REI

Real Estate Investors Plc

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Company Registration Number:	5045715
Registered Office:	Cathedral Place, 3rd Floor 42-44 Waterloo Street Birmingham B2 5QB
Directors:	J R A Crabtree OBE: Chairman W Wyatt: Non-Executive Director P London: Non-Executive Director P P S Bassi CBE: Chief Executive M H P Daly: Finance Director
Secretary:	M H P Daly
Auditor:	Grant Thornton UK LLP Chartered Accountants Registered Auditor Colmore Plaza 20 Colmore Circus Birmingham B4 6AT
Solicitor:	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
Banker:	Lloyds Banking Group 55 Temple Row Birmingham B2 5LS
Registrar:	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

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For the year ended 31 December 2014

Highlights
- Record revenue up 19%, profits up 21% and dividends up 50%
- Progressive and growing dividend policy in place with the intention to move to quarterly dividend payments from 2016
- Scalable platform with ability to manage larger portfolio of assets
- £20 million capital raise in March 2014 successfully deployed on criteria compliant properties - acquisitions totalling £29.4 million (2013: £2.3 million)
- Rigorous focus on asset management delivering added value across the portfolio and driving rental growth
- Gross Property Assets of £104.4 million (2013: £76.2 million) up 37%
- Conversion to a Real Estate Investment Trust* (REIT) on 1 January 2015
- Very strong and growing regional economy

Financial Highlights
- Revenue of £8.0 million (2013: £6.7 million) up 19%
- Profit before tax of £6.0 million (2013: £5.0 million) up 21%
- EPRA** EPS of (0.3p) (2013: 0.4p)
- Total dividend per share up 50% to 1.5p, final dividend per share of 0.75p
- EPRA NAV per share 61.3p (2013: 59.1p) up 4%
- Gross Property Assets of £104.4 million (2013: £76.2 million) up 37%
- Net Loan to Value of 35.2% (2013: 47.3%) gross debt £43.0 million (2013: £44.6 million)
- Funds from £20.0 million equity fundraise successfully deployed
- Cash £6.3 million (2013: £8.5 million) weighted average debt maturity 6.3 years (2013: 7.0 years)

	31 December 2014	**31 December 2013**	**Change**
Gross Property Assets	£104.4 million	£76.2 million	+37%
Investment Property Assets	£102.0 million	£70.6 million	+44%
EPRA NAV per share	61.3p	59.1p	+4%
EPRA NNNAV per share	57.9p	58.6p	-1%
Net Assets	£64.6 million	£41.9 million	+54%
Loan to Value	41.2%	58.6%	+3%
Loan to Value (net of cash)	35.2%	47.3%	+26%

Operational Highlights
- Contracted rental income of £7.7 million (2013: £5.8 million) up 33%
- Overall occupancy: 84.6% and WAULT*** 4.4 years (to break) (2013: 83.6% and 3.7 years)
- Acquisitions totalling £29.5 million (2013: £2.6 million)
- Property disposal proceeds totalling £7.0 million (2013: £7.0 million)
- Total ownership of 799,112 sq ft (2013: 650,000 sq ft) up 23%
- 175 tenants (2013: 150 tenants) up 16.67%
- Prime Birmingham City centre ownership 159,792 sq ft (2013: 143,408 sq ft), representing 31.4% of our portfolio by value (2013: 37.2%)

* REIT = Real Estate Investment Trusts are listed property investment companies or groups not liable to corporation tax on their rental income or capital gains from their qualifying activities
** EPRA = European Public Real Estate Association
***WAULT = Weighted Average Unexpired Lease Term

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

Overview

The Birmingham and West Midlands economy is on the cusp of emerging as a significant economic powerhouse, with a diversified economy led by professional and financial services, creative industries, tourism, education and high end manufacturing.

As anticipated, this investor demand in the region has continued throughout 2014 and we believe we will see no slowing down over 2015, other than a 'pause' around the election in May 2015. Investments in the UK regions reached £21.1 billion, up 41% on 2013. Commercial property investment in the West Midlands soared in 2014 to £2.3bn, up 44% on 2013.

Investment demand in the West Midlands is varied, and includes international buyers from China, Singapore, the Middle East and the USA, as well as the traditional UK based institutional funds, insurance companies, public and private property companies. Investors are attracted by the relatively high yields in comparison to London and the South East, the strong economic recovery of the region and the prospect of rising rental values. Traditional UK property companies and private individuals are relatively inactive, as these buyers are often reliant upon bank lending and focus on secondary assets. Bank lending is becoming normalised and this will trigger these purchases and stimulate the secondary investment market and reveal yield compression in these markets.

REI has benefitted from rising values, and anticipates further growth from improving occupier demand and rising rental values, in particular from our prime Birmingham City centre ownership, which represents 31% of our portfolio. Our year end valuations have revealed a general uplift in values, however management believe that these continue to 'lag' the market and actual sales values would provide further uplifts as demonstrated by the sales we have made during 2014. Our investments outside the City centre, in quality secondary locations, are predicted to see yield compression in 2015 and 2016, providing REI with further potential growth.

Our portfolio has grown significantly over the year, up 37% in value, and we anticipate further growth through the acquisition of criteria compliant properties and improving the capital values and income from our existing portfolio. REI's reputation as an established property investor, with a proven track record, along with the management's privileged and in depth knowledge and network, continues to provide acquisition opportunities that are criteria compliant and secure capital growth and income enhancing opportunities for the Company.

The long debated and anticipated volume sales of distressed assets has not really materialised. Whilst REI were able to capture some of these opportunities, it appears that the banking industry has quietly sold much of their non-core or distressed lending books and properties to specialist UK funds and US private equity houses, with substantial discounts. Our market insight indicates that a volume of stock is being brought to the market for sale by these vendors, and the UK funds who have re-focussed their criteria, now look to hold assets with longer leases and individual valuations in excess of £10 million. These disposals and change of strategy provide criteria property ideal for our asset management objectives.

Results

The execution of our focussed regional strategy, supported by management's unique network and proven track record, has allowed us to report an excellent set of financial results for the year ended 31 December 2014. Record profits before tax of £6.0 million (2013: £5.0 million) are up 21%. Record gross assets of £104.4 million are up by 37%. Contracted rental income of £7.7m (2013: £5.8 million) is up 33%. Total dividend payments of 1.5p per share in respect of the 2014 financial year is up 50%. We are pleased with the performance and believe we are well positioned to grow REI further, and drive higher rental income, profits and dividends for our shareholders. If we extract the negative cost of our 'hedge/interest rate swap' of £1.4 million, which is a non cash item, pre tax profits would be £7.5 million for 2014.

Our decision to convert into a Real Estate Investment Trust in January 2015 is in line with the management's strategy to deliver a progressive dividend, coupled with achieving capital growth through active asset management.

The acquisition pipeline remains healthy, as does the potential to make opportunistic, tax free sales, due to our REIT status, but only where we consider we have achieved maximum asset management.

Dividend

The Board has already committed to a progressive dividend policy, and our status as a REIT will allow us to undertake dividend payments within an attractive tax status. Our interim dividend of 0.75p in respect of H1 2014 was declared in September and our final dividend of 0.75p provides a total dividend of 1.5p for 2014, an increase of 50%. The Board has also declared its intention to pay dividends quarterly, in order to distribute income generated by the Company to shareholders on a more timely basis. It is anticipated that the first such quarterly dividend would be paid in 2016.

Dividend Timetable

Ex-dividend date:	26 March 2015
Record date:	27 March 2015
Dividend payment date:	24 April 2015

Regional Review

We are a regional investor with a focus on Birmingham and the West Midlands. We believe our region is on the cusp of its re-emergence as an economic and commercial centre. This regeneration will undoubtedly impact positively on our business in the immediate and longer term. The economy is robust and growth is driven by the creative industries, education, tourism, retail and high end manufacturing. Listed below are some of the key facts that support and demonstrate a vibrant and growing regional economy.

