REAL ESTATE INVESTORS PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 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
Solicitors:	Gateley One Eleven Edmund Street Birmingham B3 2HJ
Nominated Adviser:	Smith & Williamson Corporate Finance Limited 25 Moorgate London EC2R 6AY
Broker:	Liberum Capital Limited Ropemaker Place, Level 12 25 Ropemaker Street London EC2Y 9LY
Bankers:	Lloyds Banking Group 55 Temple Row Birmingham B2 5LS
Registrars:	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

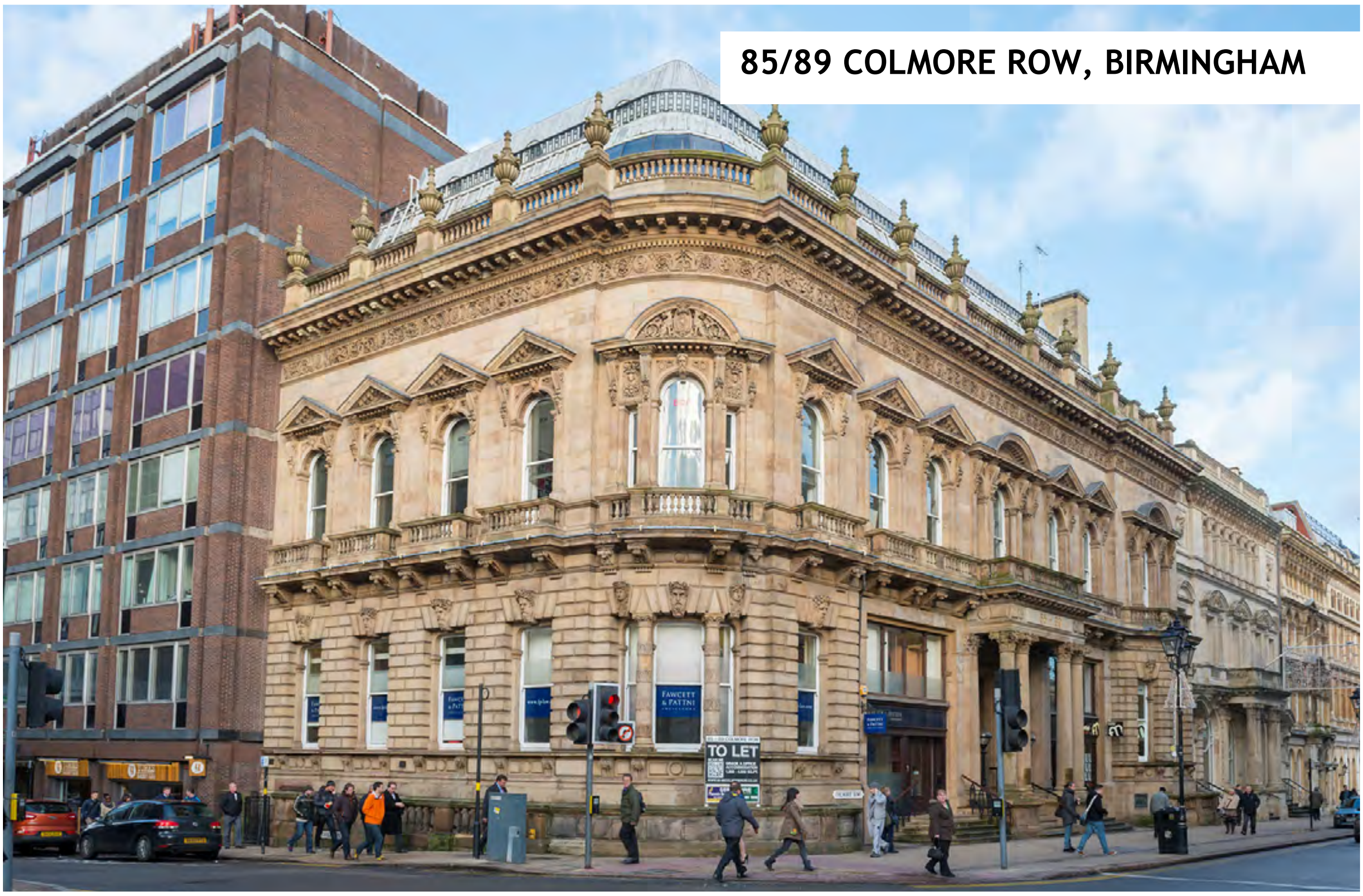
CATHEDRAL PLACE, BIRMINGHAM

LUNN POLY HOUSE, LEAMINGTON

75-77 COLMORE ROW, BIRMINGHAM

GATEWAY HOUSE, BIRMINGHAM

85/89 COLMORE ROW, BIRMINGHAM

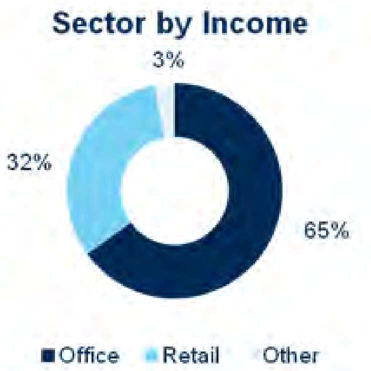


GUARDIAN HOUSE, WEST BROMWICH

PEAT HOUSE, LEICESTER

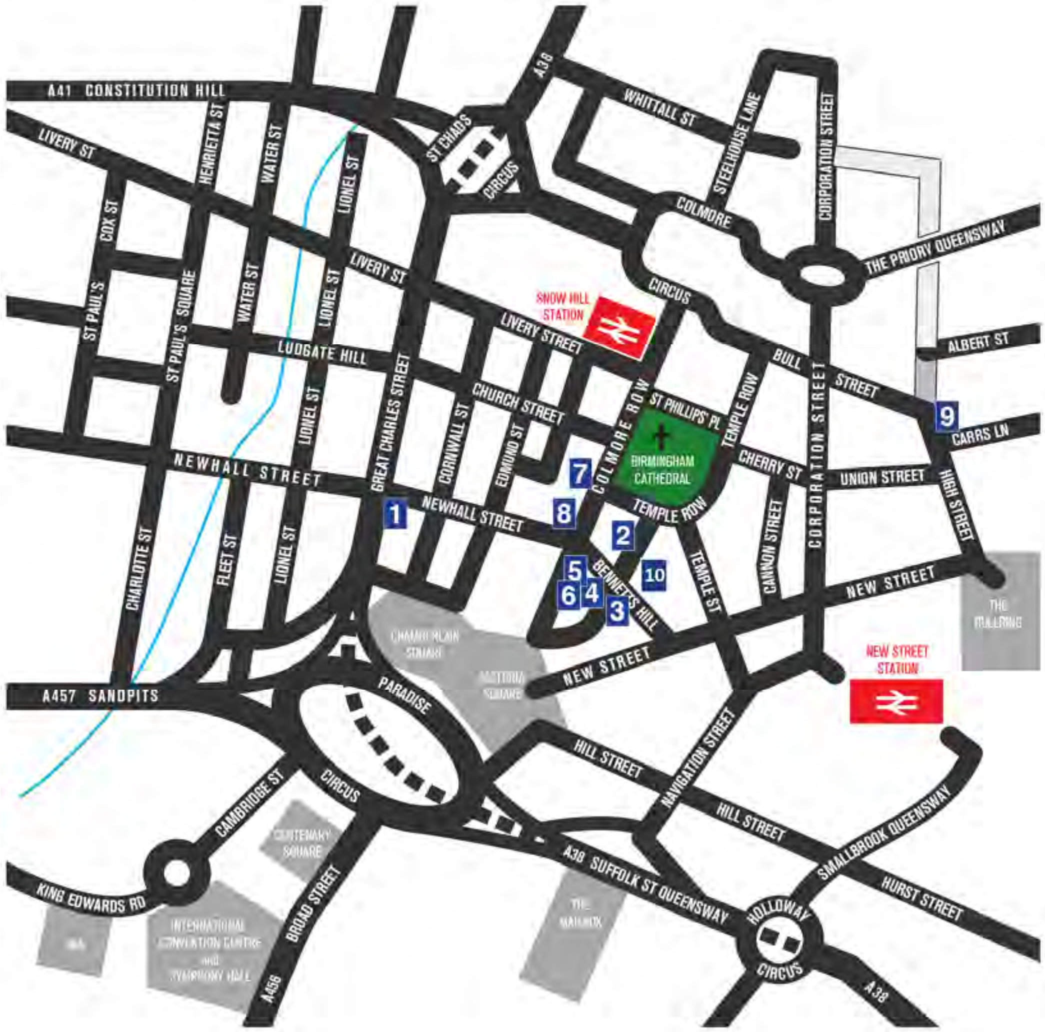
AVON HOUSE, BROMSGROVE

OUR PORTFOLIO



** City Centre and Midlands combined: 89%*

BIRMINGHAM CITY CENTRE PROPERTY LOCATIONS



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For the year ended 31 December 2013

