



FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2008

**REAL ESTATE INVESTORS PLC**

FINANCIAL STATEMENTS

For the year ended 31 December 2008

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Company Registration Number: 5045715

Registered Office: West Plaza, 8<sup>th</sup> Floor  
144 High Street  
West Bromwich  
B70 6JJ

Directors: P H Lewin: Chairman  
J J Jack: Deputy Chairman  
P P S Bassi: 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: Barclays Bank Plc  
1<sup>st</sup> Floor  
99 Hatton Garden  
London

Registrars: Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

# REAL ESTATE INVESTORS PLC

## FINANCIAL STATEMENTS

For the year ended 31 December 2008

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## REAL ESTATE INVESTORS PLC

### CHAIRMAN'S STATEMENT

For the year ended 31 December 2008

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The twelve months to December 2008 have seen unprecedented volatility and turmoil in the financial and property markets and at the centre of this have been a substantial reduction in capital values and a corresponding correction in property yields. UK commercial property capital values fell 26.3% according to the IPD UK annual index with investment funds and property companies seeing reductions even greater than this. REI has revalued its assets downwards by £10.9 million representing a reduction of approximately 20% significantly below the UK average. In addition we experienced substantial reductions in interest earned on our cash deposits and these two factors combined have had a significant impact on REI's results. We are also required to account under IFRS for a £2 million fair value charge on our interest rate swap arrangements relating to our £20 million HBOS loan. This is a non-cash item that would only be payable if REI decided to exit these agreements. We confirm that we have no intention of such exit. Accordingly, we expect to be able to reverse the charge over time and, as at 31 May 2009, the value has already recovered by approximately £800,000.

Our strategy of acquiring asset management opportunities and property for refurbishment has shown itself to be robust and has enabled REI to outperform the market. We remain ideally positioned to capitalise on property opportunities with the benefit of our strong cash reserves which have increased to £13.0 million since the year end and the confirmed continuing support and facilities of a number of lending banks.

During the completed financial year we held back from investing too aggressively, instead anticipating 'better value' opportunities to emerge which we expect will be seen during 2009. We focussed on our asset management and speeding up refurbishment programmes. Refurbishments were completed at Colmore Row and Bennetts Hill, as well as Cathedral Place which has been shortlisted for the 'Property Week' regeneration award. During the year, REI secured new tenancies from Adroit Construction, United Business Centres, Claimar Care, Cafe Nero and Vantis PLC and we successfully finalised a number of rent reviews and lease renewals.

In addition to new rental income streams, we will also benefit from receiving related service charges, insurance income and the elimination of non-domestic rates payments. These savings should add positively to our future net income. These initiatives in normal market conditions would add significant value, and in the present market they have provided REI with a very secure and defensive property portfolio.

During the year, REI acquired Bridge Street in Walsall; York House in Birmingham City Centre; and Kings Heath High Street and Metro Court in West Bromwich. These further additions to our West Midlands portfolio offer attractive yields, capital growth and asset management opportunities.

We have no particular reliance on any one sector or tenant which, given the challenging economic background, helps protect REI from negative impacts on its business. As a result of new letting and acquisitions, our rental income has increased by 21%.

### OUTLOOK AND PROSPECTS

The unprecedented market conditions are revealing winners and losers in the property sector. We firmly believe that the combination of REI's experienced management team, its strategy of regional investment and pro-active asset management and a strong funding position provide REI with the very best potential and opportunity to emerge as a winner with a strong, secure, traditional property investment company. This belief has been demonstrated by further investment in the shares of the Company by the management team during 2008.

We believe market conditions are beginning to stabilise, although we would not be surprised by further periods of volatility. However, overall, we expect a markedly improved performance during the current financial year.

## **REAL ESTATE INVESTORS PLC**

### **CHAIRMAN'S STATEMENT**

For the year ended 31 December 2008

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Since the year end, we have achieved additional lettings and renewed leases at higher rents and longer lease terms. We have also renegotiated certain of our existing banking facilities and raised nearly £5.0 million against some of our unencumbered properties to provide us with total cash resources of £13.0 million. This allows REI to take advantage of the opportunities that are expected to arise during the second half of 2009 and into 2010.

Finally, my thanks to all our staff and advisers for their continued support which, coupled with our association with Bigwood & Bond Wolfe, give me significant optimism for 2009 and beyond.

**Peter Lewin**  
**Chairman**  
**Real Estate Investors Plc**  
**26 June 2009**

## REAL ESTATE INVESTORS PLC

### REPORT OF THE DIRECTORS

For the year ended 31 December 2008

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The directors present their report together with the audited financial statements for the year ended 31 December 2008.

#### 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, however, in a year of unprecedented economic, bank and property turmoil these have not been achieved but we expect to return to meeting these targets in the year ending 31 December 2009.

##### *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, derivatives and convertible debt. The main purposes 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	Chief Executive
M H P Daly	Finance Director

J J Jack 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 25 June 2009.

	Number	%
Caledonia Investments Plc	87,095,000	25.56
P P S Bassi	82,399,493	24.18
Artemis Investment Management	29,975,000	8.80
Friends Provident International	27,000,000	7.92
Blackrock Investment Management	21,985,000	6.45

#### 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 2008 trade payables represented 67 days (2007:56 days) purchases based on the total purchases for the year.

#### Charitable donations

The Group made no charitable donations during the period (2007: £nil).

## REAL ESTATE INVESTORS PLC

### REPORT OF THE DIRECTORS

For the year ended 31 December 2008

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#### Post balance sheet events

In February 2009 the Group arranged financing of £2.68 million and in April 2009 financing of £2.3 million; both were arranged with Svenska Handelsbanken and are secured on investment properties (note 25). In addition, in March 2009 the Group entered into heads of agreement for the sale of a property held for trading located in Maidstone, Kent for cash consideration of £900,000.

#### Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union.

Company Law requires the directors to prepare financial statements for each financial year, which 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 International Financial Reporting Standards as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper 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 1985. 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 West Plaza, 8<sup>th</sup> Floor, 144 High Street, West Bromwich, West Midlands, B70 6JJ on 29 July 2009 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

26 June 2009

## REAL ESTATE INVESTORS PLC

### CORPORATE GOVERNANCE STATEMENT

For the year ended 31 December 2008

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#### 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 July 2003. 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 loans of £5 million received since 31 December 2008, and the low levels of historic and projected operating cashflows
- any property purchases will only be completed if cash resources or loans are available to complete these purchases
- the financial covenants were breached on a number of the loans outstanding during the year ended 31 December 2008. The funders for all significant loans have acknowledged they were aware of these breaches at 31 December 2008 and did not change the repayment terms of these loans. Since 31 December 2008 the financial covenants for certain of the loans have been changed and the funders have thereby confirmed their continuing support for the Group.