- Property investment in the region reached an 8 year high during the year, with West Midlands commercial property investment soaring in 2014 to £2.3 billion, up 44% on 2013
- Q4 2014 office market lettings see six year high with annual lettings reaching 713,460 sq ft - the highest total since 2008
- Birmingham named number one property investment hot spot in the UK and the sixth-best in Europe
- HS2 creates 1,500 new jobs in Birmingham to manage the £50 billion project
- West Midlands is the only place in the UK with an export surplus with China
- House sales in the West Midlands have hit a 4 year high (RICS)
- Birmingham has been named as one of the top 10 cities in the world by travel handbook company Rough Guide
- West Midlands unemployment fell to its lowest since the recession began
- West Midlands exported more than London for the first time and the highest in the UK
- Jaguar Land Rover achieved record breaking sales for 2014
- Birmingham Airport has recorded its busiest year in its 75 year history
- 34,000 employed in Birmingham in the digital media sector
- Bullring shopping centre draws in more than 40 million customers per annum
- 500 medical technology companies, more than any other UK region with 10,000 manufacturing SMEs in the West Midlands
- Greater Birmingham is the largest regional financial and professional services hub in the UK
- 24 major universities and further education institutions located in the region
- International trade in the West Midlands also registered the largest jump – at 16% to £28.28 billion
- Birmingham ranked best City in the UK for quality of life

Property Portfolio Review

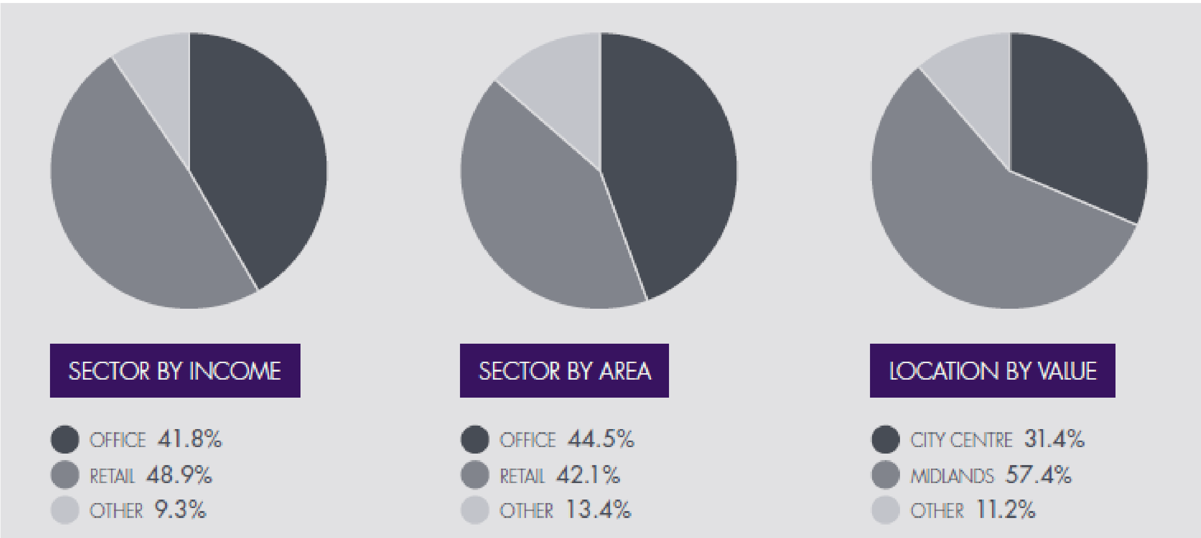
The portfolio has grown to £104.4 million, up by 37% over the previous 12 months. Yet, even as the market has improved, we have secured properties that match our acquisition criteria by capitalising on our cash resources and management's ability to act swiftly and access opportunities from a privileged network. This unique access to secure attractive opportunities, that provide strong yields and capital growth, will continue for the foreseeable future and we anticipate assets being made available to us from strategic reviews by UK and USA specialist funds holding previously distressed portfolios.

Our portfolio is diversified by type of occupier and location, spread across the region with properties in Birmingham City centre, Edgbaston, Coventry, Bromsgrove, Walsall, West Bromwich, Kings Heath and Derby. We have no material exposure to any single tenant or building and our acquisition criteria remain stringent.

Our Acquisition Criteria

- Birmingham - West Midlands – Midlands
- Sector – shops / offices / residential / land
- Status – vacant or part vacant – fully let
- Active asset management via:
    - Letting risk
    - Lease Renewal/Rent Reviews etc
    - Change of use
    - Refurbishment
- Lot Size - £500,000 - £20 million
- Yield Targets – 8-20%
- Assets that cannot support traditional debt
- Speedy exchange and completion to secure an attractive price
- Represents value and opportunity

	£m	%	Sq Ft	Passing Rent £	ERV £	Yield %	Equivalent Yield %	Occupancy %
Birmingham City Centre	32.7	31.4	159,792	1,951,036	2,709,886	5.63	7.16	70.13
Other Midlands	60.0	57.4	532,635	4,999,430	5,900,895	7.88	8.34	90.00
Total Core	**92.7**	**88.8**	**692,427**	**6,950,466**	**8,680,911**	**7.08**	**7.92**	**85.44**
Non Core Portfolio	11.7	11.2	106,685	715,213	1,001,016	5.79	9.55	78.85
Total Portfolio	**104.4**	**100.0**	**799,112**	**7,665,679**	**9,611,797**	**6.93**	**8.08**	**84.56**



We now have a total of 799,112 sq ft, with 175 tenants. Our prime City centre ownership is 159,792 sq ft, representing 31.4% of our portfolio by value. Overall occupancy is at 84.6%, with a WAULT of 4.4 years to break.

New tenants to our portfolio during 2014 include: HSBC, West Bromwich Building Society, Lunn Poly, First Secretary of State, Royal College of Surgeons, WH Smith, WH Ireland, Thomas Cook, Thomson Travel, Sharps Bedrooms, Boots UK Limited, Marks and Spencer Simply Foods Limited, NHS Property Services, Loungers, BHS, Wallis, Waterstones, Punch Taverns and Burtons.

The portfolio remains stable and secure, has significant opportunity to continue to add value through further lettings and rental growth, and will benefit from yield compression. This combination should provide further upward valuations. Where we see valuations have been maximised, we will make sales and capture the gain, with no tax liability due to our REIT status.

The occupier market has trailed the investment market, but has seen steady growth during 2014, however, we have noted that Q1 of 2015 has seen the number of viewings and discussions relating to new lettings significantly improve.

Sales

For a number of years we have operated in a 'buyers' market, and believe we have capitalised on the prevailing market conditions. The weight of money available for property investment and the hunger for income, coupled with the drive away from London and the South East, and the re-emergence of the regions, in particular the West Midlands, has seen strong demand for income producing investment property and residential land. We have received continuous approaches from agents and buyers for individual and collective elements of our portfolio, and where we see exceptional sales value, we will make sales.

Against this much improved backdrop, we have sold property in Birmingham City centre, Edgbaston and land in Smethwick and Bilston, proceeds totalling £7.0 million. These sales have all been achieved above our book values.

Despite the loss of income as a result of these sales and their value to the gross portfolio, we have still achieved record gross assets of £104.4 million and a significantly improved contracted rental income of £7.7 million, up 33%.

Acquisitions

During the year we invested a total of £29.4 million in new acquisitions including Warwick (£7.3 million), Walsall (£7.7 million), Bromsgrove (£0.5 million), Leicester (£1.8 million), Birmingham City centre (totalling £3.6 million) and Leamington Spa (£2.3 million). All these assets are criteria compliant and provide capital and income enhancing opportunities. Since our acquisition, some lease renewals, rent reviews and new lettings have been completed and we have seen a contribution from upward valuations to our overall profitability, however, there remains more 'value' to be secured.

Whilst most of our acquisitions have been either fully let or part income producing, we acquired 33 Bennetts Hill, fully vacant, for £1.6 million. This listed building has since been granted a restaurant planning consent, secured a letting to Loungers Limited on a new 25 year lease at a rental of £135,000 p.a., and we have let the office space above which has provided a total rental income of £180,000 p.a.. Even after an approximate capital spend of £200,000 the property has provided REI with an excellent return. We continue to target vacant property, particularly listed, with the view to adding value through planning, refurbishment and letting.

The acquisition pipeline for 2015 is excellent with over £100 million of opportunities identified. We are benefitting from our market reputation and management's unique insight into the property market and we are confident that we will add criteria compliant acquisitions to our portfolio throughout 2015.

Since the year end we acquired 36 Great Charles Street, a 24,516 sq ft office building which is part let, producing £214,709 with an ERV of £360,000 for the sum of £1.85 million in February 2015. This building is located in the heart of the new City centre Masterplan and nearby to the Paradise development.

The opportunities that are available are essentially ex-institutionally owned assets that, in their present form due to lease lengths, voids and lot size, are not compliant with an institutional investor, or sales from distressed portfolios acquired by US or UK specialist funds during the property crash, that are now being broken up for sale. Where these opportunities are criteria compliant and management believe we can add value, we will act to secure these and continue to grow our portfolio.