Financial Highlights

- Profit before tax of £5.0 million (2012: £1.0 million) up 400%
- Dividend of 1p, paid in October 2013, in respect of 2013 financial year – increase of 100%
- EPRA EPS 0.4p (2012: 0.8p)
- Portfolio valuation of £75.2 million (2012: £77.4 million)
- EPRA NAV per share up 5.3% to 59.1p (2012: 56.1p)
- EPRA NNNAV per share 58.6p (2012: 54.6p) up 5%
- Net loan to value 47.3% (2012: 49.0%) gross debt £44.1 million (2012: £40.6 million)
- Cash £8.5 million (2012: £2.7 million) weighted average debt maturity 7 years (2012: 8.6 years)

Operational Highlights

- Revenue £6.6 million (2012: £6.1 million) up 8%
- Gross property assets valued at £75.2 million (2012: £77.4 million)
- Property sale proceeds totalling £7.0 million
- Acquisitions totalling £2.3 million
- Surrender premium £0.4 million (2012: £0.6 million)
- Overall occupancy 83.6% and WAULT 3.7 years
- Total ownership of 650,000 sq ft over 46 buildings with 150 tenants
- Prime Birmingham City centre ownership 143,408 sq ft across 9 buildings – 37.2% of portfolio by value
- Contracted rental income £5.8 million (2012: £6.6 million)

***EPRA = European Public Real estate Association**
****WAULT = Weighted Average Unexpired Lease Term**

Overview

After several years, the market appears to have recognised that there is more to the UK economy than Central London and the South East. The regional economy in the West Midlands, where we are focussed, has had its challenges like most regions in the UK and abroad, however, during the period under review, it has strengthened and re-established itself as a major economic centre.

This improved sentiment towards the region, which was more visible in Q4 and particularly in the property sector, has revealed the early signs of improving investor appetite and economic activity. We believe property values and occupancy will see further positive improvement in 2014 and 2015.

Investor appetite, in particular from funds, insurance companies, public companies and specialist equity, has been very strong, with a number of properties attracting multiple offers, and achieving prices significantly higher than the guide price. This activity has and will more so, act as comparable evidence and support growing valuations for our portfolio. We anticipate other buyers, namely private companies, pension funds, trusts, overseas buyers and HNW's also returning to the regional market, in order to benefit from superior yields and rising capital values. We have seen some revaluation uplift in a number of assets, through a combination of asset management, lettings and yield compression, and anticipate that this will continue in 2014-15.

Whilst we have picked up our fair share of distressed assets, where we can add value, the long awaited volume of distressed disposals of regional property did not happen during 2013. It is already clear during the first few months of 2014, that the 'distressed disposals' into an improving property market, now supported by bank lending, is finally in full swing. We anticipate capitalising on these opportunities, particularly those that cannot support traditional debt, due to the short term lease profile or properties that are vacant and require refurbishment before they can be sold or let. Indeed, we believe that the scale of the opportunity available to REI is greater than our existing resource, yet REI remains uniquely positioned to benefit from our existing ownership and the opportunities that our reputation and track record will attract.

Financial markets are starting to take the view that interest rates will rise, hence we have seen a positive move in the fair value of our financial instruments resulting in a credit to our income statement of £2.1 million, which is a non cash item, leaving us with approx £3.3 million more to recover. With rising interest rates or maturing of our interest rate term, we anticipate recovering the entire amount in due course.

Results

Against this improving backdrop, we are delighted to report our results for the year in which we made a profit before tax of £5 million (2012: £1.0 million – up 400%). The results are after providing for £345,000 as a result of one of our tenants, Challinors, solicitors, entering administration. This charge represents a provision against rental income of

£280,000 as a reversal of the rent free debtor under IFRS, which is a non cash item, and a provision of £65,000 for bad debts. We anticipate recovering monies via personal guarantees from the former partners of Challinors.

Dividend

We were pleased to have doubled our dividend payment to our shareholders, with a payment of 1.0 pence in October 2013 in respect of the 2013 financial year. The Board intends to follow a progressive dividend policy in the future and move to a more conventional interim and final payment schedule.

Regional Review

We are absolutely committed to investing in the Central England regions, with a focus on the West Midlands, as this is a market place and environment in which the management have a longstanding association and network. This is why we are able to build a business that will generate profits, capital growth and dividends for our shareholders. Despite media articles and negative sentiment over the last few years, our region is very much alive, robust and growing. We have listed below some of the facts that reveal the improving level of activity and confidence in the region:

- Automotive strength will see the West Midlands outstrip Germany on export growth, growing three times faster than Germany.

- Jaguar Land Rover (JLR) is to create 1,700 new jobs with a £1.5 billion investment in Solihull. JLR achieved record global sales of 425,000 new vehicles.

- Profits at JLR more than doubled in the last three months of 2013. The UK company made profits of £842 million, up from £404 million for the same quarter in 2012, on revenues of £5.3 billion.

- The West Midlands region has outstripped the rest of the UK in job boosting investment from foreign investors. After London, Birmingham is the biggest city for foreign direct investment.

- Unemployment in the West Midlands has shown the largest percentage fall in the country with 31,000 fewer people now out of work (February 2014).

- The West Midlands six Local Enterprise Partnerships have attracted a further £730 million of European funding.

- HM Revenue and Customs reveals that the West Midlands is the top performing region for international trade, with 18% year on year growth.

- The West Midlands property market has outperformed the rest of the UK, other than the South East.

- House prices in the West Midlands saw the biggest annual increase in the English regions, other than London and the South East, with a 4.4% increase.

- Annual take up of office space in Birmingham in 2013 was 664,147 sq ft, an increase of almost 33% on 2012. Prime yields across the year contracted from 6.25% to 5.75% and continue to trend in.

- Birmingham has seen the opening of a brand new £640 million New Street station, a £193 million new Central Library and the expansion of Birmingham Airport.

- West Midlands has the largest rental growth in England (PwC).

Property portfolio overview

Over the last few years, we have established REI as a recognised regional landlord. The majority of our portfolio has been acquired during the downturn, and all acquisitions have met our criteria. We now have assets throughout the Midlands in Birmingham City Centre, Edgbaston, Leicester, Derby, Bromsgrove, West Bromwich, Walsall, Kings Heath, Coventry and Rugeley.

Our criteria remain:

i. Focus on our region – West Midlands/Central England
ii. Shops, offices, land or opportunities
iii. Vacant – part vacant or fully let with asset management opportunities
iv. Add value via letting, lease renewals, rent reviews, planning and refurbishment
v. Lot sizes £500,000 - £10,000,000
vi. Target yields of 10-20% plus, excluding capital growth
vii. Assets unable to support traditional debt
viii. No tenant should be more than 5% of our overall ERV.

The total portfolio valuation is now £75.2 million after sales in Derby, Edgbaston, Crawley and Wakefield, totalling £7.0 million, and the acquisition of 37a Waterloo Street, Birmingham City Centre for £1.8 million, and Tudor House, Bridge Street, Walsall for £500,000.

Over the last few years, our underperforming assets have been prime City Centre assets, these have now seen some valuation uplifts, and improved occupation and demand. We now have 143,408 sq ft in the City Centre business district, with a valuation of £28.0 million – representing 37.2% of our total portfolio, across 9 buildings.

