After making relevant enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. These enquiries considered the following:

- the significant cash balances the Group holds and the low levels of historic and projected operating cashflows
- any property purchases will only be completed if cash resources or loans are available to complete those purchases
- the Group's bankers have indicated their continuing support for the Group
- the Group's £20 million facility with Lloyds Banking Group was renewed in October 2011 on similar terms for a period of three years
- in March 2012, completed a refinancing of £10.3 million with Aviva for a term of 15 years, fixed at 5.16% inclusive.

For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Internal control

The Board has overall responsibility for ensuring that the Group maintains systems of internal control to provide it with reasonable assurance regarding the reliability of financial information used within the business and that the assets of the business are safeguarded. It is acknowledged that such systems can only provide reasonable and not absolute assurance against material misstatements or loss. Key areas of internal control, which are overseen by the finance director, are listed below:

- the preparation of monthly financial information which reports actual performance and continuously updates monthly forecasts of revenue, expense, cash flows and assets and liabilities for the remainder of the current financial accounting period
- appraisal and approval of property and corporate investment proposals in the context of their cash flow profile, potential profitability and fit with the Group's overall strategy
- ongoing review of the Group's property portfolio and issues arising therefrom
- the close involvement of the executive directors in the day to day running of the business.

The Board has considered the need for an internal audit function but has decided the size and complexity of the Group does not justify it at present. However, it will keep this decision under annual review.

Remuneration Committee

As a company trading on AIM, the Company is not obliged to comply with the provisions of the Directors' Remuneration Reports Regulations. However, as part of its commitment to good corporate governance practice the Company provides the following information.

The Remuneration Committee is made up of two non-executive directors, J R A Crabtree and W Wyatt, and the chief executive, by invitation. The terms of reference of the committee are to review and make recommendations to the Board regarding the terms and conditions of employment of the executive directors.

Service agreements

No director has a service agreement with a notice period that exceeds 12 months.

Policy on directors' remuneration

The executive directors' remuneration packages are designed to attract, motivate and retain directors of the high calibre needed to help the Group successfully compete in its market place. The Group's policies are to pay executive directors a salary at market levels for comparable jobs in the sector whilst recognizing the relative size of the Group. The executive directors do not receive any benefits apart from their basic salaries and any bonuses.

The performance management of the executive directors and the determination of their annual remuneration package is undertaken by the Remuneration Committee. No director plays a part in any decision about his own remuneration. Annual bonuses will be paid at the discretion of the Remuneration Committee as an incentive and to reward performance during the financial year pursuant to specific performance criteria. In exercising its discretion the committee will take into account (among other things) performance against budget and improving shareholder value and believes that incentive compensation should recognize the growth and profitability of the business.

Directors' remuneration (forming part of the financial statements and subject to audit)

The remuneration of directors for the year ended 31 December 2012 was as follows:

	Salary	Salary in lieu of benefits	Fees	Total	Employers' national insurance contributions	2012	2011	Share options	Share options
						Total	Total	2012	2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Number	Number
J J Jack	-	-	22	22	-	22	22	-	-
P P S Bassi	300	75	-	375	50	425	425	-	-
M H P Daly	180	45	-	225	29	254	253	-	-
J Crabtree	-	-	25	25	-	25	25	-	-
W Wyatt	-	-	22	22	-	22	22	-	-
	480	120	69	669	79	748	747	-	-

Salary in lieu of benefits is paid in recognition for the fact that the Directors do not receive any benefits in kind.

The Group does not make pension contributions on behalf of the Directors.

No bonuses have been awarded to the directors.

Policy on non-executive directors' remuneration

The remuneration of the non-executive directors is determined by the Board and based upon independent surveys of fees paid to non-executive directors of similar companies. The non-executive directors do not receive any benefits apart from their fees which are paid directly to the individual involved.

Share warrants

Certain directors were granted share warrants on 29 June 2006 in respect of 2,127,500 Ordinary shares and on 25 July 2006 in respect of 475,000 Ordinary shares. The share warrants are exercisable from two years from the date of the grant of the option and will lapse within seven years if not exercised. The warrants were granted on the basis of 1 for 2 shares held at the date of grant, in proportion to their shareholding and are exercisable at 120p per share.

Long Term Incentive Plan

At the Annual General Meeting held in June 2010 a resolution was passed approving the adoption of a new Long Term Incentive Plan (LTIP). The proposed LTIP is designed to promote retention and incentivise the executive directors to grow the value of the Group and to maximise returns:

- The LTIP has a ten year life from January 2010 to December 2019.
- Awards become payable to the extent that shareholder return defined as net asset value ("NAV") growth adjusted for dividends and other returns to shareholders exceed a compound growth rate of 10% per annum (Hurdle Return).
- If shareholder returns exceed the Hurdle Return, 20% of such excess will be payable in Ordinary shares under the LTIP.
- Participants will have the opportunity to take up to 30% of the amount accrued under the LTIP at the end of year three, with the portion able to be taken up each year thereafter increasing by 10% each year and the full amount (100%) being available only after the end of the ten year period.
- Only executive directors are eligible to participate in the LTIP.
- The baseline for the commencement of the LTIP is the NAV per Ordinary share at 31 December 2009 adjusted for the impact of the placing of Ordinary shares in 2010 and 2011.
- Subject to the time limits set out above, awards may be taken up in the 20 business day period following the announcement of full year or interim results.
- Amounts payable will be satisfied in full (save as below) by the issue of Ordinary shares or the grant of zero/nominal cost options to any participant. The price at which shares will be issued will be the higher of NAV per share as reported in the latest full year results and the weighted average mid-market closing price for the first 20 business days following announcement of the latest full year results. On issue, the Ordinary shares will rank pari passu with the existing issued Ordinary shares.
- The number of Ordinary shares which can be issued under the LTIP is limited to 10% of the Company's then issued share capital. Any excess earned above this level will be paid in cash provided that the remuneration committee consider it prudent to do so at that stage, otherwise payment will be deferred until the remuneration committee deem it prudent.
- The remuneration committee may from time to time make any alteration to the plan which it thinks fit, including for legal, regulatory or tax reasons, in order to ensure the smooth workings of the plan in line with its objectives.

The LTIP was implemented in December 2010. On 3 December 2010, the Group granted each of P P S Bassi and M H P Daly an option under the scheme which entitles them to subscribe for or acquire ordinary shares in the company at a price of 10p per share (in the case of new ordinary shares) or 0p per share (in the case of a transfer of existing shares). The grant and exercise of the options is subject to the rules of the LTIP and cannot be exercised unless the relevant performance criteria are met, as discussed above.

The number of ordinary shares to be awarded under the option will be determined at the relevant trigger date based on the net asset value of the Group and will be calculated with reference to the prevailing net asset value per share or market price per share, whichever is higher. The first trigger date is 1 January 2013 and subsequent trigger dates occur annually thereafter until 1 January 2020.

Long Term Incentive Plan (continued)

No expense has been recognised in respect of the LTIP for the year ended 31 December 2012 as no options are expected to vest.

APPROVED BY THE BOARD OF DIRECTORS – J R A Crabtree
Chairman, Remuneration Committee
Date: 27 MARCH 2013

AVON HOUSE, BROMSGROVE

APEX BUILDINGS, EDGBASTON

We have audited the consolidated financial statements of Real Estate Investors plc for the year ended 31 December 2012 which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cashflows and the related notes. 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.

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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 7 and 8, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following where under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent Company financial statements of Real Estate Investors plc for the year ended 31 December 2012.