Finance & Banking

At 31 December 2014 the Group's gross debt was £43.0 million (2013: £44.1 million) with cash and cash equivalents of £6.3 million (2013: £8.5 million). The weighted average debt maturity was 6.3 years (2013: 7.0 years) with a weighted average cost of debt of 6.0% (2013 6.2%) at year end – 94% fixed or hedged (2013: 94%).

Net loan to value was 35.2% (2013: 47.3%) and net interest cover based on adjusted earnings before interest and tax as a ratio of finance costs was 4.0:1 (2013: 2.1:1). Both loan to value and interest cover fall comfortably within the banking covenants.

The Group's £22.7 million facility with Lloyds Banking Group is due for renewal in October 2015. Whilst the process of agreeing terms for the renewal of these facilities, which would be subject to credit approval, documentation and due diligence, has not commenced, at the present time the bank has confirmed the intention to roll facilities at a similar level for a period of three to five years from the expiry of the current facilities.

Margins, fees and loan to value terms are becoming more competitive and relaxed. REI has continued to receive excellent support from our principal bankers throughout the last few years, namely Lloyds Banking Group, Aviva, Handelsbanken and Nationwide.

In February 2015 REI secured a new facility of £9.0 million with Santander – the term is for 5 years at a margin of 2.25% over LIBOR, secured against some of our unencumbered and income producing properties. Borrowing costs are only incurred when we actually drawdown, and we anticipate fully investing this money in Q2 of 2015.

Outlook & Summary

We have enjoyed an excellent year of progress, and remain well positioned to continue with our growth strategy and our commitment to a progressive dividend policy. We anticipate a number of new acquisitions that will continue to grow our property portfolio. We will make sales when we feel that we have maximised value, knowing that any sales made will no longer be subject to taxation due to our REIT status.

The successful £20 million fundraise in March 2014 was well supported by existing and new investors and has provided the capital to grow the portfolio, enabling management to capitalise on market opportunities. REI has built a secure portfolio which provides income and capital growth, backed by quality real estate in a robust Birmingham and Midlands economy.

The Company feels strongly that Birmingham and the West Midlands is on the verge of re-emerging as a major global city and re-establishing the region as a major economic and commercial centre in the UK.

REI, operating as a Real Estate Investment Trust, will benefit from the assembled property portfolio, new acquisitions and a vibrant and robust regional economy.

Finally, we would like to thank our tenants, staff and board members for their continued support, without whom, none of the success we have enjoyed and our excellent future prospects would be possible.

John Crabtree
Chairman
13 March 2015

Paul Bassi
Chief Executive
13 March 2015

The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2014.

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

J R A Crabtree	Chairman - Non-Executive Director
W Wyatt	Non-Executive Director
P London (appointed 1 October 2014)	Non-Executive Director
P P S Bassi	Chief Executive
M H P Daly	Finance Director

P P S Bassi and P London 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 11 February 2015.

	Number	%
Caledonia Investments Plc	20,204,812	18.13
CF Ruffer Total Return Fund	10,598,883	9.51
P P S Bassi	9,200,000	8.26
Standard Life Investments	7,354,830	6.60
Old Mutual Global Investors	6,340,132	5.69
Ruffer Absolute Return Fund	5,000,000	4.49
F&C Asset Management	4,969,257	4.46
Miton Investment Management	4,541,746	4.08
Henderson Volantis Capital	4,080,000	3.66
Majedie Asset Management	3,748,181	3.36

Other matter

Financial risk management objectives and policies are included in note 15 to the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 these 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group'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 auditor is 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 19 June 2015 at 11 am.

Auditor
Grant Thornton UK LLP offers itself 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: 13 March 2015

Company No 5045715

Review of business

Real Estate Investors PLC is a commercial property investment company specialising in the established and proven markets of the greater Midlands area. The Group's business model is based on generating rental and capital growth from an active approach to the management and development of a portfolio of quality buildings, predominantly within the office and retail sectors.

Recurring rental income from the portfolio underpins profits, which are supplemented by gains from the sale of investment properties. Disposal proceeds are recycled into new acquisitions with better growth prospects, whilst maintaining compliance with the terms of flexible secured bank finance.

The Group has built up a portfolio of good quality assets concentrated in these resilient established markets, without reliance on one sector or location (see pages 3 to 8).

Principal risks and uncertainties

The directors consider the principal risks of the Group and the strategy to mitigate these risks, as follows:

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

Key performance indicators ("KPIs")

The following KPIs are some of the tools used by management to monitor the performance of the Group against the aim of creating sustainable long-term returns for shareholders and have all moved favourably this year.

Indicator	**2014**	**2013**
Earnings per share	4.05p	5.04p
Profit before tax - actual	£6.0m	£5.0m
Net assets per share	57.9p	58.6p

BY ORDER OF THE BOARD

M H P Daly
Secretary
Date:13 March 2015

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 2012) and does not comply with the Code. 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 9. 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 W Wyatt, 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

The Group has prepared and reviewed forecasts and made appropriate enquiries which indicate 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 £22.7 million facility with Lloyds Banking Group is due for renewal in October 2015. Whilst the process of agreeing terms for the renewal of these facilities, which would be subject to credit approval, documentation and due diligence, has not commenced at the present time the bank have confirmed the intention to roll the facilities at a similar level for a period of three to five years from the expiry of the facilities.

For these reasons, 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 the three non-executive directors 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) NAV growth, dividend growth, rental growth, management performance and overall financial performance. The Remuneration Committee 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 2014 was as follows:

	Salary	Salary in lieu of benefits	Fees	Bonus	Total	Employers' national insurance contributions	2014 Total	2013 Total	Share options 2014	Share options 2013
	£000	£000	£000	£000	£000	£000	£000	£000	Number	Number
J J Jack	-	-	-	-	-	-	-	13	-	-
P P S Bassi	350	87	-	350	787	94	881	496	-	-
M H P Daly	200	50	-	200	450	51	501	281	-	-
J Crabtree	-	-	30	-	30	-	30	30	-	-
W Wyatt	-	-	25	-	25	-	25	25	-	-
P London	6	-	-	-	6	1	7	-	-	-
	556	137	55	550	1,298	146	1,444	845	-	-

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

No post-employment benefits, including pension contributions, are received by 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.

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 February 2010.
- 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 1p 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 was 1 January 2013 and subsequent trigger dates occur annually thereafter until 1 January 2020. No options were granted, forfeited or exercised during the period.

No expense has been recognised in respect of the LTIP for the year ended 31 December 2014 as no options are expected to vest.

APPROVED BY THE BOARD OF DIRECTORS – P London
Chairman, Remuneration Committee
Date: 13 March 2015

We have audited the group financial statements of Real Estate Investors plc for the year ended 31 December 2014 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 9 and 10, the directors are responsible for the preparation of the group 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 group 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs 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 Group Strategic Report and the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group 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 2014.

David White
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
Date: 13 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	2014	2013
		£000	£000
Revenue		**8,016**	6,717
Cost of sales		**(2,452)**	(2,086)
Gross profit		**5,564**	4,631
Administrative expenses		**(2,542)**	(1,675)
Surplus on sale of investment property		**277**	459
Net surplus on valuation of investment properties	9	**6,767**	2,096
Profit from operations		**10,066**	5,511
Finance income	5	**60**	21
Finance costs	5	**(2,672)**	(2,638)
(Loss)/profit on financial liabilities at fair value through profit and loss	16	**(1,445)**	2,062
Profit on ordinary activities before taxation	3	**6,009**	4,956
Income tax charge	6	**(1,960)**	(1,355)
Net profit after taxation and total comprehensive income		**4,049**	3,601
Total and continuing earnings per ordinary share			
Basic	7	**4.05p**	5.04p
Diluted	7	**4.05p**	5.04p

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 2014

	Share capital	Share premium account	Capital redemption reserve	Other reserves	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
At 1 January 2013	7,142	61	45	121	31,622	38,991
Dividends	-	-	-	-	(714)	(714)
Transactions with owners	-	-	-	-	(714)	(714)
Transfer to retained earnings	-	-	-	(121)	121	-
Profit for the year and total comprehensive income	-	-	-	-	3,601	3,601
At 31 December 2013	7,142	61	45	-	34,630	41,878
Issue of new shares	4,000	-	-	-	-	4,000
Premium on issue of new shares	-	16,000	-	-	-	16,000
Expenses of share issue	-	(528)	-	-	-	(528)
Dividends	-	-	-	-	(836)	(836)
Transactions with owners	4,000	15,472	-	-	(836)	18,636
Profit for the year and total comprehensive income	-	-	-	-	4,049	4,049
At 31 December 2014	**11,142**	**15,533**	**45**	**-**	**37,843**	**64,563**