Overall occupancy is 83.6% (2012: 86.49%) and our WAULT is 3.7 years to break (2012: 4.2 years), both of these have been impacted by 75-77 Colmore Row, a prime 18,000 sq ft office building, which was returned to us by PwC at the end of their lease, in good tenantable condition and is available to let for a total ERV of £400,000 p.a. Additionally, we secured £0.4 million surrender premium from Bank of Scotland at Apex House, and have since sold this building to a third party.

Our total ownership is now approximately 650,000 sq ft across 46 buildings and presently with 150 occupiers and the gross yield on our investment properties at 31 December 2013 was 8.09%.

Rental deals completed in the last few years have also been on relatively soft terms and provide REI with rental growth prospects, as quality stock is becoming occupied and new supply is limited. Investor appetite for City Centre assets is vastly improved and we will consider sales, once we have completed asset management initiatives and capitalised on any rental growth. It is our view that this will coincide with the return of HNW/private pension funds/overseas investors and property company buyers that have remained inactive until now.

	£m	%
Core Portfolio		
Offices		
Birmingham	28.0	37.2%
Other West Midlands	26.3	35.0%
Total Offices	54.3	72.2%
Total Retail	10.1	13.4%
Total Core Portfolio	64.4	85.6%
Non Core Portfolio	10.8	14.4%
Total Portfolio	**75.2**	**100%**

Our non City Centre investments have remained stable and secure throughout the downturn, and continue to trade well. Indeed demand for good town centre stock was demonstrated when Challinors went into administration and we immediately re-let floor space to Sandwell Inspired Partnership, a 'not for profit co-operative' formed by the local councils and schools, for a 10 year term, with a 5 year 6 month break, for a gross rental of £251,793 p.a. This fully demonstrated the benefits of our close working association with local agents.

Other activity across our portfolio is as follows:

<u>85/89 Colmore Row, Birmingham</u>
A listed building, in a prime location in the City Centre, was acquired in December 2012 from PwC (acting as receivers). We have let some of the vacant space to the Royal College of Surgeons, on a new 10 year lease at a rental of £74,320 p.a. We have additional asset management activity ongoing that will further improve our tenant profile, lease terms, rental income and capital growth. The contracted rent is now £346,393 with an ERV of £548,648.

<u>293/310 High Street, West Bromwich</u>
A former Allied Carpets property, acquired in June 2012 with vacant possession for the sum of £475,000. We have obtained planning approval to create 5 ground floor units, with a separate upper floor. The refurbishment has been completed at a cost of approximately £100,000. Three units are let with offers and interest in the others, and our ERV is approximately £140,000 p.a.

<u>2/30 Alcester Road, Kings Heath</u>
A prime unbroken retail parade of 16 shops, directly adjoining a Sainsbury's supermarket store and near to the King Edwards Schools Foundation. Acquired in November 2008, at the height of the financial crisis, with a number of short leases and outstanding lease renewals. All leases have been renewed, and the investment continues to trade well with a healthy pipeline of requirement for this parade of shops.

75/77 Colmore Row, Birmingham
A listed prime City Centre building previously let to PricewaterhouseCoopers at £400,000 p.a, with a FRI lease that expired on 25th December 2013. The property has been vacated and will be brought to the market following necessary works. The 18,000 sq ft building is on the market with Knight Frank at an asking rental of £25 per sq ft (an uplift on the previous letting).

Southgate Retail Park, Derby
This multi-let retail park was acquired for £4.8 million in September 2011, providing an approximate 10% yield. We gained planning consent for a 45,000 sq ft food store during the year, and subsequently sold units 1,2 and 3 to Lidl supermarkets for the sum of £4.25 million, and retained the remainder that is let or under offer with an ERV of £250,000 p.a.

Colmore Row/Bennetts Hill/Waterloo Street, Birmingham
These are also listed buildings, within the Central business district, where we have attracted a number of new tenants throughout the year including Goodchilds Estate Agents, Redleaf Ltd and Open Executive Recruitment.

Tudor House, Bridge Street, Walsall
A four shop retail parade, acquired in December 2013 from a receiver for the sum of £500,000. The property is let to Ladbrokes, Hambro Countrywide and 2 regional multiples. Successful lease renewals and lettings at this town centre parade will produce approximately £80,000 p.a.

Gateway House, Birmingham
A strategically located prime building, offering long term re-development potential. In the interim, the key tenant, Arcadia Group, occupies over 11,000 sq ft in a prime retail unit. Nearby, Marks and Spencers operates a key store and Primark is committing to its largest UK store, a giant 200,000 sq ft unit, by taking over The Pavilions Shopping Centre. REI has achieved annual breaks in the Arcadia lease offering flexibility to capitalise on the retail market at the correct time and we are looking to submit a change of use application or create three retail units on the ground floor.

More generally, across the portfolio, we continue to achieve positive lease renewals, rent reviews and new lettings. With very few exceptions, tenants across the portfolio are renewing, and we are benefitting from improving market sentiment.

Sales

For several years, it has been very much a buyer's market and we have capitalised on the opportunities made available to us.

It remains our intention to build a business with a strong underlying rental income, however when we have completed our planned asset management, or when we receive favourable interest, we will also consider selling assets. The part sale of Southgate Retail Park provided us with such an opportunity, and we successfully sold.

We have also sold properties from the historical portfolio in Wakefield and Crawley and some locally at Apex in Edgbaston.

We anticipate growing capital values, from yield compression, growing rental income and will remain open minded to sales opportunities that provide value for REI.

Over the next few years, we are likely to become a more active seller as the market shifts to the benefit of a seller, and plan to achieve REIT status, which will be more tax efficient for the Company and our shareholders.

Acquisitions

We have an extensive network that allows us to acquire assets 'off market' or through a privileged and known network. In Q4, we began to see criteria assets and secured 37a Waterloo Street/7 Bennetts Hill, Birmingham City Centre, a listed building fully let and providing £188,000 p.a., with tenants including W H Ireland stock brokers, Triton Global and Systra Limited. The purchase price was £1.8 million in cash. This acquisition is criteria compliant and an excellent addition to our City Centre portfolio. We additionally acquired Tudor House in Walsall for £500,000 with an ERV in excess of £80,000.

In Q4, we have seen a significant number of opportunities that we will seek to acquire, predominantly from receivers acting for banks, who appear to be starting the long awaited distressed stock sales. It is these assets that cannot support traditional debt, and as a cash buyer, will provide REI with our greatest opportunity for capital growth and double digit yields.

Since the year end, we have acquired 770/772 Bristol Road South, Northfield, Birmingham for the sum of £1.25 million in cash. The rental income is £115,800 p.a. plus a vacant flat. Tenants are HSBC bank (£80,800) with a lease expiring in July 2018 and West Bromwich Building Society (£35,000) with a lease expiring in February 2023 (subject to a tenant break in February 2019).

Finance

At 31 December 2013, the Group's gross debt was £44.1 million (2012: £40.6 million) with cash and undrawn facilities of £8.5 million (2012: £4.2 million). The weighted average debt maturity was 7.0 years (2012: 8.6 years) with a weighted average cost of debt of 6.2% (2012: 6.3%) at year end - 94% fixed or hedged (2012: 100%).

Net loan to value was 47.3% (2012: 49.0%) and net interest cover based on adjusted earnings before interest and tax as a ratio of finance costs was 2.1 (2012: 1.6). Both loan to value and interest cover fall comfortably within the banking covenants.

During the year, we drew down £1.5 million of our undrawn facility and secured a further facility of £2.7 million on a variable basis of 2.75% above base with Lloyds, secured against a previously un-encumbered asset, a listed City centre building at 85/89 Colmore Row, Birmingham.

Our £20 million facility with Lloyds is due for renewal in October 2014. We are currently in the process of agreeing terms for the renewal of these facilities, and whilst they remain subject to Credit approval, at the present time the bank is proposing to extend the facilities at a similar level for a period of three to five years from the expiry of the facilities.

