

REI

Real Estate Investors Plc

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

REAL ESTATE INVESTORS PLC

FINANCIAL STATEMENTS

For the year ended 31 December 2023

Company Registration Number:	05045715
Registered Office:	2 nd Floor 75-77 Colmore Row, Birmingham B3 2AP
Directors:	W P Wyatt: Chairman P London: Non-Executive Director I M Stringer: Non-Executive Director P P S Bassi CBE: Chief Executive M H P Daly: Finance Director
Secretary:	M H P Daly
Auditor:	Cooper Parry Group Limited Statutory Auditor Sky View, Argosy Road Castle Donington Derby DE74 2SA
Solicitor:	Gateley Plc One Eleven Edmund Street Birmingham B3 2HJ
Nominated Adviser:	Cavendish Capital Markets Limited One Bartholomew Close London EC1A 7BL
Broker:	Liberum Capital Limited Ropemaker Place, Level 12 25 Ropemaker Street London EC2Y 9LY
Banker:	National Westminster Bank plc 3rd Floor 2 St Philips Place Birmingham B3 2RB Lloyds Banking Group plc 125 Colmore Row Birmingham B3 3SD
Registrar:	Link Market Services Limited 10 th Floor Central Square 29 Wellington Street Leeds LS1 4DL

REAL ESTATE INVESTORS PLC

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REAL ESTATE INVESTORS PLC**CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT**For the year ended 31 December 2023

Successful sales, debt reduction and underlying profitability

- Completed sales totalling £17.97 million (an aggregate uplift, pre-costs, of 2.93% above December 2022 valuations)
- Disposal proceeds used to pay down £17.1 million of debt, reducing drawn debt to £54.4 million (FY 2022: £71.5 million)
- LTV (net of cash) reduced to 32.4% (FY 2022: 36.8%)
- Revenue of £11.5 million (FY 2022: £13.3 million) - decrease mainly due to sales
- Underlying profit before tax* of £4.5 million (FY 2022: £4.6 million)
- EPRA** EPS of 2.6p (FY 2022: 2.7p)
- Basic (loss)/earnings per share of (5.4p) (FY 2022: 6.3p)
- Loss before tax of £9.4 million (FY 2022: £10.9 million profit), primarily as a result of a revaluation deficit of £13.2 million on investment properties (FY 2022: gain of £3.2 million) (non-cash item)
- EPRA** Net Tangible Assets ("NTA") per share of 54.9p (FY 2022: 62.2p)
- £8 million cash at bank as at 31 December 2023
- Deficit in market value of hedging instrument of £499,000 (FY 2022: gain of £2.2m) (non-cash item)

Uninterrupted Fully-Covered Dividend

- Final dividend of 0.625p per share, payable in April 2024 as an ordinary dividend
- Total fully covered dividend for 2023 of 2.5p per share (FY 2022: 2.5p) (the level of dividend for 2024 will be subject to the pace of further disposals) reflecting a yield of 7.4% based on a mid-market opening price of 33.75p on 25 March 2024
- £50.6 million total declared/paid to shareholders since commencement of dividend policy in 2012

Robust Portfolio Performance

- Gross property assets of £145.5 million (FY 2022: £175.4 million) with 41 assets and 183 occupiers
- Like-for-like portfolio valuation down by 8.44% to £143.1 million (FY 2022: £156.3 million)
- Continued robust rent collection levels with overall rent collection for 2023 of 99.82%
- Completed 90 lease events during the year
- WAULT*** of 5.24 years to break and 6.01 years to expiry (FY 2022: 4.98 years & 6.29 years)
- Contracted rental income of £10.9 million p.a. (FY 2022: £12.6 million p.a.) net of disposals
- Portfolio occupancy of 83.03% (FY 2022: 84.54%)
- Major letting contracted to complete in April 2024. This will improve existing occupancy to 85.91% and boost contracted rental income to £11.2 million p.a. (subject to sales and other lease activity)

Post Year-End Activity

- Additional £1 million of disposals completed since period-end
- Further £2.7 million of debt repaid since period-end, resulting in debt reducing to £51.7 million
- Additional pipeline sales in legals
- Healthy pipeline lettings of £803,107 p.a. (gross) (£529,471 p.a. net)
- Revised remuneration policy and Shorter Term Incentive Plan announced in January 2024, improving alignment with the Disposal Strategy
- In March 2024, the Group extended the £20 million facility with Lloyds Banking Group Plc for a further 12 months to 31 May 2025, the £28 million facility with National Westminster Bank Plc for a further 12 months to June 2025 and the £7 million facility with Barclays Bank PLC for a further 6 months to 30 June 2025. As a result, following the multiple increases in interest rates by the Bank of England, the new average cost of debt is now 6.5%. It is the Group's intention to prioritise the repayment of debt from property sales proceeds, as reflected by the short-term nature of the facilities

REAL ESTATE INVESTORS PLC

CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT

For the year ended 31 December 2023

Financial and Operational Results

	31 Dec 2023	31 Dec 2022
Revenue	£11.5 million	£13.3 million
Pre-tax (loss)/profit	(£9.4 million)	£10.9 million
Underlying profit before tax*	£4.5 million	£4.6 million
Contracted rental income	£10.9 million	£12.6 million
EPRA EPS**	2.6p	2.7p
Basic (loss)/earnings per share	(5.4)p	6.3p
Dividend per share	2.5p	2.5p
Average cost of debt	3.7%	3.7%
Like-for-like rental income	£10.9 million	£11.1 million
	31 Dec 2023	31 Dec 2022
Gross property assets	£145.5 million	£175.4 million
EPRA NTA per share	54.9p	62.2p
Like-for-like capital value psf	£115.46 psf	£126.10 psf
Like-for-like valuation	£143.1 million	£156.3 million
Tenants	183	201
WAULT to break***	5.24 years	4.98 years
Total ownership (sq ft)	1.24 million sq ft	1.37 million sq ft
Net assets	£95.6 million	£109 million
Loan to value	38.0%	42.2%
Loan to value net of cash	32.4%	36.8%

Definitions

* Underlying profit before tax excludes gain on revaluation and sale of properties and interest rate swaps

** EPRA = European Public Real Estate Association

*** WAULT = Weighted Average Unexpired Lease Term

REAL ESTATE INVESTORS PLC**CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT****For the year ended 31 December 2023**

During 2023, the UK property market has seen very low levels of investment transactions, a consequence of widespread political uncertainty, combined with high interest rates and elevated inflation levels. Despite this, REI's portfolio remains resilient and stable, shielded from wider economic pressures due to its diversified nature and limited exposure to high-risk sectors, achieving 99.82% overall rent collection for 2023.

Against this challenging backdrop, REI successfully disposed of £17.97 million of assets during the period, achieving an aggregate uplift (pre-costs) of 2.93% above December 2022 book values. This is due to the nature of our portfolio and our ability to 'break up' selected assets, unlocking the underlying portfolio value and feeding the appetite from private investors and owner occupiers for smaller, well-positioned assets.

Demand from larger corporate and institutional buyers is yet to materialise and we will therefore continue to intensively manage our larger assets, maximising rental income and occupancy levels to support our dividend payments, until such demand returns, which we anticipate to be in the latter part of 2024 and 2025.

Using proceeds from sales and in line with our recently announced Disposal Strategy, we repaid £17.1 million of debt during 2023, reducing our total drawn debt to £54.4 million (FY 2022: £71.5 million). Over the last three years, REI has sold over £56.4 million of assets, on an aggregate basis, at or above book value, and repaid over £46 million of debt, in line with our stated strategy.

We currently have numerous disposals in solicitors' hands and are progressing our disposal programme, with a number of completions anticipated before the end of H1 2024. With the benefit of our unique market insight, we anticipate 2024 to be a year of continued sales to our unique buyer pool, consisting of special purchasers, owner occupiers and private investors.

Whilst REI's portfolio is diverse and attractive to these buyers, general market sentiment remains weak due to an increased cost of capital, persistent inflationary pressures and global uncertainty. Against this backdrop, market-wide valuation reductions were expected. The REI portfolio has suffered a relatively mild 8.44% reduction (£13.2 million) in like-for-like portfolio valuations to £143.1 million (FY 2022: £156.3 million). This is predominantly due to the nature of our stock, combined with the intensive management carried out across the portfolio by our asset management team.

Despite the £1.5 million p.a. loss of income associated with disposals during the period, asset management initiatives generated 90 lease events, stabilising occupancy at 83.03% (FY 2022: 84.54%), contracted rental income at £10.9 million p.a. (FY 2022: £12.6 million p.a.), and improving portfolio WAULT to 5.24 years to break and 6.01 years to expiry (FY 2022: 4.98 years & 6.29 years). This has resulted in revenue of £11.5 million (FY 2022: £13.3 million), underlying profits of £4.5 million (FY 2022: £4.6 million) and a loss before tax of £9.4 million (FY 2022: £10.9 million profit) (valuation decline is a non-cash item).

The notable letting of 2023 was to DHU Healthcare CIC at Birch House, Oldbury for £625,000 p.a., which was previously unoccupied. The Agreement for Lease was signed in October 2023 on a 10-year lease with a 5-year break and 6-months' rent free. NHS England have awarded the Midlands NHS111 contract to DHU Healthcare CIC, commencing in early April 2024 and making DHU the largest provider of NHS111 services in England, with responsibility for 11 million patients. Once the DHU lease commences, occupancy will rise to 85.91% and contracted rental income to £11.2 million p.a.

We have continued to manage the portfolio actively, resulting in 90 lease events. New tenants to the portfolio include; SpaMedica Limited, Luxury Leisure, and Swarco Smart Charging Limited. There are currently other lettings in pipeline legals which will improve occupancy and rental income further, subject to further portfolio disposals.

Following a healthy year of disposals and debt repayment, the total drawn debt now sits at £54.4 million, with debt spread across 3 lenders. Group LTV (net of cash) improved to 32.4% (FY 2022: 36.8%) and cost of debt was 3.7%. However, the fixed rate hedges on our debt expired on 30 November 2023 on £10 million for Lloyds Banking Group, 29 December 2023 for Barclays Bank and 1 March 2024 for National Westminster Bank. As a result, following the multiple increases in interest rates by the Bank of England, the new average cost of bank interest is 6.5%. It is the Group's intention to prioritise the repayment of debt from future property sales proceeds.

Following discussions with our bankers, in March 2024 the Group extended the £20 million facility with Lloyds Banking Group Plc for a further 12 months to 31 May 2025, the £28 million facility with National Westminster Bank Plc for a further 12 months to June 2025 and the £7 million facility with Barclays Bank PLC for a further 6 months to 30 June 2025. The facilities have been extended on short term bases as it is the Board's intention to repay portfolio debt in full, from the proceeds of the sales programme. Since the year-end, a further £2.7 million of debt has been repaid, reducing total drawn down debt to £51.7 million.

REAL ESTATE INVESTORS PLC**CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT**For the year ended 31 December 2023

Against a challenging backdrop, the Board is pleased with the robust operational performance of the business which is reflected in the covered, uninterrupted dividend payment of 2.5p for 2023, taking the total declared/paid to shareholders since the commencement of our dividend policy in 2012 to £50.6 million. It is the Board's intention to continue paying an uninterrupted, fully-covered quarterly dividend payment to shareholders, subject to the pace of portfolio disposals.

The Board is committed to its formalised Disposal Strategy and maximising shareholder returns and remains open to a corporate transaction that is in the best interest of shareholders.

Disposal Strategy

As confirmed in our January 2024 'Trading and Strategic Update', the Board is committed to pursuing an orderly strategic sale of the Company's portfolio over the next three years, disposing of assets individually or collectively, at or above book value, to optimise returns to shareholders. The pace of the disposal programme will be dictated by market conditions, with an initial focus on repaying the Company's debt.

Whilst management are aligned with the business and remain major shareholders, a new Shorter Term Incentive Plan (STIP) has been introduced to replace the existing Long Term Incentive Plan (LTIP), which is aimed at retaining staff whilst providing an incentive to facilitate the orderly sale in the best interests of the shareholders. The Remuneration Committee has approved the new STIP along with a 33% reduction in Board and Executive remuneration to support the Company's ongoing cost saving initiative. In determining the revised remuneration policy and STIP, the Company's Remuneration Committee consulted with REI's largest institutional shareholders.

Dividend

The Company's dividend payments continued throughout 2023, despite market uncertainty and significant disposals. The first three quarterly dividend payments in respect of 2023 were paid at a level of 0.625p per share, fully covered. Due to the level of disposals, the final dividend in respect of 2023 is confirmed at the same level at 0.625p per share, reflecting a total fully-covered dividend payment for 2023 of 2.5p (FY 2022: 2.5p) (which would be the basis for the dividend for FY2024, subject to the pace of further disposals) and a yield of 7.4% based on a mid-market opening price of 33.75p on 25 March 2024. The Board remains committed to paying a covered dividend, subject to business performance and the pace of further disposals.

The proposed timetable for the final dividend, which will be an ordinary dividend, is as follows:

Ex-dividend date:	4 April 2024
Record date:	5 April 2024
Dividend payment date:	26 April 2024

Outlook for 2024

The Board is steadfast in its commitment to maximising shareholder returns via sales and full repayment of our debt, with the view to then returning capital to shareholders.

REI will continue to strive to achieve maximum pricing on disposals and anticipate potential future valuation growth, via intensive asset management and a much needed improvement in market conditions.