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

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014	2013
		£000	£000
Assets			
Non current			
Intangible assets	8	**171**	171
Investment properties	9	**102,017**	70,601
Property, plant and equipment	10	**6**	7
Deferred tax	17	**940**	2,900
		103,134	73,679
Current			
Inventories	12	**2,366**	5,601
Trade and other receivables	13	**3,745**	4,745
Cash and cash equivalents		**6,274**	8,482
		12,385	18,828
Total assets		**115,519**	92,507
Liabilities			
Current			
Bank loans and overdraft	15	**(24,054)**	(25,006)
Provision for current taxation		**(18)**	(18)
Trade and other payables	14	**(3,245)**	(2,716)
		(27,317)	(27,740)
Non current			
Bank loans	15	**(18,942)**	(19,637)
Financial liabilities	16	**(4,697)**	(3,252)
		(23,639)	(22,889)
Total liabilities		**(50,956)**	(50,629)
Net assets		**64,563**	41,878

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2014

	Note	2014	2013
		£000	£000
Equity			
Share capital	18	**11,142**	7,142
Share premium account		**15,533**	61
Capital redemption reserve		**45**	45
Retained earnings		**37,843**	34,630
Total Equity		**64,563**	41,878
Net assets per share		**57.9p**	58.6p

These financial statements were approved and authorised for issue by the Board of Directors on 13 March 2015.

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 2014

	2014	2013
	£000	£000
Cash flows from operating activities		
Profit after taxation	**4,049**	3,601
Adjustments for:		
Depreciation	**8**	11
Net surplus on valuation of investment property	**(6,767)**	(2,096)
Surplus on sale of investment property	**(277)**	(459)
Finance income	**(60)**	(21)
Finance costs	**2,672**	2,638
Loss/(profit) on financial liabilities at fair value through profit and loss	**1,445**	(2,062)
Income tax charge	**1,960**	1,355
Decrease in inventories	**3,235**	1,334
Decrease/(increase) in trade and other receivables	**500**	(1,324)
Increase/(decrease) in trade and other payables	**529**	(222)
	7,294	2,755
Interest paid	**(2,672)**	(2,638)
Net cash from operating activities	**4,622**	117
Cash flows from investing activities		
Purchase of investment properties	**(29,532)**	(2,552)
Purchase of property, plant and equipment	**(7)**	-
Proceeds from sale of investment properties	**5,660**	5,500
Interest received	**60**	21
	(23,819)	2,969
Cash flows from financing activities		
Proceeds from issue of share capital net of expenses	**19,472**	-
Equity dividends paid	**(836)**	(714)
Proceeds from new bank loans	**514**	4,200
Payment of bank loans	**(459)**	(479)
	18,691	3,007
Net (decrease)/increase in cash and cash equivalents	**(506)**	6,093
Cash, cash equivalents and bank overdrafts at beginning of period	**6,780**	687
Cash, cash equivalents and bank overdrafts at end of period	**6,274**	6,780

NOTES:
Cash and cash equivalents consist of cash in hand, bank overdrafts 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 48 to 59, 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 2013 financial statements, except where new standards have been issued and applied retrospectively. Further details of these standards and their application by the Group, including the effect of IFRS 11 on the treatment of the Group's interest in its joint venture in Menin Works, are set out on pages 26 and 27.

Going concern

The Group has prepared and reviewed forecasts and made appropriate enquiries which indicate 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 £22.7 million facility with Lloyds Banking Group is due for renewal in October 2015. Whilst the process of agreeing terms for the renewal of these facilities, which would be subject to credit approval, documentation and due diligence, has not commenced at the present time the bank have confirmed the intention to roll the facilities at a similar level for a period of three to five years from the expiry of the facilities.

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 control. 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 operations

Operations whose economic activities are controlled jointly by the Group and by other parties independent of the Group are accounted for as joint operations under IFRS 11.

The Group recognises its share of the assets and liabilities of the joint operation separately within each line item of the consolidated statement of financial position and its share of income and expenses separately within each line item in the consolidated statement of comprehensive income.

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 and leasehold improvements 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.

Impairment (continued)

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 other comprehensive income are charged or credited directly to other comprehensive income.

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 resulting from holding financial assets is 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.

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.

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.

Application of new and revised IFRS and interpretations thereof issued by the International Financial Reporting Interpretations Committee ("IFRIC")

The Group has adopted the provisions of the following new standards:

- IFRS 10 'Consolidated Financial Statements' ('IFRS 10')
  IFRS 10 supersedes IAS 27 'Consolidated and Separate Financial Statements' (IAS 27) and SIC 12 'Consolidation-Special Purpose Entities'. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

  Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

- IFRS 11 'Joint Arrangements' ('IFRS 11')
  IFRS 11 supersedes IAS 31 'Interests in Joint Ventures' (IAS 31) and SIC 13 'Jointly Controlled Entities- Non-Monetary-Contributions by Venturers'. IFRS 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, IAS 31's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated.
  IFRS 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates).

Until 12 December 2014 the Group's only joint arrangement within the scope of IFRS 11 was its 50% investment in Menin Works. Management has reviewed the classification and accounting treatment of this investment in line with IFRS 11 and concluded that it should be accounted for as a joint operation as defined therein.

On 12 December 2014, the Group acquired the remaining interest in, and thereby control of, Menin Works. From this date, the results and position of Menin Works at 31 December 2014 have been consolidated in the Group accounts.

- IFRS 12 'Disclosure of Interests in Other Entities' ('IFRS 12')
  IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities. Note 11 illustrates the application of IFRS 12 in the current year.

The Group has adopted the new provisions of the following amended standards but there is no material impact on the amounts reported or the disclosures in the financial statements:

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

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 (not yet adopted by EU);
- IFRS 15 Revenue from Contracts with Customers (not yet adopted by EU);
- Annual Improvements to IFRSs 2010-2012 Cycle (effective for financial years starting on or after 1 February 2015);
- Annual Improvements to IFRSs 2011-2013 Cycle (effective for financial years starting on or after 1 January 2015);
- Annual Improvements to IFRSs 2012-2014 Cycle (not yet adopted by EU).

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.

Certain other new standards and interpretations have also been issued but are not expected to have a material impact on the Group's financial statements.

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 on 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 £1,577,000 at 31 December 2014 (2013: £2,900,000) as detailed in note 17. The Directors make assessments as to the likely future values of investment properties and indications of when 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. They also monitor the interest rate

swap for potential crystallisation of a loss by reviewing interest rates, and also the rental income stream to assess the potential utilisation of trading losses.

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 were classified as inventories, being properties held for resale in the ordinary course of business until 3 December 2014 when the decision was made by management to cease actively marketing the properties and instead hold them for capital appreciation and to generate rental income. As a result, from this date, the properties are classified as investment properties. 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	
		2014	2013
		£000	£000
Segment revenues	– Rental income	**5,392**	5,313
	- Surrender premiums	**754**	374
	- Sale of assets held as inventory	**1,870**	1,030
		8,016	6,717
Cost of sales	– Direct costs	**(951)**	(735)
	- Cost of property	**(1,411)**	(1,051)
	- Loss on valuation of assets held as inventory	**(90)**	(300)
		2,452	2,086
Administrative expenses		**(2,542)**	(1,675)
Surplus on disposal of investment property		**277**	459
Net profit on valuation of investment properties		**6,767**	2,096
Segment operating profit		**10,066**	5,511
Segment assets		**116,156**	92,507

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

	2014	2013
	£000	£000
Finance income	**60**	21
Finance costs	**(2,672)**	(2,595)
Depreciation	**(8)**	(11)
Income tax charge	**(1,960)**	(1,200)

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 9% (2013: 9%) of the total rental income revenue for the period.

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after:

	2014	2013
	£000	£000
Auditor’s remuneration:		
Fees payable for the audit of the Group financial statements	**17**	16
Fees payable for the audit of the financial statements of the Group's subsidiaries	**21**	16
Depreciation of owned property and equipment	**8**	11
Operating lease payments	**129**	129

4. Directors and employees

Staff costs during the period were as follows:

	2014	2013
	£000	£000
Wages and salaries	1,473	864
Social security costs	172	110
	1,645	974

The average number of employees (including executive directors) of the Group during the period was six, all of whom were engaged in administration (2013: six). The executive and non-executive directors are also the key management personnel and details of their remuneration are included within the directors' remuneration report on pages 13 and 14.