REI has continued to receive excellent support from our principal bankers throughout the last few years, namely Lloyds Banking Group, Aviva, Handelsbanken and Nationwide.

Outlook & Summary

Clearly, we are now in an improved economic environment and the region in which we invest and run our business is well placed to grow and prosper. This backdrop is essential in order for us to see the continued improvement in occupier demand, and investor appetite.

We anticipate that during 2014-15 we will experience greater demand for investment property in our region, as investors seek higher yields and capital growth and this improving demand will naturally inflate capital values. The additional contributor to capital growth will be rental growth, reducing incentives and tenants beginning to accept longer lease terms with fewer tenant break options.

The real forward opportunity is to capitalise on our market reputation and existing resource and acquire the distressed stock that the financial institutions have mothballed throughout the recession. REI is able to access these opportunities and successful acquisitions should result in capital growth and increased rental income which, in turn, will facilitate the Board's intention to pay a progressive dividend.

Over the next few years, as our portfolio matures, and our asset management programme completes, we will dispose of some of our assets, into an environment in which the banks are lending, and HNW individuals, property companies and pension funds join the existing funds, public companies, insurance companies and overseas buyers from Singapore and China who are buying in our region to secure quality returns and capital growth.

It is our intention to change our status to a REIT as soon as is appropriate for the Company and its shareholders to benefit from REIT status and we anticipate that is likely to be 2015.

Finally, we would like to thank all our staff, advisors and Board for the support over the last few challenging years, and now look forward to growing REI into a substantial regional public company.

JOHN CRABTREE OBE DL D.UNIV
CHAIRMAN
14 MARCH 2014

PAUL BASSI CBE DL D.UNIV Dsc
CHIEF EXECUTIVE
14 MARCH 2014

The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2013.

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

J R A Crabtree	Chairman – Non-Executive
J J Jack (retired 30 June 2013)	Deputy Chairman – Non-Executive
W Wyatt	Non-Executive Director
P P S Bassi	Chief Executive
M H P Daly	Finance Director

W Wyatt will retire and submit himself 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 2014.

	Number	%
Caledonia Investments Plc	20,154,812	28.22
P P S Bassi	9,050,000	12.67
Ruffer	8,690,716	12.17
Henderson Global Investors	6,390,132	8.95
Friends Provident International	4,969,257	6.96
Miton Asset Management	2,700,000	3.78

Matters covered in the Strategic Report

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 elected to prepare Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

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

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

Annual General Meeting
The Annual General Meeting will be held at Cathedral Place, 3rd Floor, 42-44 Waterloo Street, Birmingham, B2 5QB on 20 June 2014 at 11 am.

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

BY ORDER OF THE BOARD

M H P Daly
Secretary

Date: 14 March 2014

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 6).

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.

Indicator	2013	2012
Earnings per share	5.04p	0.51p
Profit – actual	£4.9m	£1.0m
Net assets per share	58.6p	54.6p

The above continue to be the key performance indicators of the Group, but last year was a year of unprecedented economic, bank and property turmoil which meant that these targets were not achieved. In our focus area of Birmingham and the wider West Midlands, we have been one of very few active investors and believe we have acquired assets favourably.

BY ORDER OF THE BOARD

M H P Daly
Secretary

Date: 14 March 2014

Directors' statement on corporate governance

The Board of Directors is accountable to shareholders for the good corporate governance of the Group. Under the AIM rules for companies, the Group is not required to comply with the UK Corporate Governance Code (June 2010) 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 7. The Board currently comprises two 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 £20 million facility with Lloyds Banking Group is due for renewal in October 2014. The Group is currently in the process of agreeing terms for the renewal of these facilities, and whilst they remain subject to credit approval, at the present time the bank is proposing to extend 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 two non-executive directors, J R A Crabtree and W Wyatt, and the chief executive, by invitation. The terms of reference of the committee are to review and make recommendations to the Board regarding the terms and conditions of employment of the executive directors.

Service agreements

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

Policy on directors' remuneration

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

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

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

The remuneration of directors for the year ended 31 December 2013 was as follows:

	Salary £000	Salary in lieu of benefits £000	Fees £000	Total £000	Employers' national insurance contributions £000	2013 Total £000	2012 Total £000	Share options 2013 Number	Share options 2012 Number
J J Jack	-	-	13	13	-	13	22	-	-
P P S Bassi	350	87	-	437	59	496	425	-	-
M H P Daly	200	50	-	250	31	281	254	-	-
J Crabtree	-	-	30	30	-	30	25	-	-
W Wyatt	-	-	25	25	-	25	22	-	-
	550	137	68	755	90	845	748	-	-

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

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

No bonuses have been awarded to the directors.

Policy on non-executive directors' remuneration

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

Share warrants

Certain directors were granted share warrants on 29 June 2006 in respect of 2,127,500 Ordinary shares and on 25 July 2006 in respect of 475,000 Ordinary shares. The share warrants are exercisable from two years from the date of the grant of the option and will lapse within seven years if not exercised. The warrants were granted on the basis of 1 for 2 shares held at the date of grant, in proportion to their shareholding and are exercisable at 120p per share. No warrants were exercised and they have now lapsed.

Long Term Incentive Plan

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

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

The LTIP was implemented in December 2010. On 3 December 2010, the Group granted each of P P S Bassi and M H P Daly an option under the scheme which entitles them to subscribe for or acquire ordinary shares in the company at a price of 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 is 1 January 2013 and subsequent trigger dates occur annually thereafter until 1 January 2020. No options were granted, forfeited or exercised during the period.

Long Term Incentive Plan (continued)

No expense has been recognised in respect of the LTIP for the year ended 31 December 2013 as no options are expected to vest.

APPROVED BY THE BOARD OF DIRECTORS – J R A Crabtree
Chairman, Remuneration Committee
Date: 14 March 2014

We have audited the consolidated financial statements of Real Estate Investors plc for the year ended 31 December 2013 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 page 8, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the parent Company financial statements of Real Estate Investors plc for the year ended 31 December 2013.

David White
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
Date: 14 March 2014

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013	2012
		£000	£000
Revenue		6,638	6,122
Cost of sales		(2,069)	(1,434)
Gross profit		4,569	4,688
Administrative expenses		(1,675)	(1,874)
Share of profit of joint venture	11	19	-
Surplus on sale of investment property		459	64
Net surplus on valuation of investment properties	9	2,096	822
Profit from operations		5,468	3,700
Finance income	5	21	26
Finance costs	5	(2,595)	(2,404)
Profit/(loss) on financial liabilities at fair value through profit and loss	16	2,062	(320)
Profit on ordinary activities before taxation	3	4,956	1,002
Income tax charge	6	(1,355)	(635)
Net profit after taxation and total comprehensive income		3,601	367
Total and continuing earnings per ordinary share			
Basic	7	5.04p	0.51p
Diluted	7	5.04p	0.51p

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 2013

	Share capital	Share premium account	Capital redemption reserve	Other reserves	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
At 1 January 2012	7,142	61	45	121	31,612	38,981
Dividends	-	-	-	-	(357)	(357)
Transactions with owners	-	-	-	-	(357)	(357)
Profit for the year and total comprehensive income	-	-	-	-	367	367
At 31 December 2012	7,142	61	45	121	31,622	38,991
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**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	2013	2012
		£000	£000
Assets			
Non current			
Intangible assets	8	**171**	171
Investment properties	9	**69,551**	70,441
Property, plant and equipment	10	**7**	18
Deferred tax	17	**2,900**	4,255
		72,629	74,885
Investment in joint venture	11	**816**	236
		73,445	75,121
Current			
Inventories	12	**5,601**	6,935
Trade and other receivables	13	**4,392**	3,151
Cash and cash equivalents		**8,482**	2,685
		18,475	12,771
Total assets		**91,920**	87,892
Liabilities			
Current			
Bank loans and overdraft	15	**(25,006)**	(3,106)
Provision for current taxation		**(18)**	(18)
Trade and other payables	14	**(2,716)**	(2,938)
		(27,740)	(6,062)
Non current			
Bank loans	15	**(19,050)**	(37,525)
Liabilities at fair value through profit and loss	16	**(3,252)**	(5,314)
		(22,302)	(42,839)
Total liabilities		**(50,042)**	(48,901)
Net assets		**41,878**	38,991

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2013

	Note	2013	2012
		£000	£000
Equity			
Share capital	18	**7,142**	7,142
Share premium account		**61**	61
Capital redemption reserve		**45**	45
Other reserves		**-**	121
Retained earnings		**34,630**	31,622
Total Equity		**41,878**	38,991
Net assets per share		**58.6p**	54.6p

These financial statements were approved by the Board of Directors on 14 March 2014.