David White
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
Date: 27 MARCH 2013

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Revenue		**6,122**	4,897
Cost of sales		**(1,434)**	(1,300)
Gross profit		**4,688**	3,597
Administrative expenses		**(1,874)**	(1,362)
Share of loss of joint venture	11	**-**	(2)
Surplus on sale of investment property		**64**	22
Net surplus/(loss) on valuation of investment properties	9	**822**	(4,230)
Profit/(loss) from operations		**3,700**	(1,975)
Finance income	5	**26**	197
Finance costs	5	**(2,404)**	(2,337)
Loss on financial liabilities at fair value through profit and loss	16	**(320)**	(2,577)
Profit/(loss) on ordinary activities before taxation	3	**1,002**	(6,692)
Income tax (charge)/credit	6	**(635)**	1,663
Net profit /(loss) after taxation and total comprehensive income		**367**	(5,029)
Total and continuing loss per ordinary share			
Basic	7	**0.51p**	(8.66)p
Diluted	7	**0.51p**	(8.66)p

The results of the Group for the period related entirely to continuing operations.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2011	4,960	37,654	45	121	(10,513)	32,267
Issue of new shares	2,182	-	-	-	-	2,182
Premium on issue of shares	-	9,818	-	-	-	9,818
Expenses of share issue	-	(257)	-	-	-	(257)
Reduction of share premium account	-	(47,154)	-	-	47,154	-
Transactions with owners	2,182	(37,593)	-	-	47,154	11,743
Loss for the year and total comprehensive income	-	-	-	-	(5,029)	(5,029)
At 31 December 2011	7,142	61	45	121	31,612	38,981
Dividends	-	-	-	-	(357)	(357)
Transactions with owners	-	-	-	-	(357)	(357)
Profit for the year and total comprehensive income	-	-	-	-	367	367
At 31 December 2012	**7,142**	**61**	**45**	**121**	**31,622**	**38,991**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Note	2012	2011
		£'000	£'000
Assets			
Non current			
Intangible assets	8	**171**	171
Investment properties	9	**70,441**	63,434
Property, plant and equipment	10	**18**	28
Deferred tax	17	**4,255**	4,890
		74,885	68,523
Investment in joint venture	11	**236**	148
		75,121	68,671
Current			
Inventories	12	**6,935**	7,795
Trade and other receivables	13	**3,151**	2,469
Cash and cash equivalents		**2,685**	4,461
		12,771	14,725
Total assets		**87,892**	83,396
Liabilities			
Current			
Bank loans and overdraft	15	**(3,106)**	(2,930)
Provision for current taxation		**(18)**	(18)
Trade and other payables	14	**(2,938)**	(2,052)
		(6,062)	(5,000)
Non current			
Bank loans	15	**(37,525)**	(34,421)
Liabilities at fair value through profit and loss	16	**(5,314)**	(4,994)
		(42,839)	(39,415)
Total liabilities		**(48,901)**	(44,415)
Net assets		**38,991**	38,981

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2012

	Note	2012 £'000	2011 £'000
Equity			
Share capital	18	**7,142**	7,142
Share premium account		**61**	61
Capital redemption reserve		**45**	45
Other reserves		**121**	121
Retained earnings		**31,622**	31,612
Total Equity		**38,991**	38,981
Net assets per share		**54.6p**	54.6p

These financial statements were approved by the Board of Directors on 27 MARCH 2013.

Signed on behalf of the Board of Directors

J R A Crabtree – Chairman

M H P Daly – Finance Director

Company No 5045715

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

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 31 December 2012

	2012	2011
	£'000	£'000
Cash flows from operating activities		
Profit/(loss) after taxation	367	(5,029)
Adjustments for:		
Depreciation	11	12
Net (surplus)/loss on valuation of investment property	(822)	4,230
Surplus on sale of investment property	(64)	(22)
Share of loss of joint venture	-	2
Finance income	(26)	(197)
Finance costs	2,404	2,337
Loss on financial liabilities at fair value through profit and loss	320	2,577
Income tax charge/(credit)	635	(1,663)
Decrease/(increase) in inventories	860	(1,742)
(Increase)/decrease in trade and other receivables	(682)	1,238
Increase in trade and other payables	886	111
	3,889	1,854
Interest paid	(2,404)	(2,337)
Income taxes paid	-	(17)
Net cash from operating activities	1,485	(500)
Cash flows from investing activities		
Purchase of investment properties	(6,471)	(17,321)
Proceeds from sale of property, plant and equipment	(1)	-
Proceeds from sale of investment property	350	157
Investment in joint venture	(88)	(47)
Interest received	26	197
	(6,184)	(17,014)
Cash flows from financing activities		
Proceeds from issue of share capital net of expenses	-	11,743
Equity dividends paid	(357)	-
Proceeds from new bank loans	10,303	-
Payment of bank loans	(6,807)	(3,804)
	3,139	7,939
Net decrease in cash and cash equivalents	(1,560)	(9,575)
Cash, cash equivalents and bank overdrafts at beginning of period	2,247	11,822
Cash, cash equivalents and bank overdrafts at end of period	687	2,247

NOTES:
Cash and cash equivalents consist of cash in hand and balances with banks only.

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

1. Accounting policies

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of properties and financial instruments held at fair value through profit and loss, and in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union. Separate financial statements of Real Estate Investors PLC (the Company) have been prepared, on pages 42 to 52, under the historical cost convention except for the revaluation of investment properties and in accordance with applicable accounting standards under UK GAAP.

The principal accounting policies of the Group are set out below and are consistent with those applied in the 2011 financial statements.

Going concern

After making relevant enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. These enquiries considered the following:

- the significant cash balances the Group holds and the low levels of historic and projected operating cash outflows
- rising rental income, together with properties actively being marketed, leading to improving profitability
- any property purchases will only be completed if cash resources or loans are available to complete these purchases
- the Group's bankers have indicated their continuing support for the Group
- the bank loan covenants, which are principally related to loan to property asset value ratios, are expected to be met going forward
- the Group has renewed its £20 million facility with Lloyds Banking Group in October 2011 on similar terms for a period of three years.
- in March 2012, completed a refinancing of £10.3 million with Aviva for a term of 15 years, fixed at 5.16% inclusive.

For these reasons, the directors continue to adopt the going concern basis in preparing the financial statements.

Business combinations

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through voting rights. The consolidated financial statements of the Group incorporate the financial statements of the parent Company as well as those entities controlled by the Group by full consolidation.

Acquired subsidiaries are subject to application of the acquisition method. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of the assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of the fair value of consideration transferred, the recognised amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of the identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Investment in joint ventures

Entities whose economic activities are controlled jointly by the Group and by other ventures independent of the Group are accounted for using the equity method.

In the consolidated financial statements the Group's interest in joint ventures is initially recognised at cost and adjusted thereafter for further investment and the post-acquisition changes in the Group's share of results and movement in reserves of the joint venture.

All subsequent changes to the share of interest in the joint venture are recognised in the Group's carrying amount of the investment. Changes resulting from the profit or loss generated by the joint venture are reported in "share of profit/(loss) of joint venture" in the consolidated statement of comprehensive income and therefore affect the net results of the Group.

Items that have been recognised directly in the joint venture's equity are recognised in the consolidated equity of the Group. However, when the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains and losses on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture. Where unrealised losses are eliminated, the underlying asset is also tested for impairment from the Group's perspective.

Income recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duties. The following criteria must be met before income is recognised:

Rental income

Rental income arising from operating leases on properties owned by the Group is accounted for on a straight line basis over the period commencing on the later of the start of the lease or acquisition of the property by the Group, and ending on the earlier of the end of the lease and next break point, unless it is reasonably certain that the break option will not be exercised. Rental income revenue excludes service charges and other costs directly recoverable from tenants.

Sale of properties

Revenue from the sale of properties is recognised when the significant risks and rewards of ownership of the properties have passed to the buyer, usually when legally binding contracts which are irrevocable and unconditional are exchanged. Revenue is, therefore, recognised when legal title passes to the purchaser, typically upon exchange.

Surrender premiums

Where contractually entitled, upon receipt of a surrender premium for the early determination of a lease, the profit, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately reflected in income.

Impairment

The Group's goodwill, office equipment, leasehold improvements and investment in joint venture are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level. Goodwill is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls related cash flows.

Cash-generating units that include goodwill are tested for impairment at least annually. All other individual assets or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, using future expected revenues from the asset or cash-generating unit. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss on other assets is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially recognised at cost including direct transaction costs.

