REAL ESTATE INVESTORS PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2009

Company Registration Number:	5045715
Registered Office:	West Plaza, 8th Floor 144 High Street West Bromwich B70 6JJ
Directors:	P H Lewin: Chairman J J Jack: Deputy Chairman P P S Bassi CBE: Chief Executive M H P Daly: Finance Director
Secretary:	M H P Daly
Auditors:	Grant Thornton UK LLP Chartered Accountants Registered Auditor Enterprise House 115 Edmund Street Birmingham B3 2HJ
Solicitors:	H B J Gateley Wareing One Eleven Edmund Street Birmingham B3 2HJ
Nominated Adviser:	Smith & Williamson Corporate Finance Limited 25 Moorgate London EC2R 6AY
Broker:	Singer Capital Markets Limited One Hanover Street London W1S 1YZ
Bankers:	Lloyds Banking Group 55 Temple Row Birmingham B2 5LS
Registrars:	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

REAL ESTATE INVESTORS PLC

FINANCIAL STATEMENTS

For the year ended 31 December 2009

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I am pleased to report on a positive set of results for the year ended 31 December 2009.

HIGHLIGHTS:

1. Gross property assets valued at £54.8 million (2008: £ 48.5 million)
2. Investment property assets up by 12.8% to £48 million (2008: £42.6 million)
3. Rental income up 8% to £3.2 million (2008: £3 million)
4. Profit on valuation of interest rate swap of £832,000 (2008: loss £2.1 million)
5. Net assets of £27.3 million (2008: £24.2 million)
6. Profit before tax of £4.3 million (2008: loss £15.7 million)
7. Loss before tax excluding net property valuation and financial instrument provisions of £21,000 (2008: £40,000)
8. Cash at bank of £10.8 million (2008: £11.4 million)
9. Total acquisitions of property in the year amounted to £2.8 million
10. Further equity fundraising of £10.1 million to enable the Company to capitalise on market opportunities throughout 2010/2011

The property market has recently shown some healthy signs of improving values, and although there is limited evidence in the public domain at the year end, we believe that market data will reveal a strengthening in yields across most sectors. If these conditions remain, we anticipate that our portfolio valuations will benefit.

It is our view that these improving values are driven by limited property stock and a thirst for income, coupled with significant cash reserves from international, institutional and corporate investors.

The Group's strategy is focussed on creating value through lettings, change of use and refurbishment. In 2009, we completed nearly all our refurbishments and we have seen a slowdown from the occupier market during most of 2009. However, we are pleased to report that during the last quarter of 2009, occupier interest and tenant confidence did improve and we anticipate securing significant rental income from our existing portfolio during 2010.

This will result in improved profitability and if values remain at present levels, increased capital growth.

The types of opportunity we seek to secure have not been forthcoming during 2009 and we have not seen adequate value or potential value as the market place has been starved of stock. We have therefore been reluctant and relatively inactive in making new purchases.

However, through our network across the West Midlands, our relationships with the region's professional community and our privileged relationship with Bond Wolfe and Bigwood Chartered Surveyors, we have great confidence in investing our resources during 2010. We will be active in all sectors (other than industrial), with a focus on retail and residential as an investor, trader and will take on refurbishment projects where we see good value. Our focus will remain in the Midlands and, at all times, we will be opportunity, value and profit driven.

We raised a further £10 million in February this year at a premium to the share price, which demonstrated the confidence that our existing shareholders and some highly respected new shareholders have in our strategy and business model.

Our management team, who have made a further investment in the Company in the recent fundraising, experienced the recession of the early 1990's and have access to opportunities that they believe will provide the Group with significant capital value enhancement and positive income streams. Our existing cash resources and secured banking relationships place us in an enviable position to capitalise on these opportunities during 2010-11 and create a property portfolio of £100 million plus.

We anticipate that the banking sector will begin to release assets that they have placed in 'recovery' and the lack of banking finance available for our target acquisitions will place the Company in an advantageous position as an experienced cash buyer.

Outlook and Prospects

I stated last year that these unprecedented market conditions would reveal winners and losers and I firmly believe that the Company, with the recent fundraising, coupled with its existing cash, banking arrangements, experienced and focussed management team, has a very positive outlook for 2010, revealing REI to have a winning business and strategy.

We have no reliance on any one sector or tenants who could have a negative impact on the Company, and we believe market conditions are ideal for our asset management and regional focus. We believe that there will be a plethora of opportunities before us and we remain focussed on capitalising on them and produce another set of positive results for 2010.

Shareholders will be aware that I have been the Chairman of Real Estate Investors PLC since June 2006, when, as Chief Executive, I handed over the reins to Paul Bassi. I am delighted at the way that Paul has expanded the business and steered it through the recent economic turbulence.

However, I have now come to the view that the next phase of REI's development can be better achieved if the role of Chairman passes to an individual with a strong regional and West Midlands background and, accordingly, I will be stepping aside as your Chairman at the forthcoming AGM. At the same time, I am pleased to say that I have accepted an invitation to remain on the Board as a non executive director and I look forward to continuing to make a positive contribution to the Company's development. Details of my successor, as Chairman, will be sent to you in due course.

Finally, my colleagues and I extend our thanks to our staff and advisors for their continued enthusiasm and support.

Peter Lewin
Chairman
Real Estate Investors Plc
1 March 2010

The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2009.

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

Business Review
A review of the Group's performance and future prospects is given in the chairman's statement.

Key Performance Indicators
Create sustainable long-term returns for shareholders

- To sustain real growth in earnings per share.
- Annual revenue profit to exceed budgeted target
- Increase net assets per share

The above continue to be the key performance indicators of the Group, and despite last year being a year of unprecedented economic, bank and property turmoil we have achieved all of these targets in the current year.

Maximise the returns from the investment portfolio
Continue the Group's strategy of finding the right property and creating the investment – the Group has acquired various properties during the year some of which were empty and some of which have been refurbished and the full benefit of the rental income will come through next year when they are fully let.

Risk management policies and objectives
The Group's principal financial instruments comprise cash at bank, bank loans and derivatives. The main purpose of these financial instruments is to fund the Group's operations. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

The Group's objectives are to use financial instruments to reduce the cost of capital while avoiding exposing the Group to excessive financial risk and providing a sufficient element of certainty in respect of financial outflows. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. Full details of the Group's financial instruments and their use in managing the financial risks facing the Group are provided in note 16.

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

P H Lewin	Chairman – Non-Executive
J J Jack	Deputy Chairman – Non-Executive
P P S Bassi CBE	Chief Executive
M H P Daly	Finance Director

P P S Bassi will retire and submit himself for re-election at the forthcoming Annual General Meeting.