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 2013

	2013	2012
	£000	£000
Cash flows from operating activities		
Profit after taxation	**3,601**	367
Adjustments for:		
Depreciation	**11**	11
Net surplus on valuation of investment property	**(2,096)**	(822)
Surplus on sale of investment property	**(459)**	(64)
Share of profit of joint venture	**(19)**	-
Finance income	**(21)**	(26)
Finance costs	**2,595**	2,404
(Profit)/loss on financial liabilities at fair value through profit and loss	**(2,062)**	320
Income tax charge	**1,355**	635
Decrease in inventories	**1,334**	860
Increase in trade and other receivables	**(744)**	(682)
(Decrease)/increase in trade and other payables	**(222)**	886
	3,273	3,889
Interest paid	**(2,595)**	(2,404)
Net cash from operating activities	**678**	1,485
Cash flows from investing activities		
Purchase of investment properties	**(2,552)**	(6,471)
Proceeds from sale of property, plant and equipment	**-**	(1)
Proceeds from sale of investment property	**5,500**	350
Investment in joint venture	**(561)**	(88)
Interest received	**21**	26
	2,408	(6,184)
Cash flows from financing activities		
Proceeds from issue of share capital net of expenses	**-**	-
Equity dividends paid	**(714)**	(357)
Proceeds from new bank loans	**4,200**	10,303
Payment of bank loans	**(479)**	(6,807)
	3,007	3,139
Net Increase/(decrease) in cash and cash equivalents	**6,093**	(1,560)
Cash, cash equivalents and bank overdrafts at beginning of period	**687**	2,247
Cash, cash equivalents and bank overdrafts at end of period	**6,780**	687

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 46 to 56, 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 2012 financial statements, except as disclosed on pages 25 and 26 where there are new standards applicable for the year ended 31 December 2013.

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 £20 million facility with Lloyds Banking Group is due for renewal in October 2014. The Group is currently in the process of agreeing terms for the renewal of these facilities, and whilst they remain subject to credit approval, at the present time the bank is proposing to extend 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 the power to control the financial and operating policies. The Group obtains and exercises control through voting rights. The consolidated financial statements of the Group incorporate the financial statements of the parent Company as well as those entities controlled by the Group by full consolidation.

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

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

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

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

Investment in joint ventures

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

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

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

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

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

Income recognition

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

Rental income

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

Sale of properties

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

Surrender premiums

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

Impairment

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

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

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

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

Investment properties

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

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

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

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

Leasehold improvements and office equipment

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

Leasehold improvements	-	length of lease
Office equipment	-	four years

Residual values and useful lives are reassessed annually.

Inventories

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

Operating leases

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

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

Taxation

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

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

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

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

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

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

Financial assets (continued)

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

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

Cash and cash equivalents

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

Equity

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

Financial liabilities

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

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

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

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

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

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

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

Classification as equity or financial liability

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

Classification as equity or financial liability (continued)

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

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

Share warrants and share options

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

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

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

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

Share based payments

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

Segmental reporting

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

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

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

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

- IAS 12 (amended 2010) Income Taxes
- IAS 1 (amended 2011) Presentation of Financial Statements

The Group has also adopted the following standard:

- IFRS 13 Fair Value Measurement (effective 1 January 2013)

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRS require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of adoption. The Group hs applied IFRS 13 for the first time in the current year, see note 16.

Standards and interpretations in issue, not yet effective

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

- IFRS 9 Financial Instruments (effective date to be confirmed)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)

The Group has commenced assessment of the impact of the above standards on presentation and disclosure but is not yet in a position to state whether any of these standards would have a material impact on its results of operations and financial position.

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 £2,900,000 at 31 December 2013 (2012: £4,255,000) 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 are classified as inventories, being properties held for resale in the ordinary course of business. These properties generate rental income but are being actively marketed for sale and are therefore categorised as properties held for resale and carried at the lower of cost and net realisable value. Investment properties held for own use are classified as leasehold property only when intended for long term use within the business.

2. Segmental information

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

		Investment in and trading of properties	
		2013	2012
		£000	£000
Segment revenues	– Rental income	**5,234**	5,482
	- Surrender premiums	**374**	640
	- Sale of assets held as inventory	**1,030**	-
Cost of sales	– Direct costs	**(718)**	(574)
	- Cost of property	**(1,051)**	-
	- Loss on valuation of assets held as inventory	**(300)**	(860)
Administrative expenses		**(1,675)**	(1,874)
Share of profit of joint venture		**19**	-
Surplus on disposal of investment property		**459**	64
Net profit on valuation of investment properties		**2,096**	822
Segment operating profit		**5,468**	3,700
Segment assets		**91,919**	87,892

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

	2013	2012
	£000	£000
Finance income	**21**	26
Finance costs	**(2,595)**	(2,404)
Depreciation	**(11)**	(11)
Income tax charge	**(1,200)**	(635)

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% (2012: 8%) 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:

	2013	2012
	£000	£000
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of the financial statements	**16**	15
Fees payable to the Company's auditor for other services:		
Audit of the financial statements of the Company's subsidiaries pursuant to legislation	**16**	15
Depreciation of owned property and equipment	**11**	11
Operating lease payments	**129**	115

4. Directors and employees

Staff costs during the period were as follows:

	2013	2012
	£000	£000
Wages and salaries	864	785
Social security costs	110	100
	974	885

The average number of employees (including executive directors) of the Group during the period was six, all of whom were engaged in administration (2012: seven). 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 page 11.

5. Finance income/finance costs

	2013	2012
	£000	£000
Finance income:		
Interest receivable	21	26
Finance costs:		
Interest payable on bank loans	(2,595)	(2,404)

6. Income tax charge

	2013		2012	
	£000	%	£000	%
Result for the year before tax	4,956		1,002	
Tax rate	20%		23%	
Expected tax charge	991		230	
Adjustment for non deductible expenses	-		-	
Capital allowances claim	-		-	
Adjustments prior year	364		405	
Actual tax charge	1,355		635	
Tax charge comprises:				
Current tax	-		-	
Deferred tax charge (note 17)	1,355		635	
	1,355		635	

The prevailing rate of corporation tax has reduced to 23 % from 24% and therefore there is an adjustment in respect of prior years with regards to the deferred taxation asset shown in the accounts.

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.

	Earnings	**2013 Average number of shares**	**Earnings per Share**	**Earnings**	**2012 Average number of shares**	**Earnings per share**
	£000			£000		
Basic earnings per share	**3,601**	**71,420,598**	**5.04p**	367	71,420,598	0.51p

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

	2013			**2012**		
	Earnings	**Shares**	**Earnings per share p**	**Earnings**	**Shares**	**Earnings per share p**
	£000			£000		
Basic earnings per share	**3,601**	**71,420,598**	**5.04**	367	71,420,598	0.51
Fair value of investment properties	(2,096)			(822)		
Profits on disposal of investment properties	(459)			(64)		
Tax on profits on disposals	92			15		
Fair value of inventory properties	300			860		
Change in fair value of derivatives	(2,061)			320		
Deferred tax	887			(82)		
EPRA Earnings	264	**71,420,598**	0.37	594	71,420,598	0.83