Investment properties are subsequently valued externally or by the directors on an open market basis at the balance sheet date and recorded at valuation. Any surplus or deficit arising on revaluing investment properties is recognised in profit or loss in the period in which they arise.

Dilapidation receipts are held in the balance sheet and offset against subsequent associated expenditure. Any ultimate gains or shortfalls are recognised in profit or loss, offset against any directly corresponding movement in fair value of the investment property to which they relate.

Leasehold improvements and office equipment

Leasehold improvements and office equipment are carried at acquisition cost less subsequent depreciation and impairment losses. Depreciation is charged on the cost of these assets less their residual value on a straight line basis over the estimated useful economic life of each asset, by equal annual instalments over the following periods:

Leasehold improvements	-	length of lease
Office equipment	-	four years

Residual values and useful lives are reassessed annually.

Inventories

Trading properties, which are held for resale, are included in inventories at the lower of cost and net realisable value. Cost includes all fees relating to the purchase of the property and improvement expenses. Net realisable value is based on estimated selling price less future costs expected to be incurred to sale. Any provisions to impair trading properties below cost are reversed in future periods if market conditions subsequently support a higher fair value but only up to a maximum of the original cost. Property acquisitions are accounted for when legally binding contracts which are irrevocable and effectively unconditional are exchanged.

Operating leases

Group company is the lessee
Leases in which substantially all risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged as an expense on a straight line basis over the period of the lease.

Group company is the lessor
Properties leased out to tenants under operating leases are included in investment properties in the statement of financial position when all the risks and rewards of ownership of the property are retained by the Group.

Taxation

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the year end date. They are calculated according to the tax rates and tax laws enacted and substantively enacted at the year end date, based on the taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in IAS 12, no deferred taxes are recognised on the initial recognition of goodwill, or on initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. This applies also to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred income taxes on investment properties relates to temporary differences between the carrying value of these assets and their tax base. In calculating deferred income taxes on investment properties the Directors are required to consider the manner in which the value of the properties will be recovered, whether through use or through sale. The Directors consider that the value of investment properties (which are held to earn rentals and for capital appreciation) will be recovered through a mixture of rental income and sale. The Directors then consider whether there would be any deductions which could be made against future sales proceeds. The deferred income tax represents the tax effect of the difference between the valuation of the investment property and its tax base.

Deferred tax liabilities are provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided that they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income. Only changes in deferred tax assets or liabilities that relate to a change in the value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

Financial assets

The Group's financial assets include cash and cash equivalents and trade and other receivables.

All financial assets are initially recognised at fair value plus transaction costs, when the Group becomes party to the contractual provisions of the instrument.

Interest and other cash flows resulting from holding financial assets are recognised in the statement of comprehensive income using the effective interest method.

Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Provision for impairment of trade, loan receivables and other receivables is made when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivable. The amount of the impairment is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Any change in their value through impairment or reversal of impairment is recognised in profit or loss.

Financial assets

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition.

A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short term highly liquid investments such as bank deposits, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Equity

- Share capital represents the nominal value of equity shares that have been issued.
- Share premium represents the excess over nominal value of the fair value of the consideration received for equity shares, net of expenses of the share issue.
- Other reserves represent the cumulative amount of the share based payment expense.
- Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.
- The capital redemption reserve represents the nominal value of shares cancelled on the purchase of own shares in order to maintain the capital base of the Group.

Financial liabilities

The Group's financial liabilities include bank loans and overdrafts, trade and other payables and liabilities at fair value through profit and loss.

Financial liabilities are recognised when the Group becomes a party to the contractual agreement of the instrument. All interest related charges are recognised as an expense in "finance costs" in the statement of comprehensive income using the effective interest method.

Bank overdrafts are raised for support of the short term funding of the Group's operations.

Bank loans are raised for support of the long term funding of the Group's operations. They are recognised initially at fair value, net of direct issue costs and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the statement of comprehensive income. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in profit or loss on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost less settlement payments.

All derivative financial instruments are valued at fair value through profit and loss. No derivative financial instruments have been designated as hedging instruments. All interest related charges are included within finance costs or finance income. Changes in an instrument's fair value are disclosed separately in the statement of comprehensive income. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists.

A financial liability is derecognised only when the obligation is extinguished, that is when the obligation is discharged or cancelled or expires.

Classification as equity or financial liability

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Classification as equity or financial liability (continued)

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classed as financial liabilities.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to equity.

Share warrants and share options

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share based payments are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to other reserves.

Upon exercise of share warrants or share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

When the share warrants or share options have vested and then lapsed, the amount previously recognised in other reserves is transferred to retained earnings.

Share based payments

The fair value of granting awards under the long Term Incentive Plan to directors is recognised through the consolidated statement of comprehensive income. The value of shares awarded is calculated by using the Black Scholes model. The resulting fair value is amortised through the consolidated statement of comprehensive income on a straight line basis over the vesting period. The charge is reversed if it is likely that any non-market based criteria will not be met.

Segmental reporting

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available.

As the chief operating decision maker reviews financial information for and makes decisions about the Group's investment properties and properties held for trading as a portfolio, the directors have identified a single operating segment, that of investment in and trading of commercial properties.

Standards and interpretations in issue, not yet effective

The Group has not early adopted the following new standards, amendments or interpretations that have been issued but are not yet effective:

- IFRS 9 Financial Instruments (effective 1 January 2015)
- Government Loans - Amendments to IFRS 1 (effective 1 January 2013)
- Annual Improvements 2009-2011 Cycle (effective 1 January 2013)
- Transition Guidance - Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2013)
- Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)
- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)

Standards and interpretations in issue, not yet effective (continued)

- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012)
- Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)

The Group has commenced assessment of the impact of the above standards on presentation and disclosure but is not yet in a position to state whether any of these standards would have a material impact on its results of operations and financial position. IFRS 11 will have no impact on the net assets of the Group. Amendments to IAS 12 is will have no impact as the group pays tax at the same rate for profits from rental income and capital disposal.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are as follows:

Investment property valuation
The Group uses the valuations performed by its independent valuers or the directors as the fair value of its investment properties. The valuation is based upon assumptions including future rental income, anticipated maintenance costs and the appropriate discount rate. The valuer and directors also make reference to market evidence of transaction prices for similar properties. The impact of changes in property yields used to ascertain the valuation of investment properties are considered in note 15.

Trade and other receivables
The Group is required to judge when there is sufficient objective evidence to require the impairment of individual trade and other receivables. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the debtor entity and the status of any disputed amounts. Further details with regard to the potential impairment of trade and loan receivables are provided in note 13.

Deferred taxation
The Group has a deferred tax asset of £4,255,000 at 31 December 2012 (2011: £4,890,000) as detailed in note 17. The Directors are confident that the devaluation of investment properties will reverse and taxable gains will arise through increases in the value of the property portfolio, such that the assets will crystallise in the foreseeable future.

Surrender premiums
The Group is required to judge whether amounts due under lease surrenders are sufficiently irrevocable that income can be accrued. Judgment is also required in establishing whether income relates to an exit fee for terminating the leased asset (recognised immediately), or whether it represents accelerated rental income (recognised over the remaining lease term). Surrender premiums received during the year are shown in note 2.

Critical judgements in applying the Group's accounting policies

The Group makes judgements in applying the accounting policies. The critical judgement that has been made is as follows:

Categorisation of properties
Properties held by the subsidiary company 3147398 Limited are classified as inventories, being properties held for resale in the ordinary course of business. These properties generate rental income but are being actively marketed for sale and are therefore categorised as properties held for resale and carried at the lower of cost and net realisable value. Investment properties held for own use are classified as leasehold property only when intended for long term use within the business.

2. Segmental information

The segmental information is provided to the Chief Executive, who is the chief operating decision maker.