For this reason, they 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.



## REAL ESTATE INVESTORS PLC

### DIRECTORS' REMUNERATION REPORT

For the year ended 31 December 2008

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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 2008 was as follows:

	Salary	Fees	2008 Total	2007 Total
	£000	£000	£000	£000
P H Lewin	-	20	20	15
J J Jack	-	15	15	15
P P S Bassi	300	-	300	230
M H P Daly	150	-	150	101
	<u>450</u>	<u>35</u>	<u>485</u>	<u>361</u>

#### 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 direct 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 one year from the date of the grant of the option and will lapse within five 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

26 June 2009

We have audited the consolidated financial statements of Real Estate Investors Plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and notes 1 to 25. These consolidated financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Real Estate Investors Plc for the year ended 31 December 2008.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 the directors and auditor**

The directors' responsibilities for preparing the Annual Report and the consolidated financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the consolidated financial statements give a true and fair view and whether the consolidated financial statements are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion, the information in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Report of the Directors'.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited consolidated financial statements. The other information comprises only the Chairman's Statement, the Report of the Directors, the Corporate Governance Statement and the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. Our responsibilities do not extend to any other information.

#### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements.

#### **Opinion**

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

GRANT THORNTON UK LLP  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS  
BIRMINGHAM  
26 June 2009

**REAL ESTATE INVESTORS PLC**

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

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	Note	2008	2007
		£000	£000
Revenue		<b>3,006</b>	3,160
Cost of Sales		<b>(3,079)</b>	(1,113)
Gross (loss)/profit		<b>(73)</b>	2,047
Administrative expenses		<b>(1,169)</b>	(967)
Surplus on disposal of investment property		-	171
Share of (loss)/profit of joint venture	11	<b>(335)</b>	5
Net (loss)/gain on valuation of investment properties		<b>(10,903)</b>	807
(Loss)/profit from operations		<b>(12,480)</b>	2,063
Finance income	5	<b>1,054</b>	768
Finance costs	5	<b>(2,174)</b>	(1,054)
Loss on financial liabilities at fair value and through profit and loss	16	<b>(2,071)</b>	-
(Loss)/profit on ordinary activities before taxation	3	<b>(15,671)</b>	1,777
Income tax credit/(expense)	6	<b>4,584</b>	(548)
Net (loss)/profit for the year		<b>(11,087)</b>	1,229
Total and continuing earnings per ordinary share			
Basic	7	<b>(3.25)p</b>	0.36p
Diluted	7	<b>(3.25)p</b>	0.34p

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

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

**REAL ESTATE INVESTORS PLC**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

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	Share capital	Share premium account	Capital redemption reserve	Other reserves	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
At 1 January 2007	3,407	29,472	45	121	1,012	34,057
Net profit for the year and total recognised income and expense for the year	-	-	-	-	1,229	1,229
At 31 December 2007	3,407	29,472	45	121	2,241	35,286
Net loss for the year and total recognised income and expense for the year	-	-	-	-	(11,087)	(11,087)
<b>At 31 December 2008</b>	<b>3,407</b>	<b>29,472</b>	<b>45</b>	<b>121</b>	<b>(8,846)</b>	<b>24,199</b>

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

**REAL ESTATE INVESTORS PLC**

CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2008

	Note	2008 £000	2007 £000
<b>Assets -</b>			
<b>Non current</b>			
Intangible assets	8	171	171
Investment properties	9	42,608	36,661
Property, plant and equipment	10	11	39
Deferred tax	17	3,733	-
		<b>46,523</b>	36,871
Investment in joint venture	11	25	328
		<b>46,548</b>	37,199
<b>Current</b>			
Inventories	12	5,879	8,603
Trade and other receivables	13	1,346	1,666
Cash and cash equivalents		11,369	4,866
		<b>18,594</b>	15,135
<b>Total assets</b>		<b>65,142</b>	52,334
<b>Liabilities</b>			
<b>Current</b>			
Bank loans	16	(374)	(437)
Provision for current taxation		(149)	(319)
Trade and other payables	14	(2,326)	(1,295)
Convertible debt	15	(325)	-
		<b>(3,174)</b>	(2,051)
<b>Non current</b>			
Bank loans	16	(35,698)	(14,327)
Liabilities at fair value through profit and loss	16	(2,071)	-
Convertible debt	15	-	(325)
Deferred tax liabilities	17	-	(345)
		<b>(37,769)</b>	(14,997)
<b>Total liabilities</b>		<b>(40,943)</b>	(17,048)
<b>Net assets</b>		<b>24,199</b>	35,286

**REAL ESTATE INVESTORS PLC**

## CONSOLIDATED BALANCE SHEET

For the year ended 31 December 2008

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	<b>Note</b>	<b>2008</b>	<b>2007</b>
		<b>£000</b>	<b>£000</b>
<b>Equity</b>			
Share capital	18	<b>3,407</b>	3,407
Share premium account		<b>29,472</b>	29,472
Capital redemption reserve		<b>45</b>	45
Other reserves		<b>121</b>	121
Retained earnings		<b>(8,846)</b>	2,241
		<hr/>	<hr/>
<b>Total Equity</b>		<b>24,199</b>	35,286
		<hr/> <hr/>	<hr/> <hr/>
Net assets per share	7	<b>7.1p</b>	10.4p

These financial statements were approved by the Board of Directors on 26 June 2009.