We remain confident that our proven and diversified portfolio will withstand market headwinds and any uncertainty this election year will bring. We expect that any interest rate reduction will lead to a market recovery that will allow us to accelerate our sales programme and dispose of our larger corporate and institutional grade assets.

In the meantime, we remain open to a corporate transaction including selling the whole of the portfolio on terms that are in the best interests of shareholders.

Our Stakeholders

We sincerely thank our shareholders, advisers, tenants and staff for their ongoing support and in particular, in assisting management with the finalised strategy, which is intended to maximise returns to shareholders.

William Wyatt
Chairman
25 March 2024

Paul Bassi CBE D. Univ
Chief Executive
25 March 2024

REAL ESTATE INVESTORS PLC**PROPERTY REPORT**For the year ended 31 December 2023

UK Property Market Overview

Commercial property investment was suppressed throughout 2023, with high and uncertain interest rates taking their toll on activity across the property market.

According to JLL Research, total UK property investment reached £31.3 billion in 2023, a 36% decrease on 2022 volumes of £49.0 billion and 40% below the 10-year average of £51.8 billion. This represents the lowest annual total since 2012 when volumes reached £30.7 billion. The lack of transactional activity contributed to weak market sentiment across the property market, which has directly impacted our year-end valuations which have declined by 8.44% on a like for like basis, mitigated by active asset management and the diversity of our portfolio which gives access to the relatively stronger private investor market.

Throughout the year, and in accordance with previous years' strategy, we continued to break up sales in order to achieve premiums, mainly to private investors, owner occupiers and special purchasers as they were willing to pay higher sums. We expect private investors and companies less reliant on finance will continue to seek opportunities at levels below £1 million or less and we will continue to benefit from this position.

Interest rate cuts and lower inflation would support real income growth and this would likely trigger a gradual improvement in market sentiment and economic activity. We are already seeing signs of traditional institutional investors returning to the market, which will bring a wider audience for sales, greater activity, appetite for larger lot sizes and improved valuations.

REI Portfolio Disposals

Our unique regional network of agent contacts and close proximity to owner occupiers allows access to more non-traditional purchasers and during the year, we disposed of 30 units/assets with an average lot size of £600,000, for a combined consideration of £17.97 million at an aggregate 2.93% uplift to December 2022 book valuations (pre-costs).

The sales comprised break-ups of retail/leisure units at Alcester Road South, Acocks Green, Leamington Spa, Redditch, Newcastle Under Lyme and Walsall. However, they also included the sale of Land at Market Shopping Centre in Crewe (McDonalds), York House in Birmingham (to a college), and Castlegate House in Dudley (West Midlands Police). It is therefore worth noting that around 53% of sales (by value) can be accredited to smaller units sales, and around 47% of sales (by value) were from the individual asset sales, all of which were bought by owner occupiers for their own purposes.

Post Period End Disposals

Since 31 December 2023, we have completed a further £1 million of disposals at Barracks Road, Newcastle-under-Lyme to an owner occupier.

At present, we have disposal transactions that are in solicitors' hands, with several completions expected before the conclusion of H1 2024. We have additional sales being actively marketed and we have earmarked further assets for sale, where management initiatives have been concluded and are now ready for marketing. Staying agile and responsive to evolving market conditions will be key to successfully executing this strategy throughout the coming year. However, we intend to make further opportunistic sales, should investor demand prevail.

The REI Portfolio

The REI portfolio, comprising of 41 assets with 183 tenants has a net initial yield of 7.18% and a reversionary yield of 8.81%. Valuations have seen a decline of 8.44% on a like-for-like basis to £143.1 million (FY 2022: £156.3 million). It is management's intention to continue with asset management initiatives to maximise income, occupancy and capital value.

REAL ESTATE INVESTORS PLC

PROPERTY REPORT

For the year ended 31 December 2023

The current portfolio sector weightings are:

Sector	Income by Sector (£)	Income by Sector (%)
Office	4,968,850	45.42%
Traditional Retail	1,480,039	13.53%
Discount Retail - Poundland/B&M etc	1,274,000	11.65%
Medical and Pharmaceutical - Boots/Holland & Barrett etc	652,649	5.97%
Restaurant/Bar/Coffee - Costa Coffee etc	423,751	3.87%
Financial/Licences/Agency - Bank of Scotland etc	216,500	1.97%
Food Stores - Co-op, Iceland etc	406,545	3.72%
Other - Hotels (Travelodge & Vine Hotels), Leisure (The Gym Group & Luxury Leisure), Car parks, AST	1,517,306	13.87%
Total	10,939,640	100%

Asset Management

During 2023, the asset management team completed 90 lease events. New lettings during the year totalled just over £500,000 p.a. with lettings at Titan House (Telford) and Venture Court (Wolverhampton), being prominent.

As a result of the asset management activity in 2023 our WAULT was 5.24 years to break and 6.01 years to expiry (FY 2022: 4.98 years & 6.29 years) and occupancy is stable at 83.03% (FY 2022: 84.54%).

Of the 16.97% vacancy as at 31 December 2023 within the portfolio, almost two thirds (10.72%) can be attributed to spaces at 4 properties (Barracks Road, Newcastle-under-Lyme; Crewe Shopping Centre; Kingston House and Birch House). We have already reduced this void in the period since 31 December 2023, with the sale of Units 1&2 at Barracks Road, occupancy to 84.98% (as at 25 March 2024). The scheduled letting at Oldbury and further sales will improve occupancy in H1 2024.

Key asset management initiatives undertaken during the year and subsequently to the date of this report include:

Titan House

Following the refurbishment of the office space to a Grade A specification and the letting to BohoMoon Limited at £111,145 p.a., SpaMedica Limited completed the lease for the third floor at £112,779 p.a. on a 10-year lease with a tenant break in year 5.

Oldbury

DHU Health Care CIC signed the Agreement for Lease at £625,608 p.a. to facilitate the move into all the 35,749 sq ft at Birch House. The refurbishment commenced and is due to complete in April 2024.

Avon House

AFH Financial Group Limited took out a new lease for 11.5 years at the passing rent of £396,077 p.a. (at ERV) with no break, now occupying all 25,000 sq ft at Avon House, Bromsgrove.

Acocks Green

Following a number of sales, the previous Argos unit was refurbished and let to Poundstretcher on a 10-year lease at £62,500 p.a. with a tenant break at year 5.

Walsall

Following a lengthy planning process, Luxury Leisure signed a lease and undertook a tenant fit-out of 9-11 Park Street on a 10-year lease at £60,000 p.a. with a break at year 5.

Topaz Business Park

Costa have signed an Agreement for Lease at £89,000 p.a. The forward sale of the Lease is proceeding, despite the challenges in the investment market. The contract to build the Costa unit has been secured with completion due in September 2024.

REAL ESTATE INVESTORS PLC

PROPERTY REPORT

For the year ended 31 December 2023

Boundary House

The 2023 rent review has been settled, achieving an increase from £260,000 p.a. to £316,500 p.a., representing a very strong result in a challenging office market.

New tenants to the portfolio in 2023

SpaMedica Limited, Luxury Leisure and Swarco Smart Charging Limited.

Post Period End Activity and Sentiment

There is a strong level of pipeline lettings of £803,107 p.a. (gross) (£529,471 p.a. net) that will have a positive impact on our void space and contracted rental income.

Portfolio Summary

	Value (£)	Area (Sq ft)	Contracted Rent (£)	ERV (£)	NIY (%)	EQY (%)	RY (%)	Occupancy (%)
Portfolio	143,105,000	1,239,467	10,939,640	13,701,260	7.18%	8.89%	8.81%	83.03%
Land*	2,394,594	-	-	-	-	-	-	-
Total	145,499,594	1,239,467	10,939,640	13,701,260	7.18%	8.89%	8.81%	83.03%

*Our land holdings are excluded from the yield calculations

Environmental, Social and Governance (“ESG”)

REI is now working alongside Systemslink, (a leading energy management software provider), to collect, track and report carbon emissions data across REI’s landlord-controlled areas. As at the date of this report, accurate and certified data for the Scope 1 and 2 emissions for 2021-2022 is unavailable, as this is being verified. The reduction of the portfolio’s carbon footprint is a priority for the business.

Portfolio Energy Performance Certification

In accordance with government guidelines, REI has undertaken a programme to ensure our assets meet the UK statutory regulations and timeframes for EPCs. We will continue to upgrade assets when required.

An overview of the asset EPC ratings across the portfolio is noted below:

EPC Rating	% of portfolio (by sq ft)							Total
	A	B	C	D	E	F	G	
31 Dec 2023	2.25	36.88	22.71	35.13	3.03	0	0	100
31 Dec 2022	1.36	22.99	31.18	37.49	6.98	0	0	100

REAL ESTATE INVESTORS PLC

FINANCE DIRECTOR'S REPORT

For the year ended 31 December 2023

FINANCIAL REVIEW

Overview

In a year in which we disposed of £17.97 million of assets, the underlying profit before tax decreased by 2% to £4.5 million (FY 2022: £4.6 million). Despite the reduction in turnover, mainly due to sales, the Group maintained underlying profit by a reduction in holding costs (£260,000), administrative expenses (£640,000) and interest costs (£610,000), resulting in an EPRA EPS of 2.6p (FY 2022: 2.7p).

The loss before tax was £9.4 million (FY 2022: £10.9 million profit), including a revaluation deficit of £13.2 million on investment properties (FY 2022: gain of £3.2 million), a deficit of £182,000 on the sale of investment property (FY 2022: gain of £948,000) and a loss in the market value of our interest rate hedging instruments of £499,000 (FY 2022: gain of £2.2 million). As a result, the EPRA NTA per share reduced by 11.7% to 54.9p (2022: 62.2p).

Receipts from disposals during the period were used to repay £17.1 million of debt in line with our stated strategy, reducing total drawn debt to £54.4 million (FY 2022: £71.5 million) with LTV (net of cash) improved to 32.4% (FY 2022: 36.8%). REI repaid its Aviva facility in full and remains banked with 3 lenders. All banking covenants continue to be met and there is headroom available with cure facilities in place.

As expected, contracted rental income reduced during the period to £10.9 million (FY 2022: £12.6 million) predominantly due to disposals, with some reduction due to lease events across the portfolio. Occupancy levels remained robust at 83.03%. The loss of contracted rental income, whilst predicted, has led to a reduction in revenue to £11.5 million (FY 2022: £13.3 million). Our like-for-like rental income reduced to £10.9 million p.a (FY 2022: £11.1 million p.a.).

Despite a reduction in our revenue due to disposals, dividend payments continued throughout the period, at a level of 0.625p per share for Q1, Q2 and Q3, all fully covered. The final dividend in respect of 2023 is confirmed as 0.625p per share, reflecting a total fully-covered dividend payment for 2023 of 2.5p (FY 2022: 2.5p).

	31 December 2023	31 December 2022
Gross Property Assets	£145.5 million	£175.4 million
Underlying profit before tax	£4.5 million	£4.6 million
Pre-tax (loss)/profit	(£9.4 million)	£10.9 million
Revenue	£11.5million	£13.3 million
EPRA EPS	2.6p	2.7p
EPRA NTA per share	54.9p	62.2p
Net Assets	£95.6 million	£109 million
Loan to value	38.0%	42.2%
Loan to value net of cash	32.4%	36.8%
Average cost of debt	3.7%	3.7%
Dividend per share	2.5p	2.5p
Like-for-like rental income	£10.9 million	£11.1 million
Like-for-like capital value psf	£115.46 psf	£126.10 psf
Like-for-like valuation	£143.1 million	£156.3 million

Results For the Year

The loss before tax of £9.4 million (FY 2022: £10.9 million profit), includes a revaluation deficit of £13.2 million on investment properties (FY 2022: gain of £3.2 million), a deficit of £182,000 on the sale of investment property (FY 2022: gain of £948,000) and a deficit on the market value of our interest rate hedging instruments of £499,000 (FY 2022: gain of £2.2 million). Underlying profits reduced to £4.5 million (FY 2022: £4.6 million).

Due to a loss of income during the year of £1.8 million p.a. (in the main due to loss of income associated with sales combined with other expected lease events) revenues for the year decreased to £11.5 million (FY 2022: £13.3 million). However, this was partly offset by a reduction in holding costs of void space and direct costs to £2.2 million (FY 2022: £2.5 million).

During the year, administrative costs and overhead expenses reduced by £640,000 to £2.6 million (FY 2022: £3.3 million), mainly due to no bonuses for executive directors and staff (FY 2022: £280,000), no provision for costs of the LTIP (FY 2022: £150,000), following the Group strategic review and introduction of the STIP and targeting services no longer required as the size of the portfolio reduces. The Group expects further savings in 2024 of £500,000.

The Group prioritised the repayment of debt from the proceeds of sale of investment property and as a result, interest costs for the year reduced by £600,000 to £2.4 million (FY 2022: £3 million) due to £17.1 million debt repayment during the year.

REAL ESTATE INVESTORS PLC

FINANCE DIRECTOR'S REPORT

For the year ended 31 December 2023

(Loss)/earnings per share were:

Basic: (5.4)p (FY 2022: 6.3p)

Diluted: (5.4)p (FY 2022: 6.3p)

EPRA: 2.6p (FY 2022: 2.7p)

Shareholders' funds decreased to £95.6 million at 31 December 2023 (FY 2022: £109 million) primarily as a result of the loss on property portfolio revaluation.