5. Finance income/finance costs

	2014	2013
	£000	£000
Finance income:		
Interest receivable	60	21
Finance costs:		
Interest payable on bank loans	(2,672)	(2,595)

6. Income tax charge

	2014		2013	
	£000	%	£000	%
Result for the year before tax	6,009		4,956	
Tax rate	20%		20%	
Expected tax charge	1,202		991	
Capital allowances and losses no longer available	758		-	
Adjustments prior year	-		364	
Actual tax charge	1,960		1,355	

Tax charge comprises:

	2014	2013
Current tax	-	-
Deferred tax charge (note 17)	1,960	1,355
	1,960	1,355

7. Earnings per share

The calculation of earnings 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.

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

	2014			2013		
	Earnings	**Average number of shares**	**Earnings per Share**	Earnings	Average number of shares	Earnings per share
	£000			£000		
Basic and diluted earnings per share	**4,049**	**100,023,337**	**4.05p**	3,601	71,420,598	5.04p

Basic and diluted earnings per share are the same because the effect of the LTIP options in issue is anti-dilutive.

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

	2014			2013		
	Earnings	**Shares**	**Earnings per Share**	Earnings	Shares	Earnings per share
	£000	**No**	**p**	£000	No	p
Basic earnings per share	**4,049**	**100,023,337**	**4.05**	**3,601**	**71,420,598**	**5.04**
Net surplus on valuation of investment properties	(6,767)			(2,096)		
Profits on disposal of investment properties	(277)			(459)		
Tax on profits on disposals	55			92		
Fair value of inventory properties	90			300		
Change in fair value of derivatives	1,445			(2,061)		
Deferred tax	1,047			887		
EPRA Loss/(earnings)	(358)	**100,023,337**	(0.36)	264	**71,420,598**	0.37

7. Earnings per share (continued)

EPRA NAV per share

	2014			2013		
	Net assets	**Shares**	**Net asset value per share p**	Net assets	Shares	Net asset value per share p
	£000			£000		
Basic	**64,563**	**111,420,598**	**57.9**	41,878	71,420,598	58.6
Dilutive impact of share options and warrants				-		
Diluted	**64,563**	**111,420,598**	**57.9**	41,878	71,420,598	58.6
Adjustment to fair value of derivatives	**4,697**	**-**		3,252	-	
Deferred tax	**(940)**	**-**		(2,900)	-	
EPRA NAV	**68,320**	**111,420,598**	**61.3**	42,230	71,420,598	59.1
Adjustment to fair value of derivatives	**(4,697)**	**-**		(3,252)	-	
Deferred tax	**940**	**-**		2,900	-	
EPRA NNNAV	**64,563**	**111,420,598**	**57.9**	41,878	71,420,598	58.6

8. Intangible assets

	Goodwill
	£000
Gross carrying amount	
Cost	
At 1 January 2014 and 31 December 2014	171
Accumulated impairment losses	
At 1 January 2014 and 31 December 2014	-
Net book amount at 31 December 2013 and 31 December 2014	**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 2014 is reconciled as follows:

	£000
Carrying amount at 1 January 2013	71,491
Additions – acquisition of new properties	2,294
Additions – subsequent expenditure	258
Disposals	(5,538)
Revaluation	2,096
	70,601
Carrying amount at 31 December 2013	
Additions – acquisition of new properties	29,438
Additions – subsequent expenditure	94
Disposals	(4,883)
Revaluation	6,767
Carrying amount at 31 December 2014	**102,017**

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

	£000
At professional valuation	100,267
At directors' valuation	1,750
	102,017

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:

	2014	2013
	£'000	£'000
Cost and net book amount at 31 December	**108,964**	82,483

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 2014 has in the main been carried out by DTZ and Gerald Eve LLP, independent professional valuers, on certain properties and the directors on the remaining properties. Both professional valuers have recent experience in the location and type of properties held.

Rental income from investment properties in the year ended 31 December 2014 was £6,146,000 (2013: £5,687,000) and direct operating expenses in relation to those properties were £923,000 (2013: £710,000). Direct operating expenses in relation to those properties which did not generate rental income in the period were £28,000 (2013: £25,000.

10. Property, plant & equipment

	Leasehold Improvements	Office Equipment	Total
	£000	£000	£000
Gross carrying amount			
At 1 January 2013 and 31 December 2013	108	54	162
Additions	-	7	7
At 31 December 2014	108	61	169
Depreciation and Impairment			
At 1 January 2013	94	50	144
Charge for the year	9	2	11
At 31 December 2013	103	52	155
Charge for the year	5	3	8
At 31 December 2014	108	55	163
Net book carrying amount			
At 31 December 2014	**-**	**6**	**6**
At 31 December 2013	5	2	7

11. Interests in subsidiaries and joint operation

Set out below are details of the subsidiaries held directly by the Group:

Name	Principal activity	Country of incorporation
Boothmanor Limited	Property investment	England and Wales
Eurocity (Crawley) Limited	Property investment	England and Wales
3147398 Limited	Property investment	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
Real Homes One Limited	Property trading	England and Wales

The Group has control over each of these subsidiaries by virtue of its 100% shareholding in each.

The joint operation relates to the Group's interest in Menin Works which is an unincorporated business undertaking property investment in the United Kingdom. Menin Works was acquired fully on 12 December 2014.

As the joint operation is an unincorporated business, no quoted market price exists for this investment.

Included within the below line items in the consolidated of comprehensive income and consolidated statement of financial position are the following amounts relating to the joint operation:

Consolidated statement of financial position

	2013
	£000
Investment properties	1,050
Trade and other receivables	353
Bank loans	(587)
	816

11. Interests in subsidiaries and joint operation (continued)

Consolidated statement of comprehensive income

	2014	2013
	£000	£000
Revenue	**68**	79
Cost of sales	**(7)**	(17)
Interest expense	**(50)**	(43)
	11	19

As the remaining 50% interest was acquired on 12 December 2014, there are no corresponding amounts presented for the consolidated statement of financial position in 2014.

On transition to IFRS 11, there were no differences between the investment derecognised and the assets and liabilities recognised at the beginning of the preceding period.

There were no capital commitments at 31 December 2013 in respect of the joint operation.

There were no contingent liabilities at 31 December 2013 in respect of the joint operation, and there are no significant restrictions on the ability of the joint operation to transfer funds.

12. Inventories

	2014	2013
	£000	£000
Properties and land held for trading	**2,366**	5,601

All properties held for trading are included at the lower of cost and net realisable value, being their fair value less costs to sell. No inventory (2013: £3,235,000), is pledged as security for bank loans.

The amount of inventories recognised as a charge in the year ended 31 December 2014 is £1,411,000 (2013: £1,051,000), which is before charging an impairment of £90,000 (2013: £300,000).

13. Trade and other receivables

	2014	2013
	£000	£000
Trade receivables	**2,115**	567
Other receivables	**710**	3,095
Prepayments and accrued income	**920**	1,083
	3,745	4,745

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 £20,000 (2013: £95,000) has been recorded accordingly. The movement in the provision for impairment during the year is as follows:

	2014	2013
	£000	£000
At 1 January	**95**	30
(Decrease)/increase in provision	**(75)**	65
At 31 December	**20**	95

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:

	2014	2013
	£000	£000
Not more than three months past due	**14**	8
More than three months but no more than six months past due	**90**	44
	104	52

13. Trade and other receivables (continued)

Financial assets by category

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

	2014			2013		
	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	**2,115**	**-**	**2,115**	567	-	567
Loans receivable		**-**	**-**	-	-	-
Other receivables	**710**	**-**	**710**	3,095	-	3,095
Prepayments and accrued income	**-**	**920**	**920**	-	1,083	1,083
Cash and cash equivalents	**6,274**	**-**	**6,274**	8,482	-	8,482
	9,099	**920**	**10,019**	12,144	1,083	13,227

14. Trade and other payables

	2014	2013
	£000	£000
Trade payables	**508**	509
Other payables	**309**	218
Social security and taxation	**446**	260
Accruals and deferred income	**1,982**	1,729
	3,245	2,716