Signed on behalf of the Board of Directors

P H Lewin - Chairman

M H P Daly - Finance Director

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

**REAL ESTATE INVESTORS PLC**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	Year ended 31 December 2008	Year ended 31 December 2007
Note	£000	£000
<b>Cash flows from operating activities</b>		
(Loss)/profit after taxation	(11,087)	1,229
Adjustments for:		
Depreciation	25	26
Net loss/(gain) on valuation of investment property	10,903	(807)
Surplus on sale of investment property	-	(171)
Share of loss/(profit) of joint venture	335	(5)
Finance income	(1,054)	(768)
Finance costs	2,174	1,054
Loss on financial liabilities at fair value through profit and loss	2,071	-
Income tax (credit)/expense	(4,584)	548
Decrease in inventories	2,724	1,100
Decrease/(increase) in trade and other receivables	224	(810)
(Decrease)/ increase in trade and other payables	(16)	526
	<b>1,715</b>	<b>1,922</b>
Interest paid	(2,174)	(1,054)
Income taxes paid	(1)	(11)
	<b>(460)</b>	<b>857</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries net of cash acquired	24 (148)	-
Purchase of investment properties	(12,750)	(23,067)
Purchase of property, plant and equipment	(1)	(4)
Proceeds from sale of investment property	-	1,571
Proceeds from sale of property, plant and equipment	4	-
Investment in joint venture	(32)	1
Interest received	1,054	771
	<b>(11,873)</b>	<b>(20,728)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank loans	20,028	-
Payment of bank loans	(1,192)	(2,151)
Payment of finance lease liability	-	(1)
	<b>18,836</b>	<b>(2,152)</b>
	<b>6,503</b>	<b>(22,023)</b>
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at beginning of period	4,866	26,889
Cash and cash equivalents at end of period	<b>11,369</b>	<b>4,866</b>

NOTES:

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

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

## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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#### 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 the profit and loss account, and in accordance with International Financial Reporting Standards 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.

#### 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 loans of £5 million received since 31 December 2008, and the low levels of historic and projected operating cashflows
- any property purchases will only be completed if cash resources or loans are available to complete these purchases
- the financial covenants were breached on a number of the loans outstanding during the year ended 31 December 2008. The funders for all significant loans have acknowledged they were aware of these breaches at 31 December 2008 and did not change the repayment terms of these loans. Since 31 December 2008 the financial covenants for certain of the loans have been changed and the funders have thereby confirmed their continuing support for the Group.

For this reason, they 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.



## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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#### **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 income statement and therefore affect 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 benefit 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.

## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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#### Impairment

The Group's goodwill, plant and equipment 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 income statement 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 disposal. 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 to the income statement 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 balance sheet when all the risks and rewards of ownership of the property are retained by the Group.

## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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#### 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 balance sheet date. They are calculated according to the tax rates and tax laws enacted and substantively enacted at the balance sheet 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 be 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 income statement. 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.

#### Pensions

The Group does not operate any pension plans but does administer a stakeholder pension plan on behalf of any employees wishing to participate. Contributions payable to the scheme are charged to the profit and loss account in the year to which they relate. These contributions are invested separately from the Group's assets.

#### Financial assets

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

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

Interest and other cash flows resulting from holding financial assets are recognised in the income statement using the effective interest method, regardless of how the related carrying amount of financial assets is measured.

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 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 asset's carrying amount and the present value of estimated future cash flows. Any change in their value through impairment or reversal of impairment is recognised through the income statement.

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.

## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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#### 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 includes all current and prior period results as disclosed in the income statement.
- 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 income statement 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 income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement 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 income statement. 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.

## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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#### 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

A segment is a distinguishable component of the Group that is engaged either in a particular business (business segment) or conducting business in a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other economic environments.

#### 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. Except for IFRS 8, which may result in changes in the future as to how the Group's financial performance and financial position are disclosed, and IAS 1 (Revised 2007), which may affect the presentation of the financial statements, the Directors anticipate that the adoption of these other standards will not result in significant changes to the Group's accounting policies. The Group has commenced its assessment of the impact of IFRS 8 and IAS 1 (Revised 2007) on presentation and disclosure but it is not yet in a position to state whether these standards would have a material impact on its results of operations and financial position.

IAS 1	Presentation of Financial Instruments (Revised 2007)	Effective for annual periods beginning on or after 1 January 2009
IAS 23	Borrowing Costs (Revised 2007)	Effective for annual periods beginning on or after 1 January 2009
IAS 27	Consolidated and Separate Financial Statements - (revised 2008)	Effective for annual periods beginning on or after 1 July 2009
IFRS 2	Amendments to IFRS2 share-based payment - vesting conditions and cancellations	Effective for annual periods beginning on or after 1 January 2009
IFRS 3	Business Combinations - (Revised 2008)	Effective for annual periods beginning on or after 1 July 2009
IFRS 8	Operating segments	Effective for annual periods beginning on or after 1 July 2008
Amendment to IFRS 7	Improving disclosures about financial instruments	Effective for annual periods beginning on or after 1 January 2009
Amendment to IAS 39	Financial Instruments: Recognition and measurement - Eligible Hedged Items	Effective for annual periods beginning on or after 1 July 2009
IFRIC 15	Agreements for the construction of Real Estate	Effective for annual periods beginning on or after 1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	Effective for annual periods beginning on or after 1 July 2009
IFRIC 18	Transfers of assets from customers	Effective for transfers on or after 1 July 2009
	Improvements to IFRSs	Effective for annual periods beginning on or after 1 January 2009 (certain amendments effective 1 July 2009)

## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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#### **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 receivables

The Group is required to judge when there is sufficient objective evidence to require the impairment of individual trade 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 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 £2,669,000 at 31 December 2008 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 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**

### ***Primary reporting - business segment***

The only material business that the Group has is that of investment in and trading of commercial properties. Turnover relates entirely to rental income from investment properties and sale of trading properties within the UK.

### ***Secondary reporting format - geographical segment***

The only material segment that the Group operates in is the UK.

## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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#### 3. (Loss) / profit on ordinary activities before taxation

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

	<b>2008</b>	2007
	<b>£000</b>	£000
Auditors' remuneration:		
Fees payable to the Company's auditor for the audit of the financial statements	<b>15</b>	14
Fees payable to the Company's auditor for other services:		
Audit of the financial statements of the Company's subsidiaries pursuant to legislation	<b>8</b>	6
Other services	-	4
Depreciation of owned property and equipment	<b>25</b>	26
Operating lease payments	<b>72</b>	55
	<hr/> <b>72</b>	<hr/> 55

#### 4. Directors and employees

Staff costs during the period were as follows:

	<b>2008</b>	2007
	<b>£000</b>	£000
Wages and salaries	<b>518</b>	369
Social security costs	<b>63</b>	45
	<hr/> <b>581</b>	<hr/> 414

The average number of employees (including executive directors) of the Group during the period was five, all of whom were engaged in administration (2007: three). The executive directors are the key management personnel and details of their remuneration are included within the directors' remuneration report on page 7.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

**5. Finance income/finance costs**

	<b>2008</b>	2007
	<b>£000</b>	£000
Finance income:		
Interest receivable	<u><b>1,054</b></u>	<u>768</u>
Finance costs:		
Interest payable on bank loans	<u><b>(2,174)</b></u>	<u>(1,054)</u>

**6. Income tax (credit)/expense**

	<b>2008</b>		2007	
	<b>£000</b>	%	£000	%
Result for the year before tax	<b>(15,671)</b>		1,777	
Tax rate	<u><b>28%</b></u>		<u>30%</u>	
Expected tax (credit)/expense	<b>(4,388)</b>	<b>(28.0)</b>	534	30.0
Adjustment for non deductible expenses	<b>(10)</b>	<b>0.0</b>	19	1.1
Other non deductible expenses	<b>3</b>	<b>0.0</b>	5	0.3
Other adjustments	<b>(189)</b>	<b>(1.3)</b>	(10)	(0.6)
Actual tax (credit)/expense	<u><b>(4,584)</b></u>	<u><b>(29.3)</b></u>	<u>548</u>	<u>30.8</u>

Tax expense comprises:

Current tax expense	<b>(171)</b>	306
Deferred tax	<u><b>(4,413)</b></u>	<u>242</u>
	<u><b>(4,584)</b></u>	<u>548</u>



## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

#### 7. (Loss)/earnings per share and net assets per share

The calculation of (loss)/earnings per share is based on the result for the year and on the weighted average number of shares in issue during the year. The calculation of diluted (loss)/earnings per share is based on the basic (loss)/earnings per share adjusted for the issue of shares on the assumed conversion of the convertible loan notes (see note 15) and the conversion of the warrants (note 18).

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

	2008			2007		
	(Loss)	Average number of shares	(Loss) per share	Earnings	Average number of Shares	Earnings per share
	£'000			£'000		
Basic (loss)/earnings per share	<u>(11,087)</u>	<u>340,714,327</u>	<u>(3.25)p</u>	1,229	340,714,327	0.36p
Dilutive effect of conversion of convertible debt and share warrants					28,979,545	
Diluted earnings per share			<u>(3.25)p</u>	1,229	<u>369,693,872</u>	<u>0.34p</u>

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 2008 of £24,199,000 (2007 : £35,286,000) divided by the shares in issue at 31 December 2008 and 2007 of 340,714,327.

#### 8. Intangible assets

Goodwill  
£000

Gross carrying amount

Cost

At 1 January 2007 and 2008 and 31 December 2008

171

Accumulated impairment losses

At 1 January 2007 and 2008 and 31 December 2008

-

**Net book amount at 31 December 2007 and 31 December 2008**

171

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

## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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#### 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 2008 is reconciled as follows:

	£'000
Carrying amount at 1 January 2007	14,187
Additions	23,067
Disposals	(1,400)
Revaluation	807
	<hr/>
Carrying amount at 31 December 2007	36,661
Additions	12,750
On acquisition of subsidiary undertaking	4,100
Revaluation	(10,903)
	<hr/>
<b>Carrying amount at 31 December 2008</b>	<b><u>42,608</u></b>

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

	£000
At professional valuation	34,400
At directors' valuation	<u>8,208</u>
	<u>42,608</u>

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:

	2008	2007
	£'000	£'000
Cost and net book amount at 31 December	<u>52,258</u>	<u>35,508</u>

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 2008 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 2008 was £2,324,000 (2007 : £1,316,000) and direct operating expenses in relation to those properties was £357,000 (2007 : £101,000). All of the investment properties were fully or partly let.

**REAL ESTATE INVESTORS PLC**

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

**10. Property, plant & equipment**

	Leasehold improvements £000	Office equipment £000	Motor Vehicles £000	Total £000
Gross carrying amount				
At 1 January 2007	70	42	10	122
Additions	-	4	-	4
At 31 December 2007	70	46	10	126
Additions	-	1	-	1
Disposals	-	-	(10)	(10)
At 31 December 2008	70	47	-	117
Depreciation and Impairment				
At 1 January 2007	34	23	4	61
Charge for the year	14	10	2	26
At 31 December 2007	48	33	6	87
Charge for the year	14	11	-	25
Disposals	-	-	(6)	(6)
At 31 December 2008	62	44	-	106
Net book carrying amount				
<b>At 31 December 2008</b>	<b>8</b>	<b>3</b>	<b>-</b>	<b>11</b>
At 31 December 2007	22	13	4	39

**11. Joint Venture**

	<b>2008</b> <b>£000</b>	2007 £000
At 1 January	<b>328</b>	324
Additions in the year	<b>32</b>	-
Other adjustments	-	(1)
Group's share of the (loss)/profit for the year	<b>(335)</b>	5
At 31 December	<b>25</b>	328

## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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#### 11. Joint venture (continued)

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

	<b>2008</b>	2007
	<b>£000</b>	£000
Non current assets	<b>1,050</b>	1,375
Non current liabilities	<b>(1,025)</b>	(1,047)
	<b>25</b>	328
Group's share of income of joint venture	<b>70</b>	89
Group's share of expenses, interest and tax of joint venture	<b>(80)</b>	(84)
Group's share of deficit on revaluation of property	<b>(325)</b>	-
Group's share of (loss)/profit of joint venture	<b>(335)</b>	5

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 2007 and 31 December 2008 in respect of the joint venture.

#### 12. Inventories

	<b>2008</b>	2007
	<b>£000</b>	£000
Properties held for trading	<b>5,879</b>	8,603

All properties held for trading are included at the lower of cost and net realisable value. The amount of inventories recognised as an expense in the year ended 31 December 2008 is £2,737,000 (2007 : £1,113,000). All of the properties held for trading are pledged as security for bank loans.