	Investment in and trading of properties	
	2012	2011
	£'000	£'000
Segment revenues – rental income	**5,482**	3,937
- surrender premiums	**640**	-
- sale of assets held as inventory	**-**	960
Cost of sales	**(1,434)**	(1,300)
Administrative expenses	**(1,874)**	(1,362)
Share of loss of joint venture	**-**	(2)
Surplus on disposal of investment property	**64**	22
Net profit/(loss) on valuation of investment properties	**822**	(4,230)
Segment operating profit/(loss)	**3,700**	(1,975)
Segment assets	**87,892**	83,396

The segmental information provided to the Chief Executive also includes the following:

	2012	2011
	£'000	£'000
Finance income	**26**	197
Finance costs	**(2,404)**	(2,337)
Depreciation	**(11)**	(12)
Income tax (charge)/credit	**(635)**	1,663

Revenue from external customers and non current assets arises wholly in the United Kingdom. All revenue for the year is attributable to the principal activities of the Group. Revenue from the largest customer represented 8% (2011: 19%) of the total rental income revenue for the period.

3. Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after:

	2012	2011
	£'000	£'000
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of the financial statements	**15**	15
Fees payable to the Company's auditor for other services:		
Audit of the financial statements of the Company's subsidiaries pursuant to legislation	**15**	10
Depreciation of owned property and equipment	**11**	12
Operating lease payments	**115**	115

4. Directors and employees

Staff costs during the period were as follows:

	2012	2011
	£'000	£'000
Wages and salaries	**785**	718
Social security costs	**100**	90
	885	808

The average number of employees (including executive directors) of the Group during the period was seven, all of whom were engaged in administration (2011: six). The executive and non-executive directors are the key management personnel and details of their remuneration are included within the directors' remuneration report on page 10.

5. Finance income/finance costs

	2012	2011
	£'000	£'000
Finance income:		
Interest receivable	**26**	**197**
Finance costs:		
Interest payable on bank loans	**(2,404)**	**(2,337)**

6. Income tax (credit)/expense

	2012		2011	
	£'000	%	£'000	%
Result for the year before tax	**1,002**		(6,692)	
Tax rate	**23%**		25%	
Expected tax charge/(credit)	**230**	(23.0)	(1,673)	(25.0)
Adjustment for non deductible expenses	**-**		-	
Capital allowances claim	**-**		93	1.4
Adjustments prior year	**405**	(40.4)	(83)	(1.2)
Actual tax charge/(credit)	**635**	**(63.4)**	(1,663)	(24.8)
Tax charge/(credit) comprises:				
Current tax	**-**		(83)	
Deferred tax credit (note 17)	**635**		(1,580)	
	635		(1,663)	

The prevailing rate of corporation tax has reduced to 23% from 25% and therefore there is a prior year adjustment with regards to the deferred taxation asset shown in the accounts.

7. Earnings/(loss) per share

The calculation of earnings/loss per share is based on the result for the year after tax and on the weighted average number of shares in issue during the year. The calculation of diluted earnings/loss per share is based on the basic earnings/loss per share adjusted for the issue of shares on the assumed conversion of the warrants and share warrants (note 18).

Reconciliations of the earnings/loss and the weighted average numbers of shares used in the calculations are set out below.

	2012 Earnings £'000	2012 Average number of shares	2012 Earnings per Share	2011 Loss £'000	2011 Average number of shares	2011 Loss per share
Basic earnings/loss per share	**367**	**71,420,598**	0.51p	(5,029)	59,525,206	(8.66)p
Dilutive effect of conversion of convertible share warrants and options	-	-	-	-	-	-
Diluted earnings/loss per share	**367**	**71,420,598**	**0.51p**	(5,029)	59,525,206	(8.66)p

The impact of share warrants and share options on the results for the year ended 31 December 2012 and 2011 is antidilutive.

The European Public Real Estate Association indices below have been included in the financial statements to allow more effective comparisons to be drawn between the Group and other business in the real estate sector.

EPRA EPS per share

	2012 Earnings £'000	2012 Shares	2012 Earnings per share p	2011 Earnings £'000	2011 Shares	2011 Earnings per share p
Basic earnings per share	**367**	**71,420,598**	**0.5**	**(5,029)**	**59,525,206**	**(8.6)**
Fair value of investment properties	(822)			4,230		
Profits on disposal of investment properties	(64)			(22)		
Tax on profits on disposals	15			5		
Fair value of inventory properties	860			(56)		
Change in fair value of derivatives	320			2,577		
Deferred tax	**(82)**			(1,620)		
EPRA Earnings	594	71,420,598	0.8	85	59,525,206	0.1

EPRA NAV per share

	2012			2011		
	Net Assets £'000	Shares	Net asset value per share p	Net Assets £'000	Shares	Net asset value per share p
Basic	**38,991**	**71,420,598**	**54.6**	**38,981**	**71,420,598**	**54.6**
Dilutive impact of share options and warrants	-	-		-	-	
Diluted	**38,991**	**71,420,598**	**54.6**	**38,981**	**71,420,598**	**54.6**
Adjustment to fair value of derivatives	5,314	-		4,994	-	
Deferred tax	(4,255)	-		(4,890)	-	
EPRA NAV	**40,050**	**71,420,598**	**56.1**	**39,085**	**71,420,598**	**54.7**
Adjustment to fair value of derivatives	**(5,314)**	-		(4,994)	-	
Deferred tax	**4,255**	-		4,890	-	
EPRA NNNAV	**38,991**	**71,420,598**	**54.6**	**38,981**	**71,420,598**	**54.6**

8. Intangible assets

	Goodwill £'000
Gross carrying amount	
Cost	
At 1 January 2012 and 31 December 2012	171
Accumulated impairment losses	
At 1 January 2012 and 31 December 2012	-
Net book amount at 31 December 2011 and 31 December 2012	**171**

The directors have reviewed the carrying value of the goodwill at the year end and consider no impairment provision is required.

9. Investment properties

Investment properties are those held to earn rentals and for capital appreciation.

The carrying amount of investment properties for the periods presented in the consolidated financial statements as at 31 December 2012 is reconciled as follows:

	£'000
Carrying amount at 1 January 2011	50,478
Additions – acquisition of new properties	17,022
Additions – subsequent expenditure	299
Disposals	(135)
Revaluation	(4,230)
Carrying amount at 31 December 2011	63,434
Additions – acquisition of new properties	6,456
Additions – subsequent expenditure less dilapidations contributions	15
Disposals	(286)
Revaluation	822
Carrying amount at 31 December 2012	**70,441**

The figures stated above for the gross carrying amount include valuations as follows:

	£'000
At professional valuation	69,517
At directors' valuation	924
	70,441

All of the Group's investment properties are held as either freehold or long leasehold and are held for use in operating leases. The Group uses the fair value model for all its investment properties.

If investment properties had not been revalued they would have been included on the historical cost basis at the following amounts:

	2012	2011
	£'000	£'000
Cost and net book amount at 31 December	**85,342**	78,857

In accordance with IAS40, the Group's policy is that investment properties should be valued by an external valuer at least every three years. The valuation at 31 December 2012 has in the main been carried out by DTZ and Gerald Eve LLP, professional valuers, on certain properties and the directors on the remaining properties.

Properties are valued on an open market basis based on active market prices adjusted, if necessary, for any differences in the nature, location or condition of the specified asset. If this information is not available, alternative valuation methods are used such as recent prices on less active markets, or discounted cash flow projections. There are no reasonably possible alternative assumptions that could have applied.

The fair value of an investment property reflects, among other things, rental income from current leases and assumptions about future rental lease income based on current market conditions and anticipated plans for the property. Rental income from investment properties in the year ended 31 December 2012 was £6,122,000 (2011: £3,937,000) and direct operating expenses in relation to those properties were £574,000 (2011: £607,000).