Basic NAV: 55p (FY 2022: 63.1p)

EPRA NTA: 54.9p (FY 2022: 62.2p)

Strategy

The Board concluded that it will conduct an orderly strategic sale of the Company's portfolio over the next 3 years with the objective of maximising the return of capital to shareholders (the "Disposal Strategy"). To achieve this outcome, assets will be sold individually, as smaller portfolios or as a whole portfolio sale, with the initial priority to repay the Company's debt. The pace of disposals will be dictated by market conditions and management will look to secure disposals at book value or higher, maximising returns to shareholders.

Shorter Term Incentive Plan ("STIP")

To support the Disposal Strategy and the return of capital to shareholders, the Company is implementing a new Shorter Term Incentive Plan ("STIP"). The STIP will replace the existing Long Term Incentive Plan ("LTIP"), help to retain Paul Bassi, Chief Executive Officer and Marcus Daly, Finance Director (the "Executives"), and the wider management team and incentivise them to achieve an orderly and timely disposal of the Company's assets to maximise the capital return to shareholders. The STIP is being implemented to compensate the Executives for the retrospective reduction in awards and cancellation of future awards under the LTIP.

1. Under the STIP, the participants will receive a proportion of a notional cash pool (the "Pool") which will be created from the excess ("Gain") of Total Shareholder Return ("TSR") over the market value of the Company as at 31 December 2023.
2. TSR is cash per Ordinary Share returned to shareholders, excluding ordinary dividends.
3. To ensure the timely disposal of assets, the Gain attributable to the Pool will be reduced over time.
4. If the Company's sell down strategy is completed in 2024 then the Pool is calculated as 10% of the Gain. If the strategy is completed in 2025 the Pool reduces to 7.5% and if by 2026, the Pool reduces to 5%.
5. Of the Pool, a minimum figure of £410k is ringfenced for the management team (excluding the Executives) equivalent to a bonus of 100% salary.
6. The STIP will pay out as soon as reasonably practicable after the earliest of (1) the sale of all the assets, (2) a takeover of the Company or (3) when the Remuneration Committee determine that a sufficient proportion of the assets have been sold and that the STIP has achieved its original purpose.

Revised Remuneration Policy (Effective 1 January 2024)

In addition, the Company's Remuneration Committee has approved changes to the Executives' remuneration to align the policy with the wider Company strategy.

1. **Basic salary:** Executive salaries to be reduced by one third. New salaries - Paul Bassi, CEO reduced to £367k (previously £550k) and Marcus Daly, CFO reduced to £229k (previously £344k) amounting to a cost saving of approximately £330k (including National Insurance contributions). In addition, Non-Executive Directors' fees also to be reduced by one third
2. **Annual discretionary bonus:** The Executives' bonus is reduced from up to a maximum of 100% of basic salary to a maximum of 50% of the new reduced basic salary
3. **Executives' service contracts:** If contracts are to be paid up following a corporate transaction or equivalent, then compensation under the Executives' service contracts reverts to old salary levels
4. **LTIP Awards:** The Executives' entitlement to awards under the Company's existing LTIP scheme have been amended as follows:
 - Unvested awards granted re: FY2020 - to be reduced by one third
 - Unvested awards granted re: FY2021 - to be reduced by two thirds
 - Unvested awards granted re: FY2022 - to be cancelled
 - No further awards under the LTIP going forward
 - The approximate value in the reduction in the awards equates to approximately 4 million Ordinary Shares, which at a share price of 30p equates to £1.2 million

REAL ESTATE INVESTORS PLC

FINANCE DIRECTOR'S REPORT

For the year ended 31 December 2023

5. **Shorter Term Incentive Plan ("STIP"):** To compensate the Executives (albeit not to the same extent) for the retrospective reduction in LTIPs in relation to FY2020 and FY2021, the cancelling of awards relating to FY2022 and no further issuing of awards under the LTIP in relation to FY2023 or going forward, the Executives will be entitled to participate in the STIP.

Finance and Banking

Due to significant sales in 2023 of £17.97 million and debt repayment of £17.1 million, total drawn debt at 31 December 2023 was £54.4 million (FY 2022: £71.5 million) (now reduced further to £51.7 million post period end) with the Aviva facility repaid in full. As at 31 December 2023, the Group had £8 million cash at bank and remains multi-banked across 3 lenders and continues to meet banking covenants.

Up until the end of November 2023, 100% of the debt across the portfolio was fixed, preserving a low average cost of debt at 3.7%. However, the fixed rate hedges on our debt expired on 30 November 2023 on £10 million for Lloyds Banking Group, 29 December 2023 for Barclays Bank and 1 March 2024 for National Westminster Bank. As a result, following the multiple increases in interest rates by the Bank of England, the new average rate of bank interest is 6.5%. It is the Group's intention to prioritise the repayment of debt from property sales proceeds.

Whilst management focuses on debt repayment, it is prudent to keep cash reserves at a healthy level, should the business be required to provide bank security in the form of cash. The Company continues to maximise its returns on cash reserves, with £8 million cash at bank at the year end with the majority on deposit earning 4.5% on an instant access basis.

The LTV as at 31 December 2023 was 38% (FY 2022: 42.2%) and the LTV (net of cash) was 32.4% (FY 2022: 36.8%). The Group's hedge facility suffered a loss of £499,000 for the year to 31 December 2023.

Lender	Debt Facility (£m)	Debt Maturity
National Westminster Bank	28	June 2025
Lloyds Banking Group	20	May 2025
Barclays	7	June 2025

Refinancing

In March 2024, the Group extended the £20 million facility with Lloyds Banking Group Plc for a further 12 months to 31 May 2025, the £28 million facility with National Westminster Bank Plc for a further 12 months to June 2025 and the £7 million facility with Barclays Bank PLC for a further 6 months to 30 June 2025. The facilities have been extended on short term bases as it is the Group's intention to prioritise the repayment of debt from the sale of properties.

Going concern

The consolidated financial statements for the Group have been prepared on a going concern basis.

Taxation

The Group converted to a Real Estate Investment Trust (REIT) on 1 January 2015. Under REIT status the Group does not pay tax on its rental income profits or on gains from the sale of investment properties. The Group continues to meet all REIT requirements for REIT status.

Dividend

Under the REIT status the Group is required to distribute at least 90% of rental income taxable profits arising each financial year by way of a Property Income Distribution. Quarterly dividends commenced in 2016.

Despite a loss of income during the period associated with portfolio disposals, the Company's dividend payments continued uninterrupted with the first three quarterly dividend payments in respect of 2023 paid at a level of 0.625p per share, fully covered and a final dividend in respect of 2023 confirmed as 0.625p per share. This reflects a total fully-covered uninterrupted dividend payment for 2023 of 2.5p (FY 2022: 2.5p) (the level of dividend for 2024 will be subject to the pace of further disposals), and a yield of 7.4% based on a mid-market opening price of 33.75p on 25 March 2024. This takes the total declared/paid to shareholders since the commencement of our dividend policy in 2012 to £50.6 million.

The dividend will be paid on 26 April 2024 as an ordinary dividend, to all shareholders on the register as at 5 April 2024 with an ex-dividend date of 4 April 2024. The Board remains committed to paying a covered dividend, subject to the rate at which assets are disposed of.

Marcus Daly, Finance Director
25 March 2024

REAL ESTATE INVESTORS PLC**DIRECTORS' REPORT**

For the year ended 31 December 2023

The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2023.

Profit and dividend

The loss for the year before tax was £9.4 million (2022: profit £10.9 million).

The directors have recommended a final dividend of 0.625p per share, making a total dividend for the year of 2.5p (2022: 2.5p).

Directors

The directors who served during the year and subsequently were as follows:

W P Wyatt	Chairman - Non-Executive Director
P London	Non-Executive Director
I M Stringer	Non-Executive Director
P P S Bassi	Chief Executive
M H P Daly	Finance Director

I M Stringer and P P S Bassi will retire and submit themselves for re-election at the forthcoming Annual General Meeting.

Substantial shareholdings

The Company has been notified of the following interests that represent 3% or more of the issued share capital of the Company at 4 March 2024:

	Number	%
Hargreaves Lansdown	18,502,713	10.64
J O Hambro Capital Management	18,086,709	10.40
P P S Bassi	16,628,571	9.57
Harwood Capital	16,475,000	9.48
Interactive Investor	11,255,498	6.47
Asset Value Investors	10,000,000	5.75
abrdrn	7,481,259	4.30
A J Bell	5,753,667	3.31
EFG Harris Allday	5,356,190	3.08

Other matter

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

Real Estate Investment Trust (REIT)

With effect from 1 January 2015, the Group converted to REIT status under which the Group is not liable to Corporation Tax on its rental income or capital gains from qualifying activities.

REAL ESTATE INVESTORS PLC**DIRECTORS' REPORT**

For the year ended 31 December 2023

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Company and Group financial statements in accordance with UK-adopted international accounting standards. 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 the profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international 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 and Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and 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 and Group's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's and the Group's auditor is aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the Company and Group performance, business model and strategy and is fair, balanced and understandable.

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.

To the best of our knowledge:

- the Company and Group financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Directors' Section 172(1) statement

Below the Directors outline the matters they must consider in meeting the requirements of Section 172(1) of the Companies Act 2006:

The likely consequences of any decision in the long term

Strategic and other long-term decisions made by the Board are made after Board, and where appropriate, senior management discussion and in conjunction with supporting information, compiled by either senior management or external advisers. The consideration outlined in the five points below form part of any decision that may have a long-term impact.

REAL ESTATE INVESTORS PLC**DIRECTORS' REPORT**

For the year ended 31 December 2023

The interests of the Group's employees

The Group values the interest of its employees, which are its biggest asset.

The need to foster The Group's business relationships with suppliers, customers and others

The Board understands that long term success relies upon good relations with a range of different stakeholder groups both internal (employees) and external (tenants, suppliers, banks, regulators and others). The Group is dedicating significant time to understanding and acting on the needs and requirements of each of these groups via meetings, feedback and appraisals.

The impact of the Group's operations on the community and the environment

The Group continues to look to make improvements to the impact it may have on the environment and to this end has set up an ESG committee to drive forward this responsibility.

The desirability of the Company maintaining a reputation for high standards of business conduct

As outlined in the Corporate Governance section of these financial statements, The Group has decided to apply, so far as it is reasonable and practical, to do so given the size of the Group, the QCA code and its ten principles. In addition to being guided by the QCA code, the Company has various policy and procedure documents in place to ensure employee conduct is of a high standard.

The need to act fairly between members of the Group

The group regularly seeks the advice of its Nomad on matters relating to this point. The Board and Company Secretary can be contacted by shareholders on matters of Governance and investor relations.

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, being a period of 12 months from the date of approval of these financial statements to 31 March 2025. These enquiries considered the following:

- the significant cash balances the Group holds and the low levels of historic and projected operating cash outflows
- 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.
- in March 2024 the Group extended the £20 million facility with Lloyds Banking Group Plc for a further 12 months to 31 May 2025.
- In February 2024 the Group extended the £28 million facility with National Westminster Bank PLC by a further 12 months to June 2025.
- In March 2024 the Group extended the £7 million facility with Barclays Bank PLC by a further 6 months to 30 June 2025.
- The directors have at the time of approving these financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future being a period of not less than 12 months from the date of approval of these financial statements.

Thus, for these reasons, the Group therefore continues to adopt the going concern basis in preparing the consolidated financial statements.

Future developments

Details of future developments can be found in the Chairman's and Chief and Executive's statement on pages 3 to 6.

REAL ESTATE INVESTORS PLC**DIRECTORS' REPORT**

For the year ended 31 December 2023

Post balance sheet events

In February 2024 the Group extended the £28 million facility with National Westminster Bank PLC for a further 12 months to June 2025, and in March 2024 the Group extended the £20 million facility with Lloyds Banking Group Plc for a further 12 months to 31 May 2025 and the £7 million facility with Barclays Bank plc for a further 6 months to 30 June 2025. With the exception of the hedge on £10 million of the Lloyds Bank facility, the new facilities are all on variable rates, and following the multiple increases in interest rates by the Bank of England, the new average rate of bank interest is 6.5%. It is the Group's intention to prioritise the repayment of debt from property sales proceeds.

Annual General Meeting

The Annual General Meeting will be held at 75-77 Colmore Row, Birmingham, B3 2AP on 23 May 2024 at 11.00 am.

Auditor

Grant Thornton UK LLP resigned as auditor to the company and Cooper Parry Group Limited were appointed. Cooper Parry Group Limited offers itself for re-appointment as auditor in accordance with Section 489 of the Companies Act 2006.

BY ORDER OF THE BOARD

M H P Daly

Secretary

Date: 25 March 2024

Company No 05045715

REAL ESTATE INVESTORS PLC**GROUP STRATEGIC REPORT**For the year ended 31 December 2023

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 9) for the review of the business which forms part of this Strategic Report).