#### 13. Trade and other receivables

	<b>2008</b>	2007
	<b>£000</b>	£000
Trade receivables	<b>398</b>	275
Other receivables	<b>897</b>	1,348
Prepayments and accrued income	<b>51</b>	43
	<b>1,346</b>	1,666

The fair value of these short term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

#### 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 £71,000 (2007: £4,000) has been recorded accordingly. The movement in the provision for impairment during the year is as follows:

	<b>2008</b>	2007
	<b>£000</b>	£000
At 1 January	<b>4</b>	-
Increase in provision for impairment	<b>71</b>	4
At 31 December	<b>75</b>	4

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:

	<b>2008</b>	2007
	<b>£000</b>	£000
Not more than three months past due	<b>230</b>	10
More than three months but no more than six months past due	<b>46</b>	9
	<b>276</b>	19

#### 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:

	<b>2008</b>			2007		
	<b>Loans and receivables</b>	<b>Non financial assets</b>	<b>Balance sheet total</b>	Loans and receivables	Non financial assets	Balance sheet total
	<b>£000</b>	<b>£000</b>	<b>£000</b>	£000	£000	£000
Trade receivables	<b>398</b>	-	<b>398</b>	275	-	275
Other receivables	<b>897</b>	-	<b>897</b>	1,348	-	1,348
Prepayments and accrued income	-	<b>51</b>	<b>51</b>	-	43	43
Cash and cash equivalents	<b>11,369</b>	-	<b>11,369</b>	4,866	-	4,866
	<b>12,664</b>	<b>51</b>	<b>12,715</b>	6,489	43	6,532

**REAL ESTATE INVESTORS PLC**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

**14. Trade and other payables**

	<b>2008</b>	2007
	<b>£000</b>	£000
Trade payables	<b>132</b>	294
Other payables	<b>410</b>	213
Social security and taxation	<b>77</b>	106
Accruals and deferred income	<u><b>1,707</b></u>	<u>682</u>
	<u><b>2,326</b></u>	<u>1,295</u>

The fair value of the trade and other payables has not been disclosed as, due to their short duration, management considers the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value.

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:

	<b>2008</b>				2007			
	<b>Held for trading</b>	<b>Other financial liabilities at amortised cost</b>	<b>Liabilities not within the scope of IAS39</b>	<b>Balance sheet total</b>	Held for trading	Other financial liabilities at amortised cost	Liabilities not within the scope of IAS39	Balance sheet total
<b>Current</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	£000	£000	£000	£000
Bank loans	-	<b>374</b>	-	<b>374</b>	-	437	-	437
Provision for current taxation	-	-	<b>149</b>	<b>149</b>	-	-	319	319
Trade payables	-	<b>132</b>	-	<b>132</b>	-	294	-	294
Other payables	-	<b>410</b>	-	<b>410</b>	-	213	-	213
Social security and taxation	-	-	<b>77</b>	<b>77</b>	-	-	106	106
Accruals and deferred income	-	-	<b>1,707</b>	<b>1,707</b>	-	-	682	682
Convertible debt	-	<b>325</b>	-	<b>325</b>	-	-	-	-
<b>Non-current</b>								
Bank loans	-	<b>35,698</b>	-	<b>35,698</b>	-	14,327	-	14,327
Financial instruments	<b>2,071</b>	-	-	<b>2,071</b>	-	-	-	-
Convertible debt	-	-	-	-	-	-	345	345
Deferred tax liabilities	-	-	-	-	-	325	-	325
	<u><b>2,071</b></u>	<u><b>36,939</b></u>	<u><b>1,933</b></u>	<u><b>40,943</b></u>	-	<u>15,596</u>	<u>1,452</u>	<u>17,048</u>

### 15. Convertible debt

Convertible debt of £325,000 due within one year (2007 : £325,000 due after more than one year) represents unsecured convertible loan notes which may be converted into ordinary shares of 1p at any time after 10 June 2005 at the rate of 11p per share. The notes are redeemable at any time at the Group's option, and unless converted or redeemed earlier are repayable in full on 10 June 2009. The notes were repaid on 10 June 2009. No interest is payable on the notes. Any equity element of the convertible debt is regarded as immaterial and no adjustment has therefore been made to split out the conversion option.

### 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 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:

	<b>2008</b>	2007
	<b>£000</b>	£000
Classes of financial assets - carrying amount		
Cash and cash equivalents	<b>11,369</b>	4,866
Trade and other receivables	<u><b>1,346</b></u>	<u>1,666</u>
	<u><b>12,715</b></u>	<u>6,532</u>

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.

## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

#### 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 2008 is as follows:

	<b>2008</b>	2007
	<b>£000</b>	£000
<b>In less than one year:</b>		
Bank borrowings	<b>374</b>	437
Convertible debt	<b>325</b>	-
<b>In more than one year but less than two years:</b>		
Bank borrowings	<b>2,817</b>	415
Convertible debt	-	325
<b>In more than two years but less than five years:</b>		
Bank borrowings	<b>21,062</b>	1,269
<b>In more than five years</b>		
Bank borrowings	<b>12,255</b>	12,865
Financial instruments	<b>2,071</b>	-
	<b>38,904</b>	15,311
Deferred arrangement costs	<b>(436)</b>	(222)
	<b>38,468</b>	15,089
Split		
Current Liabilities - bank loans	<b>374</b>	437
- convertible debt	<b>325</b>	-
Non current liabilities - bank loans	<b>35,698</b>	14,327
- financial liabilities at fair value through profit and loss	<b>2,071</b>	
- convertible debt	-	325
	<b>38,468</b>	15,089

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 4.45%. At 31 December 2008 the fair value of this arrangement based on a valuation provided by the Group's bankers was a liability of £2,071,000 (2007: £nil). The interest rate swap for 4.45% was renegotiated to 3.85% after the balance sheet date.

##### Borrowing facilities

During the year the Group breached certain financial covenants relating to loan to property value ratio in respect of bank loans totalling £26,039,000. The funders for all significant loans have acknowledged they were aware of these breaches at 31 December 2008 and did not change the repayment terms of these loans. Since 31 December 2008 the financial covenants for certain of the loans have been changed and the funders have thereby confirmed their continuing support for the Group.