14. Trade and other payables (continued)

Financial liabilities by category

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

	2014				2013			
	Financial liabilities at fair value through profit and loss	**Other financial liabilities at amortised cost**	**Non-financial liabilities**	**Balance sheet total**	Financial liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Non-financial liabilities	Balance sheet total
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Current								
Bank loans and overdrafts	**-**	**24,054**	**-**	**24,054**	-	25,006	-	25,006
Provision for current taxation	**-**	**-**	**18**	**18**	-	-	18	18
Trade payables	**-**	**508**	**-**	**508**	-	509	-	509
Other payables	**-**	**309**	**-**	**309**	-	218	-	218
Social security and taxation	**-**	**-**	**446**	**446**	-	-	260	260
Accruals and deferred income	**-**	**1,182**	**800**	**1,982**	-	719	1,010	1,729
	-	**26,053**	**1,264**	**27,317**	-	26,452	1,288	27,740
Non-current								
Bank loans	**-**	**18,942**	**-**	**18,942**	-	19,637	-	19,637
Financial instruments	**4,697**	**-**	**-**	**4,697**	3,252	-	-	3,252
	4,697	**18,942**	**-**	**23,639**	3,252	19,637	-	22,889
	4,697	**44,995**	**1,264**	**50,956**	3,252	46,089	1,288	50,629

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:

	2014	2013
	£000	£000
Cash and cash equivalents	**6,274**	8,482
Trade and other receivables	**2,825**	3,662
	9,099	12,144

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 2014 is as follows:

	2014	2013
	£000	£000
In less than one year:		
Bank overdraft	**-**	1,702
Bank borrowings	**24,054**	23,304
In more than one year but less than two years:		
Bank borrowings	**2,264**	1,289
In more than two years but less than five years:		
Bank borrowings	**1,577**	2,493
In more than five years		
Bank borrowings	**15,201**	16,045
Financial instruments	**4,697**	3,252
	47,793	48,085
Deferred arrangement costs	**(100)**	(190)
	47,693	47,895

15. Financial risk management objectives and policies (continued)

		2014	2013
		£000	£000
Split			
Current liabilities	-bank overdraft	**-**	1,702
	-bank loans	**24,054**	23,304
Non-current liabilities	-bank loans	**18,942**	19,637
	-financial liabilities at fair value through profit and loss	**4,697**	3,252
		47,693	47,895

Maturity of financial liabilities

The gross contractual cashflows relating to non-derivative financial liabilities are as follows:

	2014	2013
	£000	£000
In less than one year:		
Bank overdraft	**-**	1,702
Trade payables	**508**	509
Other payables	**309**	218
Accruals	**1,182**	719
Bank borrowings	**24,054**	23,304
In more than one year but less than two years:		
Bank borrowings	**2,264**	1,289
In more than two years but less than five years:		
Bank borrowings	**1,577**	2,493
In more than five years		
Bank borrowings	**15,201**	16,045
	45,095	46,279

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 2014 the fair value of this arrangement based on a valuation provided by the Group's bankers was a liability of £4,697,000 (2013: £3,252,000). All of the interest rate swap agreements terminate in more than five years (2013: more than five years).

Borrowing facilities

The Group has undrawn committed borrowing facilities at 31 December 2014 of £nil (2013: £nil).

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 2014 was:

	Interest %	Expiry Date	**2014 £000**	2013 £000
Fixed until October 2019	6.300	May 2016	**1,171**	587
Fixed until October 2019	6.600	October 2019	**10,000**	10,000
Fixed until October 2019	6.230	October 2019	**691**	734
Fixed until January 2019	6.295	January 2019	**823**	955
Fixed until August 2028	6.550	August 2028	**686**	715
Fixed until January 2030	6.040	January 2030	**4,247**	4,403
Fixed until March 2030	6.270	March 2030	**719**	729
Fixed until May 2030	5.780	May 2030	**1,475**	1,493
Fixed until March 2031	5.470	March 2031	**743**	757
Fixed until March 2027	5.160	March 2027	**9,841**	10,059
Cap and collar agreement until January 2018	4.95% cap	January 2018	**10,000**	10,000
Variable rate			**2,700**	2,700
			43,096	43,132
Loan arrangement fees			**(100)**	(190)
			42,996	42,942

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 (2013: + half a percentage point) with effect from the beginning of the year:

	2014	2013
	+0.5%	+0.5%
	£'000	£000
Decrease in result after tax and equity	**13**	135

The interest rate change above will not have a material impact on the valuation of the interest rate swap.

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. Management regards total equity as capital and reserves, for capital management purposes.

16. Fair value disclosures

The methods and techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

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

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 on a recurring basis 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 2013	-	5,314	-	5,314
Income statement – surplus	-	(2,062)	-	(2,062)
At 3l December 2013	-	3,252	-	3,252
Income statement – loss	-	1,445	-	1,445
At 31 December 2014	-	4,697	-	4,697

The fair value of the Group's interest rate swap agreements has been determined using observable interest rates corresponding to the maturity of the instrument. The effects of non-observable inputs are not significant for these agreements.

16. Fair value disclosures (continued)

Measurement of other financial instruments

The measurement methods for financial assets and liabilities accounted for at amortised cost 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.

Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2014.

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Investment property:				
- held to earn rentals and for capital appreciation	-	-	102,017	102,017

The reconciliation of the carrying value of non-financial assets classified within level 3 are as follows:

	Investment properties £000
At 1 January 2014	70,601
Acquired during the year	29,532
Disposals during the year	(4,883)
Gains recognised in profit and loss	
- increase in fair value	6,767
At 31 December 2014	**102,017**

Fair value of the Group's property assets is estimated based on appraisals performed by independent, professionally qualified property valuers on certain properties and the directors on the remaining properties. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the directors and audit committee at each reporting date.

Measurement of fair value of investment property held to earn rentals and for capital appreciation

Properties valued by external valuers are valued on an open market basis based on active market prices adjusted for any differences in the nature, location or condition of the specified asset such as plot size, encumbrances and current use. Properties valued by the directors use the same principles as the external valuers. If this information is not available, alternative valuation methods are used such as recent prices on less active markets, or discounted cashflow projections. The significant unobservable input is the adjustment for factors specific to the properties in question. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for the valuation. Although this input is a subjective judgement, management consider that the overall valuation would not be materially altered by any reasonably alternative assumptions.

The market value of the investment properties has been supported by comparison to that produced under income capitalisation technique applying a key unobservable input, being yield. The range of yield applied is 7.5% to 11.0%.

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.

17. Deferred taxation

The movement in deferred taxation assets is as follows:

	2014	2013
	£000	£000
At 1 January	**2,900**	4,255
Income statement (note 6)	**(1,960)**	(1,355)
At 31 December	**940**	2,900

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	**-**	1,610
Financial instrument	**940**	650
Unused trading tax losses	**-**	640
	940	2,900

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 reason:

- the interest rate swap liability will ultimately reverse regardless of movements in future interest rates; and

The Group elected for Real Estate Investment Trust (REIT) status with effect from 1 January 2015. As a result, providing certain conditions are met, the Group's profits from property investment are exempt from United Kingdom corporation tax. Therefore, there is no provision for deferred tax arising on the revaluation of properties or on unused trading losses, substantially all of which relate to property investment.

18. Share capital

	2014 Number of shares	2014 £000	2013 Number of Shares	2013 £000
Allotted, issued and fully paid:				
Ordinary shares of 10p	**111,420,598**	**11,142**	71,420,598	7,142

At an Extraordinary general meeting held on 11 April 2014 the Company received shareholder approval to raise funds for expansion by way of placing 40 million shares at 50 pence per share, raising £19.5 million net of expenses.

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 February 2010.
- 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.

As described in the Directors' Remuneration Report, two 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 £0.595. 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 2014, no options were expected to vest (2013: no options), therefore the charge to the income statement in the years ended 31 December 2013 and 2014 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 (2013: £71,000).

Non-cancellable operating lease commitments receivable:

	2014	2013
	£000	£000
Within one year	**998**	262
Later than one year but not later than five years	**8,844**	5,594
Later than five years	**26,819**	21,783
	36,661	27,639

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 2014 or at 31 December 2013.

21. Capital commitments

Capital commitments authorised at 31 December 2014 were £nil (2013: £nil).

22. Pension scheme

There was no pension scheme for the benefit of employees or directors in operation at 31 December 2014 or 31 December 2013.

23. Related party transactions

The Group's related parties are its key management personnel and certain other companies which are related to certain directors of the Group.

The executive and non-executive directors are also the key management personnel and details of their remuneration are included within the directors' remuneration report on pages 13 and 14.