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**

- Tenant default
- Change in demand for space
- Market pricing affecting value
- Inflation

Mitigation

- Not reliant on one single tenant or business sector
- Focused on established business locations for investment
- Properties are valued externally twice per year, asset concentration is monitored, the Company maintains a borrowing headroom should there be a decline and all facilities have cure options
- Smaller lot size business model limits exposure to individual asset values
- Portfolio diversification between office and retail properties
- Building specifications not tailored to one user
- Continual focus on current vacancies and expected changes
- Neighbourhood retail and not shopping centres

Financial

- Going concern
- Reduced availability or increased cost of debt
- Interest rate sensitivity

- See going concern accounting policy on page 40
- 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 with bank covenants

People

- Retention/recruitment

- Remuneration structure reviewed
- Regular assessment of performance
- Long term incentive plan

Corporate

- Reputational risk
- Legal and regulatory risk
- Health & safety
- IT/Cyber

- External investor and public relations consultancy
The Company employs experienced staff and external advisers to provide guidance on regulatory requirements
- Management system and support from specialist external advisors
- IT systems and anti-virus software and firewalls

Taxation

- REI non compliance

- Throughout the period the Company complied with the regulations and dividend distribution requirements

REAL ESTATE INVESTORS PLC**GROUP STRATEGIC REPORT**For the year ended 31 December 2023

ESG

- Failure to appropriately manage the environmental performance of the property portfolio
- The Company engaged specialist environmental consultants to advise the Board on compliance and has set up a dedicated ESG committee

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	2023	2022
(Loss)/profit before tax	(£9.4m)	£10.9m
EPRA earnings per share	2.6p	2.7p
Underlying profit before tax	£4.5m	£4.6m
Investment property valuation	£143m	£173m
Net assets	£96m	£109m
EPRA NTA per share	55p	62.2p

BY ORDER OF THE BOARD

M H P Daly
Secretary

Date: 25 March 2024

REAL ESTATE INVESTORS PLC**CORPORATE GOVERNANCE REPORT**For the year ended 31 December 2023

2018 UK CORPORATE GOVERNANCE CODE

This report sets out how we have applied and complied with the QCA Corporate Governance Code (2018 edition) in the financial year ended 31 December 2023.

- Culture - we have identified the need to articulate the company's values to preserve and strengthen our culture
- Understanding the views of all our stakeholders - bi-annually we meet with shareholders and analysts to discuss the annual and half yearly results presentation
- Engaging with our employees - having a small number of employees in one location there is a high level of employee engagement and communication
- Engaging with our shareholders - we believe that communication with our shareholders is key. In addition to our bi-annual investor relations presentations we are always available to talk and meet with our shareholders
- Management of risk and opportunities - consideration of risk is an integral part of how the company operates on a daily basis and is part of any transaction appraisal.

STATEMENT OF COMPLIANCE WITH THE QCA CORPORATE GOVERNANCE CODE**Introduction**

On 28 September 2018, the board of REI decided to apply the QCA Corporate Governance Code (2018 edition) (the **QCA Code**). The choice of code to adopt was important to us. We wanted to be sure that we would proactively embrace whatever code we opted for and not end up with a code that could stifle us and result, on a comply or explain basis, with us describing why certain requirements were not appropriate. We believe that the QCA Code provides us with the right governance framework: a flexible but rigorous outcome-orientated environment in which we can continue to develop our governance model to support our business.

Corporate governance principles applicable to REI

As a result of deciding to apply the QCA Code, the corporate governance principles which now apply to us are those contained in the QCA Code. These are:

Corporate governance principles

- Establish a strategy and business model which promote long-term value for shareholders
- Seek to understand and meet shareholder needs and expectations
- Take into account wider stakeholder and social responsibilities and their implications for long-term success
- Embed effective risk management, considering both opportunities and threats, throughout the organisation
- Maintain the board as a well-functioning, balanced team led by the chair
- Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities
- Evaluate board performance based on clear and relevant objectives, seeking continuous improvement
- Promote a corporate culture that is based on ethical values and behaviours
- Maintain governance structures and processes that are fit for purpose and support good decision-making by the board
- Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Application of the QCA Code and required disclosures in our annual report or on our website

The correct application of the QCA Code requires us to apply the principles set out above and also to publish certain related disclosures; these can appear in our annual report, be included on our website or we can adopt a combination of the two approaches. Recommended locations for each disclosure are specified in the QCA Code; we have chosen to follow these.

REAL ESTATE INVESTORS PLC**CORPORATE GOVERNANCE REPORT**For the year ended 31 December 2023

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

The company 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 sector. 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. How the company creates value is shown on pages 12 and 13 of the company's 2018 financial statements.

The Board establishes the Company's purpose, values and strategy and reviews these regularly. The Board monitors and assesses the culture and there is a regular programme of the Board and list of committees. There is a clear division of responsibilities between the leadership of The Board and the executive.

With effect from 1 January 2015 the group converted to Real Estate Investment Trust (REIT) status under which the group is not liable to corporation tax on its rental income or capital gains from qualifying activities.

One of the company's principal objectives is to deliver on a commitment to a progressive dividend policy, which is underpinned by the company's REIT status.

Principle 2: Seek to understand and meet shareholder needs and expectations

The company remains committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what analysts and investors think about us, and in turn, helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market. We do so via investor roadshows, attending investor conferences and our regular reporting.

The AGM is the main forum for dialogue with retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the Board and all committees, together with all other Directors, routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published on the company's corporate website.

Institutional shareholders

The Directors actively seek to build a relationship with institutional shareholders. Shareholder relations are managed primarily by the Chief Executive Officer supported by the Finance Director. The Chief Executive Officer and Finance Director make presentations to institutional shareholders and analysts each year immediately following the release of the full-year and half-year results.

The Board as a whole is kept informed of the views and concerns of major shareholders by briefings from the Chief Executive Officer & Finance Director. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chairman is available to meet with major shareholders if required to discuss issues of importance to them.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

Our business model which explains how we create value is set out on pages 12 and 13 of our 2018 Annual Report.

This business model has been in place for many years. As such, any of the key resources and relationships needed by the group have now been in place for quite some time.

The group's stakeholders include shareholders, members of staff, customers, suppliers, regulators, industry bodies and creditors (including the group's lending banks). The principal ways in which their feedback on the group is gathered are via meetings and conversations. Following this feedback, the group has continued its clearly defined, customer-focussed and people-led strategy and accompanying conservative approach to acquisitions and financing.

Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights into the issues that matter most to them and our business, and to enable the Board to understand and consider these issues in decision-making.

REAL ESTATE INVESTORS PLC**CORPORATE GOVERNANCE REPORT**For the year ended 31 December 2023

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation*Audit, risk and internal control*

The company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Executive Management, the Audit Committee and the Board in light of an ongoing assessment of significant risks facing the company.

- The Board is responsible for reviewing and approving overall company strategy, approving revenue and capital budgets and plans, and for determining the financial structure of the company including treasury, tax and dividend policy.
- The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls
- There are comprehensive procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover profits, cash flows, capital expenditure and balance sheets. Quarterly results are reported against budget and compared with the prior year, and forecasts for the current financial year are regularly revised in light of actual performance.
- The company has a consistent system of prior appraisal for investments, overseen by the Finance Director and Chief Executive Officer, with defined financial controls and procedures.

The Board has ultimate responsibility for the group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the group. The principal elements of the group's internal control system include:

- Close management of the day-to-day activities of the group by the Executive Directors
- An organisational structure with defined levels of responsibility, which promotes entrepreneurial decision-making and rapid implementation while minimising risks
- A comprehensive annual budgeting process producing a detailed integrated profit and loss, balance sheet and cash flow, which is approved by the Board
- Detailed quarterly reporting of performance against budget
- Central control over key areas such as capital expenditure authorisation and banking facilities.

The Board is responsible for continually reviewing the key risks to the business and assessing their likely impact on the business. Significant areas under constant review are property, financial and corporate risks. Further detail of the Company's principal risks and uncertainties are detailed on pages 17 and 18.

Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair

The Board comprises the Non-Executive Chairman, two Executive Directors and two Non-Executive Directors. The Board considers that both the Non-Executive Directors are independent, in that they have no business or other relationship with the Company that might influence their independence or judgement.

The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the company on the other, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. During 2022 four Board meetings took place - all Board members attended all such meetings.

Audit Committee Meetings took place - all members attended such meetings. Remuneration Committee meetings took place - all members attended such meetings.

Key Board activities this year included:

- Input into the group corporate plan
- Continued an open dialogue with the investment community
- Considered our financial and non-financial policies
- Discussed strategic priorities
- Discussed the group's capital structure and financial strategy, including capital investments, shareholder returns and the dividend policy
- Discussed internal governance processes
- Reviewed feedback from shareholders post full and half year results.

REAL ESTATE INVESTORS PLC**CORPORATE GOVERNANCE REPORT**For the year ended 31 December 2023

Directors' conflict of interest

The company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, as detailed below:

- Will Wyatt - finance and strategy (CEO of Caledonia)
- P London - shareholder return (IFA)
- I Stringer - property (Avison Young)
- P P S Bassi - property and finance (property expertise)
- M H P Daly - finance (qualified chartered accountant)

All Directors receive regular and timely information on the group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports quarterly on its headline performance against its agreed budget, and the Board reviews the quarterly update on performance and any significant variances are reviewed at each meeting. Contracts are available for inspection at the company's registered office and at the Annual General Meeting ("AGM").

The company does not provide formal training for the directors at present but may do so in the future. However, the directors understand their duties as directors of a company quoted on AIM. The directors have access to the Company's Nominated Adviser, auditors, solicitors and other advisers as and when required. These advisers may provide formal training to the Board from time to time. The directors are also able, at the Company's expense to obtain advice from external advisers if required.

All Directors retire by rotation at regular intervals in accordance with the company's Articles of Association.

Appointment, removal and re-election of Directors

The Board makes decisions regarding the appointment and removal of Directors, and there is a formal, rigorous and transparent procedure for appointments. The company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation; that all Directors must stand for re-election at least once every three years; and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment.

Independent advice

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the company's expense. In addition, the Directors have direct access to the advice and services of the Finance Director.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Will Wyatt assesses the individual contributions of each of the members of the team to ensure that:

- Their contribution is relevant and effective
- That they are committed
- Where relevant, they have maintained their independence

Succession planning is an ongoing process that identifies necessary competencies, and then works to assess what would be required to ensure a continuity of leadership for all critical positions.

REAL ESTATE INVESTORS PLC

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2023

Principle 8: Promote a culture that is based on ethical values and behaviours

The Board aims to lead by example and to do what is best in the interests of the company, its stakeholders and employees and it is the Board's responsibility to ensure that good standards of corporate governance are embraced within the group. The Board sets clear standards concerning the group's culture, values and behaviours. The management team have regular meetings and updates with the executive directors, who firmly believe that encouraging the right way of thinking and behaving reinforces our corporate governance culture.

The Board has overall responsibility for establishing the Company's purpose and strategy and ensuring that these and the Company's culture are aligned. The Executive drives the embedding of the desired culture throughout the company and ensures that expected values and beliefs are sufficiently understood. The Board remains focused on enabling an inclusive and enabling culture, driven by the need for the Directors and employees to work together. This is achieved in many ways, from team meetings, personal assessments and reviews, discussions on Group strategy and input to the strategic plan, and adherence to Group policies and compliance with corporate governance.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Board programme

The Board meets at least four times each year in accordance with its scheduled meeting calendar. The Board sets direction for the company through a formal schedule of matters reserved for its decision. Prior to the start of each financial year, a schedule of dates for that year's Board meetings is compiled to align as far as reasonably practicable with the company's financial calendar.

The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place. Any Director may challenge company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the company's management.

Roles of the Board, Chairman and Chief Executive Officer

The Board is responsible for the long-term success of the company. There is a formal schedule of matters reserved to the Board. It is responsible for overall group strategy; approval of major investments; approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of the group. There is a clear division of responsibility at the head of the company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the company through the Executive Team.

All Directors receive regular and timely information on the group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports quarterly on its headline performance against its agreed budget, and the Board reviews the quarterly update on performance and any significant variances are reviewed at each meeting. Senior executives below Board level attend Board meetings where appropriate to present business updates.

Executive Team

The Executive Team consists of Paul Bassi and Marcus Daly with input from the management team. They are responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. It also manages and oversees key risks, management development and corporate responsibility programmes. The Chief Executive Officer reports to the Board on issues, progress and recommendations for change. The controls applied by the Executive Team to financial and non-financial matters are set out earlier in this document, and the effectiveness of these controls is regularly reported to the Audit Committee and the Board.

Board committees

The Board is supported by the Audit and Remuneration committees. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the company, to enable the committee to discharge its duties. The terms of reference of each committee are available at www.reiplc.com.

REAL ESTATE INVESTORS PLC**CORPORATE GOVERNANCE REPORT**For the year ended 31 December 2023

Audit Committee

Its primary focus is on corporate reporting (from an external perspective) and on monitoring the company's internal control and risk management systems (from an internal perspective).

Remuneration Committee

Its primary function is to determine, on behalf of the Board, the remuneration packages of the Executive Directors.

Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting (AGM) and one-to-one meetings with large existing or potential new shareholders. A range of corporate information (including all company announcements and presentations) is also available to shareholders, investors and the public on the company's corporate website, www.reiplc.com.

The Board receives regular updates on the views of shareholders through briefings and reports from the Chief Executive Officer, Finance Director and the company's brokers. The company communicates with institutional investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

Marcus Daly
Finance Director
25 March 2024

REAL ESTATE INVESTORS PLC

REMUNERATION REPORT

For the year ended 31 December 2023

Remuneration Committee

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

The Remuneration Committee is made up of the three non-executive directors and the chief executive, by invitation. The terms of reference of the committee are to review and make recommendations to the Board regarding the terms and conditions of employment of the executive directors.