10. Property, plant & equipment

	Leasehold Improvements	Office Equipment	Total
	£'000	£'000	£'000
Gross carrying amount			
At 1 January 2011 and 1 January 2012	108	53	161
Additions	-	1	1
At 31 December 2012	108	54	162
Depreciation and Impairment			
At 1 January 2011	74	47	121
Charge for the year	10	2	12
At 31 December 2011	84	49	133
Charge for the year	10	1	11
At 31 December 2012	94	50	144
Net book carrying amount			
At 31 December 2012	**14**	**4**	18
At 31 December 2011	**24**	**4**	28

11. Joint venture

	2012	2011
	£'000	£'000
At 1 January	**148**	103
Further investments	**88**	47
Group's share of the loss for the year	**-**	(2)
At 31 December	**236**	148

The aggregate amounts relating to the joint venture that have been included in the consolidated financial statements are as follows:

	2012	2011
	£'000	£'000
Non current assets and net current liabilities	**1,050**	1,050
Non current liabilities	**(814)**	(902)
	236	148
Group's share of income of joint venture	**72**	75
Group's share of expenses, interest and tax of joint venture	**(72)**	(77)
Group's share of (loss)/profit of joint venture	**-**	(2)

The joint venture relates to the Group's 50% share of Menin Works which is an unincorporated business which undertakes property investment.

There were no capital commitments at 31 December 2012 and 31 December 2011 in respect of the joint venture.

There were no contingent liabilities at 31 December 2012 and 31 December 2011 in respect of the joint venture.

12. Inventories

	2012	2011
	£'000	£'000
Properties and land held for trading	**6,935**	7,795

All properties held for trading are included at the lower of cost and net realisable value. The amount of inventories recognised as a charge in the year ended 31 December 2012 is £Nil (2011: £674,000), which is after charging an impairment of £860,000 (2011: credit £56,000). All of the properties held for trading are pledged as security for bank loans.

Properties held at fair value less costs to sell at 31 December 2012 are £4,570,000 (2011: £5,215,000)

13. Trade and other receivables

	2012	2011
	£'000	£'000
Trade receivables	**1,456**	592
Loans receivable	**108**	119
Other receivables	**641**	1,165
Prepayments and accrued income	**946**	593
	3,151	2,469

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision of £30,000 (2011: £30,000) has been recorded accordingly. The movement in the provision for impairment during the year is as follows:

	2012	2011
	£'000	£'000
At 1 January	**30**	161
Debts written off	**-**	(79)
Decrease in provision	**-**	(52)
At 31 December	**30**	30

In addition, some of the trade receivables not impaired are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	2012	2011
	£'000	£'000
Not more than three months past due	**17**	5
More than three months but no more than six months past due	**134**	85
	151	90

13. Trade and other receivables (continued)

Financial assets by category

The IAS 39 categories of financial asset included in the balance sheet and the headings in which they are included are as follows:

	2012			2011		
	Loans and receivables	**Non financial assets**	**Balance sheet total**	Loans and receivables	Non financial Assets	Balance sheet total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Trade receivables	**1,456**	**-**	**1,456**	592	-	592
Loans receivable	**108**	**-**	**108**	119	-	119
Other receivables	**641**	**-**	**641**	1,165	-	1,165
Prepayments and accrued income	**-**	**946**	**946**	-	593	593
Cash and cash equivalents	**2,685**	**-**	**2,685**	4,461	-	4,461
	4,890	**946**	**5,836**	6,337	593	6,930

14. Trade and other payables

	2012	2011
	£'000	£'000
Trade payables	**747**	305
Other payables	**388**	384
Social security and taxation	**240**	187
Accruals and deferred income	**1,563**	1,176
	2,938	2,052

14. Trade and other payables (continued)

Financial liabilities by category

The IAS 39 categories of financial liabilities included in the balance sheet and the headings in which they are included are as follows:

	2012				2011			
	Financial liabilities at fair value through profit and loss	**Other financial liabilities at amortised cost**	**Liabilities not within the scope of IAS39**	**Balance sheet total**	Financial liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Liabilities not within the scope of IAS39	Balance sheet total
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Current								
Bank loans and overdrafts	**-**	**3,106**	**-**	**3,106**	-	2,930	-	2,930
Provision for current taxation	**-**	**-**	**18**	**18**	-	-	18	18
Trade payables	**-**	**747**	**-**	**747**	-	305	-	305
Other payables	**-**	**388**	**-**	**388**	-	384	-	384
Social security and taxation	**-**	**-**	**240**	**240**	-	-	187	187
Accruals and deferred income	**-**	**1,563**	**-**	**1,563**	-	1,176	-	1,176
	-	**5,804**	**258**	**6,062**	-	4,795	205	5,000
Non-current								
Bank loans	**-**	**37,525**	**-**	**37,525**	-	34,421	-	34,421
Financial instruments	**5,314**	**-**	**-**	**5,314**	4,994	-	-	4,994
	5,314	**37,525**	**-**	**42,839**	4,994	34,421	-	39,415
	5,314	**43,329**	**258**	**48,901**	4,994	39,216	205	44,415

15. Financial risk management objectives and policies

The Group's financial instruments are bank borrowings, cash, bank deposits, interest rate swap agreements and various items such as short-term receivables and payables that arise from its operations. The main purpose of these financial instruments is to fund the Group's investment strategy and the short-term working capital requirements of the business.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and property yield risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged throughout the period.

Credit risk

The Group's principal financial assets are bank balances and trade and other receivables. The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

15. Financial risk management objectives and policies (continued)

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2012	2011
	£'000	£'000
Classes of financial assets - carrying amount		
Cash and cash equivalents	2,685	4,461
Trade and other receivables	2,205	1,876
	4,890	6,337

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. External credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with credit worthy counterparties.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. In respect of trade and other receivables, the Group is not exposed to any significant risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group does this by taking out loans with banks to build up cash resources to fund property purchases.

Bank loans and overdrafts

The Group borrowings analysis (all of which are undiscounted) at 31 December 2012 is as follows:

	2012	2011
	£'000	£'000
In less than one year:		
Bank overdraft	1,998	2,214
Bank borrowings	1,108	716
In more than one year but less than two years:		
Bank borrowings	19,104	768
In more than two years but less than five years:		
Bank borrowings	1,890	22,532
In more than five years		
Bank borrowings	16,838	11,728
Financial instruments	5,314	4,994
	46,252	42,952
Deferred arrangement costs	(307)	(607)
	45,945	42,345

15. Financial risk management objectives and policies (continued)

		2012	2011
		£'000	£'000
Split			
Current liabilities	-bank overdraft	**1,998**	2,214
	-bank loans	**1,108**	716
Non-current liabilities	-bank loans	**37,525**	34,421
	-financial liabilities at fair value through profit and loss	**5,314**	4,994
		45,945	42,345

Maturity of financial liabilities

The gross contractual cashflows relating to bank loans above are as follows:

	2012	2011
	£'000	£'000
In less than one year: Bank overdraft	**1,998**	2,214
Bank borrowings	**1,108**	3,093
In more than one year but less than two years:		
Bank borrowings	**19,104**	3,093
In more than two years but less than five years:		
Bank borrowings	**1,890**	27,751
In more than five years		
Bank borrowings	**16,531**	13,423
	40,631	49,574

In February 2008 the Group entered into interest rate swap agreements to cover £20 million of its bank borrowings. These contracts are considered by management to be part of economic hedge arrangements but have not been formally designated. The effect of these agreements is to fix the interest payable on a notional £10 million at a rate of 4.95%; unless the actual rate is between 3.65% and 4.95% in which case the actual rate is paid or unless the rate is above 4.95% in which case 3.65% is paid and to fix interest payable on a notional £10 million at 3.85% plus a margin of 2.75%. At 31 December 2012 the fair value of this arrangement based on a valuation provided by the Group's bankers was a liability of £5,314,000 (2011: £4,994,000).

Borrowing facilities

The Group has undrawn committed borrowing facilities at 31 December 2012 of £1,500,000 (2011: £1,500,000).

Market risk

Interest rate risk

The Group finances its operations through retained profit, cash balances and the use of medium term borrowings. When medium term borrowings are used either fixed rates of interest apply or where variable rates apply, interest rate swap arrangements are entered into. When the Group places cash balances on deposit, rates used are fixed in the short term and for sufficiently short periods that there is no need to hedge against implied risk.