During the period the Group paid agency fees of £192,000 (2013: £69,720) 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 £129,000 (2013: £129,000) 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 £10,000 (2013: £10,330) to, and received rental income of £52,000 (2013: £52,000) from, CP Bigwood Chartered Surveyors, a company in which P P S Bassi and M H P Daly are directors and shareholders.

No amounts were outstanding at 31 December 2014 (2013:£nil).

During the period the Group paid dividends to its directors in their capacity as shareholders, as follows:

	2014	2013
	£000	£000
J R Crabtree	**1**	1
W Wyatt	**1**	-
P London	**-**	-
P P S Bassi	**69**	90
M H P Daly	**5**	7

REAL ESTATE INVESTORS PLC

COMPANY STATUTORY FINANCIAL STATEMENTS (PREPARED UNDER UK GAAP)

FOR THE YEAR ENDED 31 DECEMBER 2014

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 and profit or loss 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 auditor is 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 2014 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 auditor

As more fully explained in the Statement of Directors' Responsibilities set out on page 49 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 an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2014;
- 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 Group Strategic Report and 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 2014.

David White
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
Date: 13 March 2015

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
The Company has prepared and reviewed forecasts and made appropriate enquiries which indicate 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 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 £22.7 million facility with Lloyds Banking Group is due for renewal in October 2015. Whilst the process of agreeing terms for the renewal of these facilities, which would be subject to credit approval, documentation and due diligence, has not commenced at the present time the bank have confirmed the intention to roll the facilities at a similar level for a period of three to five years from the expiry of the facilities.

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

Turnover
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.

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 require 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 2014

	Note	**2014**	2013
		£000	£000
Fixed assets			
Tangible assets	1	**89,168**	61,705
Investments	2	**2,721**	4,521
		91,889	66,226
Current assets			
Stock		**2,365**	2,365
Debtors	3	**7,447**	8,156
Cash at bank		**3,965**	7,198
		13,777	17,719
Creditors: amounts falling due within one year	4	**(25,893)**	(28,865)
Net current liabilities		**(12,116)**	(11,146)
Total assets less current liabilities		**79,773**	55,080
Creditors: amounts falling due after more than one year	5	**(13,749)**	(13,992)
Net assets		**66,024**	41,088
Capital and reserves			
Ordinary share capital	7	**11,142**	7,142
Share premium account	8	**15,533**	61
Capital redemption reserve	8	**45**	45
Revaluation reserve	8	**8,659**	2,932
Profit and loss account	8	**30,645**	30,908
Shareholders' funds		**66,024**	41,088

These financial statements were approved by the Board of Directors on 13 March 2015.

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	Leasehold Improvements	Office Equipment	Total
	£000	£000	£000	£000
Cost or valuation:				
At 1 January 2014	61,698	108	54	61,860
Additions	25,638	-	7	25,645
Disposals	(4,883)	-	-	(4,883)
Revaluation	6,709	-	-	6,709
At 31 December 2014	89,162	108	61	89,331
Accumulated depreciation				
At 1 January 2014	-	103	52	155
Charge for the period		5	3	8
At 31 December 2014	-	108	55	163
Net book amount				
At 31 December 2014	**89,162**	**-**	**6**	**89,168**
At 31 December 2013	61,698	5	2	61,705

Of the revaluation surplus of £6,709,000 the amount credited to the revaluation reserve is £5,727,000 with the balance of £982,000 credited to the profit and loss account.

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

	Investment properties	
	2014	2013
	£000	£'000
At valuation	**89,162**	61,698

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	
	2014	2013
	£'000	£000
Cost and net book amount at 31 December	**90,610**	70,562

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 2014 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 property.

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	
	2014	2013
	£000	£000
Cost		
At 1 January 2014	**4,521**	5,366
Provision for impairment	**(1,800)**	(845)
At 31 December 2014	**2,721**	4,521

At 31 December 2014 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 investment	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
Real Homes One Limited	Property trading	England and Wales

3. Debtors

	2014	2013
	£000	£000
Trade debtors	**685**	466
Amounts owed by subsidiary undertakings	**5,291**	4,429
Other debtors	**700**	1,278
Deferred tax asset	**-**	640
Prepayments and accrued income	**771**	1,343
	7,447	8,156

4. Creditors: amounts falling due within one year

	2014	2013
	£000	£000
Bank overdraft	**-**	**1,702**
Bank loans	**23,040**	**23,033**
Amounts owed to subsidiary undertakings	**-**	**1,824**
Trade creditors	**444**	**470**
Other creditors	**422**	**194**
Social security and taxation	**376**	**220**
Accruals and deferred income	**1,611**	**1,422**
	25,893	**28,865**

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 2014 trade creditors represented 34 days (2013: 38 days) purchases based on the total purchases for the year.

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

	2014	2013
	£000	£000
Bank loans	13,816	14,154
Less: deferred arrangement costs	(67)	(162)
	13,749	13,992

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 2014 is as follows:

	2014	2013
	£000	£000
In less than one year:		
Bank borrowings	23,040	23,033
Bank overdraft	-	1,702
In more than one year but less than two years:		
Bank borrowings	982	1,011
In more than two years but less than five years:		
Bank borrowings	1,067	1,056
In more than five years		
Bank borrowings	11,767	12,087
	36,856	38,889
Deferred arrangement costs	(67)	(162)
	36,789	38,727
Split		
Current liabilities - bank loans and overdrafts	23,040	24,735
Non current liabilities - bank loans	13,749	13,992
	36,789	38,727

6. Deferred tax

The Group elected for Real Estate Investment Trust (REIT) status with effect from 1 January 2015. As a result, providing certain conditions are met, the Group's profits from property investment are exempt from United Kingdom corporation tax. Therefore, there is no provision for deferred tax arising on the revaluation of properties or on unused trading losses, substantially all of which relate to property investment.

7. Share capital

	2014	2013	2014	2013
	Number Of shares	Number Of shares	£000	£000
Allotted, issued and fully paid:				
Ordinary shares of 10p each	111,420,598	71,420,598	11,142	7,142

7. Share capital (continued)

At an Extraordinary general meeting held on 11 April 2014 the Company received shareholder approval to raise funds for expansion by way of placing 40 million shares at 50 pence per share, raising £19.5 million net of expenses.

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 February 2010.
- 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.

As described in the Directors' Remuneration Report, two 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 £0.595. 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 2014, no options were expected to vest (2013: no options), therefore the charge to the income statement in the years ended 31 December 2013 and 2014 is £nil.

8. Movement in reserves

	Share premium account	Capital redemption reserve	Revaluation reserve	Profit and loss account	Total
	£000	£000	£000	£000	£000
At 1 January 2014	61	45	2,932	30,908	33,946
Profit for the year	-	-	-	573	573
Premium on issue of new shares	16,000	-	-	-	16,000
Expenses of share issue	(528)				(528)
Dividends	-	-	-	(836)	(836)
Surplus on revaluation of investment properties	-	-	5,727	-	5,727
At 31 December 2014	**15,533**	**45**	**8,659**	**30,645**	**54,882**

9. Profit 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 profit for the year was £573,000 (2013: loss £474,000).

Auditor's remuneration incurred by the Company during the year for audit services totalled £9,000 (2013: £8,000).

10. Directors and employees remuneration

Details of Directors’ remuneration are disclosed within the Directors' Remuneration Report on pages 13 and 14.

11. Contingent liabilities

There were no contingent liabilities at 31 December 2014 or at 31 December 2013.

12. Capital commitments

Capital commitments authorised at 31 December 2014 were £nil (2013: £nil).

13. Related party transactions

The company's related parties are other Group companies and certain other companies which are related to certain directors of the Group.

During the period the Group paid agency fees of £192,000 (2013: £69,720) 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 £129,000 (2013: £129,000) 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 £10,000 (2013: £10,330) to, and received rental income of £52,000 (2013: £52,000) from, CP Bigwood Chartered Surveyors, a company in which P P S Bassi and M H P Daly are directors and shareholders.

No amounts were outstanding at 31 December 2014 (2013:£nil).

During the period the Group paid dividends to its directors in their capacity as shareholders, as follows:

	2014	2013
	£000	£000
J R Crabtree	**1**	1
W Wyatt	**1**	-
P London	**-**	-
P P S Bassi	**69**	90
M H P Daly	**5**	7

Related party transactions with subsidiary undertakings are not disclosed as 100% of the voting rights are controlled within the group.

14. Operating lease commitments

Operating lease commitments relating to land and buildings expire within two to five years and amount to £71,000 (2013: £71,000).