Service agreements

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

Policy on directors' remuneration

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

The performance management of the executive directors and the determination of their annual remuneration package is undertaken by the Remuneration Committee. No director plays a part in any decision about his own remuneration. Annual bonuses will be paid at the discretion of the Remuneration Committee as an incentive and to reward performance during the financial year pursuant to specific performance criteria. In exercising its discretion, the committee will take into account (among other things) NAV growth, dividend growth, rental growth, management performance and overall financial performance. The Remuneration Committee believes that incentive compensation should recognise 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 2023 was as follows:

	Salary	Salary in lieu of benefits	Bonus	Share - based payment gain	Total	Employers' national insurance contributions	2023 Total	2022 Total	Share options 2023	Share options 2022
	£000	£000	£000	£000	£000	£000	£000	£000	Number	Number
P P S Bassi	440	110	-	176	726	115	841	843	-	1,114
M H P Daly	275	69	-	110	454	71	525	527	-	696
W Wyatt	44	-	-	-	44	5	49	49	-	-
P London	38	-	-	-	38	4	42	42	-	-
I Stringer	38	-	-	-	38	4	42	42	-	-
	835	179	-	286	1,300	199	1,499	1,503	-	1,810

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

During the year P P S Bassi and M H P Daly exercised options on 628,571 (2022: 219,492) shares and 392,857 (2022: 137,183) shares respectively.

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

Policy on non-executive directors' remuneration

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

To support the Disposal Strategy and the return of capital to shareholders, the Company is implementing a new Shorter Term Incentive Plan ("STIP"). The STIP will replace the existing Long Term Incentive Plan ("LTIP"), help to retain Paul Bassi, Chief Executive Officer and Marcus Daly, Finance Director (the "Executives"), and the wider management team and incentivise them to achieve an orderly and timely disposal of the Company's assets to maximise the capital return to shareholders.

REAL ESTATE INVESTORS PLC**REMUNERATION REPORT**For the year ended 31 December 2023

In addition, the Company's Remuneration Committee has approved changes to the Executives' remuneration to align the policy with the wider Company strategy.

REVISED REMUNERATION POLICY (EFFECTIVE 1 JANUARY 2024)

1. **Basic salary:** Executive salaries to be reduced by one third. New salaries - Paul Bassi, CEO reduced to £367k (previously £550k) and Marcus Daly, CFO reduced to £229k (previously £344k) amounting to a cost saving of approximately £330k (including National Insurance contributions). In addition, Non-Executive Directors' fees also to be reduced by one third
2. **Annual discretionary bonus:** The Executives' bonus is reduced from up to a maximum of 100% of basic salary to a maximum of 50% of the new reduced basic salary
3. **Executives' service contracts:** If contracts are to be paid up following a corporate transaction or equivalent, then compensation under the Executives' service contracts reverts to old salary levels
4. **LTIP Awards:** The Executives' entitlement to awards under the Company's existing LTIP scheme have been amended as follows:
 - Unvested awards granted re: FY2020 - to be reduced by one third
 - Unvested awards granted re: FY2021 - to be reduced by two thirds
 - Unvested awards granted re: FY2022 - to be cancelled
 - No further awards under the LTIP going forward
 - The approximate value in the reduction in the awards equates to approximately 4 million Ordinary Shares, which at a share price of 30p equates to £1.2 million
5. **Shorter Term Incentive Plan ("STIP"):** To compensate the Executives (albeit not to the same extent) for the retrospective reduction in LTIPs in relation to FY2020 and FY2021, the cancelling of awards relating to FY2022 and no further issuing of awards under the LTIP in relation to FY2023 or going forward, the Executives will be entitled to participate in the STIP.

SHORTER TERM INCENTIVE PLAN

The STIP is being implemented to compensate the Executives for the retrospective reduction in awards and cancellation of future awards under the LTIP.

1. Under the STIP, the participants will receive a proportion of a notional cash pool (the "Pool") which will be created from the excess ("Gain") of Total Shareholder Return ("TSR") over the market value of the Company as at 31 December 2023.
2. TSR is cash per Ordinary Share returned to shareholders, excluding ordinary dividends.
3. To ensure the timely disposal of assets, the Gain attributable to the Pool will be reduced over time.
4. If the Company's sell down strategy is completed in 2024 then the Pool is calculated as 10% of the Gain. If the strategy is completed in 2025 the Pool reduces to 7.5% and if by 2026, the Pool reduces to 5%.
5. Of the Pool, a minimum figure of £410k is ringfenced for the management team (excluding the Executives) equivalent to a bonus of 100% salary.
6. The STIP will pay out as soon as reasonably practicable after the earliest of (1) the sale of all the assets, (2) a takeover of the Company or (3) when the Remuneration Committee determine that a sufficient proportion of the assets have been sold and that the STIP has achieved its original purpose.

In determining the revised remuneration policy and STIP, the Company's Remuneration Committee has consulted with REI's largest institutional shareholders.

Long Term Incentive Plan

Based on the results and 50% of the options awarded in 2020 are likely to vest.

Approved by the Board of Directors
 P London
 Chairman, Remuneration Committee
 Date: 25 March 2024

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

Independent auditor's report to the members of Real Estate Investors plc**Opinion**

We have audited the financial statements of Real Estate Investors plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Cash Flows and the related notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group and parent financial statements is applicable law and UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Our approach to the audit

We adopted a risk-based audit approach. We gained a detailed understanding of the Group's business, the environment it operates in and the risks it faces.

The key elements of our audit approach were as follows:

In order to assess the risks identified, the engagement team performed an evaluation of identified components and to determine the planned audit responses based on a measure of materiality, calculated by considering the significance of components as a percentage of the group's total revenue and loss before taxation and group's total assets.

From this, we determined the significance of each component to the group as a whole and devised our planned audit response. In order to address the audit risks described in the Key audit matters section which were identified during our planning process, we performed a full-scope audit of the financial statements of the parent company, Real Estate Investors plc. The operations that were subject to full-scope audit procedures made up 98% of consolidated revenues and 98% of consolidated loss before tax.

Analytical procedures were undertaken on the remaining components, using group materiality, which was not deemed to be material.

Key audit matters

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

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

Risk of fraud in revenue recognition

Matter

Under International Standard on Auditing (UK) 240 there is a presumed risk that revenue is misstated due to fraud. Revenue is represented by rental income recognised at a point in time and from tenancy contracts recognised over time. There is relatively little judgement involved in determining the timing and value of the amount to be recognised. We therefore assess the significant risk to be specifically with respect to manual journals posted to revenue in respect of lease incentives, rent concessions and deferred income.

Response

Our procedures in response to the risk included:

- We assessed accounting policies for consistency and appropriateness with the applicable financial reporting framework and reviewed for the consistency of application of the accounting policies;
- We obtained an understanding of the processes through which the business initiates, records, processes and reporting revenue transactions;
- We performed walkthroughs of the processes as set out by management, to ensure controls appropriate to the size and nature of operations were designed and implemented correctly throughout the transaction cycle;
- We obtained a complete listing of journals posted to revenue nominal codes and reviewed the listing for any unexpected entries. These were then tested to supporting evidence;
- We held discussions with management over a sample of properties to understand if any new lease incentives or concessions were given to tenants during the year and considered the impact this has had on manual adjustments posted to revenue;
- We performed testing over a sample of lease incentives, rent free periods, or other incentives to ensure that these have been correctly accounted for;
- We tested a sample of deferred income to ensure that the expected deferred income amount is in line with expectations per the contract;
- We performed a proof in total on a sample of investment properties to ensure revenue is being recognised in line with signed contracts. Further to this testing, we will perform a recalculation of any deferred revenue balances to ensure correct cut off is being applied.

Our procedures did not identify any material misstatements in the revenue recognised during the year.

Valuation of investment properties

Matter

We identified the valuation of investment properties as a key audit matter due to the significant levels of judgement applied in the valuation. In determining a property's valuation, the valuers consider specific property information such as the current tenancy agreement and rental income. Assumptions are then applied for yields and estimate market rents, which are influenced by prevailing market yields and comparable market transactions to arrive at the final valuation. In view of the judgements involved, we consider this to be an area giving rise to a significant risk of material misstatement in the financial statements.

Response

Our procedures in response to the risk included:

- We obtained an understanding of the relevant controls in relation to the valuation process;
- We obtained year end valuations for each property from the third-party valuers, ensuring that the valuation approach for each valuation is appropriate and in line with RICS as required by IAS 40 and has been recorded appropriately in the general ledger;
- We obtained the source information provided by management to the valuer and testing a sample of this to source data such as lease agreements;
- We discussed the valuation process with management's valuation expert to gain a further understanding of the key assumptions ensuring that the valuations have been prepared in accordance with IAS 40 and fair value is measured in accordance with the criteria of IFRS 13, Fair value measurement;
- We assessed the valuers' qualifications and expertise and reading their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work in accordance with auditing standards;
- We analysed year-on-year valuation movements and discussing significant fluctuations with both management and the management's valuation expert;
- We benchmarked the assumptions used in the valuation to comparable market data; and

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

- We agreed the information provided by management to the valuer and testing the integrity of this information.

Based on our audit work performed, the judgements and assumptions used in the valuation are considered to be reasonable and in line with market data.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in determining the nature, timing and extent of our audit procedures, in evaluating the effect of any identified misstatements, and in forming our audit opinion.

The materiality for the group financial statements as a whole was set at £1,560,000. This has been determined with reference to the benchmark of the group's total assets which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 1% of total assets. Performance materiality has been set at 75% of group materiality.

We have determined a lower level of materiality for testing revenue and expenditure which has been determined with reference to the benchmark of the group's total revenue which equates to £116,000. Materiality has been set at 1% of revenue and performance materiality has been set at 75% of group materiality.

The materiality for the parent company financial statements as a whole was set at £1,404,000. This has been determined with reference to the benchmark of the parent company's total assets which we consider to be an appropriate measure for a parent company such as this. Materiality has been capped to 90% of group materiality.

We have determined a lower level of materiality for the company revenue and expenditure testing which has been determined with reference to the benchmark of the company's total revenue and was set at £104,000. Materiality has been capped to 90% of group materiality.

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements;
- Challenging management on key assumptions included in their forecast scenarios;
- Considering the potential impact of various scenarios on the forecasts;
- Obtaining the latest loan facilities and renewal documentation;
- Reviewing results post year end to the date of approval of these financial statements and assessing them against original budgets;
- Reviewing management's forecasting accuracy through reviewing the prior year budgets compared to actuals; and
- Reviewing management's disclosures in the financial statements.

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information included in the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

Our assessment focused on key laws and regulations the company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, UK adopted international accounting standards and relevant tax legislation.

We are not responsible for preventing irregularities and cannot be expected to detect non-compliance with all laws and regulations. Our approach to detecting irregularities included, but was not limited to, the following:

- Obtaining an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;
- Obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions;
- Obtaining an understanding of the entity's risk assessment process, including the risk of fraud;
- Designing our audit procedures to respond to our risk assessment; and
- Performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias particularly over the valuation of investment properties.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Melanie Hopwell
Senior Statutory Auditor
For and on behalf of Cooper Parry Group Limited
Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Caste Donington
Derby
DE74 2SA

25 March 2024

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2022 £000	2022 £000
Revenue		11,513	13,293
Cost of sales		<u>(2,232)</u>	<u>(2,489)</u>
Gross profit		9,281	10,804
Administrative expenses		(2,616)	(3,252)
(Deficit)/gain on sale of investment properties		(182)	948
(Deficit)/gain in fair value of investment properties	9	<u>(13,197)</u>	<u>3,152</u>
(Loss)/profit from operations		(6,714)	11,652
Finance income	5	177	49
Finance costs	5	(2,371)	(2,981)
(Deficit)/gain on financial liabilities at fair value through profit and loss	16	<u>(499)</u>	<u>2,214</u>
(Loss)/profit before taxation	3	(9,407)	10,934
Income tax charge	6	-	-
Net (loss)/profit after taxation and total comprehensive (expense)/income		<u>(9,407)</u>	<u>10,934</u>
Total and continuing earnings per ordinary share			
Basic	7	(5.44)p	6.33p
Diluted	7	<u>(5.44)p</u>	<u>6.25p</u>

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

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

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Share-based payment reserve £000	Retained Earnings £000	Total £000
At 1 January 2022	17,938	51,721	749	759	33,855	105,022
Share based payment	-	-	-	150	-	150
Share buyback	(714)	-	-	-	(1,296)	(2,010)
Transfer re capital	-	-	714	-	(714)	-
Share issue	42	108	-	(150)	-	-
Dividends	-	-	-	-	(5,131)	(5,131)
Transactions with owners	(672)	108	714	-	(7,141)	(6,991)
Profit for the year and total comprehensive income	-	-	-	-	10,934	10,934
At 31 December 2022	17,266	51,829	1,463	759	37,648	108,965
Share based payment	-	-	-	-	-	-
Share issue	119	215	-	(334)	-	-
Dividends	-	-	-	-	(4,000)	(4,000)
Transactions with owners	119	215	-	(334)	(4,000)	(4,000)
Loss for the year and total comprehensive expense	-	-	-	-	(9,407)	(9,407)
At 31 December 2023	17,385	52,044	1,463	425	24,241	95,558

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

REAL ESTATE INVESTORS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Share - based payment reserve £000	Retained Earnings £000	Total £000
At 1 January 2022	17,938	51,721	749	759	31,702	102,869
Share based payment	-	-	-	150	-	150
Share buyback	(714)	-	-	-	(1,296)	(2,010)
Transfer re capital	-	-	714	-	(714)	-
Share issue	42	108	-	(150)	-	-
Dividends	-	-	-	-	(5,131)	(5,131)
Transactions with owners	(672)	108	714	-	(7,141)	(6,991)
Profit for the year and total comprehensive income	-	-	-	-	9,227	9,227
At 31 December 2022	17,266	51,829	1,463	759	33,788	105,105
Share issue	119	215	-	(334)	-	-
Dividends	-	-	-	-	(4,000)	(4,000)
Transactions with owners	119	215	-	(334)	(4,000)	(4,000)
Loss for the year and total comprehensive income	-	-	-	-	(9,702)	(9,702)
At 31 December 2023	17,385	52,044	1,463	425	20,086	91,403

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

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	2023 £000	2022 £000
Assets			
Non-current			
Intangible assets	8	-	-
Investment properties	9	143,105	173,030
Property, plant and equipment	10	2	3
		<u>143,107</u>	<u>173,033</u>
Current			
Inventories	12	2,395	2,389
Trade and other receivables	13	2,550	3,110
Derivative financial asset	16	-	68
Cash and cash equivalents		7,981	7,818
		<u>12,926</u>	<u>13,385</u>
Total assets		<u>156,033</u>	<u>186,418</u>
Liabilities			
Current			
Bank loans	15	(54,407)	(20,325)
Trade and other payables	14	(5,637)	(5,982)
		<u>(60,044)</u>	<u>(26,307)</u>
Non-current			
Bank loans	15	-	(51,146)
Derivative financial liabilities	16	(431)	-
		<u>(431)</u>	<u>(51,146)</u>
Total liabilities		<u>(60,475)</u>	<u>(77,453)</u>
Net assets		<u>95,558</u>	<u>108,965</u>

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

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2023

	Note	2023 £000	2022 £000
Equity			
Share capital	18	17,385	17,266
Share premium account		52,044	51,829
Capital redemption reserve		1,463	1,463
Share-based payment reserve		425	759
Retained earnings		<u>24,241</u>	<u>37,648</u>
Total Equity		<u>95,558</u>	<u>108,965</u>
Net assets per share		<u>55.0p</u>	<u>63.1p</u>

These financial statements were approved and authorised for issue by the Board of Directors on 25 March 2024.