Substantial shareholdings
The Company has been notified of the following interests that represent 3% or more of the issued share capital of the company at 22 February 2010.

	Number	%
Caledonia Investments Plc	101,095,000	29.67
P P S Bassi	83,399,493	24.48
Friends Provident International	27,000,000	7.92
Blackrock Investment Management	21,985,000	6.45
Artemis Investment Management	15,000,000	4.40

Creditor payment policy
The Group's policy is to settle all agreed liabilities within 30 days of receipt of invoice or provision of goods or services if later. At 31 December 2009 trade payables represented 56 days (2008:67 days) purchases based on the total purchases for the year.

Charitable donations
The Group made no charitable donations during the period (2008: £nil).

Post balance sheet events
At the Extraordinary General meeting held on 22 February 2010 the Company received shareholder approval to raise funds for expansion by way of a placing of 155,309,834 new Ordinary shares at 6.5p per new Ordinary share, raising approximately £9.7 million (net of expenses).

Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report and the consolidated 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 to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit and loss of the Group for that period. In preparing those financial statements, the directors are required to:

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

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

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

Annual General Meeting
The Annual General Meeting will be held at 3rd Floor, Cathedral Place, 42-44 Waterloo Street, Birmingham, B2 5QB on 28 June 2010 at 11am.

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

BY THE ORDER OF THE BOARD

M H P Daly

Secretary

1 March 2010

Company No 5045715

Directors' statement on corporate governance

The Board of Directors is accountable to shareholders for the good corporate governance of the Group. Under the AIM rules for companies, the Group is not required to comply with the Combined Code of Corporate Governance published in June 2008. However, the Board is aware of the best practice defined by the Code and seeks to adopt procedures to institute good governance insofar as practical and appropriate for a Group of its size while retaining its focus on the entrepreneurial success of the business. The main elements of the Group's governance procedure are documented below.

Application of principles

Directors

The composition of the Board is set out on page 4. The Board currently comprises two non-executive directors and two executive directors.

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

Accountability and audit

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

Going concern

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

- the significant cash balances the Group holds, supplemented by further funds of £9.7 million received from the placing in February 2010 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 these purchases
- the Group's bankers have indicated their continuing support for the Group.

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

Internal control

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

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

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

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.

Remuneration Committee

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

Service agreements

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

Policy on directors' remuneration

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

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

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

The remuneration of directors for the year ended 31 December 2009 was as follows:

	Salary	Salary in lieu of benefits	Fees	2009 Total	2008 Total
	£000	£000	£000	£000	£000
P H Lewin	-	-	22	22	20
J J Jack	-	-	17	17	15
P P S Bassi	300	75	-	375	300
M H P Daly	150	37	-	187	150
	450	112	39	601	485

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

Policy on non-executive directors' remuneration

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

Share warrants

The directors were granted share warrants on 29 June 2006 in respect of 21,275,000 Ordinary shares and on 25 July 2006 in respect of 4,750,000 Ordinary shares. The share warrants are exercisable from two years from the date of the grant of the option and will lapse within seven years if not exercised. The warrants were granted on the basis of 1 for 2 shares held at the date of grant, in proportion to their shareholding and are exercisable at 12p per share.

APPROVED BY THE BOARD OF DIRECTORS – P H Lewin
Chairman, Remuneration Committee
1 March 2010

We have audited the consolidated financial statements of Real Estate Investors PLC for the year ended 31 December 2009 which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cashflows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the parent Company financial statements of Real Estate Investors PLC for the year ended 31 December 2009.

Mark Taylor
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

1 March 2010

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Note	2009	2008
		£000	**£000**
Revenue		**3,244**	3,006
Cost of sales		**544**	(3,079)
Gross profit/(loss)		**3,788**	(73)
Administrative expenses		**(1,185)**	(1,169)
Share of loss of joint venture	11	**(8)**	(335)
Net gain/(loss) on valuation of investment properties		**2,659**	(10,903)
Profit/(loss) from operations		**5,254**	(12,480)
Finance income	5	**570**	1,054
Finance costs	5	**(2,311)**	(2,174)
Gain/(loss) on financial liabilities at fair value and through profit and loss	16	**832**	(2,071)
Profit/(loss) on ordinary activities before taxation	3	**4,345**	(15,671)
Income tax (expense)/credit	6	**(1,224)**	4,584
Net profit/(loss) after taxation and retained profit/(loss) attributable to the equity holders of the company		**3,121**	(11,087)
Other comprehensive income		**-**	-
Total comprehensive income/(expense) attributable to the owners of the parent		**3,121**	(11,087)
Total and continuing earnings per ordinary share			
Basic	7	**0.91p**	(3.25)p
Diluted	7	**0.85p**	(3.25)p

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital	Share premium account	Capital redemption reserve	Other Reserves	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
At 1 January 2008	3,407	29,472	45	121	2,241	35,286
Transactions with owners	-	-	-	-	-	-
Loss for the year	-	-	-	-	(11,087)	(11,087)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(11,087)	(11,087)
At 31 December 2008	3,407	29,472	45	121	(8,846)	24,199
Transactions with owners	-	-	-	-	-	-
Profit for the year	-	-	-	-	3,121	3,121
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	3,121	3,121
At 31 December 2009	**3,407**	**29,472**	**45**	**121**	**(5,725)**	**27,320**

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

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 £000	2008 £000
Assets			
Non current			
Intangible assets	8	**171**	171
Investment properties	9	**48,054**	42,608
Property, plant and equipment	10	**3**	11
Deferred tax	18	**2,509**	3,733
		50,737	46,523
Investment in joint venture	11	**55**	25
		50,792	46,548
Current			
Inventories	12	**6,754**	5,879
Trade and other receivables	13	**2,671**	1,346
Cash and cash equivalents		**10,831**	11,369
		20,256	18,594
Total assets		**71,048**	65,142
Liabilities			
Current			
Bank loans	16	**(3,195)**	(374)
Provision for current taxation		**(149)**	(149)
Trade and other payables	14	**(1,942)**	(2,326)
Convertible debt	15	**-**	(325)
		(5,286)	(3,174)
Non current			
Bank loans	16	**(37,203)**	(35,698)
Liabilities at fair value through profit and loss	16	**(1,239)**	(2,071)
		(38,442)	(37,769)
Total liabilities		**(43,728)**	(40,943)
Net assets		**27,320**	24,199

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2009

	Note	2009 £000	2008 £000
Equity			
Share capital	19	**3,407**	3,407
Share premium account		**29,472**	29,472
Capital redemption reserve		**45**	45
Other reserves		**121**	121
Retained earnings		**(5,725)**	(8,846)
Total Equity		**27,320**	24,199
Net assets per share	7	**8.0p**	7.1p

These financial statements were approved by the Board of Directors on 1 March 2010.