15. Financial risk management objectives and policies (continued)

The interest rate exposure of the financial liabilities of the Group at 31 December 2012 was:

	Interest %	Expiry Date	**2012 £'000**	2011 £'000
Fixed until October 2019	6.600	October 2019	**10,000**	10,000
Fixed until October 2019	6.230	October 2019	**774**	812
Fixed until January 2019	6.295	January 2019	**1,080**	1,197
Fixed until August 2028	6.550	August 2028	**743**	769
Fixed until January 2030	6.040	January 2030	**4,550**	4,688
Fixed until March 2030	6.270	March 2030	**747**	778
Fixed until May 2030	5.780	May 2030	**1,511**	1,528
Fixed until March 2031	5.470	March 2031	**771**	784
Fixed until March 2027	5.160	March 2027	**10,264**	-
Cap and collar agreement until January 2018	4.95% cap	January 2018	**8,500**	8,500
Variable rate			**-**	6,688
			38,940	35,744
Loan arrangement fees			**(307)**	(607)
			38,633	35,137

The Directors consider the fair value of the loans not to be significantly different from their carrying value.

The following table illustrates the sensitivity of the net result after tax and equity to a reasonably possible change in interest rates of + half a percentage point (2011: + two/- point two percentage points) with effect from the beginning of the year:

	2012	2011
	+0.5%	+2 %
	£'000	£'000
(Decrease)/increase in result after tax and equity	-	82

The interest rate change above will not have a material impact on the valuation of the interest rate swap and the effect has therefore not been quantified.

Property yield risk

The valuation of investment properties is dependent on the assumed rental yields. However, the impact on the net result after tax and equity is difficult to estimate as it inter relates with other factors affecting investment property values.

15. Financial risk management objectives and policies (continued)

Capital risk management

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to ensure that key bank covenants are not breached;
- to maintain sufficient facilities for operating cashflow needs and to fund future property purchases;
- to support the Group's stability and growth;
- to provide capital for the purpose of strengthening the Group's risk management capability;
- to provide capital for the purpose of further investment property acquisitions; and
- to provide an adequate return to shareholders.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The management regards total equity as capital and reserves, for capital management purposes. At 31 December 2012 the Group had unused bank facilities of £1.5 million.

16. Fair value disclosures

Fair value measurement

The methods and techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period. Measurement methods for financial assets and liabilities accounted for at amortised cost and at fair value are described below.

Trade and other receivables, cash and cash equivalents and trade and other payables

The carrying amount is considered a reasonable approximation of fair value due to the short duration of these instruments.

Bank loans and overdrafts

Fair values are considered to be equivalent to book value as loans and overdrafts were obtained at market rates.

Financial instruments

Derivative financial instruments are accounted for at fair value through profit and loss. The basis of fair value measurement is described in note 1.

Fair value hierarchy

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy prescribed by IFRS 7 Financial Instruments Disclosures. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices) and

16. Fair value disclosures (continued)

Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial liabilities measured at fair value in the statement of financial position, which relate to interest rate swaps, are grouped into the fair value hierarchy as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Interest rate swap agreements:				
At 1 January 2011	-	2,417	-	2,417
Income statement	-	2,577	-	2,577
At 3l December 2011	-	4,994	-	4,994
Income statement	-	320	-	320
At 31 December 2012	-	5,314	-	5,314

17. Deferred taxation

The movement in deferred taxation assets is as follows:

	2012	2011
	£'000	£'000
At 1 January	**4,890**	3,310
Income statement (note 6)	**(635)**	1,580
At 31 December	**4,255**	4,890

Deferred tax arising from temporary differences and unused tax losses can be summarised as follows:

	Deferred tax asset	Deferred tax asset
	£'000	£'000
Investment property	**2,334**	2,969
Financial instrument	**1,222**	1,248
Unused trading tax losses	**699**	673
	4,255	4,890

No temporary differences resulting from investments in subsidiaries or interests in joint ventures qualified for recognition as deferred tax assets or liabilities. Under the current fiscal environment, these entities are exempt from capital gains taxes. See note 6 for information on the Group's tax expense.
Deferred tax has been provided on all temporary differences for the following reasons:

- the Directors are confident that the devaluation of the investment properties will at least fully reverse;
- the interest rate swap liability will ultimately reverse regardless of movements in future interest rates; and
- the rental income stream of the Group will continue to grow, without significant cost increases, and the unused trading losses will therefore be fully utilised in the foreseeable future.

18. Share capital

	2012 Number of shares	2012 £'000	2011 Number of Shares	2011 £'000
Allotted, issued and fully paid:				
Ordinary shares of 10p	**71,420,598**	**7,142**	71,420,598	7,142

Certain directors were granted share warrants on 29 June 2006 in respect of 2,127,500 Ordinary shares and on 25 July 2006 in respect of 475,000 Ordinary shares. The share warrants are exercisable from two years from the date of the grant of the warrants and will lapse within seven years if not exercised. The warrants were granted on the basis of 1 for 2 shares held at the date of the grant and are exercisable at 120p.

At the Annual General meeting held in June 2010 a resolution was passed approving the adoption of a new Long Term Incentive Plan (LTIP). The proposed LTIP is designed to promote retention and incentivise the executive directors to grow the value of the Group and to maximise returns:

- The LTIP has a ten year life from January 2010 to December 2019.
- Awards become payable to the extent that shareholder return defined as net asset value ("NAV") growth adjusted for dividends and other returns to shareholders exceed a compound growth rate of 10% per annum (Hurdle Return).
- If shareholder returns exceed the Hurdle Return, 20% of such excess will be payable in Ordinary shares under the LTIP.
- Participants will have the opportunity to take up to 30% of the amount accrued under the LTIP at the end of year three, with the portion able to be taken up each year thereafter increasing by 10% each year and the full amount (100%) being available only after the end of the ten year period.
- The baseline for the commencement of the LTIP is the NAV per Ordinary share at 31 December 2009 adjusted for the impact of the placing of Ordinary shares in 2010 and 2011.
- Amounts payable will be satisfied in full (save as below) by the issue of Ordinary shares or the grant of zero/nominal cost options to any participant. The price at which shares will be issued will be the higher of NAV per share as reported in the latest full year results and the weighted average mid-market closing price for the first 20 business days following announcement of the latest full year results. On issue, the Ordinary shares will rank pari passu with the existing issued Ordinary shares.
- The number of Ordinary shares which can be issued under the LTIP is limited to 10% of the Company's then issued share capital. Any excess earned above this level will be paid in cash provided that the remuneration committee consider it prudent to do so at that stage, otherwise payment will be deferred until the remuneration committee deem it prudent.
- The remuneration committee may from time to time make any alteration to the plan which it thinks fit, including for legal, regulatory or tax reasons, in order to ensure the smooth workings of the plan in line with its objectives

Details of options granted during the year under the LTIP are included in the Report on Remuneration. No expense has been recognised in respect of the options granted as no options are expected to vest.

As described in the Directors' Remuneration Report, 2 options were issued under the 2010 LTIP on inception. The weighted average fair value of the awards made is £0.59 per option, calculated applying the Black-Scholes option pricing model with a volatility of 21% (based on the weighted average share price movements over the last 3 years), a dividend yield of 0%, a risk free rate of 4.4%, an expected weighted average life of 5 years, a weighted average exercise price of 0.5p and a market value of underlying shares at the date of grant of £0.595. As at the date of grant no further shares were expected to be issued under the LTIP based on forecasts available at that time. At 31 December 2012, no options were expected to vest (2011: no options), therefore the charge to the income statement in the years ended 31 December 2011 and 2012 is £nil.

19. Operating lease commitments

Operating lease commitments relating to land and buildings expire within two to five years and amount to £71,000 (2011: £71,000).

Non-cancellable operating lease commitments receivable:

	2012	2011
	£'000	£'000
Within one year	660	736
Later than one year but not later than five years	7,596	5,713
Later than five years	26,733	26,632
	34,989	33,081

Rent receivable by the Group under current leases from tenants is from commercial and retail property held.

20. Contingent liabilities

There were no contingent liabilities at 31 December 2012 or at 31 December 2011.