Signed on behalf of the Board of Directors

W Wyatt - Chairman

M H P Daly - Finance Director
Company No 05045715

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

REAL ESTATE INVESTORS PLC

COMPANY STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2023

	Note	2023 £000	2022 £000
Assets			
Non-current			
Investment properties	9	140,255	170,130
Property, plant and equipment	10	2	3
Investments	11	-	241
		<u>140,257</u>	<u>170,374</u>
Current assets			
Inventories	12	2,395	2,389
Trade and other receivables	13	2,395	2,964
Derivative financial asset	16	-	68
Cash and cash equivalents		<u>7,980</u>	<u>7,816</u>
		<u>12,770</u>	<u>13,237</u>
Total assets		<u><u>153,027</u></u>	<u><u>183,611</u></u>
Liabilities			
Current			
Bank loans	15	(54,407)	(20,280)
Trade and other payables	14	<u>(6,786)</u>	<u>(10,615)</u>
Net current liabilities		<u>(61,193)</u>	<u>(30,895)</u>
Non-current			
Bank loans	15	-	(47,611)
Derivative financial liabilities	16	<u>(431)</u>	<u>-</u>
		<u>(431)</u>	<u>(47,611)</u>
Total liabilities		<u><u>(61,624)</u></u>	<u><u>(78,506)</u></u>
Net assets		<u><u>91,403</u></u>	<u><u>105,105</u></u>
Equity			
Ordinary share capital	18	17,385	17,266
Share premium account		52,044	51,829
Capital redemption reserve		1,463	1,463
Share-based payment reserve		425	759
Retained earnings		<u>20,086</u>	<u>33,788</u>
Total Equity		<u><u>91,403</u></u>	<u><u>105,105</u></u>

The company loss for the year was £9,702,000 (2022: profit £9,227,000).

These financial statements were approved by the Board of Directors on 25 March 2024.

Signed on behalf of the Board of Directors

W Wyatt - Chairman

M H P Daly - Finance Director

Company No 05045715

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 2023

	2023	2022
	£000	£000
Cash flows from operating activities		
(Loss)/profit after taxation	(9,407)	10,934
Adjustments for:		
Depreciation	1	2
Net deficit/(gain) on valuation of investment property	13,197	(3,152)
Deficit/(gain) on sale of investment property	182	(948)
Share based payment	-	150
Finance income	(177)	(49)
Finance costs	2,371	2,981
Loss/(gain) on financial liabilities at fair value through profit and loss	499	(2,214)
Increase in inventories	(6)	(5)
Decrease in trade and other receivables	560	478
Decrease in trade and other payables	(624)	(1,051)
	<u>6,596</u>	<u>7,126</u>
Cash flows from investing activities		
Expenditure on investment properties	(733)	(609)
Purchase of property, plant and equipment	-	(1)
Proceeds from sale of investment properties	17,279	20,164
Interest received	177	49
	<u>16,723</u>	<u>19,603</u>
Cash flows from financing activities		
Interest paid	(2,371)	(2,981)
Share buyback	-	(2,010)
Equity dividends paid	(3,721)	(5,783)
Payment of bank loans	(17,064)	(17,973)
	<u>(23,156)</u>	<u>(28,747)</u>
Net increase/(decrease) in cash and cash equivalents	163	(2,018)
Cash and cash equivalents at beginning of year	<u>7,818</u>	<u>9,836</u>
Cash and cash equivalents at end of year	<u><u>7,981</u></u>	<u><u>7,818</u></u>

NOTES:

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

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

REAL ESTATE INVESTORS PLC

COMPANY STATEMENT OF CASHFLOWS

For the year ended 31 December 2023

	2023	2022
	£000	£000
Cash flows from operating activities		
(Loss)/profit after taxation	(9,702)	9,227
Adjustments for:		
Depreciation	1	2
Impairment of investment in subsidiaries	241	1,429
Net deficit/(gain) on valuation of investment property	13,147	(2,777)
Deficit/(gain) on sale of investment property	182	(948)
Share based payment	-	150
Finance income	(177)	(49)
Finance costs	2,371	2,763
Deficit/(gain) on financial liabilities at fair value through profit and loss	499	(2,214)
Increase in inventories	(6)	(5)
Decrease in trade and other receivables	569	476
Decrease in trade and other payables	(4,108)	(451)
	<u>3,017</u>	<u>7,603</u>
Cash flows from investing activities		
Expenditure on investment properties	(733)	(609)
Purchase of property, plant and equipment	(-)	(1)
Proceeds from sale of investment properties	17,279	19,429
Interest received	177	49
	<u>16,723</u>	<u>18,868</u>
Cash flows from financing activities		
Interest paid	(2,371)	(2,763)
Share buyback	-	(2,010)
Equity dividends paid	(3,721)	(5,783)
Payment of bank loans	(13,484)	(17,916)
	<u>(19,576)</u>	<u>(28,472)</u>
Net increase/(decrease) in cash and cash equivalents	164	(2,001)
Cash and cash equivalents at beginning of year	7,816	9,817
Cash and cash equivalents at end of year	<u>7,980</u>	<u>7,816</u>

NOTES

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

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

1. Accounting policies

Basis of preparation

The consolidated financial statements of the Group comprise the results of Real Estate Investors PLC (the company) and its subsidiary undertakings. The company is a public limited company, limited by shares, incorporated in England and Wales. The financial statements are for the year ended 31 December 2023 (2022: year ended 31 December 2022) and have been prepared in the Group's functional currency, GBP £ and rounded to the nearest thousand.

The 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 UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

The principal accounting policies of the Group are set out below and are consistent with those applied in the 2022 financial statements, except where new standards have been issued and applied retrospectively. Further details of these standards and their application by the Group are set out on page 46.

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, being a period of 12 months from the date of approval of these financial statements to 31 March 2025. These enquiries considered the following:

- the significant cash balances the Group holds and the low levels of historic and projected operating cash outflows
- 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.
- In March 2024 the Group extended the £20 million facility with Lloyds Banking Group Plc for 12 months to 31 May 2025.
- In February 2024 the Group extended the facility of £28 million with National Westminster Bank PLC by 12 months to June 2025.
- In March 2024 the Group extended the facility of £7 million with Barclays Bank for a further 12 months to 31 December 2025.
- With the exception of the hedge on £10 million of the Lloyds Bank facility, the new facilities are all on variable rates, following the multiple increases in interest rates by the Bank of England, the new average rate of bank interest is 6.5%. It is the Group's intention to prioritise the repayment of debt from property sales proceeds.
- The directors have at the time of approving these financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future being a period of not less than 12 months from the date of approval of these financial statements.

Thus, for these reasons, the Group therefore continues to adopt the going concern basis in preparing the consolidated financial statements.

Business combinations

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

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

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

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

1. Accounting policies (continued)

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

No statement of comprehensive income is presented for the Company as permitted by Section 408 of the Companies Act 2006. The Company's loss for the financial year was £9,702,000 (2022: profit £9,227,000).

Investments

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

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 receivable, excluding discounts, rebates, VAT and other sales taxes or duties. The following criteria must be met before income is recognised:

Rental income

As a lessor the Group classifies its leases as operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Rental income arising from operating leases and/or profit share arrangements 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 end of the lease, unless it is reasonably certain that the break option will be exercised. Rent reviews are recognised in the period to which they relate. Any incentive for lessees to enter into a lease agreement and any costs associated with entering into the lease are spread over the same period.

Sale of properties

Income from the sale of properties held as inventory 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, which is when legal title passes to the purchaser, on completion.

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 gain or deficit arising on revaluing investment properties is recognised in profit or loss in the period in which they arise. The valuations exclude prepaid or accrued operating lease income, because it is recognised as a separate liability or asset.

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.

Gain or deficit on sale of investment properties is recognised when legally binding contracts which are irrevocable and unconditional are exchanged and when legal title passes to the purchaser on completion.

Deferred income

Deferred income represents rent invoiced related to a period after the Group year end and is recognised under the terms of the lease and in accordance with IFRS 16.

1. Accounting policies (continued)

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	-	five years

Residual values and useful lives are reassessed annually.

Inventories

Inventories are held 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 inventories 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.

Operating leases

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.

The Group elected for Real Estate Investment Trust (REIT) status with effect from 1 January 2015. As a result, providing certain conditions are met, the Group's profits from property investment are exempt from United Kingdom corporation tax. Therefore, for 2023 there is no income tax payable on the Group's property investment transactions and no provision for deferred tax arising on the revaluation of properties or on unused trading losses, substantially all of which relate to property investment.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of relevant 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.

Deferred tax liabilities are provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will reverse. 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.

1. Accounting policies (continued)

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.

The Group's financial assets are all classified as financial assets held at amortised cost. This classification is determined by both the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

The Group's financial assets were all classified as loans and receivables under IAS 39.

Financial assets held at amortised cost are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or finance income, except for impairment of trade receivables which is presented within administrative expenses.

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.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'.

Instruments within the scope of the requirements include trade and other receivables as well as amounts due from subsidiary undertakings.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and;
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

1. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

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.
- 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.
- Share based payment reserves represent the provision for expected share-based payment gain.
- Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.
- Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

Defined contribution pension scheme

Contributions to the Company's defined contribution scheme are charged to the Statement of Comprehensive Income in the year to which they relate.

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. Additionally, the parent company's financial liabilities include amounts owed to subsidiary undertakings.

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.

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Classification as equity or financial liability

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

1. **Accounting policies (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.

Reserves

- Share capital represents the nominal value of the issued share capital
- Share premium represents any consideration received in excess of nominal value of the share issued
- Capital redemption reserve represents the nominal value of the Company's own shares that have been repurchased and cancelled
- Share based payments represent the provision for share based payments
- Profit and loss represents the cumulative profit or loss position less dividend distributions

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 company has a Long-Term Incentive Plan for certain of its employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options is estimated on the date of grant using a binomial valuation model, according to the characteristics of the option, and is based on certain assumptions. Those assumptions include, among others, the dividend growth rate, expected volatility, and the expected life of the options. Management then apply the fair value to the number of options expected to vest. The resulting fair value is amortised through the statement of comprehensive income on a straight-line basis over the vesting period with a corresponding credit to other reserves. The charge is reversed if it is likely that any non-market-based criteria will not be met. If a category of share options is cancelled, this is accounted for as an acceleration of vesting and any remaining fair value is recognised in full at the date of cancellation.

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.

1. Accounting policies (continued)

New standards adopted for the year ended 31 December 2023

The following amendments to standards were applicable during the year but did not have a material impact on the Group:

- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12 Income Taxes— International Tax Reform—Pillar Two Model Rules
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Group.

Management anticipate that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

Critical accounting estimates and assumptions

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

Investment property valuation

The Group uses the valuations performed by its independent valuers or the directors as the fair value of its investment properties. The valuation is based upon assumptions including future rental income, anticipated maintenance costs, the appropriate discount rate and post year end sales values. 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 (see notes 15 and 16).

Critical judgements in applying the Group's accounting policies

The Group makes judgements in applying the accounting policies. The critical judgements that have been made are as follows:

Investment entity status

The directors believe that despite having REIT status, the Parent company is not an investment entity as defined under IFRS 10. The directors have considered all facts and circumstances and have assessed that the Parent company is not an investment company as defined under IFRS 10 based on the following circumstances:

- the Parent company's business purpose is not to invest solely for capital appreciation, investment income (such as dividends, interest or rental income) or both. The parent Company has a separate substantial business activity that involves the active management of its property portfolio, including lease negotiations, refurbishments and development activities, and marketing of properties to provide benefits other than capital appreciation and/or investment income
- the Parent company's investment plans do not include specified exit strategies for its investments; as such, it intends to hold its investments to maturity (that is, the directors have no intention to sell these assets in the near future and realise capital appreciation from substantially all of its equity investments and non-financial asset investments)
- although the investment properties are reported at fair value under IAS 40, the fair value is not the primary measurement attribute used by the directors to evaluate the performance of its investments. Other performance indicators are used to evaluate performance and make investment decisions.