EPRA NAV per share

	2013			2012		
	Net Assets	**Shares**	**Net asset value per share p**	Net Assets	Shares	Net asset value per share p
	£000			£000		
Basic	**41,878**	**71,420,598**	**58.6**	38,991	71,420,598	54.6
Dilutive impact of share options and warrants	-			-	-	
Diluted	**41,878**	**71,420,598**	**58.6**	38,991	71,420,598	54.6
Adjustment to fair value of derivatives	3,252	**-**		5,314	-	
Deferred tax	(2,900)	**-**		(4,255)	-	
EPRA NAV	**42,230**	**71,420,598**	**59.1**	40,050	71,420,598	56.1
Adjustment to fair value of derivatives	**(3,252)**	**-**		(5,314)	-	
Deferred tax	**2,900**	**-**		4,255	-	
EPRA NNNAV	**41,878**	**71,420,598**	**58.6**	38,991	71,420,598	54.6

8. Intangible assets

	Goodwill
	£000
Gross carrying amount	
Cost	
At 1 January 2013 and 31 December 2013	171
Accumulated impairment losses	
At 1 January 2013 and 31 December 2013	-
Net book amount at 31 December 2012 and 31 December 2013	**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 2013 is reconciled as follows:

	£000
Carrying amount at 1 January 2012	63,434
Additions – acquisition of new properties	6,456
Additions – subsequent expenditure	15
Disposals	(286)
Revaluation	822
Carrying amount at 31 December 2012	70,441
Additions – acquisition of new properties	2,294
Additions – subsequent expenditure	258
Disposals	(5,538)
Revaluation	2,096
Carrying amount at 31 December 2013	**69,551**

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

	£000
At professional valuation	65,469
At directors' valuation	4,082
	69,551

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:

	2013	2012
	£'000	£'000
Cost and net book amount at 31 December	**82,483**	85,342

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 2013 has in the main been carried out by DTZ and Gerald Eve LLP, professional valuers, on certain properties and the directors on the remaining properties.

Rental income from investment properties in the year ended 31 December 2013 was £5,608,000 (2012: £6,122,000) and direct operating expenses in relation to those properties were £714,000 (2012: £574,000).

10. Property, plant & equipment

	Leasehold Improvements	Office Equipment	Total
	£000	£000	£000
Gross carrying amount			
At 1 January 2012	108	53	161
Additions	-	1	1
At 31 December 2012 and 31 December 2013	108	54	162
Depreciation and Impairment			
At 1 January 2012	84	49	133
Charge for the year	10	1	11
At 31 December 2012	94	50	144
Charge for the year	9	2	11
At 31 December 2013	103	52	155
Net book carrying amount			
At 31 December 2013	**5**	**2**	7
At 31 December 2012	14	4	18

11. Joint venture

The joint venture relates to the Group's 50% (2012: 50%) share of Menin Works which is an unincorporated business which undertakes property investment in the United Kingdom.

The investment is accounted for using the equity method in accordance with IAS 28.

	2013	2012
	£000	£000
At 1 January	**236**	148
Further investments	**561**	88
Group's share of the profit for the year	**19**	-
At 31 December	**816**	236

A reconciliation of the summarised financial information set out below to the carrying amount of the investment in Menin Works is as follows:

	2013	**2012**
	£000	**£000**
Total net assets of Menin Works	**2.804**	2.100
Proportion of ownership interests held by the Group	**50%**	50%
Carrying amount of the investment in Menin Works	**816**	**236**

The financial information relating to the joint venture is as follows:

	2013	2012
	£000	£000
Non current assets	**2,100**	2,100
Current assets (a)	**704**	-
Total assets	**2,804**	2,100
Non current liabilities (b)	**(1,172)**	(1,628)
Current liabilities (c)	**-**	-
Total liabilities	**(1,172)**	(1,628)

(a) Includes cash and cash equivalents
(b) Includes financial liabilities (excluding trade and other payables and provisions)
(c) Includes financial liabilities (excluding trade and other payables and provisions)

	2013	2012
	£000	£000
Revenue for the year	**158**	144
Profit for the year	**19**	-
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**-**	-
Depreciation	**-**	-
Interest income	**-**	-
Interest expense	**(84)**	(114)
Tax expense	**-**	-

There were no capital commitments at 31 December 2013 and 31 December 2012 in respect of the joint venture.

There were no contingent liabilities at 31 December 2013 and 31 December 2012 in respect of the joint venture, and there are no significant restrictions on the ability of the joint venture to transfer funds.

12. Inventories

	2013	2012
	£000	£000
Properties and land held for trading	**5,601**	6,935

All properties held for trading are included at the lower of cost and net realisable value. The amount of inventories recognised as a charge in the year ended 31 December 2013 is £1,051,000 (2012: £nil), which is after charging an impairment of £300,000 (2012: £860,000). All of the properties held for trading are pledged as security for bank loans.

Properties held at fair value less costs to sell at 31 December 2013 are £3,235,000 (2012: £4,570,000)

13. Trade and other receivables

	2013	2012
	£000	£000
Trade receivables	**567**	1,456
Loans receivable	**-**	108
Other receivables	**2,742**	641
Prepayments and accrued income	**1,083**	946
	4,392	3,151

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 £95,000 (2012: £30,000) has been recorded accordingly. The movement in the provision for impairment during the year is as follows:

	2013	2012
	£000	£000
At 1 January	**30**	30
Increase in provision	**65**	-
At 31 December	**95**	30

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

	2013	2012
	£000	£000
Not more than three months past due	**8**	17
More than three months but no more than six months past due	**44**	134
	52	151

13. Trade and other receivables (continued)

Financial assets by category

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

	2013			2012		
	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	**567**	**-**	**567**	1,456	-	1,456
Loans receivable	**-**	**-**	**-**	108	-	108
Other receivables	**2,742**	**-**	**2,742**	641	-	641
Prepayments and accrued income	**-**	**1,083**	**1,083**	-	946	946
Cash and cash equivalents	**8,482**	**-**	**8,482**	2,685	-	2,685
	11,791	**1,083**	**12,784**	4,890	946	5,836

14. Trade and other payables

	2013	2012
	£000	£000
Trade payables	**509**	747
Other payables	**218**	388
Social security and taxation	**260**	240
Accruals and deferred income	**1,729**	1,563
	2,716	2,938

14. Trade and other payables (continued)

Financial liabilities by category

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

	2013				2012			
	Financial liabilities at fair value through profit and loss	**Other financial liabilities at amortised cost**	**Liabilities not within the scope of IAS39**	**Balance sheet total**	Financial liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Liabilities not within the scope of IAS39	Balance sheet total
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Current								
Bank loans and overdrafts	**-**	**25,006**	**-**	**25,006**	-	3,106	-	3,106
Provision for current taxation	**-**	**-**	**18**	**18**	-	-	18	18
Trade payables	**-**	**509**	**-**	**509**	-	747	-	747
Other payables	**-**	**218**	**-**	**218**	-	388	-	388
Social security and taxation	**-**	**-**	**260**	**260**	-	-	240	240
Accruals and deferred income	**-**	**719**	**1,010**	**1,729**	-	1,563	-	1,563
	-	**26,452**	**1,288**	**27,740**	-	5,804	258	6,062
Non-current								
Bank loans	**-**	**19,050**	**-**	**19,050**	-	37,525	-	37,525
Financial instruments	**3,252**	**-**	**-**	**3,252**	5,314	-	-	5,314
	3,252	**19,050**	**-**	**22,302**	5,314	37,525	-	42,839
	3,252	**45,502**	**1,288**	**50,042**	5,314	43,329	258	48,901

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:

	2013	2012
	£000	£000
Cash and cash equivalents	8,482	2,685
Trade and other receivables	3,309	2,205
	11,791	4,890

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 2013 is as follows:

	2013	2012
	£000	£000
In less than one year:		
Bank overdraft	1,702	1,998
Bank borrowings	23,304	1,108
In more than one year but less than two years:		
Bank borrowings	1,289	19,104
In more than two years but less than five years:		
Bank borrowings	1,906	1,890
In more than five years		
Bank borrowings	16,045	16,838
Financial instruments	3,252	5,314
	47,498	46,252
Deferred arrangement costs	(190)	(307)
	47,308	45,945

15. Financial risk management objectives and policies (continued)

		2013	2012
		£000	£000
Split			
Current liabilities	-bank overdraft	**1,702**	1,998
	-bank loans	**23,304**	1,108
Non-current liabilities	-bank loans	**19,050**	37,525
	-financial liabilities at fair value through profit and loss	**3,252**	5,314
		47,308	45,945

Maturity of financial liabilities

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

	2013	2012
	£000	£000
In less than one year:		
Bank overdraft	**1,702**	1,998
Trade payables	**509**	747
Other payables	**218**	388
Accruals	**719**	1,563
Bank borrowings	**23,304**	1,108
In more than one year but less than two years:		
Bank borrowings	**1,289**	19,104
In more than two years but less than five years:		
Bank borrowings	**1,906**	1,890
In more than five years		
Bank borrowings	**16,045**	16,531
	45,692	43,329

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 2013 the fair value of this arrangement based on a valuation provided by the Group's bankers was a liability of £3,252,000 (2012: £5,314,000). All of the interest rate swap agreements terminate in more than five years (2012: more than five years).