Signed on behalf of the Board of Directors

P H Lewin – Chairman

M H P Daly – Finance Director

Company No 5045715

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

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 31 December 2009

	Note	2009 £000	2008 £000
Cash flows from operating activities			
Profit/(loss) after taxation		**3,121**	(11,087)
Adjustments for:			
Depreciation		**8**	25
Net (gain)/loss on valuation of investment property		**(2,659)**	10,903
Share of loss of joint venture		**8**	335
Finance income		**(570)**	(1,054)
Finance costs		**2,311**	2,174
(Gain)/loss on financial liabilities at fair value through profit and loss		**(832)**	2,071
Income tax expense/(credit)		**1,224**	(4,584)
(Increase)/decrease in inventories		**(875)**	2,724
(Increase)/decrease in trade and other receivables		**(1,325)**	224
Decrease in trade and other payables		**(384)**	(16)
		27	1,715
Interest paid		**(2,311)**	(2,174)
Income taxes paid		**-**	(1)
Net cash from operating activities		**(2,284)**	(460)
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired		**-**	(148)
Purchase of investment properties		**(2,787)**	(12,750)
Purchase of property, plant and equipment		**-**	(1)
Proceeds from sale of property, plant and equipment		**-**	4
Investment in joint venture		**(38)**	(32)
Interest received		**570**	1,054
		(2,255)	(11,873)
Cash flows from financing activities			
Proceeds from bank loans		**4,980**	20,028
Payment of bank loans		**(654)**	(1,192)
Payment of convertible debt		**(325)**	-
		4,001	18,836
Net (decrease)/increase in cash and cash equivalents		**(538)**	6,503
Cash and cash equivalents at beginning of period		**11,369**	4,866
Cash and cash equivalents at end of period		**10,831**	11,369

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

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

1. Accounting policies

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of properties and financial instruments held at fair value through profit and loss, and in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union. Separate financial statements of Real Estate Investors PLC (the Company) have been prepared, on pages 35 to 44, under the historical cost convention except for the revaluation of investment properties and in accordance with applicable accounting standards under UK GAAP.

The principal accounting policies of the Group are set out below and are consistent with those applied in the 2008 financial statements except for the adoption of IAS1 Presentation of Financial Statements (Revised 2007), Amendments to IFRS7 Financial Instruments Disclosure – improving disclosures about financial instruments and IFRS 8 Operating Segments.

The adoption of IAS1 (Revised) 2007 does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income. IAS1 (Revised) 2007 affects the presentation of owner changes in equity and introduces a "Statement of Comprehensive Income". IAS 1 (Revised) 2007 requires, in certain circumstances, presentation of a comparative balance sheet as at the beginning of the first comparative period. Management consider that this is not necessary as the balance sheet as at 31 December 2007 is the same as previously published.

The adoption of IFRS 8 Operating Segments has not affected the identified operating segments. IFRS 8 requires segments to be identified based on the internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns.

The adoption of Amendments to IFRS 7 Financial Instruments Disclosure requires additional disclosures for financial instruments that are measured at fair value in the Statement of Financial Position. These fair value measurements are categorised into a three level fair value hierarchy (see note 17) which reflects the extent to which they are based on observable market data. A separate quantitative maturity analysis (see note 17) is required for derivative financial liabilities that shows the remaining contractual maturities where these are essential for an understanding of the timing of cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

Going concern

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

- the significant cash balances the Group holds, supplemented by further funds of £9.7 million received received from the placing in February 2010, 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 these purchases
- the Group's bankers have indicated their continuing support for the Group.

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

Consolidation of subsidiaries

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

Acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of identifiable net assets of the acquired subsidiary at the date of acquisition.

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

Business combinations completed prior to transition to IFRS
The Group has elected not to apply IFRS3 Business Combinations retrospectively to business combinations prior to 1 January 2006. Accordingly the classification of the combination remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at the date of transition as they would be recognised under IFRS, and are measured using the UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax is adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

The transitional provisions used for past business combinations apply equally to past acquisitions of interests in joint ventures

Investment in joint ventures

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

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

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

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

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

Income recognition

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

Rental income

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

Sale of properties

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

Goodwill

Goodwill represents the excess of the acquisition cost in a business combination over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Impairment

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

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

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

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

Investment properties

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

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

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

Leasehold improvements, office equipment and motor vehicles

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

Leasehold improvements	-	length of lease
Office equipment	-	four years
Motor vehicles	-	four years

Residual values and useful lives are reassessed annually.

Property inventories

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

Operating leases

Group company is the lessee

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

Group company is the lessor

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

Taxation

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

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

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

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

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

Financial assets

The Group's financial assets include cash and cash equivalents and trade and other receivables and all, therefore, comprise loans and receivables.

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

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

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

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

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

Cash and cash equivalents

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

Equity

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

Financial liabilities

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

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

Bank 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 charged to the statement of comprehensive income 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 an active market exists.

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

Classification as equity or financial liability

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

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

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

Share warrants

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 income statement with a corresponding credit to other reserves.

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

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

Segmental reporting

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

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

Standards and interpretations in issue, not yet effective

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

IAS 24 (Revised 2009)	Related party disclosures	Effective for periods beginning on or after 1 January 2011
IAS 27	Consolidated and Separate Financial Statements - (revised 2008)	Effective for periods beginning on or after 1 July 2009
IFRS 3	Business Combinations - (Revised 2008)	Effective for annual periods beginning on or after 1 July 2009
	Improvements to IFRSs 2009	Effective in tranches, earliest of which is periods beginning on or after 1 July 2009

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

Critical accounting estimates and assumptions

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

Investment property valuation

The Group uses the valuations performed by its independent valuers or the directors as the fair value of its investment properties. The valuation is based upon assumptions including future rental income, anticipated maintenance costs and the appropriate discount rate. The valuer and directors also make reference to market evidence of transaction prices for similar properties. The impact of changes in property yields used to ascertain the valuation of investment properties are considered in note 16.

Trading properties

Trading properties are carried at the lower of cost and net realisable value. The latter is assessed by the Group having regard to suitable external advice and knowledge of recent comparable transactions.

Trade and loans receivable

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

Liability at fair value through profit and loss

The Group relies on its bankers to provide a valuation of its interest rate swap, further details of which are provided in note 16.

Deferred taxation on investment properties

The Group has a deferred tax asset of £1,680,000 at 31 December 2009 in respect of the devaluation of investment properties which is provided on the basis that this devaluation will reverse in future years. The Directors are confident that prior to the ultimate disposal this devaluation will reverse and taxable gains will arise on the sale of these investment properties.