The Group has no undrawn committed borrowing facilities at 31 December 2008 (2007: £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, excluding the convertible debt which is interest free, of the Group at 31 December 2008 was:

	Fixed interest %	Expiry Date	2008 £000	2007 £000
Fixed until October 2010	5.660	October 2010	2,500	-
Fixed until October 2009	4.459	January 2013*	10,000	-
Fixed until October 2019	6.230	October 2019	913	942
Fixed until January 2015	6.295	December 2019	1,568	1,693
Fixed until August 2028	6.550	August 2028	839	860
Fixed until January 2030	6.040	January 2030	5,800	6,526
Fixed until March 2030	6.270	March 2030	857	881
Fixed until May 2030	5.780	May 2030	1,548	1,544
Fixed until March 2031	5.470	March 2031	819	825
Collar agreement until January 2018	4.95% cap	January 2013*	10,000	-
Variable rate			1,664	1,715
			<b>36,508</b>	14,986
Loan arrangement fees			(436)	(222)
			<b>36,072</b>	14,764

\*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/ - one point five percentage points (2007 : +/- one percentage point) with effect from the beginning of the year:

	2008 + 5.0% £'000	2008 - 1.5 % £'000	2007 +1.0% £'000	2007 -1.0% £'000
(Decrease)/ increase in result after tax and equity	(83)	25	(17)	17

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. Deferred taxation**

The movement in deferred taxation assets/(liabilities) is as follows:

	<b>2008</b>	2007
	<b>£000</b>	£000
At 1 January	<b>(345)</b>	(103)
On acquisition (note 24)	<b>(335)</b>	-
Income statement (note 6)	<b>4,413</b>	(242)
At 31 December	<b><u>3,733</u></b>	<u>(345)</u>

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

	<b>2008</b>		2007	
	<b>Deferred tax asset</b>	<b>Deferred tax liability</b>	Deferred tax asset	Deferred tax liability
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
<b>Non current assets</b>				
Investment property	<b>2,669</b>	-	-	412
Financial instrument	<b>580</b>	-	-	-
Unused tax losses	<b>484</b>	-	67	-
Offset	-	-	(67)	(67)
	<b><u>3,733</u></b>	<u>-</u>	<u>-</u>	<u>345</u>

No temporary differences resulting from investments in subsidiaries or interests in joint venture 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.

## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

#### 18. Share capital

	<b>2008</b>	2007	<b>2008</b>	2007
	<b>Number</b>	Number	<b>£000</b>	£000
	<b>of shares</b>	of shares		
Authorised:				
Ordinary shares of 1p each	<b>1,000,000,000</b>	1,000,000,000	<b>10,000</b>	10,000
Allotted, issued and fully paid:				
Ordinary shares of 1p each	<b>340,714,327</b>	340,714,327	<b>3,407</b>	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.

#### 19. Operating lease commitments

Operating lease commitments relating to land and buildings expire within two to five years and amount to £72,000 (2007: £55,000).

Non-cancellable operating lease commitments receivable:

	<b>2008</b>	2007
	<b>£000</b>	£000
Within one year	<b>123</b>	62
Later than one year but not later than five years	<b>3,798</b>	1,105
Later than five years	<b>20,626</b>	13,367
	<b>24,547</b>	14,534

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

#### 20. Contingent liabilities

There were no contingent liabilities at 31 December 2008 or at 31 December 2007.

#### 21. Capital commitments

Capital commitments authorised at 31 December 2008 were £2.0 million (2007: £2.0 million).

#### 22. Pension Scheme

There was no pension scheme for the benefit of employees or directors in operation at 31 December 2008 or 31 December 2007.

#### 23. Related party transactions

On 21 November 2008 the Group acquired the entire issued share capital of Metro Court (WB) Limited, a company of which P P S Bassi was a director and shareholder (note 24).

During the period the Group paid agency fees of £41,000 (2007: £97,000) on the acquisition of investment properties to Bond Wolfe, a partnership in which P P S Bassi is a partner, and rent and service charges of £72,100 (2007: £55,000) to Bond Wolfe Estates Limited, a company in which P P S Bassi is a director and shareholder.

During the period the Group paid professional fees of £5,898 (2007 : £nil) to Bigwood Chartered Surveyors, a company in which P P S Bassi is a director and shareholder.

During the period the Group received rental income of £52,000 (2007 : £nil) from Bigwood Chartered Surveyors.

## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

#### 24. Acquisitions

On 21 November 2008 Real Estate Investors plc acquired the entire issued share capital of Metro Court (WB) Limited, a private company based in the UK for total consideration of £687,000. At 31 December 2008, £188,000 of this cash consideration remains payable and is included within other payables. In addition, Metro Court (WB) Limited committed to repaying £500,000 of balances due to its former directors which formed part of the net assets acquired. Of this amount £22,000 remained payable at 31 December 2008 and is included in other payables.

The principal activity of Metro Court (WB) Limited is the acquisition, development and management of property.

The book value under IFRS and the fair values of the assets and liabilities acquired as at the date of acquisition were as follows:

	Book value before acquisition under IFRS	Fair value adjustment	Fair value
	£'000	£'000	£'000
Non current assets			
Property, plant and equipment	4,100	-	4,100
Trade and other receivables	92	-	92
Cash and cash equivalents	351	-	351
	<u>4,543</u>	<u>-</u>	<u>4,543</u>
Current liabilities:			
Trade and other payables	1,048	-	1,048
Deferred tax liability	-	335	335
Non current liabilities:			
Bank loans	2,473	-	2,473
Total liabilities	<u>3,521</u>	<u>335</u>	<u>3,856</u>
Net assets	<u>1,022</u>	<u>(335)</u>	<u>687</u>
Consideration			£,000
Cash			675
Costs associated with the acquisition settled in cash			12
Fair value of purchase consideration			<u>687</u>

The fair value adjustment represents the recognition of a deferred tax liability arising on the revaluation of the property in the business.

From the date of acquisition to 31 December 2008 the contribution of Metro Court (WB) Limited to the loss before tax of the Group was immaterial. Metro Court (WB) Limited did not make a material contribution to or utilisation of Group cashflow from the date of acquisition to 31 December 2008.

#### 25. Post balance sheet events

In February 2009 the Group obtained a bank loan of £2.68 million from Svenska Handelsbanken AB. The loan is at a floating rate linked to LIBOR and is secured on an investment property.

In March 2009 the Group obtained a further bank loan of £2.3 million from Svenska Handelsbanken AB. This loan is also at a floating rate linked to LIBOR and is secured on an investment property.