Non-cancellable operating lease commitments receivable:

	2014	2013
	£000	£000
Within one year	**903**	262
Later than one year but not later than five years	**7,777**	4,947
Later than five years	**24,103**	17,944
	32,783	23,135

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

Notice is hereby given that the 2015 Annual General Meeting of the Company will be held at Cathedral Place, 3rd Floor, 42-44 Waterloo Street, Birmingham, B2 5QB on 19 June 2015 at 11:00 am for the following purposes:

To consider and, if thought fit, to pass the following resolutions 1 to 5, which will be proposed as ordinary resolutions.

1. To receive the audited financial statements for the year ended 31 December 2014, and the reports of the directors and the auditor thereon.

2. To receive and, if thought fit, approve the report of the Remuneration Committee.

3. To re-elect P P S Bassi, who retires by rotation in accordance with the Company's Articles of Association, as a director.

4. To re-elect P London, who retires in accordance with the Company's Articles of Association, as a director.

5. To reappoint Grant Thornton UK LLP as auditor of the Company to hold office until the conclusion of the next general meeting at which audited financial statements are laid before the Company and to authorise the directors to fix their remuneration.

6.

(i) To generally and unconditionally authorise the directors pursuant to Section 551 of the Companies Act 2006 (the "**Act**") to exercise all powers of the Company to allot shares or rights to subscribe for or to convert any security into shares ("**Shares**") up to an aggregate nominal amount of £6,214,020 (which represents one third of the issued share capital of the Company), provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require Shares to be allotted after such expiry and the Board may allot Shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired;

and further,

(ii) To generally and unconditionally authorise the directors pursuant to Section 551 of the Act to exercise all powers of the Company to allot Shares in connection with a rights issue in favour of shareholders where the Shares respectively attributable to the interests of all shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them up to an aggregate nominal amount of £6,214,020 (which represents one third of the issued share capital of the Company), provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require Shares to be allotted after such expiry and the Board may allot Shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

To consider and, if thought fit, pass the following resolutions 7 and 8, which will be proposed as special resolutions.

7. Subject to the passing of resolution 6, to generally empower the directors pursuant to Section 571 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by the previous resolution as if Section 561 of the Act did not apply to any such allotment provided that this power shall be limited:

(i) to the allotment of equity securities in connection with a rights issue, open offer or otherwise in favour of shareholders where the equity securities respectively attributable to the interests of all shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them but subject to the directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient:

(A) to deal with equity securities representing fractional entitlements; and
(B) to deal with legal and practical problems arising in any overseas territory under the laws of any territory or the requirements of a regulatory body or stock exchange or any other matters; and

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £932,103 (which represents five per cent. of the issued share capital of the Company),

and this power shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

8. To authorise the Company generally and unconditionally for the purposes of Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 10 pence each in the capital of the Company ("**Ordinary Shares**") provided that:

(i) the maximum number of Ordinary Shares hereby authorised to be purchased is 18,642,060 (which represents approximately 10 per cent. of the current issued share capital of the Company);

(ii) the minimum price which may be paid for an Ordinary Share is 10 pence (exclusive of expenses) being the nominal value of each such share; and

(iii) the maximum price at which an Ordinary Share may be purchased is an amount (exclusive of expenses) equal to 105 per cent. of the average middle market quotations for such shares as derived from the AIM Appendix to the Official List of the London Stock Exchange plc for each of the five business days immediately preceding the date on which the purchase is made, and shall, unless it is (prior to its expiry) duly revoked or is renewed, expire at the conclusion of the next Annual General Meeting, save that the Company may make a contract to purchase Ordinary Shares under this authority before such expiry which will or may be executed wholly or partly after such expiry, and may make purchases of Ordinary Shares pursuant to any such contract as if such authority had not expired.

By order of the Board

MHP Daly *Secretary*	Registered Office: Cathedral Place, 3rd Floor, 42-44 Waterloo Street, Birmingham, B2 5QB
Dated: 27 May 2015	Registered number: 5045715

Notes

1. P P S Bassi retires by rotation in accordance with article 23.4 of the Company's Articles of Association and offers himself for re-election pursuant to resolution 3 set out in this notice of Annual General Meeting. P London was appointed to the board by the directors and retires in accordance with article 23.2 of the Company's Articles of Association and offers himself for re-election pursuant to resolution 4 set out in this notice of Annual General Meeting.

2. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. A member entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him, provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy you may photocopy the form of proxy. The proxy need not be a member of the Company. Details of how to appoint the Chairman of the meeting or another person as your proxy using the form of proxy are set out in the notes to the form of proxy. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

3. The notes to the form of proxy explain how to direct your proxy how to vote on each resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting. Completion of the form of proxy will not preclude a member from attending and voting in person.

4. A form of proxy is enclosed with this notice. To be valid, the form must be deposited at the offices of the Company's Registrars by hand to Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by post to Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF, not less than 48 hours (excluding, in the calculation of such time period, any part of a day that is not a working day) before the time fixed for holding the meeting or any adjourned meeting.

5. Subject to the following principles, where more than one proxy is appointed, where a form of proxy does not state the number of shares to which it applies (a **"blank proxy"**) then that proxy is deemed to have been appointed in relation to the total number of shares registered in your name (the member's **"entire holding"**). In the event of a conflict between a blank proxy and a form of proxy which does state the number of shares to which it applies (a **"specific proxy"**), the specific proxy shall be counted first, regardless of the time it was sent or received (on the basis that as far as possible, the conflicting forms of proxy should be judged to be in respect of different shares) and remaining shares will be apportioned to the blank proxy (pro rata if there is more than one).

6. Where there is more than one proxy appointed and the total number of shares in respect of which proxies are appointed is no greater than your entire holding, it is assumed that proxies are appointed in relation to different shares, rather than that conflicting appointments have been made in relation to the same shares. When considering conflicting proxies, later proxies will prevail over earlier proxies, and which proxy is later will be determined on the basis of which proxy is last delivered. Proxies in the same envelope will be treated as sent and delivered at the same time, to minimise the number of conflicting proxies.

7. If conflicting proxies are sent or delivered at the same time in respect of (or deemed to be in respect of) your entire holding, none of them shall be treated as valid.

8. Where the aggregate number of shares in respect of which proxies are appointed exceeds your entire holding and it is not possible to determine the order in which they were sent or delivered (or they were all sent or delivered at the same time), the number of votes attributed to each proxy will be reduced pro rata (on the basis that as far as possible, conflicting forms of proxy should be judged to be in respect of different shares). Where this gives rise to fractions of shares, such fractions will be rounded down.

9. If you appoint a proxy or proxies and then decide to attend the meeting in person and vote, on a poll, using your poll card, then your vote in person will override the proxy vote(s). If your vote in person is in respect of your entire holding then all proxy votes will be disregarded. If, however, you vote at the meeting in respect of less than your entire holding, if you indicate on your polling card that all proxies are to be disregarded, that shall be the case; but if you do not specifically revoke proxies, then your vote in person will be treated in the same way as if it were the last delivered proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding your entire holding.

10. In relation to note 9 above, in the event that you do not specifically revoke proxies, it will not be possible for the Company to determine your intentions in this regard. However, in light of the aim to include votes wherever and to the fullest extent possible, it will be assumed that earlier proxies should continue to apply to the fullest extent possible.

11. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

12. To change your proxy instructions simply submit a new proxy appointment using the method set out above. Note that the cut-off time for receipt of proxy appointments (see note 4 above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

13. In order to revoke a proxy instruction you will need to inform the Company by sending a signed notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services at the address set out at note 4. The revocation notice must be received by Capita Asset Services no later than 8.00 am on 17 June 2015. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid.

14. In the case of a member which is a company, the form of proxy and any revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the form of proxy and any revocation notice is signed (or a duly certified copy of such power or authority) must be included with the form of proxy and any revocation notice.

15. Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend, speak and vote at the Annual General Meeting is 1.00 pm on 17 June 2015. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend, speak or vote at the meeting.

16. The following documents will be available for inspection at the Company's registered office address from the date of this notice until the time of the meeting and for at least 15 minutes prior to the meeting and during the meeting:

(i) copies of contracts of service of executive directors with the Company; and

(ii) copies of the letters of appointment of the non-executive directors of the Company.

17. Except as provided above, members who have general queries about the meeting should contact Marcus Daly, Company Secretary on 0121 212 3446 (no other methods of communication will be accepted). You may not use any electronic address provided either:

(i) in this notice of Annual General Meeting; or

(ii) any related documents (including the form of proxy),

to communicate with the Company for any purposes other than those expressly stated.