Critical judgements in applying the Group's accounting policies

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

Categorisation of trading properties

Properties held by the subsidiary company 3147398 Limited are classified as inventories, being properties held for resale. These properties generate rental income but are being actively marketed for sale and are therefore categorised as properties held for resale and carried at the lower of cost and net realisable value.

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	
	2009	2008
	£000	£000
Segment revenues	3,244	3,006
Cost of sales	544	(3,079)
Administrative expenses	(1,185)	(1,169)
Share of loss of joint venture	(8)	(335)
Net gain /(loss) on valuation of investment properties	2,659	(10,903)
Segment operating profit/(loss)	5,254	(12,480)
Segment assets	71,048	65,142

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

	2009	2008
	£000	£000
Finance income	470	1,054
Finance costs	(2,311)	(2,174)
Depreciation	(8)	(25)
Income tax	(1,224)	4,584

Revenue from external customers and non current assets arises wholly in the United Kingdom. All revenue for the year is attributable to rental income. There are no individual external customers with which revenues account for more than 10% of total revenues.

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

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

	2009	2008
	£000	£000
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of the financial statements	**15**	15
Fees payable to the Company's auditor for other services:		
Audit of the financial statements of the Company's subsidiaries pursuant to legislation	**8**	8
Depreciation of owned property and equipment	**8**	25
Operating lease payments	**71**	72

4. Directors and employees

Staff costs during the period were as follows:

	2009	2008
	£000	£000
Wages and salaries	**642**	518
Social security costs	**78**	63
	720	581

The average number of employees (including executive directors) of the Group during the period was five, all of whom were engaged in administration (2008: five). The executive directors are the key management personnel and details of their remuneration are included within the directors' remuneration report on page 7.

5. Finance income/finance costs

	2009	2008
	£000	£000
Finance income:		
Interest receivable	**570**	1,054
Finance costs:		
Interest payable on bank loans	**(2,311)**	(2,174)

6. Income tax expense/(credit)

	2009		2008	
	£000	**%**	£000	%
Result for the year before tax	**4,345**		(15,671)	
Tax rate	**28%**		28%	
Expected tax expense/(credit)	**1,217**	**(28.0)**	(4,388)	(28.0)
Adjustment for non deductible expenses	**2**	**0.0**	(7)	0.0
Other adjustments	**5**	**(0.2)**	(189)	(1.3)
Actual tax expense/(credit)	**1,224**	**(28.2)**	(4,584)	(29.3)
Tax expense/(credit) comprises:				
Current tax expense/(credit)	**-**		(171)	
Deferred tax charge/(credit)	**1,224**		(4,413)	
	1,224		(4,584)	

7. Earnings/(loss) per share and net assets per share

The calculation of earnings/(loss) per share is based on the result for the year after tax and on the weighted average number of shares in issue during the year. The calculation of diluted earnings/(loss) per share is based on the basic earnings/(loss) per share adjusted for the issue of shares on the assumed conversion of the warrants (note 19) and the conversion of the convertible loan (note 15).

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

		2009			2008	
	Earnings £'000	**Average number of shares**	**Earnings per share**	Loss £'000	Average number of shares	Loss per share
Basic earnings/(loss) per share	**3,121**	**340,714,327**	**0.91p**	(11,087)	340,714,327	(3.25)p
Dilutive effect of conversion of convertible debt and share warrants		**27,328,237**				
Diluted earnings/(loss) per share	**3,121**	**368,042,564**	**0.85p**			(3.25)p

The impact of convertible debt and share warrants on the loss per share for the year ended 31 December 2008 is antidilutive.

The net assets per share is based on the net assets at 31 December 2009 of £27,320,000 (2008: £24,199,000) divided by the shares in issue at 31 December 2009 and 2008 of 340,714,327.

8. Intangible assets

	Goodwill £000
Gross carrying amount	
Cost	
At 1 January 2008 and 2009 and 31 December 2009	171
Accumulated impairment losses	
At 1 January 2008 and 2009 and 31 December 2009	-
Net book amount at 31 December 2008 and 31 December 2009	**171**

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

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

The carrying amount of investment properties for the periods presented in the consolidated financial statements as at 31 December 2009 is reconciled as follows:

	£'000
Carrying amount at 1 January 2008	36,661
Additions	12,750
On acquisition of subsidiary undertaking	4,100
Revaluation	(10,903)
Carrying amount at 31 December 2008	42,608
Additions	2,787
Revaluation	2,659
Carrying amount at 31 December 2009	**48,054**

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

	£000
At professional valuation	36,000
At directors' valuation	12,054
	48,054

All of the Group's investment properties are held as either freehold or long leasehold and are held for use in operating leases. No property interests are currently classified as investment properties which are held under operating leases. The Group uses the fair value model for all its investment properties.

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

	2009	2008
	£'000	£'000
Cost and net book amount at 31 December	**55,045**	52,258

In accordance with IAS40, the Group's policy is that investment properties should be valued by an external valuer at least every three years. The valuation at 31 December 2009 has been carried out by Gerald Eve LLP, professional valuers, on certain properties and the directors on the remaining properties.

Properties are valued on an open market basis based on active market prices adjusted, if necessary, for any differences in the nature, location or condition of the specified asset. If this information is not available, alternative valuation methods are used such as recent prices on less active markets, or discounted cash flow projections.

The fair value of an investment property reflects, among other things, rental income from current leases and assumptions about future rental lease income based on current market conditions and anticipated plans for the property.

Rental income from investment properties in the year ended 31 December 2009 was £3,244,000 (2008 : £2,324,000) and direct operating expenses in relation to those properties was £330,000 (2008 : £357,000). All of the investment properties were fully or partly let.

10. Property, plant & equipment

	Leasehold improvements	Office equipment	Motor Vehicles	Total
	£000	£000	£000	£000
Gross carrying amount				
At 1 January 2008	70	46	10	126
Additions	-	1	-	1
Disposals	-	-	(10)	(10)
At 31 December 2008	70	47	-	117
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 December 2009	70	47	-	117
Depreciation and Impairment				
At 1 January 2008	48	33	6	87
Charge for the year	14	11	-	25
Disposals	-	-	(6)	(6)
At 31 December 2008	62	44	-	106
Charge for the year	7	1	-	8
Disposals	-	-	-	-
At 31 December 2009	69	45	-	114
Net book carrying amount				
At 31 December 2009	**1**	**2**	**-**	3
At 31 December 2008	8	3	-	11

11. Joint Venture

	2009	2008
	£000	£000
At 1 January	**25**	328
Additions in the year	**38**	32
Group's share of the loss for the year	**(8)**	(335)
At 31 December	**55**	25

11. Joint venture (continued)

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

	2009	2008
	£000	£000
Non current assets	1,050	1,050
Non current liabilities	(995)	(1,025)
	55	25
Group's share of income of joint venture	69	70
Group's share of expenses, interest and tax of joint venture	(77)	(80)
Group's share of deficit on revaluation of property	-	(325)
Group's share of loss of joint venture	(8)	(335)

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

There were no capital commitments at 31 December 2008 and 31 December 2009 in respect of the joint venture.