Borrowing facilities

The Group has undrawn committed borrowing facilities at 31 December 2013 of £nil (2012: £1,500,000).

Market risk

Interest rate risk

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

15. Financial risk management objectives and policies (continued)

The interest rate exposure of the financial liabilities of the Group at 31 December 2013 was:

	Interest %	Expiry Date	2013 £000	2012 £000
Fixed until October 2019	6.600	October 2019	**10,000**	10,000
Fixed until October 2019	6.230	October 2019	**734**	774
Fixed until January 2019	6.295	January 2019	**955**	1,080
Fixed until August 2028	6.550	August 2028	**715**	743
Fixed until January 2030	6.040	January 2030	**4,403**	4,550
Fixed until March 2030	6.270	March 2030	**729**	747
Fixed until May 2030	5.780	May 2030	**1,493**	1,511
Fixed until March 2031	5.470	March 2031	**757**	771
Fixed until March 2027	5.160	March 2027	**10,059**	10,264
Cap and collar agreement until January 2018	4.95% cap	January 2018	**10,000**	8,500
Variable rate			**2,700**	-
			42,545	38,940
Loan arrangement fees			**(190)**	(307)
			42,355	38,633

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 (2012: + two/- point two percentage points) with effect from the beginning of the year:

	2013	2012
	+0.5%	+0.5%
	£000	£000
(Decrease)/increase in result after tax and equity	**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. The management regards total equity as capital and reserves, for capital management purposes. At 31 December 2013 the Group had unused bank facilities of £1.5 million.

16. Fair value disclosures

The methods and techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period. The Group has applied IFRS 13 prospectively for the first time in the current accounting 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 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 2012	-	4,994	-	4,994
Income statement	-	320	-	320
At 3l December 2012	-	5,314	-	5,314
Income statement	-	(2,062)	-	(2,062)
At 31 December 2013	-	3,252	-	3,252

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 2013:

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Investment property:				
- held to earn rentals and for capital appreciation	-	-	69,551	69,551

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

	Investment Properties £000
Balance at 1 January 2013	70,441
Acquired during the year	2,552
Disposals during the year	(5,538)
Gains recognised in profit and loss	
- increase in fair value	2,096
	69,551

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:

	2013	2012
	£000	£000
At 1 January	**4,255**	4,890
Income statement (note 6)	**(1,355)**	(635)
At 31 December	**2,900**	4,255

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**	2,334
Financial instrument	**650**	1,222
Unused trading tax losses	**640**	699
	2,900	4,255

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

Deferred tax has been provided on all temporary differences for the following reasons:

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

18. Share capital

	2013 Number of shares	**2013 £000**	2012 Number of Shares	2012 £000
Allotted, issued and fully paid:				
Ordinary shares of 10p	**71,420,598**	**7,142**	71,420,598	7,142

Certain directors were granted share warrants on 29 June 2006 in respect of 2,127,500 Ordinary shares and on 25 July 2006 in respect of 475,000 Ordinary shares. The share warrants are exercisable from two years from the date of the grant of the warrants and will lapse within seven years if not exercised. The warrants were granted on the basis of 1 for 2 shares held at the date of the grant and are exercisable at 120p. No warrants were exercised and they have now lapsed.

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

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

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

As described in the Directors' Remuneration Report, 2 options were issued under the 2010 LTIP on inception. The weighted average fair value of the awards made is £0.59 per option, calculated applying the Black-Scholes option pricing model with a volatility of 21% (based on the weighted average share price movements over the last 3 years), a dividend yield of 0%, a risk free rate of 4.4%, an expected weighted average life of 5 years, a weighted average exercise price of 0.5p and a market value of underlying shares at the date of grant of £0.595. As at the date of grant no further shares were expected to be issued under the LTIP based on forecasts available at that time. At 31 December 2013, no options were expected to vest (2012: no options), therefore the charge to the income statement in the years ended 31 December 2012 and 2013 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 (2012: £71,000).

Non-cancellable operating lease commitments receivable:

	2013 £000	2012 £000
Within one year	262	660
Later than one year but not later than five years	5,594	7,596
Later than five years	21,783	26,733
	27,639	34,989

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 2013 or at 31 December 2012.

21. Capital commitments

Capital commitments authorised at 31 December 2013 were £nil (2012: £nil).

22. Pension scheme

There was no pension scheme for the benefit of employees or directors in operation at 31 December 2013 or 31 December 2012.

23. Related party transactions

During the period the Group paid agency fees of £69,720 (2012: £105,000) in respect of professional services to Bond Wolfe, a partnership in which P P S Bassi is a partner, and rent and service charges of £129,000 (2012: £115,000) to Bond Wolfe Estates Limited, a company in which P P S Bassi is a director and shareholder.

During the period the Group paid professional fees of £10,330 (2012: £1,000) to CP Bigwood Chartered Surveyors, a company in which P P S Bassi and M H P Daly are directors and shareholders.

During the period the Group received rental income of £52,000 (2012: £52,000) from CP Bigwood Chartered Surveyors.

No amounts were outstanding at 31 December 2013 (2012:£nil).

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

	2013 £000	2012 £000
J R Crabtree	1	-
J Jack (retired 30 June 2013)	-	1
W Wyatt	-	-
P P S Bassi	90	45
M H P Daly	7	4

REAL ESTATE INVESTORS PLC

COMPANY STATUTORY FINANCIAL STATEMENTS (PREPARED UNDER UK GAAP)

FOR THE YEAR ENDED 31 DECEMBER 2013

COMPANY NUMBER 5045715

Statement of directors' responsibilities

The directors are responsible for preparing the Company financial statements ("financial statements") in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice and applicable laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit and 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 auditors are aware of that information.

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

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

We have audited the parent Company financial statements of Real Estate Investors plc for the year ended 31 December 2013 which comprise the principal accounting policies, the balance sheet and the related notes. The financial reporting framework that that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As more fully explained in the Statement of Directors' Responsibilities set out on page 47 the directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013;
- 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 2013.

David White
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
Date: 14 March 2014

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 £20 million facility with Lloyds Banking Group is due for renewal in October 2014. The Group is currently in the process of agreeing terms for the renewal of these facilities, and whilst they remain subject to credit approval, at the present time the bank is proposing to extend 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
Turnover, which excludes value added tax, comprises rental income which is recognised evenly over the term of the lease to which it relates.

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

This policy represents a departure from the Companies Act 2006 which 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.

BALANCE SHEET

As at 31 December 2013

	Note	2013 £000	2012 £000
Fixed assets			
Tangible assets	1	**61,705**	59,256
Investments	2	**4,521**	5,366
		66,226	64,622
Current assets			
Stock		**2,365**	2,365
Debtors	3	**8,156**	12,336
Cash at bank		**7,198**	1,222
		17,719	15,923
Creditors: amounts falling due within one year	4	**(28,865)**	(7,172)
Net current assets		**(11,146)**	8,751
Total assets less current liabilities		**55,080**	73,373
Creditors: amounts falling due after more than one year	5	**(13,992)**	(32,194)
Net assets		**41,088**	41,179
Capital and reserves			
Ordinary share capital	7	**7,142**	7,142
Share premium account	8	**61**	61
Capital redemption reserve	8	**45**	45
Other reserves	8	**-**	121
Revaluation reserve	8	**2,932**	1,835
Profit and loss account	8	**30,908**	31,975
Shareholders' funds		**41,088**	41,179

These financial statements were approved by the Board of Directors on 14 March 2014.