21. Capital commitments

Capital commitments authorised at 31 December 2012 were £nil (2011: £nil).

22. Pension scheme

There was no pension scheme for the benefit of employees or directors in operation at 31 December 2012 or 31 December 2011.

23. Related party transactions

During the period the Group paid agency fees of £105,000 (2011: £165,000) in respect of professional services to Bond Wolfe, a partnership in which P P S Bassi is a partner, and rent and service charges of £115,000 (2011: £115,000) to Bond Wolfe Estates Limited, a company in which P P S Bassi is a director and shareholder.

During the period the Group paid professional fees of £1,000 (2011: £3,000) to CP Bigwood Chartered Surveyors, a company in which P P S Bassi and M H P Daly are directors and shareholders.

During the period the Group received rental income of £52,000 (2011: £52,000) from CP Bigwood Chartered Surveyors.

REAL ESTATE INVESTORS PLC

COMPANY STATUTORY FINANCIAL STATEMENTS (PREPARED UNDER UK GAAP)

FOR THE YEAR ENDED 31 DECEMBER 2012

COMPANY NUMBER 5045715

Statement of directors' responsibilities

The directors are responsible for preparing the Company financial statements ("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 elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice and applicable laws). 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 of the company 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 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 comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REAL ESTATE INVESTORS PLC

We have audited the parent Company financial statements of Real Estate Investors plc for the year ended 31 December 2012 which comprise the principal accounting policies, the balance sheet and the related notes. The financial reporting framework that that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As more fully explained in the Statement of Directors' Responsibilities set out on page 43 the directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of the audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the consolidated financial statements of Real Estate Investors plc for the year ended 31 December 2012.

David White
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
Date: 27 MARCH 2013

Accounting policies
The financial statements have been prepared in accordance with the Companies Act 2006 and UK accounting standards except as noted below in respect of the true and fair override in respect of investment properties.

The Company's principal accounting policies have remained unchanged from the previous year.

Accounting convention
The financial statements are prepared under the historical cost convention as modified by the revaluation of investment properties.

Going concern

After making relevant enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. These enquiries considered the following:

- the significant cash balances the Company holds and the low levels of historic and projected operating cash outflows
- rising rental income and improving profitability
- any property purchases will only be completed if cash resources or loans are available to complete these purchases
- the Group's bankers have indicated their continuing support for the Company
- the Company's £20 million facility with Lloyds Banking Group was renewed in October 2011 on similar terms for a period of three years.

For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Turnover
Turnover, which excludes value added tax, comprises rental income which is recognised evenly over the term of the lease to which it relates.

Investment properties
Certain of the Company's properties are held for long term investment and are included in the balance sheet on the basis of open market value in accordance with SSAP 19. The surpluses or deficits on annual revaluations of such properties are transferred to the revaluation reserve, unless a deficit results in a revaluation below cost or is a permanent deficit in which case the amount of the deficit is charged to the profit and loss account. If a revaluation reverses previous losses recognised in the profit and loss account, the gain up to the amount of the losses previously recognised in the profit and loss account is credited to the profit and loss account. Depreciation is not provided in respect of freehold investment properties. Leasehold investment properties are not depreciated where the unexpired term is over 20 years.

This policy represents a departure from the Companies Act 2006 which requires depreciation to be provided on all fixed assets. The directors consider this policy is necessary in order that the financial statements give a true and fair view, because current values and changes in current values are of prime importance rather than the calculation of systematic annual depreciation. Depreciation is only one of many factors reflected in the annual valuation and the amount, which might otherwise be shown, cannot be separately identified or quantified.

Stock

Trading properties, which are held for resale, are included in inventories at the lower of cost and net realisable value. Cost includes all fees relating to the purchase of the property and improvement expenses. Net realisable value is based on estimated selling price less future costs expected to be incurred to sale. Any provisions to impair trading properties below cost are reversed in future periods if market conditions subsequently support a higher fair value but only up to a maximum of the original cost. Property acquisitions are accounted for when legally binding contracts which are irrevocable and effectively unconditional are exchanged.

Depreciation
Depreciation is calculated to write down the cost to residual value of all tangible fixed assets, excluding investment properties, by equal instalments over their expected useful economic lives over the following periods:

Leasehold improvements:	length of lease
Office equipment:	four years

Investments
Investments in subsidiary undertakings are recorded at cost less provision for impairment.

Financing costs
The costs of arranging finance for the Company are written off to the profit and loss account over the terms of the associated finance using the effective interest method.

Operating leases
Annual rentals under operating leases are charged to the profit and loss account as incurred.

Deferred tax
Deferred tax is recognised on all timing differences where the transactions or events give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, and have occurred by the balance sheet date. Deferred tax assets are recognised on an undiscounted basis when it is more likely than not that they will be recovered. Deferred tax is measured using the rates of tax that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is not provided on gains recognised on revaluing investment properties. Unprovided deferred taxation will crystallise on the sale of assets at their balance sheet value.

Financial instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities within the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Share warrants and share options
All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share based payments and share options are ultimately recognised as an expense in the profit and loss account with a corresponding credit to other reserves.

Upon exercise of share warrants or share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

When the share warrants or share options have vested and then lapsed, the amount previously recognised in other reserves is transferred to retained earnings.

REAL ESTATE INVESTORS PLC

BALANCE SHEET

As at 31 December 2012

	Note	2012	2011
		£'000	£'000
Fixed assets			
Tangible assets	1	**59,256**	52,230
Investments	2	**5,366**	5,892
		64,622	58,122
Current assets			
Stock		**2,365**	2,365
Debtors	3	**12,336**	9,370
Cash at bank		**1,222**	3,777
		15,923	15,512
Creditors: amounts falling due within one year	4	**(7,172)**	(5,837)
Net current assets/(liabilities)		**8,751**	9,675
Total assets less current liabilities		**73,373**	67,797
Creditors: amounts falling due after more than one year	5	**(32,194)**	(26,562)
Net assets		**41,179**	41,235
Capital and reserves			
Ordinary share capital	7	**7,142**	7,142
Share premium account	8	**61**	61
Capital redemption reserve	8	**45**	45
Other reserves	8	**121**	121
Revaluation reserve	8	**1,835**	626
Profit and loss account	8	**31,975**	33,240
Equity shareholders' funds		**41,179**	41,235

These financial statements were approved by the Board of Directors on 27 MARCH 2013.

Signed on behalf of the Board of Directors

J R A Crabtree – Chairman

M H P Daly – Finance Director

Company No 5045715

The accompanying principal accounting policies and notes form an integral part of these financial statements.

1. Tangible fixed assets

	Investment Properties £'000	Leasehold Improvements £'000	Office Equipment £'000	Total £'000
Cost or valuation:				
At 1 January 2012	52,202	108	53	52,363
Additions	6,738	-	1	6,739
Disposals	(287)	-	-	(287)
Revaluation	585	-	-	585
At 31 December 2012	59,238	108	54	59,400
Accumulated depreciation				
At 1 January 2012	-	84	49	133
Charge for the period	-	10	1	11
At 31 December 2012	-	94	50	144
Net book amount				
At 31 December 2012	**59,238**	**14**	**4**	**59,256**
At 31 December 2011	52,202	24	4	52,230

Of the revaluation surplus of £585,000, the amount credited to the revaluation reserve is £1,209,000 with the balance of £624,000 charged to the profit and loss account.

The figures stated above for cost or valuation include valuations as follows:

	Investment properties	
	2012	2011
	£'000	£'000
At valuation	**59,238**	52,202

All of the Company's investment properties are held as either freehold or long leasehold and are held for use in operating leases.

If investment properties had not been revalued they would have been included on the historical cost basis at the following amounts:

	Investment properties	
	2012	2011
	£'000	£'000
Cost and net book amount at 31 December	**69,941**	63,490

In accordance with SSAP 19, the Company's policy is that investment properties should be valued by an external valuer at least every three years. The valuation at 31 December 2012 has been carried out by DTZ Chartered Surveyors and Gerald Eve LLP, Chartered Surveyors on the basis of fair value on certain properties and by the directors on the remaining properties.