12. Inventories

	2009	2008
	£000	£000
Properties held for trading	6,754	5,879

All properties held for trading are included at the lower of cost and net realisable value. The amount of inventories recognised as a credit (2008: expense) in the year ended 31 December 2009 is £875,000 (2008: £2,737,000). All of the properties held for trading are pledged as security for bank loans. The increase in valuation in the year reflects a partial reversal of prior year impairments recorded due to an improvement in property markets.

Properties held at fair value less costs to sell at 31 December 2009 are £5,795,000 (2008: £4,989,000)

13. Trade and other receivables

	2009	2008
	£000	£000
Trade receivables	319	398
Loans receivable	1,613	-
Other receivables	432	897
Prepayments and accrued income	307	51
	2,671	1,346

13. Trade and other receivables (continued)

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 £86,000 (2008: £71,000) has been recorded accordingly. The movement in the provision for impairment during the year is as follows:

	2009	2008
	£000	£000
At 1 January	75	4
Increase in provision for impairment	86	71
At 31 December	161	75

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:

	2009	2008
	£000	£000
Not more than three months past due	176	230
More than three months but no more than six months past due	39	46
	215	276

Financial assets by category

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

	2009			2008		
	Loans and receivables	Non financial assets	Balance sheet Total	Loans and receivables	Non financial assets	Balance sheet total
	£000	£000	£000	£000	£000	£000
Trade receivables	319	-	319	398	-	398
Loans receivable	1,613	-	1,613	-	-	-
Other receivables	432	-	432	897	-	897
Prepayments and accrued income	-	307	307	-	51	51
Cash and cash equivalents	10,831	-	10,831	11,369	-	11,369
	13,195	307	13,502	12,664	51	12,715

14. Trade and other payables

	2009	2008
	£000	£000
Trade payables	**210**	132
Other payables	**556**	410
Social security and taxation	**113**	77
Accruals and deferred income	**1,063**	1,707
	1,942	2,326

Financial liabilities by category

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

	2009				2008			
	Held for trading	**Other financial liabilities at amortised cost**	**Liabilities not within the scope of IAS39**	**Balance sheet total**	Held for trading	Other financial liabilities at amortised cost	Liabilities not within the scope of IAS39	Balance sheet total
Current	**£000**	**£000**	**£000**	**£000**	£000	£000	£000	£000
Bank loans	-	**374**	-	**374**	-	374	-	374
Provision for current taxation	-	-	**149**	**149**	-	-	149	149
Trade payables	-	**210**	-	**210**	-	132	-	132
Other payables	-	**556**	-	**556**	-	410	-	410
Social security and taxation	-	-	**113**	**113**	-	-	77	77
Accruals and deferred income	-	-	**1,063**	**1,063**	-	-	1,707	1,707
Convertible debt	-	-	-	-	-	325	-	325
Non-current								
Bank loans	-	**40,024**	-	**40,024**	-	35,698	-	35,698
Financial instruments	**1,239**	-	-	**1,239**	2,071	-	-	2,071
	1,239	**41,164**	**1,325**	**43,728**	2,071	36,939	1,933	40,943

15. Convertible debt

Convertible debt of £325,000 was repaid on 10 June 2009.

16. Financial risk management objectives and policies

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

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

Credit risk

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

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

	2009	2008
	£000	£000
Classes of financial assets - carrying amount		
Cash and cash equivalents	**10,831**	11,369
Trade and other receivables	**2,671**	1,346
	13,502	12,715

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

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

In respect of trade and other receivables, the Group is not exposed to any significant risk exposure to any single counterparty or any group of counterparties having similar characteristics.

16. Financial risk management objectives and policies (continued)

Liquidity Risk

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

Maturity of financial liabilities

The Group borrowings analysis at 31 December 2009 is as follows:

	2009	2008
	£000	£000
In less than one year:		
Bank borrowings	3,195	374
Convertible debt	-	325
In more than one year but less than two years:		
Bank borrowings	20,740	2,817
In more than two years but less than five years:		
Bank borrowings	2,485	21,062
In more than five years		
Bank borrowings	14,448	12,255
Financial instruments	1,239	2,071
	42,107	38,904
Deferred arrangement costs	(470)	(436)
	41,637	38,468
Split		
Current Liabilities - bank loans	3,195	374
- convertible debt	-	325
Non current liabilities - bank loans	37,203	35,698
- financial liabilities at fair value through profit and loss	1,239	2,071
	41,637	38,468

In February 2008 the Group entered into interest rate swap agreements to cover £20 million of its bank borrowings. These contracts are considered by management to be part of economic hedge arrangements but have not been formally designated. The effect of these agreements is to fix the interest payable on a notional £10 million at a rate between 3.65% and 4.95% and to fix interest payable on a notional £10 million at 3.85%. At 31 December 2009 the fair value of this arrangement based on a valuation provided by the Group's bankers was a liability of £1,239,000 (2008: £2,071,000).

Borrowing facilities

The Group has no undrawn committed borrowing facilities at 31 December 2009 (2008: £nil).

16. Financial risk management objectives and policies (continued)

Market risk

Interest rate risk

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

The interest rate exposure of the financial liabilities of the Group at 31 December 2009 was:

	Fixed interest %	Expiry Date	**2009 £000**	2008 £000
Fixed until October 2010	5.660	October 2010	**2,500**	2,500
Fixed until October 2009	4.459	January 2019	**10,000**	10,000
Fixed until October 2019	6.230	October 2019	**881**	913
Fixed until January 2015	6.295	December 2019	**1,413**	1,568
Fixed until August 2028	6.550	August 2028	**817**	839
Fixed until January 2030	6.040	January 2030	**5,665**	5,800
Fixed until March 2030	6.270	March 2030	**832**	857
Fixed until May 2030	5.780	May 2030	**1,548**	1,548
Fixed until March 2031	5.470	March 2031	**808**	819
Collar agreement until January 2018	4.95% cap	January 2013*	**10,000**	10,000
Variable rate			**6,404**	1,664
			40,868	36,508
Loan arrangement fees			**(470)**	(436)
			40,398	36,072

***includes impact of interest rate swap agreements.

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 + five/- point five percentage points (2008: + five/- one point five percentage points) with effect from the beginning of the year:

	2009 + 5.0% £'000	**2009 - 0.5 % £'000**	2008 +5.0% £'000	2008 -1.5% £'000
(Decrease)/increase in result after tax and equity	**(190)**	**32**	(83)	25

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.