Signed on behalf of the Board of Directors

J R A Crabtree – Chairman

M H P Daly – Finance Director

Company No 5045715

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

1. Tangible fixed assets

	Investment Properties £000	Leasehold Improvements £000	Office Equipment £000	Total £000
Cost or valuation:				
At 1 January 2013	59,238	108	54	59,400
Additions	2,574	-	-	2,574
Disposals	(2,080)	-	-	(2,080)
Revaluation	1,966	-	-	1,966
At 31 December 2013	61,698	108	54	61,860
Accumulated depreciation				
At 1 January 2013	-	94	50	144
Charge for the period		9	2	11
At 31 December 2013	-	103	52	155
Net book amount				
At 31 December 2013	**61,698**	**5**	**2**	**61,705**
At 31 December 2012	59,238	14	4	59,256

Of the revaluation surplus of £1,966,000 the amount credited to the revaluation reserve is £1,097,000 with the balance of £869,000 credited to the profit and loss account.

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

	Investment properties	
	2013	2012
	£000	£'000
At valuation	**61,698**	59,238

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	
	2013	2012
	£'000	£000
Cost and net book amount at 31 December	**70,562**	69,941

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 2013 has been carried out by DTZ Chartered Surveyors and Gerald Eve LLP, Chartered Surveyors on the basis of fair value on certain properties and by the directors on the remaining properties.

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

2. Fixed asset investments

	Investment in subsidiary Undertakings	
	2013	2012
	£000	£000
Cost		
At 1 January 2013	**5,366**	5,892
Provision for impairment	**(845)**	(526)
At 31 December 2013	**4,521**	5,366

At 31 December 2013 the Company wholly owned the following subsidiaries:

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

3. Debtors

	2013	2012
	£000	£000
Trade debtors	**466**	674
Amounts owed by subsidiary undertakings	**4,429**	9,242
Other debtors	**1,278**	828
Deferred tax asset	**640**	736
Prepayments and accrued income	**1,343**	856
	8,156	12,336

4. Creditors: amounts falling due within one year

	2013	2012
	£000	£000
Bank overdraft	**1,702**	1,998
Bank loans	**23,033**	852
Amounts owed to subsidiary undertakings	**1,824**	1,934
Trade creditors	**470**	599
Other creditors	**194**	192
Corporation tax	**-**	-
Social security and taxation	**220**	194
Accruals and deferred income	**1,422**	1,403
	28,865	7,172

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 2013 trade creditors represented 38 days (2012: 42 days) purchases based on the total purchases for the year.

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

	2013	2012
	£000	£000
Bank loans	14,154	32,457
Less: deferred arrangement costs	(162)	(263)
	13,992	32,194

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 2013 is as follows:

	2013	2012
	£000	£000
In less than one year:		
Bank borrowings	23,033	852
Bank overdraft	1,702	1,998
In more than one year but less than two years:		
Bank borrowings	1,011	18,844
In more than two years but less than five years:		
Bank borrowings	1,056	1,110
In more than five years		
Bank borrowings	12,087	12,503
	38,889	35,307
Deferred arrangement costs	(162)	(263)
	38,727	35,044
Split		
Current liabilities - bank loans and overdrafts	24,735	2,850
Non current liabilities - bank loans	13,992	32,194
	38,727	35,044

6. Deferred tax

No provision has been made for deferred tax on gains recognised on revaluing investment properties to their market value in accordance with FRS 19. The total amount unprovided at an estimated tax rate of 20% (2012: 23%), for the year ended 31 December 2013 is £586,000 (2012: £422,000). A deferred taxation asset of £640,000(2012: £736,000) has been recognised in full on losses due to the directors now expecting future taxable profits in the foreseeable future to fully utilise them.

7. Share capital

	2013 Number Of shares	2012 Number Of shares	2013 £000	2012 £000
Allotted, issued and fully paid:				
Ordinary shares of 10p each	71,420,598	71,420,598	7,142	7,142

7. Share capital (continued)

The directors were granted share warrants on 29 June 2006 in respect of 21,275,000 Ordinary shares and on 25 July 2006 in respect of 4,750,000 Ordinary shares. The share warrants are exercisable from two years from the date of the grant of the warrants and will lapse within seven years if not exercised. The warrants were granted on the basis of 1 for 2 shares held at the date of the grant and are exercisable at 120p. No warrants were exercised and they have now lapsed.

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

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

Details of options granted during the year under the LTIP are included in the Report on Remuneration. No expense has been recognised in respect of the options granted as no options are expected to vest. As described in the Directors’ Remuneration Report, 2 options were issued under the 2010 LTIP on inception. The weighted average fair value of the awards made is £0.59 per option, calculated applying the Black-Scholes option pricing model with a volatility of 21% (based on the weighted average share price movements over the last 3 years), a dividend yield of 0%, a risk free rate of 4%, an expected weighted average life of 5 years, a weighted average exercise price of 0.5p and a market value of underlying shares at the date of the grant of £0.585. As at the date of the grant no further shares were expected to be issued under the LTIP based on forecasts available at that time. At 31 December 2013, no options were expected to vest (2012: no options), therefore the charge to the income statement in the years ended 31 December 2012 and 2013 is £nil.

8. Movement in reserves

	Share premium account	Capital redemption reserve	Other reserves	Revaluation reserve	Profit and loss account	Total
	£000	£000	£000	£000	£000	£000
At 1 January 2013	61	45	121	1,835	31,975	34,037
Loss for the year	-	-	-	-	(474)	(474)
Transfer to profit and loss account	-	-	(121)	-	121	-
Dividends	-	-	-	-	(714)	(714)
Surplus on revaluation of investment properties	-	-	-	1,097	-	1,097
At 31 December 2013	**61**	**45**	**-**	**2,932**	**30,908**	**33,946**

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 loss for the year was £474,000 (2012: £908,000).

Auditor's remuneration incurred by the Company during the year for audit services totalled £8,000 (2012: £7,000).

10. Directors and employees remuneration

Details of Directors' remuneration are disclosed within the Directors' Remuneration Report on page 10.

11. Contingent liabilities

There were no contingent liabilities at 31 December 2013 or at 31 December 2012.

12. Capital commitments

Capital commitments authorised at 31 December 2013 were £nil (2012: £nil).

13. Related party transactions

During the period the Company paid agency fees of £69,720 (2012: £105,000) in respect of professional services to Bond Wolfe, a partnership in which P P S Bassi is a partner, and rent and service charges of £129,000 (2012: £115,000) to Bond Wolfe Estates Limited, a company in which P P S Bassi is a director and shareholder.

During the period the Company paid professional fees of £10,330 (2012: £1,000) to, and received rental income of £52,000 (2012: £52,000) from CP Bigwood Chartered Surveyors, a company in which P P S Bassi and M H P Daly are directors and shareholders.

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

Notice is hereby given that the 2014 Annual General Meeting of the Company will be held at Cathedral Place, 3rd Floor, 42-44 Waterloo Street, Birmingham, B2 5QB on 20 June 2014 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 2013, 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 W Wyatt, who retires by rotation in accordance with the Company's Articles of Association, as a director.

4. 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.

5.

(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 £3,714,019 (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 £3,714,019 (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 6 and 7, which will be proposed as special resolutions.

6. Subject to the passing of resolution 5, 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 £557,103 (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.

7. 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 11,142,059 (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: 28 May 2014

Registered number: 5045715

Notes

1. W Wyatt 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.

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, Capita Asset Services, PXS 1, 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 20 June 2014. 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 6.00 pm on 18 June 2014 (being not more than 48 hours (excluding, in the calculation of such time period, any part of a day that is not a working day) prior to the time fixed for the meeting), or, if the meeting is adjourned, 48 hours (excluding, in the calculation of such time period, any part of a day that is not a working day) prior to the time fixed for the adjourned meeting. 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.

75-77 COLMORE ROW,
BIRMINGHAM