No provision has been made for deferred taxation assets, in accordance with FRS 19, in respect of the devaluation of investment properties but it is expected that this devaluation will reverse in future years.

2. Fixed asset investments

	Investment in subsidiary undertakings	
	2012	2011
	£'000	£'000
Cost		
At 1 January 2012	**5,892**	5,892
Provision for impairment	**(526)**	-
At 31 December 2012	**5,366**	5,892

At 31 December 2012 the Company wholly owned the following subsidiaries:

Name	**Principal Activity**	**Country of incorporation**
Boothmanor Limited	Property investment	England and Wales
Eurocity (Crawley) Limited	Property investment	England and Wales
3147398 Limited	Property trading	England and Wales
Rightforce Limited	Property investment	England and Wales
Metro Court (WB) Limited	Property investment	England and Wales
Southgate Derby Retail Limited	Property investment	England and Wales

3. Debtors

	2012	2011
	£'000	£'000
Trade debtors	**674**	394
Amounts owed by subsidiary undertakings	**9,242**	7,687
Other debtors	**828**	237
Deferred tax asset	**736**	505
Prepayments and accrued income	**856**	547
	12,336	9,370

4. Creditors: amounts falling due within one year

	2012	2011
	£'000	£'000
Bank overdraft	**1,998**	2,214
Bank loans	**852**	387
Amounts owed to subsidiary undertakings	**1,934**	1,645
Trade creditors	**599**	260
Other creditors	**192**	199
Corporation tax	**-**	-
Social security and taxation	**194**	136
Accruals and deferred income	**1,403**	996
	7,172	5,837

Bank loans are secured against the Company's property assets.

The Company's policy is to settle all agreed liabilities within 30 days of receipt of invoice or provision of goods or services if later. At 31 December 2012 trade creditors represented 42 days (2011: 46 days) purchases based on the total purchases for the year.

5. Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
Bank loans	**32,457**	27,110
Less: deferred arrangement costs	**(263)**	(548)
	32,194	26,562

Bank loans are secured against the Company's property assets and bear interest at rates between 5.3% and 6.7% per annum.

The Company borrowings analysis at 31 December 2012 is as follows:

	2012 £'000	2011 £'000
In less than one year:		
Bank borrowings	**852**	387
Bank overdraft	**1,998**	2,214
In more than one year but less than two years:		
Bank borrowings	**18,844**	394
In more than two years but less than five years:		
Bank borrowings	**1,110**	19,675
In more than five years		
Bank borrowings	**12,503**	7,041
	35,307	29,711
Deferred arrangement costs	**(263)**	(548)
	35,044	29,163
Split		
Current Liabilities - bank loans and overdrafts	**2,850**	2,601
Non current liabilities - bank loans	**32,194**	26,562
	35,044	29,163

6. Deferred tax

No provision has been made for deferred tax on gains recognised on revaluing investment properties to their market value in accordance with FRS 19. The total amount unprovided at an estimated tax rate of 23% (2011: 25%), for the year ended 31 December 2012 is £nil (2011: £156,000). Deferred taxation of £736,000 has been provided in full in 2012 on losses due to the directors now expecting future taxable profits in the foreseeable future to fully utilise them.

7. Share capital

	2012 Number Of shares	2011 Number Of shares	2012 £'000	2011 £'000
Allotted, issued and fully paid:				
Ordinary shares of 10p each	**71,420,598**	71,420,598	7,142	7,142

7. Share capital (continued)

The directors were granted share warrants on 29 June 2006 in respect of 21,275,000 Ordinary shares and on 25 July 2006 in respect of 4,750,000 Ordinary shares. The share warrants are exercisable from two years from the date of the grant of the warrants and will lapse within seven years if not exercised. The warrants were granted on the basis of 1 for 2 shares held at the date of the grant and are exercisable at 120p.

At the Annual General meeting held in June 2010 a resolution was passed approving the adoption of a new Long Term Incentive Plan (LTIP). The proposed LTIP is designed to promote retention and incentivise the executive directors to grow the value of the Group and to maximise returns:

- The LTIP has a ten year life from January 2010 to December 2019.
- Awards become payable to the extent that shareholder return defined as net asset value (“NAV”) NAV growth adjusted for dividends and other returns to shareholders exceed a compound growth rate of 10% per annum (Hurdle Return).
- If shareholder returns exceed the Hurdle Return, 20% of such excess will be payable in Ordinary shares under the LTIP.
- Participants will have the opportunity to take up to 30% of the amount accrued under the LTIP at the end of year three, with the portion able to be taken up each year thereafter increasing by 10% each year and the full amount (100%) being available only after the end of the ten year period.
- The baseline for the commencement of the LTIP is the NAV per Ordinary share at 31 December 2009 adjusted for the impact of the placing of Ordinary shares in 2010 and 2011.
- Amounts payable will be satisfied in full (save as below) by the issue of Ordinary shares or the grant of zero/nominal cost options to any participant. The price at which shares will be issued will be the higher of NAV per share as reported in the latest full year results and the weighted average mid-market closing price for the first 20 business days following announcement of the latest full year results. On issue, the Ordinary shares will rank pari passu with the existing issued Ordinary shares.
- The number of Ordinary shares which can be issued under the LTIP is limited to 10% of the Company’s then issued share capital. Any excess earned above this level will be paid in cash provided that the remuneration committee consider it prudent to do so at that stage, otherwise payment will be deferred until the remuneration committee deem it prudent.

Details of options granted during the year under the LTIP are included in the Report on Remuneration. No expense has been recognised in respect of the options granted as no options are expected to vest. As described in the Directors’ Remuneration Report, 2 options were issued under the 2010 LTIP on inception. The weighted average fair value of the awards made is £0.59 per option, calculated applying the Black-Scholes option pricing model with a volatility of 21% (based on the weighted average share price movements over the last 3 years), a dividend yield of 0%, a risk free rate of 4%, an expected weighted average life of 5 years, a weighted average exercise price of 0.5p and a market value of underlying shares at the date of the grant of £0.585. As at the date of the grant no further shares were expected to be issued under the LTIP based on forecasts available at that time. At 31 December 2012, no options were expected to vest (2011: no options), therefore the charge to the income statement in the years ended 31 December 2012 and 2011 is £nil.

8. Movement in reserves

	Share premium account £'000	Capital redemption reserve £'000	Other reserves £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2012	61	45	121	626	33,240	34,093
Loss for the year	-	-	-	-	(908)	(908)
Dividends	-	-	-	-	(357)	(357)
Surplus on revaluation of investment properties				1,209	-	1,209
At 31 December 2012	**61**	**45**	**121**	**1,835**	**31,975**	**34,037**

9. Loss for the financial year

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss (2011: loss) for the year was £908,000 (2011: £3,644,000).

Auditor's remuneration incurred by the Company during the year for audit services totalled £7,000 (2011: £7,000).

10. Directors and employees remuneration

Details of Directors' remuneration are disclosed within the Directors' Remuneration Report on page 9.

11. Contingent liabilities

There were no contingent liabilities at 31 December 2012 or at 31 December 2011.

12. Capital commitments

Capital commitments authorised at 31 December 2012 were £nil (2011: £nil).

13. Related party transactions

During the period the Company paid agency fees of £105,000 (2011: £165,000) in respect of professional services to Bond Wolfe, a partnership in which P P S Bassi is a partner, and rent and service charges of £115,000 (2011: £115,000) to Bond Wolfe Estates Limited, a company in which P P S Bassi is a director and shareholder.

During the period the Company paid professional fees of £1,000 (2011: £3,000) to, and received rental income of £52,000 (2011: £52,000) from CP Bigwood Chartered Surveyors, a company in which P P S Bassi and M H P Daly are directors and shareholders.

Related party transactions with subsidiary undertakings are not disclosed as 100% of the voting rights are controlled within the group and consolidated financial statements are publicly available.

75-77 COLMORE ROW, BIRMINGHAM