**REAL ESTATE INVESTORS PLC**

STATEMENT OF DIRECTORS RESPONSIBILITIES

For the year ended 31 December 2008

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**REAL ESTATE INVESTORS PLC**

**COMPANY STATUTORY FINANCIAL STATEMENTS (PREPARED UNDER UK GAAP)**

**FOR THE YEAR ENDED 31 DECEMBER 2008**

**COMPANY NUMBER 5045715**

## REAL ESTATE INVESTORS PLC

### STATEMENT OF DIRECTORS RESPONSIBILITIES

For the year ended 31 December 2008

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#### **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 and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper 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 1985. 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

We have audited the parent Company financial statements of Real Estate Investors Plc for the year ended 31 December 2008 which comprise the principal accounting policies, the balance sheet and notes 1 to 14. These parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the consolidated financial statements of Real Estate Investors Plc for the year ended 31 December 2008.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The Director's responsibilities for preparing the Annual Report and the parent company's financial statements in accordance with United Kingdom law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent Company's financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent Company financial statements give a true and fair view and whether the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the parent Company financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained within the Annual Report and consider whether it is consistent with the audited parent Company financial statements. The other information comprises only the Chairman's Statement, the Report of the Directors, Corporate Governance Statement and the Director's Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company's financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent Company financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent Company financial statements, and of whether the accounting policies are appropriate to the parent Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent Company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent Company financial statements.

### Opinion

In our opinion:

- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008;
- the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

**GRANT THORNTON UK LLP**  
**REGISTERED AUDITOR**  
**CHARTERED ACCOUNTANTS**  
**BIRMINGHAM**  
**26 June 2009**

## REAL ESTATE INVESTORS PLC

### PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2008

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#### Accounting policies

The financial statements have been prepared in accordance with the Companies Act 1985 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. 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 1985 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.



## REAL ESTATE INVESTORS PLC

### PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2008

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#### **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 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.

**REAL ESTATE INVESTORS PLC**

BALANCE SHEET

As at 31 December 2008

	Note	2008 £000	2007 £000
<b>Fixed assets</b>			
Tangible assets	1	34,584	30,193
Investments	2	5,892	5,204
		<u>40,476</u>	<u>35,397</u>
<b>Current assets</b>			
Debtors	3	1,715	1,485
Cash at Bank		10,840	4,714
		<u>12,555</u>	6,199
<b>Creditors: amounts falling due within one year</b>	4	<u>(4,276)</u>	<u>(3,575)</u>
<b>Net current assets</b>		<u>8,279</u>	<u>2,624</u>
<b>Total assets less current liabilities</b>		<b>48,755</b>	38,021
<b>Creditors: amounts falling due after more than one year</b>			
Convertible debt		-	(325)
Other creditors		<u>(24,601)</u>	<u>(4,893)</u>
	5	<u>(24,601)</u>	<u>(5,218)</u>
<b>Net assets</b>		<u>24,154</u>	<u>32,803</u>
<b>Capital and reserves</b>			
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	-	2,173
Profit and loss account	8	<u>(8,891)</u>	<u>(2,415)</u>
<b>Equity shareholders' funds</b>		<u>24,154</u>	<u>32,803</u>

These financial statements were approved by the Board of Directors on 26 June 2009

Signed on behalf of the Board of Directors

**P H Lewin - Chairman**

**M H P Daly - Finance Director**

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

**REAL ESTATE INVESTORS PLC**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

**1. Tangible fixed assets**

	Investment properties £000	Leasehold improvements £000	Office equipment £000	Motor vehicles £000	Total £000
Cost or valuation:					
At 1 January 2008	30,154	70	46	10	30,280
Additions	12,751	-	1	-	12,752
Disposals	-	-	-	(10)	(10)
Revaluation	(8,333)	-	-	-	(8,333)
At 31 December 2008	<u>34,572</u>	<u>70</u>	<u>47</u>	<u>-</u>	<u>34,689</u>
Accumulated depreciation					
At 1 January 2008	-	48	33	6	87
Disposals	-	-	-	(6)	(6)
Charge for the period	-	14	10	-	24
At 31 December 2008	<u>-</u>	<u>62</u>	<u>43</u>	<u>-</u>	<u>105</u>
Net book amount					
<b>At 31 December 2008</b>	<b><u>34,572</u></b>	<b><u>8</u></b>	<b><u>4</u></b>	<b><u>-</u></b>	<b><u>34,584</u></b>
At 31 December 2007	<u>30,154</u>	<u>22</u>	<u>13</u>	<u>4</u>	<u>30,193</u>

Of the revaluation deficit of £8,333,000, the amount charged to the revaluation reserve is £2,173,000 with the balance of £6,160,000 charged to the profit and loss account.

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

	Investment Properties	
	2008	2007
	£000	£'000
At valuation	<u>34,572</u>	<u>30,154</u>

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	
	2008	2007
	£'000	£000
Cost and net book amount at 31 December	<u>42,658</u>	<u>27,981</u>

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 2008 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.

## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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#### 2. Fixed asset investments

	Investment in subsidiary Undertakings	
	2008	2007
	£000	£000
Cost		
At 1 January	5,204	5,204
Additions	688	-
<b>At 31 December</b>	<b>5,892</b>	<b>5,204</b>

On 21 November 2008 the company acquired the entire issued share capital of Metro Court (WB) Limited, a private company based in the UK for total cash consideration of £688,000. At 31 December 2008, £188,000 of this cash consideration remains payable and is included within other creditors. The principal activity of Metro Court (WB) Limited is the acquisition, development and management of property.

At 31 December 2008 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

	2008	2007
	£000	£000
Trade debtors	251	201
Amounts owed by subsidiary undertakings	1,018	410
Other debtors	372	789
Deferred tax asset	67	67
Prepayments and accrued income	7	18
	<b>1,715</b>	<b>1,485</b>

The deferred tax asset relates to losses carried forward of £355,000 (2007:£355,000) at a tax rate of 28%(2007: 28%). There is sufficient expectation of future taxable profits which will be available to offset these losses.

## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

#### 4. Creditors: amounts falling due within one year

	2008	2007
	£000	£000
Bank loans	88	77
Amounts owed to subsidiary undertakings	2,227	2,394
Trade creditors	509	285
Other creditors	291	109
Corporation tax	150	151
Social security and taxation	74	102
Accruals and deferred income	612	457
Convertible debt	325	-
	<u>4,276</u>	<u>3,575</u>

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

Convertible debt represents unsecured convertible loan notes which may be converted into ordinary shares of 1p at any time after 10 June 2005 at the rate of 11p per share. The notes are redeemable at any time at the Company's option, and unless converted or redeemed earlier are repayable in full on 10 June 2009. The loan notes were repaid on 10 June 2009. No interest is payable on the notes. Any equity element of the convertible debt is regarded as immaterial and no adjustment has therefore been made to split out the conversion option.