16. Financial risk management objectives and policies (continued)

Capital risk management

The Group's objectives when managing capital are:

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

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

17. Fair value disclosures

Fair value measurement

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

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

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

Bank loans

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

Financial instruments

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

Fair value hierarchy

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

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

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

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.

17. Fair value disclosures (continued)

The financial liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1	**Level 2**	**Level 3**	**Total**
	2009	**2009**	**2009**	**2009**
	£000	**£000**	**£000**	**£000**
Interest rate swap agreements	-	1,239	-	1,239

18. Deferred taxation

The movement in deferred taxation assets is as follows:

	2009	2008
	£000	£000
At 1 January	**3,733**	(345)
On acquisition	**-**	(335)
Income statement (note 6)	**(1,224)**	4,413
At 31 December	**2,509**	3,733

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

	Deferred	Deferred
	tax asset	tax asset
	£'000	£'000
Investment property	**1,680**	2,669
Financial instrument	**347**	580
Unused tax losses	**482**	484
	2,509	3,733

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.

19. Share capital

	2009	2008	**2009**	2008
	Number	Number	**£000**	£000
	Of shares	of shares		
Authorised:				
Ordinary shares of 1p each	**1,000,000,000**	1,000,000,000	**10,000**	10,000
Allotted, issued and fully paid:				
Ordinary shares of 1p each	**340,714,327**	340,714,327	**3,407**	3,407

The directors were granted share warrants on 29 June 2006 in respect of 21,275,000 Ordinary shares and on 25 July 2006 in respect of 4,750,000 Ordinary shares. The share warrants are exercisable from two years from the date of the grant of the warrants and will lapse within seven years if not exercised. The warrants were granted on the basis of 1 for 2 shares held at the date of the grant and are exercisable at 12p.

The fair value of these options of £121,000 was charged to the income statement in the year ended 31 December 2006.

20. Operating lease commitments

Operating lease commitments relating to land and buildings expire within two to five years and amount to £71,000 (2008: £72,000).

Non-cancellable operating lease commitments receivable:

	2009	2008
	£000	£000
Within one year	**69**	123
Later than one year but not later than five years	**3,123**	3,798
Later than five years	**22,611**	20,626
	25,803	24,547

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

21. Contingent liabilities

There were no contingent liabilities at 31 December 2009 or at 31 December 2008.

22. Capital commitments

Capital commitments authorised at 31 December 2009 were £nil (2008: £2.0 million).

23. Pension scheme

There was no pension scheme for the benefit of employees or directors in operation at 31 December 2009 or 31 December 2008.

24. Related party transactions

During the period the Group paid agency fees of £51,494 (2008: £41,000) in respect of professional services to Bond Wolfe, a partnership in which P P S Bassi is a partner, and rent and service charges of £71,000 (2008: £72,100) to Bond Wolfe Estates Limited, a company in which P P S Bassi is a director and shareholder.

During the period the Group paid professional fees of £18,292 (2008: £5,898) to Bigwood Chartered Surveyors, a company in which P P S Bassi and M H P Daly are directors and shareholders.

During the period the Group received rental income of £52,000 (2008: £52,000) from Bigwood Chartered Surveyors.

25. Post balance sheet events

At the Extraordinary General meeting held on 22 February 2010 the Company received shareholder approval to raise funds for expansion by way of a placing of 155,309,834 new Ordinary shares at 6.5p per new Ordinary share, raising approximately £9.7 million (net of expenses).

REAL ESTATE INVESTORS PLC

COMPANY STATUTORY FINANCIAL STATEMENTS (PREPARED UNDER UK GAAP)

FOR THE YEAR ENDED 31 DECEMBER 2009

COMPANY NUMBER 5045715

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Company for that period. In preparing these financial statements, the directors are required to:

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

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

In so far as the directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF REAL ESTATE INVESTORS PLC

Independent auditor's report to the members of Real Estate Investors PLC

We have audited the parent Company financial statements of Real Estate Investors PLC for the year ended 31 December 2009 which comprise the principal accounting policies, the balance sheet and the related notes. The financial reporting framework that that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As more fully explained in the Statement of Directors' Responsibilities set out on page 36 the directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the consolidated financial statements of Real Estate investors PLC for the year ended 31 December 2009.

Mark Taylor
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
1 March 2010

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

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

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

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

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

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

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

Leasehold improvements:	length of lease
Office equipment:	four years
Motor vehicles:	four years

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

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

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

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

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

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

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

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

Share warrants
All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements. 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 profit and loss account with a corresponding credit to other reserves.

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

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

BALANCE SHEET

As at 31 December 2009

	Note	2009	2008
		£000	£000
Fixed assets			
Tangible assets	1	**39,853**	34,584
Investments	2	**5,892**	5,892
		45,745	40,476
Current assets			
Debtors	3	**3,831**	1,715
Cash at Bank		**10,068**	10,840
		13,899	12,555
Creditors: amounts falling due within one year	4	**(4,189)**	(4,276)
Net current assets		**9,710**	8,279
Total assets less current liabilities		**55,455**	48,755
Creditors: amounts falling due after more than one year			
Other creditors	5	**(29,044)**	(24,601)
Net assets		**26,411**	24,154
Capital and reserves			
Ordinary share capital	7	**3,407**	3,407
Share premium account	8	**29,472**	29,472
Capital redemption reserve	8	**45**	45
Other reserves	8	**121**	121
Revaluation reserve	8	**990**	-
Profit and loss account	8	**(7,624)**	(8,891)
Equity shareholders' funds		**26,411**	24,154

These financial statements were approved by the Board of Directors on 1 March 2010

Signed on behalf of the Board of Directors

P H Lewin – Chairman

M H P Daly – Finance Director

Company No 5045715

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

1. Tangible fixed assets

	Investment Properties £000	Leasehold improvements £000	Office equipment £000	Total £000
Cost or valuation:				
At 1 January 2009	34,572	70	47	34,689
Additions	2,736	-	-	2,736
Revaluation	2,542	-	-	2,542
At 31 December 2009	39,850	70	47	39,967
Accumulated depreciation				
At 1 January 2009	-	62	43	105
Charge for the period	-	7	2	9
At 31 December 2009	-	69	45	114
Net book amount				
At 31 December 2009	**39,850**	**1**	**2**	**39,853**
At 31 December 2008	34,572	8	4	34,584

Of the revaluation surplus of £2,542,000, the amount credited to the revaluation reserve is £990,000 with the balance of £1,552,000 credited to the profit and loss account.