The Group does not meet the definitions of an investment entity and as such it remains appropriate to consolidate all of the subsidiaries.

REAL ESTATE INVESTORS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. Accounting policies (continued)

Surrender premiums

The Group is required to judge whether amounts due under lease surrenders are sufficiently irrevocable that income can be accrued. Judgement 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.

REIT status

The Group and Company elected for Real Estate Investment Trust (REIT) status with effect from 1 January 2015. As a result, providing certain conditions are met, the Group and Company's profit from property investment and gains are exempt from UK corporation tax. In the Directors' opinion the Group and Company have met these conditions.

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	
		2023	2022
		£000	£000
Segment revenues	- Rental income	10,919	12,725
	- Surrender premiums	594	568
		11,513	13,293
Cost of sales	- Direct costs	(2,232)	(2,489)
		9,281	10,804
Administrative expenses		(2,616)	(3,252)
(Deficit)/gain on disposal of investment property		(182)	948
(Deficit)/gain on valuation of investment properties		(13,197)	3,152
Segment operating (loss)/profit		(6,714)	11,652
Segment assets		156,033	186,418
Segment liabilities		(60,475)	(77,453)

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

	2023	2022
	£000	£000
Finance income	177	49
Finance costs	(2,371)	(2,981)
Depreciation	(1)	(2)

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 4% (2022: 4%) of the total rental income revenue for the year.

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3. (Loss)/profit before taxation

(Loss)/profit before taxation is stated after:

	2023 £000	2022 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	70	79
Fees payable to the Company's auditor for other services	-	-
Depreciation of owned property and equipment	1	2

4. Directors and employees

Staff costs during the year (including directors) were as follows:

	2023 £000	2022 £000
Wages and salaries	1,435	1,698
Social security costs	226	247
Share based payment charge	-	150
	<u>1,661</u>	<u>2,095</u>

The highest paid director received £726,000 (2022: £739,000).

The average number of employees (including executive directors) of the Group and the Company during the period was seven (2022: seven), all of whom were engaged in administration. The executive and non-executive directors are also the key management personnel of the Group and the Company and details of their remuneration are included within the directors' remuneration report on pages 25 and 26.

5. Finance income/finance costs

	2023 £000	2022 £000
Finance income:		
Interest receivable	<u>177</u>	<u>49</u>
Finance costs:		
Interest payable on bank loans	<u>(2,371)</u>	<u>(2,981)</u>

6. Income tax charge

	2023 £000	2022 £000
(Loss)/profit for the year before tax	(9,407)	10,934
Tax rate	<u>23.5%</u>	<u>19%</u>
Expected tax charge	(2,210)	2,077
REIT exempt income and gains	<u>2,210</u>	<u>(2,077)</u>
Actual tax charge	<u>-</u>	<u>-</u>

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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.

	2023			2022		
	Earnings £000	Average number of shares	Earnings per Share	Earnings £000	Average number of shares	Earnings per share
Basic (loss)/earnings per share	(9,407)	172,909,757	(5.44)p	10,934	172,651,577	6.33p
Dilutive effect of share options	-	-	-	-	2,312,675	-
Diluted earnings per share	<u>(9,407)</u>	<u>172,909,757</u>	<u>(5.44)p</u>	<u>10,934</u>	<u>174,964,252</u>	<u>6.25p</u>

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 businesses in the real estate sector.

EPRA EPS per share

	2023			2022		
	Earnings £000	Shares No	Earnings Per Share p	Earnings £000	Shares No	Earnings per share P
Basic (loss)/earnings per share	(9,407)	172,909,757	(5.44)	10,934	172,651,577	6.33
Net deficit/(gain) on valuation of investment properties	13,197			(3,152)		
Deficit/(gain) on disposal of investment properties	182			(948)		
Loss/(gain) in fair value of derivatives	499			(2,214)		
EPRA earnings per share	<u>4,471</u>	<u>172,909,757</u>	<u>2.59</u>	<u>4,620</u>	<u>172,651,577</u>	<u>2.68</u>

7. Earnings per share (continued)

NET ASSET VALUE PER SHARE

The Group has adopted the new EPRA NAV measures which came into effect for accounting periods starting 1 January 2020. EPRA issued new best practice recommendations (BPR) for financial guidelines on its definitions of NAV measures. The new NAV measures as outlined in the BPR are EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV).

The Group considered EPRA Net Tangible Assets (NTA) to be the most relevant NAV measure for the Group and we are now reporting this as our primary NAV measure, replacing our previously reported EPRA NAV and EPRA NNNNAV per share metrics. EPRA NTA excludes the intangible assets and the cumulative fair value adjustments for debt-related derivatives which are unlikely to be realised.

	31 December 2023		
	EPRA NTA	EPRA NRV	EPRA NDV
	£'000	£'000	£'000
Net assets	95,558	95,558	95,558
Fair value of derivatives	431	431	-
Real estate transfer tax	-	8,586	-
EPRA NAV	95,989	104,575	95,558
Number of ordinary shares issued for diluted and EPRA net assets per share	174,702,476	174,702,476	174,702,476
EPRA NAV per share	54.9p	59.8p	54.7p

The adjustments made to get to the EPRA NAV measures above are as follows:

- Real estate transfer tax: Gross value of property portfolio as provided in the Valuation Certificate (i.e. the value prior to any deduction of purchasers' costs).
- Fair value of derivatives: Exclude fair value financial instruments that are used for hedging purposes where the company has the intention of keeping the hedge position until the end of the contractual duration.

	31 December 2022		
	EPRA NTA	EPRA NRV	EPRA NDV
	£'000	£'000	£'000
Net assets	108,965	108,965	108,965
Fair value of derivatives	(68)	(68)	-
Real estate transfer tax	-	11,245	-
EPRA NAV	108,897	120,142	108,965
Number of ordinary shares issued for diluted and EPRA net assets per share	174,964,252	174,964,252	174,964,252
EPRA NAV per share	62.2p	68.7p	62.3p

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7. Earnings per share (continued)

	31 December 2023 No of Shares	31 December 2022 No of Shares
Number of ordinary shares issued at end of period	173,844,434	172,651,577
Dilutive impact of options	858,042	2,312,675
Number of ordinary shares issued for diluted and EPRA net assets per share	174,702,476	174,964,252
Net assets per ordinary share		
EPRA NTA	54.9p	62.2p
EPRA NRV	59.8p	68.7p
EPRA NDV	54.7p	62.3p

8. Intangible assets

	Goodwill £000
Gross carrying amount	
Cost	
At 1 January 2023 and 31 December 2023	171
Accumulated impairment losses	
At 1 January 2023 and 31 December 2023	171
Net book amount at 31 December 2023	-
Net book amount at 31 December 2022	-

9. Investment properties

Group

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 is reconciled as follows:

	£000
Carrying amount at 1 January 2022	188,485
Additions - subsequent expenditure	609
Disposals	(19,216)
Change in fair value	<u>3,152</u>
Carrying amount at 31 December 2022	173,030
Additions - subsequent expenditure	733
Disposals	(17,461)
Change in fair value	<u>(13,197)</u>
Carrying amount at 31 December 2023	<u><u>143,105</u></u>

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

	2023	2022
	£000	£000
At professional valuation	<u>143,105</u>	<u>173,030</u>

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

	2023	2022
	£'000	£'000
Cost and net book amount at 31 December	<u>172,345</u>	<u>191,938</u>

Investment properties with a value of £110,505,000 (2022: £164,430,000) have been pledged as security against bank loans.

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For the year ended 31 December 2023

9. Investment properties (continued)

Company	£000
Carrying amount at 1 January 2022	185,225
Additions - subsequent expenditure	609
Disposals	(18,481)
Change in fair value	2,777
Carrying amount at 31 December 2022	170,130
Additions - subsequent expenditure	733
Disposals	(17,461)
Change in fair value	(13,147)
Carrying amount at 31 December 2023	140,255

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

	Investment properties	
	2023	2022
	£000	£'000
At professional valuation	140,255	170,130

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

	Investment properties	
	2023	2022
	£'000	£000
Cost and net book amount at 31 December	170,600	190,192

Investment properties are either leased to third parties on operating leases or are vacant. Rental income from investment properties in the year ended 31 December 2023 was £11,513,000 (2022: £13,923,000) and direct operating expenses in relation to those properties were £2,197,000 (2022: £2,464,000). Direct operating expenses in relation to those properties which did not generate rental income in the period were £35,000 (2022: £25,000).

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

The valuation at 31 December 2023 has been carried out by Colliers, independent professional valuers. The professional valuers have recent experience in the location and type of properties held. Directors' valuations are reflected at values as per sales agreements or recent purchases. An insignificant level of the portfolio is unencumbered.

Although the risks associated with rights that the group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimise these risks, for example, it ensures lease contracts include clauses requiring the lessee to compensate the Group when a property has been subjected to excess wear and tear during the lease term.

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For the year ended 31 December 2023

10. Property, plant & equipment

Group and Company

	Leasehold Improvements £000	Office Equipment £000	Total £000
Cost			
At 31 December 2022	112	85	197
At 31 December 2023	112	85	197
Depreciation and Impairment			
At 31 December 2022	112	82	194
Charge for the year	-	1	1
At 31 December 2023	112	83	195
Net book carrying amount			
At 31 December 2023	-	2	2
At 31 December 2022	-	3	3

11. Interests in subsidiaries

	£000
Cost	
At 31 December 2023 and 31 December 2022	4,223
Impairment	
At 1 January	3,982
Charge for the year	241
At 31 December	4,223
Net book carrying amount	
At 31 December 2023	-
At 31 December 2022	241

At 31 December 2023 and 31 December 2022 the Company wholly owned the following subsidiaries:

Name	Principal activity	Country of incorporation
3147398 Limited	Property investment	England and Wales
Southgate Derby Retail Limited	Property investment	England and Wales
Real Homes One Limited	Dormant	England and Wales

The Group has control over each of these subsidiaries by virtue of its 100% shareholding in each. The provision for impairment is a result of the underlying property asset in the subsidiary being disposed of and therefore the carrying value of the investment is reduced to reflect the underlying net assets.

REAL ESTATE INVESTORS PLC

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For the year ended 31 December 2023

12. Inventories

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Land held for trading	2,395	2,389	2,395	2,389

All land held for trading is included at the lower of cost and net realisable value, being their fair value less costs to sell. No inventory (2022: £nil), is pledged as security for bank loans.

13. Trade and other receivables

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Trade receivables	300	808	289	746
Other receivables	280	159	243	159
Accrued income	1,593	1,774	1,513	1,711
Prepayments	377	369	350	348
	2,550	3,110	2,395	2,964

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 £91,000 (2022: £91,000) has been recorded accordingly.

Expected credit loss is recognised when there no reasonable expectation of recovery of receivables. The movement in the provision for impairment during the year is as follows:

	Group and Company	
	2023	2022
	£000	£000
At 1 January	91	118
Increase in provisions	-	50
Utilisation of provisions	(-)	(77)
At 31 December	91	91

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:

	Group and Company	
	2023	2022
	£000	£000
Not more than three months past due	256	516
More than three months but no more than six months past due	13	71
	269	587

REAL ESTATE INVESTORS PLC

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For the year ended 31 December 2023

13. Trade and other receivables (continued)

Financial assets by category

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

Group	2023				2022		
	Financial assets at amortised cost £000	Non financial assets £000	Balance sheet total £000	Financial assets at fair value through profit and loss account £000	Financial assets at amortised cost £000	Non financial Assets £000	Balance sheet total £000
Trade receivables	300	-	300	-	808	-	808
Other receivables	280	-	280	-	159	-	159
Accrued income	-	1,593	1,593	-	-	1,774	1,774
Prepayments	-	377	377	-	-	369	369
Derivative financial asset	-	-	-	68	-	-	68
Cash and cash equivalents	7,981	-	7,981	-	7,818	-	7,818
	8,561	1,970	10,531	68	8,785	2,143	10,996

Company	2023				2022		
	Financial assets at amortised cost £000	Non financial assets £000	Balance sheet total £000	Financial assets at fair value through profit and loss account £000	Financial assets at amortised cost £000	Non financial assets £000	Balance sheet total £000
Trade receivables	289	-	289	-	746	-	746
Amounts owed by subsidiary undertakings	-	-	-	-	-	-	-
Other receivables	243	-	243	-	159	-	159
Accrued income	-	1,513	1,513	-	-	1,711	1,711
Prepayments	-	350	350	-	-	348	348
Derivative financial asset	-	-	-	68	-	-	68
Cash and cash equivalents	7,980	-	7,980	-	7,816	-	7,816
	8,512	1,863	10,375	68	8,721	2,059	10,848

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14. Trade and other payables

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Trade payables	608	697	608	672
Amounts owed to subsidiary undertakings	-	-	1,225	4,735
Other payables	405	458	368	449
Social security and taxation	1,625	1,368	1,614	1,359
Deferred income	1,523	1,794	1,495	1,785
Accruals	504	972	504	922
Dividend payable	972	693	972	693
	5,637	5,982	6,786	10,615