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

	2008	2007
	£000	£000
Bank loans	24,888	4,974
Convertible debt (note 4)	-	325
Less: deferred arrangement costs	(287)	(81)
	<u>24,601</u>	<u>5,218</u>

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

#### 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 2008 is £Nil (2007: £608,000).

#### 7. Share capital

	2008	2007	2008	2007
	Number of shares	Number of Shares	£000	£000
Authorised:				
Ordinary shares of 1p each	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid				
Ordinary shares of 1p each	<u>340,714,327</u>	<u>340,714,327</u>	<u>3,407</u>	<u>3,407</u>

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.

## REAL ESTATE INVESTORS PLC

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

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#### 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 2008	29,472	45	121	2,173	(2,415)	29,396
Loss for the period	-	-	-	-	(6,476)	(6,476)
Deficit on revaluation of investment properties	-	-	-	(2,173)	-	(2,173)
<b>At 31 December 2008</b>	<b>29,472</b>	<b>45</b>	<b>121</b>	<b>-</b>	<b>(8,891)</b>	<b>20,747</b>

#### 9. Profit for the financial year

The Company has taken advantage of section 230 (4) of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The Company's loss for the year was £6,476,000 (2007: £1,453,000).

Auditors remuneration incurred by the Company during the year for audit services totalled £6,000 (2007: £6,000), and for tax compliance services totalled £nil (2007: £nil).

#### 10. Directors and employees remuneration

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

#### 11. Contingent liabilities

There were no contingent liabilities at 31 December 2008 or at 31 December 2007.

#### 12. Capital Commitments

Capital commitments authorised at 31 December 2008 were £2 million (2007: £2 million).

#### 13. Related party transactions

On 21 November 2008 the company acquired the entire issued share capital of Metro Court (WB) Limited, a company of which P P S Bassi was a director and shareholder (note 2).

During the period the Company paid agency fees of £41,000 (2007: £97,000) on the acquisition of investment properties to Bond Wolfe, a partnership in which P P S Bassi is a partner, and rent and service charges of £72,100 (2007: £55,000) to Bond Wolfe Estates Limited, a company in which P P S Bassi is a director and shareholder.

During the period the Company paid professional fees of £5,898 (2007 : £nil) to Bigwood Chartered Surveyors, a company in which P P S Bassi is a director and shareholder.

#### 14. Post balance sheet events

In February 2009 the Company obtained a bank loan of £2.68 million from Svenska Handelsbanken AB. The loan is at a floating rate linked to LIBOR and is secured on an investment property.

In March 2009 the Company obtained a further bank loan of £2.3 million from Svenska Handelsbanken AB. This loan is also at a floating rate linked to LIBOR and is secured on an investment property.

## REAL ESTATE INVESTORS PLC (the "Company")

### NOTICE OF ANNUAL GENERAL MEETING

For the year ended 31 December 2008

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Notice is hereby given that the 2009 Annual General Meeting of the Company will be held at West Plaza, 8<sup>th</sup> Floor, 144 High Street, West Bromwich, West Midlands, B70 6JJ on 29 July 2009 at 11:00 am for the following purposes:

As ordinary business

1. To receive and if thought fit adopt the audited financial statements for the year ended 31 December 2008, and the reports of the directors and the auditor thereon.
2. To re-elect J J Jack, who retires by rotation in accordance with the Company's Articles of Association, as 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. As special business

4.1 That the directors be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 (as amended)) (the "Act") up to an aggregate nominal amount of £1,135,000 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 relevant securities to be allotted after such expiry and the board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired,

and further,

4.2 that the directors be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (within the meaning of Section 94 of the Act) in connection with a rights issue in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them up to an aggregate nominal amount of £1,135,000 provided that this authority shall expire on the date of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

5. That subject to the passing of the resolution 4.1 the directors be and it is hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 89 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 in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them and,

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £113,500,

and shall expire on the date of the next annual general meeting of the Company after the passing of this resolution 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 power conferred hereby had not expired.

By order of the Board

MHP Daly  
Secretary  
26 June 2009

Registered Office:  
West Plaza, 8<sup>th</sup> Floor  
High Street, West Bromwich  
B70 6JJ

Notes

1. 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 and, on a poll, vote

## REAL ESTATE INVESTORS PLC (the "Company")

### NOTICE OF ANNUAL GENERAL MEETING

For the year ended 31 December 2008

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- 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, please contact the Company's registrars at the address set out in note 4. The proxy need not be a member of the Company.
2. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these notes. Please read note 16 below.
  3. The notes to the proxy form 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 IRG plc, Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR not less than 48 hours 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 paragraph 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 IRG plc at the address set out in note 4. If you submit more than one valid proxy appointment, the appointment delivered last before the latest time for the receipt of proxies will take precedence.



## REAL ESTATE INVESTORS PLC (the "Company")

### NOTICE OF ANNUAL GENERAL MEETING

For the year ended 31 December 2008

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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 IRG plc at the address set out at note 4. In the case of a member which is a company, the 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 revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. In either case, the revocation notice must be received by Capita IRG plc no later than 8.00 am on Wednesday 29 July 2009. 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 order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that:
- (a) if a corporate member has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the Meeting, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote as corporate representative in accordance with those directions; and
  - (b) if more than one corporate representative for the same corporate member attends the Meeting but the corporate member has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.
- Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives - [www.icsa.org.uk](http://www.icsa.org.uk) - for further details of this procedure. The guidance includes a sample form of representation letter to appoint the Chairman as a corporate representative as described above.
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 Monday 27 July 2009 (being not more than 48 hours prior to the time fixed for the Meeting), or, if the Meeting is adjourned, 48 hours 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. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (Nominated Person):
- (a) You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("**Relevant Member**") to be appointed or to have someone else appointed as a proxy for the Meeting.
  - (b) If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
  - (c) Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
17. 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:
- (a) The register of directors' interests kept by the Company in accordance with section 809 of the Companies Act 2006; and
  - (b) copies of contracts of service of directors with the Company or any of its subsidiaries will be available for inspection at the annual general meeting.
18. 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:

- (a) in this notice of annual general meeting; or

**REAL ESTATE INVESTORS PLC (the "Company")**

NOTICE OF ANNUAL GENERAL MEETING

For the year ended 31 December 2008

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(b) any related documents (including the chairman's letter and proxy form),

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