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

	Investment properties	
	2009	2008
	£000	£'000
At valuation	**39,850**	34,572

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

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

	Investment properties	
	2009	2008
	£'000	£000
Cost and net book amount at 31 December	**45,394**	42,658

In accordance with SSAP 19, the Company's policy is that investment properties should be valued by an external valuer at least every three years. The valuation at 31 December 2009 has been carried out by Gerald Eve LLP, Chartered Surveyors on the basis of fair value on certain properties and by the directors on the remaining properties.

No provision has been made for deferred taxation, in accordance with FRS 19, for the estimated corporation tax that would be payable on disposal at these valuations.

2. Fixed asset investments

	Investment in subsidiary undertakings	
	2009	2008
	£000	£000
Cost		
At 1 January	**5,892**	5,204
Additions	**-**	688
At 31 December	**5,892**	5,892

At 31 December 2009 the Company wholly owned the following subsidiaries:

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

3. Debtors

	2009	2008
	£000	£000
Trade debtors	**245**	251
Amounts owed by subsidiary undertakings	**1,282**	1,018
Other debtors	**1,933**	372
Deferred tax asset	**67**	67
Prepayments and accrued income	**304**	7
	3,831	1,715

The deferred tax asset relates to losses carried forward of £355,000 (2008:£355,000) at a tax rate of 28% (2008: 28%). There is sufficient expectation of future taxable profits which will be available to offset these losses.

4. Creditors: amounts falling due within one year

	2009	2008
	£000	£000
Bank loans	**348**	88
Amounts owed to subsidiary undertakings	**2,157**	2,227
Trade creditors	**639**	509
Other creditors	**295**	291
Corporation tax	**150**	150
Social security and taxation	**110**	74
Accruals and deferred income	**490**	612
Convertible debt	**-**	325
	4,189	4,276

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

The convertible debt was repaid on 10 June 2009.

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

	2009	2008
	£000	£000
Bank loans	**29,400**	24,888
Less: deferred arrangement costs	**(356)**	(287)
	29,044	24,601

Bank loans are secured against the Company's property assets and bear interest at rates between 5.3% and 6.4% per annum.

6. Deferred tax

No provision has been made for deferred tax on gains recognised on revaluing investment properties to their market value in accordance with FRS 19. The total amount unprovided at an estimated tax rate of 28%, for the year ended 31 December 2009 is £277,000 (2008:£Nil).

7. Share capital

	2009	2008	**2009**	2008
	Number of shares	Number of Shares	**£000**	£000
Authorised:				
Ordinary shares of 1p each	**1,000,000,000**	1,000,000,000	**10,000**	10,000
Allotted, called up and fully paid				
Ordinary shares of 1p each	**340,714,327**	340,714,327	**3,407**	3,407

The directors were granted share warrants on 29 June 2006 in respect of 21,275,000 Ordinary shares and on 25 July 2006 in respect of 4,750,000 Ordinary shares. The share warrants are exercisable from one year from the date of the grant of the warrants and will lapse within seven years if not exercised. The warrants were granted on the basis of 1 for 2 shares held at the date of the grant and are exercisable at 12p. The fair value of these options of £121,000 was charged to the profit and loss account during the year ended 31 December 2006.

8. Movement in reserves

	Share Premium Account £000	Capital redemption reserve £000	Other reserves £000	Revaluation Reserve £000	Profit and loss Account £000	Total £000
At 1 January 2009	29,472	45	121	-	(8,891)	20,747
Profit for the year	-	-	-	-	1,267	1,267
Surplus on revaluation of investment properties	-	-	-	990	-	990
At 31 December 2009	**29,472**	**45**	**121**	**990**	**(7,624)**	**23,004**

9. Profit for the financial year

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's profit (2008 – loss) for the year was £1,267,000 (2008: £6,476,000).

Auditors remuneration incurred by the Company during the year for audit services totalled £7,000 (2008: £6,000), and for tax compliance services totalled £nil (2008: £nil).

10. Directors and employees remuneration

Details of Directors' remuneration are disclosed within the Directors' Remuneration Report on page 7.

11. Contingent liabilities

There were no contingent liabilities at 31 December 2009 or at 31 December 2008.

12. Capital Commitments

Capital commitments authorised at 31 December 2009 were £Nil (2008: £2 million).

13. Related party transactions

During the period the Company paid agency fees of £51,494 (2008: £41,000) in respect of professional services to Bond Wolfe, a partnership in which P P S Bassi is a partner, and rent and service charges of £71,000 (2008: £72,100) to Bond Wolfe Estates Limited, a company in which P P S Bassi is a director and shareholder.

During the period the Company paid professional fees of £18,262 (2008: £5,898) to, and received rental income of £52,000 (2008: £52,000) from, Bigwood Chartered Surveyors, a company in which P P S Bassi and M H P Daly are directors and shareholders.

14. Post balance sheet events

At the Extraordinary General meeting on 22 February 2010 the Company received shareholder approval to raise funds for expansion by way of a placing of 155,309,834 new Ordinary shares at 6.5p per new Ordinary share, raising approximately £9.7 million (net of expenses).

Notice is hereby given that the 2010 Annual General Meeting of the Company will be held at 3rd Floor, Cathedral Place, 42-44 Waterloo Street, Birmingham, B2 5QB on 28 June 2010 at 11:00 am for the following purposes:

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

1. To receive the audited financial statements for the year ended 31 December 2009, and the reports of the directors and the auditor thereon.

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

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

4.

(i) To generally and unconditionally authorise the directors pursuant to Section 551 of the Companies Act 2006 (the "**Act**") to exercise all powers of the Company to allot shares or rights to subscribe for or to convert any security into shares ("**Shares**") up to an aggregate nominal amount of £1,653,413 (which represents one third of the issued share capital of the Company), provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require Shares to be allotted after such expiry and the board may allot Shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired;

and further,

(ii) To generally and unconditionally authorise the directors pursuant to Section 551 of the Act to exercise all powers of the Company to allot Shares in connection with a rights issue in favour of shareholders where the Shares respectively attributable to the interests of all shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them up to an aggregate nominal amount of £1,653,413 (which represent one third of the issued share capital of the Company), provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require Shares to be allotted after such expiry and the board may allot Shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

5. That the REI PLC Long Term Incentive Plan as described on pages 48 and 49 of the Company's Annual Report for the year ended 31 December 2009 be and is hereby approved and that the Directors are authorised to make awards thereunder and do all acts and things which they may consider necessary or expedient for the purpose of carrying the same into effect.

To consider and, if thought fit, pass the following resolutions 6 and 7, which will be proposed as special resolutions.