Financial liabilities by category

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

Group

	2023				2022			
	Financial liabilities at fair value through profit and loss £000	Other financial liabilities at amortised cost £000	Non-financial liabilities £000	Balance sheet total £000	Financial liabilities at fair value through profit and loss £000	Other financial liabilities at amortised cost £000	Non-financial liabilities £000	Balance sheet total £000
Current								
Bank loans	-	54,407	-	54,407	-	20,325	-	20,325
Trade payables	-	608	-	608	-	697	-	697
Other payables	-	405	-	405	-	458	-	458
Social security and taxation	-	-	1,625	1,625	-	-	1,368	1,368
Deferred income	-	-	1,593	1,593	-	-	1,794	1,794
Accruals	-	504	-	504	-	972	-	972
Dividend payable	-	972	-	972	-	693	-	693
	-	56,896	3,218	60,114	-	23,145	3,162	26,307
Non-current								
Bank loans	-	-	-	-	-	51,146	-	51,146
Derivative financial liabilities	431	-	-	431	-	-	-	-
	431	-	-	431	-	51,146	-	51,146
	431	56,896	3,218	60,545	-	74,291	3,162	77,453

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For the year ended 31 December 2023

14. Trade and other payables (continued)

Company

	2023				2022			
	Financial liabilities at fair value through profit and loss £000	Other financial liabilities at amortised cost £000	Non-financial liabilities £000	Balance sheet total £000	Financial liabilities at fair value through profit and loss £000	Other financial liabilities at amortised cost £000	Non-financial liabilities £000	Balance sheet total £000
Current								
Bank loans	-	54,407	-	54,407	-	20,280	-	20,280
Trade payables	-	608	-	608	-	672	-	672
Amounts owed to subsidiary undertakings		1,225	-	1,225		4,735	-	4,735
Other payables	-	368	-	368	-	449	-	449
Social security and taxation	-	-	1,614	1,614	-	-	1,359	1,359
Deferred income	-	-	1,495	1,495	-	-	1,785	1,785
Accruals	-	504	-	504	-	922	-	922
Dividend payable	-	972	-	972	-	693	-	693
	-	58,084	3,109	61,193	-	27,751	3,144	30,895
Non-current								
Bank loans	-	-	-	-	-	47,611	-	47,611
Derivative financial instruments	431	-	-	431	-	-	-	-
	431	-	-	431	-	47,611	-	47,611
	431	58,084	3,109	61,624	-	75,362	3,144	78,506

15. Financial risk management objectives and policies

The Group and Company'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 and Company's investment strategy and the short-term working capital requirements of the business.

The main risks arising from the Group and Company'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 and Company's principal financial assets are bank balances and trade and other receivables. The Group and Company'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 or Company 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.

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

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
Cash and cash equivalents	7,981	7,818	7,980	7,816
Trade and other receivables	590	808	532	746
	8,571	8,626	8,512	8,562

The Group and Company continuously monitors defaults of tenants 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 tenants and other counterparties are obtained and used. The policy is to deal only with credit worthy counterparties.

The Group and Company's management consider 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 or Company are not exposed to any significant risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Liquidity risk

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

15. Financial risk management objectives and policies (continued)

Bank loans

The Group and Company borrowings analysis (all of which are undiscounted) at 31 December 2023 is as follows:

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
In less than one year:				
Bank borrowings	54,569	20,325	54,569	20,280
In more than one year but less than two years:				
Bank borrowings	-	40,992	-	40,942
In more than two years but less than five years:				
Bank borrowings	-	7,631	-	7,091
In more than five years				
Bank borrowings	-	2,944	-	-
Deferred arrangement costs	(162)	(421)	(162)	(421)
	54,407	71,471	54,407	67,892
Financial instruments*	431	-	431	-
	54,838	71,471	54,838	67,892

*Disclosed as financial liabilities at fair value through profit or loss.

The changes in the Group's and Company's liabilities arising from financing activities can be classified as follows:

	Group			
	2023 £000	2023 £000	2022 £000	2022 £000
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
At 1 January	20,325	51,146	2,479	86,965
Reclassification	34,407	(34,407)	19,946	(19,946)
Repayment of bank loans	(325)	(16,739)	(2,100)	(15,873)
At 31 December	54,407	-	20,325	51,146

	Company			
	2023 £000	2023 £000	2022 £000	2022 £000
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
At 1 January	20,280	47,611	2,434	83,474
Reclassification	34,407	(34,407)	19,946	(19,946)
Repayment of bank loans	(280)	(13,204)	(2,100)	(15,917)
At 31 December	54,407	-	20,280	47,611

15. Financial risk management objectives and policies (continued)

Maturity of financial liabilities

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

	Group		Company	
	2023	2022	2023	2022
	£000	£000	£000	£000
In less than one year:				
Trade payables	608	697	608	672
Amount owed to subsidiary undertakings	-	-	1,225	4,735
Other payables	405	458	368	449
Accruals	504	972	504	922
Dividend	972	693	972	693
Bank borrowings	56,987	23,132	56,987	22,848
	59,476	25,952	60,664	30,319
In more than one year but less than two years:				
Bank borrowings	-	42,104	-	41,830
In more than two years but less than five years:				
Bank borrowings	-	8,494	-	7,673
In more than five years				
Bank borrowings	-	3,790	-	-
	59,476	80,340	60,664	79,822

The Group and Company has entered into interest rate swap agreements to cover £10 million of its bank borrowings with Lloyds Banking Group. These contracts are considered by management to be part of economic hedge arrangements but have not been formally designated. The effect of the remaining agreement is to fix the interest payable on a notional £10 million at a rate of 4.75%. The agreement expires in February 2028. At 31 December 2023 the fair value of this arrangement based on a valuation provided by the Group's bankers was a liability of £431,000 (2022: £68,000 asset).

Borrowing facilities

The Group and Company has undrawn committed borrowing facilities at 31 December 2023 of £Nil (2022: £Nil).

Market risk

Interest rate risk

The Group and Company finance their 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 or Company 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 and Company at 31 December 2023 was:

Bank loans	Interest %	Expiry Date	Group		Company	
			2023 £000	2022 £000	2023 £000	2022 £000
Fixed until December 2023	3.20	May 2024	10,000	10,000	10,000	10,000
Fixed until December 2023	2.20	December 2023	6,754	7,550	6,754	7,550
Fixed until March 2024	2.35	June 2024	27,815	33,112	27,815	33,112
Fixed until January 2030	6.04	January 2030	-	3,579	-	-
Fixed until March 2027	5.16	March 2027	-	7,651	-	7,651
Fixed until January 2028	4.75	January 2028	10,000	10,000	10,000	10,000
Variable rate			-	-	-	-
			54,569	71,892	54,569	68,313
Loan arrangement fees			(162)	(421)	(162)	(421)
			54,407	71,471	54,407	67,892

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 (2022: + half a percentage point) with effect from the beginning of the year:

	2023 £'000	2022 £000
Decrease in result after tax and equity	173	Nil

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 and Company's objectives when managing capital are:

- to safeguard the ability to continue as a going concern, so that they continue 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 and Company's stability and growth;
- to provide capital for the purpose of strengthening the risk management capability;
- to provide capital for the purpose of further investment property acquisitions; and
- to provide an adequate return to shareholders.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

16. Fair value disclosures

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

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the consolidated and company statements 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 instruments measured at fair value on a recurring basis in the statement of financial position, which relate to interest rate swaps, are grouped into the fair value hierarchy as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Interest rate swap agreements:				
At 1 January 2022	-	(2,146)	-	(2,146)
Income statement - gain	-	2,214	-	2,214
At 31 December 2022 asset	-	68	-	68
Income statement - loss	-	(499)	-	(499)
At 31 December 2023	-	(431)	-	(431)

The fair value of the Group and Company'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 2023.

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investment property:				
Group - held to earn rentals and for capital appreciation	-	-	143,105	143,105
Company - held to earn rentals and for capital appreciation	-	-	140,255	140,255

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

	Investment properties	
	Group £000	Company £000
At 1 January 2023	173,030	170,130
Acquired during the year	733	733
Disposals during the year	(17,461)	(17,461)
Deficit recognised in profit and loss - decrease in fair value	(13,197)	(13,147)
At 31 December 2023	143,105	140,255

Fair value of the Group and Company'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 reasonable alternative assumptions.

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

16. Fair value disclosures (continued)

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

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.

18. Share capital

	2023 Number of Shares	2023 £000	2022 Number of Shares	2022 £000
Allotted, issued and fully paid:				
Ordinary shares of 10p	173,844,434	17,385	172,651,577	17,266

During 2022 the Board approved the terms of a share buy back programme to buy back the Company's Ordinary Shares of 10 pence each with an aggregate market value of £2 million. Between 9 November 2022 and 1 December 2022 the Company repurchased 7,142,857 shares at an average price of 28 pence per share. These shares were subsequently cancelled.

During the year P P S Bassi and M H P Daly exercised options on 628,571 (2022: 219,492) shares and 392,857 (2022: 137,183) shares respectively. These options were satisfied by the issue of shares during the year.

To support the Disposal Strategy and the return of capital to shareholders, the Company is implementing a new Shorter Term Incentive Plan ("STIP"). The STIP will replace the existing Long Term Incentive Plan ("LTIP"), help to retain Paul Bassi, Chief Executive Officer and Marcus Daly, Finance Director (the "Executives"), and the wider management team and incentivise them to achieve an orderly and timely disposal of the Company's assets to maximise the capital return to shareholders.

SHORTER TERM INCENTIVE PLAN

The STIP is being implemented to compensate the Executives for the retrospective reduction in awards and cancellation of future awards under the LTIP.

- Under the STIP, the participants will receive a proportion of a notional cash pool (the "Pool") which will be created from the excess ("Gain") of Total Shareholder Return ("TSR") over the market value of the Company as at 31 December 2023.
- TSR is cash per Ordinary Share returned to shareholders, excluding ordinary dividends.
- To ensure the timely disposal of assets, the Gain attributable to the Pool will be reduced over time.
- If the Company's sell down strategy is completed in 2024 then the Pool is calculated as 10% of the Gain. If the strategy is completed in 2025 the Pool reduces to 7.5% and if by 2026, the Pool reduces to 5%.
- Of the Pool, a minimum figure of £410k is ringfenced for the management team (excluding the Executives) equivalent to a bonus of 100% salary.
- The STIP will pay out as soon as reasonably practicable after the earliest of (1) the sale of all the assets, (2) a takeover of the Company or (3) when the Remuneration Committee determine that a sufficient proportion of the assets have been sold and that the STIP has achieved its original purpose.

During the year a provision of £Nil was made (2022: £150,000) as an employee remuneration expense, all of which relates to equity-settled share-based payment transactions, and has been included in profit or loss and credited to retained earnings. Based on the results and the share price 50% of the options granted in 2020 are likely to vest.

19. Leases

The Group as lessee

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. At 31 December 2023 the Group was committed to short term leases and the total commitment at that date was £71,000 (2022: £71,000).

At 31 December 2023 and 31 December 2022 the Group had lease commitments on two long leasehold properties within its portfolio. These are held as investment properties and measured and disclosed within these financial statements in accordance with IAS 40 (see note 9). The Group pays peppercorn rents on these properties and under IFRS 16, the associated lease liability is not material and as such the more extensive disclosures required by that Standard are not presented as they are not material.

The Group as lessor

Non-cancellable operating lease commitments receivable:

	2023	2022
	£000	£000
Within one year	9,286	10,650
Later than one year but not later than five years	19,344	22,951
Later than five years	29,058	29,171
	<u>57,688</u>	<u>62,772</u>

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

Although the risks associated with rights the Group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimise these risks. For example, ensuring all contracts include clauses requiring the lessee to compensate the Group when a property has been subjected to excess wear and tear during the lease term. The lessee does not have an option to purchase the property at the expiry of the lease period.

20. Contingent liabilities

There were no contingent liabilities at 31 December 2023 or at 31 December 2022.

21. Capital commitments

Capital commitments authorised at 31 December 2023 were £1,500,000 (2022: £Nil).

22. Pension scheme

The Group has signed up to the government auto enrolment pension scheme.

23. Post balance sheet events

In February 2024 the Group extended the £28 million facility with National Westminster Bank PLC for a further 12 months to June 2025, and in March 2024 the Group extended the £20 million facility with Lloyds Banking Group Plc for a further 12 months to 31 May 2025 and the £7 million facility with Barclays Bank plc for a further 6 months to 30 June 2025. With the exception of the hedge on £10 million of the Lloyds Bank facility, the new facilities are all on variable rates, and following the multiple increases in interest rates by the Bank of England, the new average rate of bank interest is 6.5%. It is the Group's intention to prioritise the repayment of debt from property sales proceeds.

24. Related party transactions

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

The executive and non-executive directors are also the key management personnel and details of their remuneration are included within the directors' remuneration report on pages 25 and 26.

During the period the Company and Group paid agency fees of £289,700 (2022: £268,000) in respect of professional services and rent, service and support charges of £120,000 (2022: £151,000) to Bond Wolfe, a business in which P P S Bassi is a partner. Amounts outstanding owed to Bond Wolfe at the year end were £16,600 (2022: £37,300). During the year the Company and the Group paid £81,400 in respect of property management fees to CBGA Robson, a business in which P P S Bassi and M H P Daly have an interest. Amounts outstanding to CBGA Robson at the year end were £28,400.

During the period the Company's transactions with subsidiary companies related to inter-company dividends and repayment of loans. Details of amounts outstanding at 31 December 2023 are shown in notes 13 and 14.

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

	2023	2022
	£000	£000
W P Wyatt	7	10
P London	5	7
I M Stringer	2	-
P P S Bassi	340	384
M H P Daly	75	77