6. Subject to the passing of resolution 4 to generally empower the directors pursuant to Section 571 of the Act to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by the previous resolution as if Section 561 of the Act did not apply to any such allotment provided that this power shall be limited:

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

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

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £248,012 (which represents five per cent. of the issued share capital of the Company),

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

7. To authorise the Company generally and unconditionally for the purposes of Section 701 of the Act to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 1 pence each in the capital of the Company ("**Ordinary Shares**") provided that:

(i) the maximum number of Ordinary Shares hereby authorised to be purchased is 49,602,416 (which represents approximately 10 per cent. of the current issued share capital of the Company);

(ii) the minimum price which may be paid for an Ordinary Share is 1 pence (exclusive of expenses) being the nominal value of each such share; and

(iii) the maximum price at which an Ordinary Share may be purchased is an amount (exclusive of expenses) equal to 105 per cent. of the average middle market quotations for such shares as derived from the AIM Appendix to the Official List of the London Stock Exchange plc for each of the five business days immediately preceding the date on which the purchase is made,

and shall, unless it is (prior to its expiry) duly revoked or is renewed, expire at the conclusion of the next Annual General Meeting, save that the Company may make a contract to purchase Ordinary Shares under this authority before such expiry which will or may be executed wholly or partly after such expiry, and may make purchases of Ordinary Shares pursuant to any such contract as if such authority had not expired.

By order of the Board

MHP Daly
Secretary

Registered Office:
West Plaza, 8th Floor
High Street, West Bromwich
B70 6JJ

Dated: 4 June 2010

Notes

1. P P S Bassi retires by notation in accordance with article 23.4 of the Company's Articles of Association. He offers himself for re-election pursuant to resolution 2 set out in this notice of Annual General Meeting.

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

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

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

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

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

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

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

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

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

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

12. To change your proxy instructions simply submit a new proxy appointment using the method set out above. Note that the cut-off time for receipt of proxy appointments (see note 4 above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you would like to change the proxy instructions, please contact Capita Registrars Limited at the address set out in note 4.

13. In order to revoke a proxy instruction you will need to inform the Company by sending a signed notice clearly stating your intention to revoke your proxy appointment to Capita Registrars Limited at the address set out at note 3. The revocation notice must be received by Capita Registrars Limited no later than 8.00 am on 28 June 2010. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid.

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

15. Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the Annual General Meeting is 11.00 am on 24 June 2010 (being not more than 48 hours (excluding, in the calculation of such time period, any part of a day that is not a working day) prior to the time fixed for the meeting), or, if the meeting is adjourned, 48 hours (excluding, in the calculation of such time period, any part of a day that is not a working day) prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting.

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

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

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

17. Except as provided above, members who have general queries about the meeting should contact Marcus Daly, Company Secretary on 0121 524 2588 (no other methods of communication will be accepted). You may not use any electronic address provided either:

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

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

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

The REI PLC Long Term Incentive Plan ("LTIP")

In the circular dated 26 January 2010, the board announced that it intended to consult shareholders regarding the introduction of an appropriate incentivisation scheme for the executive directors, designed to reward strong, long term growth in net asset value and that such a scheme would be subject to shareholder approval.

Following consultation with the company's major shareholders, the Company is proposing to adopt a new Long Term Incentive Plan (LTIP). The proposed LTIP is designed to promote retention and incentivise the executive directors to grow the value of the group and maximise returns. The remuneration committee believes that the LTIP has stretching performance criteria, provides an appropriate level of long term incentive and augments the significant personal investment made to date in the Company by the executive directors. for the purpose of incentivising the executive directors of the Company.

Resolution 5 in the Notice of Annual General Meeting is being proposed as an Ordinary Resolution to approve the adoption of the LTIP and to authorise the Directors to make awards thereunder. The key features of the LTIP are as follows:

- The LTIP is designed to incentivise and reward executive directors in equity for achieving strong, long term growth in net asset value. The LTIP has a ten year life from January 2010 to December 2019.
- Awards become payable to the extent that shareholder returns defined as NAV growth adjusted for dividends and other returns to shareholders exceed a compound growth rate of 10 per cent. per annum (**"Hurdle Return"**).
- If shareholder returns exceed the Hurdle Return, 20 per cent. of such excess will be payable in Ordinary Shares under the LTIP to LTIP participants.
- Participants will have the opportunity to take up to 30 per cent. of the amount accrued under the LTIP at the end of year three, with the portion able to be taken up each year thereafter increasing by 10 per cent. each year and the full amount (100 per cent.) being available only after the end of the ten year period.
- Only executive directors of the Company are eligible to participate in the LTIP. Decisions on participation will be made by the Company's remuneration committee. At outset of the LTIP, 66.7 per cent. of awards shall be made to Paul Bassi and 33.3 per cent. to Marcus Daly. Further executives may be included within the LTIP at a later stage.
- The baseline for the commencement of the LTIP will be NAV per Ordinary Share at 31 December 2009 adjusted for the impact of the placing of Ordinary Shares made in January 2010.
- Under the workings of the LTIP, the Hurdle Return will be adjusted for further equity capital raisings, acquisitions for share consideration and buy backs. In particular, the net amount of further equity capital fundraisings will be escalated under the plan at the Hurdle Rate from the date of completion of the transaction.
- If a participant leaves employment, his participation in the plan will normally lapse and he will not be permitted to take up further amounts earned under the plan. If the participant is deemed a good leaver, the assessment period for determining the amounts earned under the plan will be shortened to the latest completed year and the calculation made up to that date. A participant will be deemed a good leaver if

his employment terminates as a result of death, ill health, injury, disability, physical or mental incapacity, redundancy, retirement, dismissal by the company in breach of the terms of his service contract or if the remuneration committee shall in its absolute discretion consider that he should be so regarded.

- Subject to the time limits set out above, awards may be taken up in the 20 business day period following the announcement of full year or interim results.

- Amounts payable will be satisfied in full (save as below) by the issue of Ordinary Shares or the grant of zero/nominal cost options to any participant. The price at which shares will be issued will be the higher of NAV per share as reported in the latest full year results and the weighted average mid-market closing price for the first 20 business days following announcement of the latest full year results. On issue, the Ordinary Shares will rank pari passu with the existing issued Ordinary Shares.

- The number of Ordinary Shares which can be issued under the LTIP is limited to 10 per cent. of the Company's then issued share capital. Any excess earned above this level will be paid in cash provided the remuneration committee consider it prudent to do so at that stage, otherwise payment will be deferred until the remuneration committee deem it prudent.

- In the event of a change of control of the Company, the Hurdle Rate will be time apportioned and the exit calculation based on the higher of NAV per share and the offer price.

- The remuneration committee may from time to time make any alteration to the plan which it thinks fit, including for legal, regulatory or tax reasons, in order to ensure the smooth workings of the plan in line with its objectives.