

REI

Real Estate Investors Plc

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

REAL ESTATE INVESTORS PLC**FINANCIAL STATEMENTS**For the year ended 31 December 2020

Company Registration Number:	5045715
Registered Office:	75-77 Colmore Row, Birmingham B3 2AP
Directors:	J R A Crabtree OBE: Chairman W Wyatt: Non-Executive Director P London: Non-Executive Director P P S Bassi CBE: Chief Executive M H P Daly: Finance Director
Secretary:	M H P Daly
Auditor:	Grant Thornton UK LLP Chartered Accountants Registered Auditor The Colmore Building 20 Colmore Circus Birmingham B4 6AT
Solicitor:	Gateley Plc One Eleven Edmund Street Birmingham B3 2HJ
Nominated Adviser:	Cenkos Securities plc 6-8 Tokenhouse Yard London EC2R 7AS
Broker:	Liberum Capital Limited Ropemaker Place, Level 12 25 Ropemaker Street London EC2Y 9LY
Banker:	National Westminster Bank 3rd Floor 2 St Philips Place Birmingham B3 2RB Lloyds Banking Group 125 Colmore Row Birmingham B3 3SF
Registrar:	Link Group 10 th Floor Central Square 29 Wellington Street Leeds LS1 4DL

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REAL ESTATE INVESTORS PLC**CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT**For the year ended 31 December 2020

Resilient operational performance

- Increased underlying profit before tax* of £8.1 million (FY 2019: £8.0 million)
- Revenue of £16.4 million (FY 2019: £16.6 million)
- EPRA EPS of 4.5p (FY 2019: 4.3p)
- EPRA NAV per share of 55.2p (FY 2019: 67.4p)
- Loss before tax totalled £20.2 million (FY 2019: profit £3.7 million) allows for property revaluations and hedge costs totalling £28.4 million (both non-cash items)
- Average cost of debt 3.4% (FY 2019: 3.4%), with 86% of the Company's debt fixed
- LTV net of cash at 49.2% (FY 2019: 42.2%)

Delivering attractive returns in challenging markets

- Final dividend of 1.5p per share, payable in April 2021 as a Property Income Distribution (PID)
- Total dividend per share for 2020 of 3p (FY 2019: 3.8125p)
- Total declared/paid to shareholders since commencement of dividend policy of £36.4 million

Opportunistic Share Buyback Scheme

- Announced a share buyback, to purchase up to £2 million of the Company's shares - repurchased 7,042,700 shares at an average price of 28.40 pence, representing a 49% discount to the EPRA NAV of 55.2p at 31 December 2020

Active asset management and strong rental collection through diversity

- Overall rent collection during the year of 96.35%
- Gross property assets of £201.3 million (FY 2019: £228.9 million), reduction in the value of certain assets relates to uncertainty over the impact of the pandemic
- Completed 34 lease events, including 7 lease renewals
- Ended the period with 262 occupiers across 53 assets
- WAULT improved to 4.84 years to break and 6.54 years to expiry (FY 2019: 3.82 years to break and 5.79 years to expiry)
- Ended the period with £9.725 million of unconditionally exchanged disposals - due for completion in 2021
- Occupancy at 91.60% (FY 2019: 96.3%) a 4.9% reduction, predominantly due to known lease events, as most new letting decisions have been on hold due to the pandemic

Government planning changes announced in 2020

- REI set to materially benefit from changes in use on planning legislation and a new Class E allowing flexibility in uses and attracting demand for conversions

2021 sales and new lettings

- Exchanged contracts on a further 5 assets totalling £1.480 million of sales, at pre-Covid19 valuations due for completion in H1 2021
- Healthy pipeline of new lettings in legals of £338,000, with space under offer to the NHS/Department for Work and Pensions
- Strong occupier interest in neighbourhood and convenience retail assets (36.6% of the portfolio) and out-of-town office stock (approximately 71.83% of our offices)

Renewed banking facility

- Renewed £51 million facility with National Westminster Bank plc (following its merger with RBS) for 3 years at 2.25% above LIBOR in March 2021

REAL ESTATE INVESTORS PLC

CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT

For the year ended 31 December 2020

Financial and Operational Results

	31 Dec 2020	31 Dec 2019	Change
Revenue	£16.4 million	£16.6 million	-1.2%
Underlying profit before tax	£8.1 million	£8.0 million	+1.2%
Contracted rental income	£16.7 million	£17.7 million	-5.6%
EPRA EPS**	4.5p	4.3p	+4.7%
Basic EPS	(11.5)p	2.0p	-
Pre-tax (loss)/profit	(£20.2 million)	£3.7 million	-
Dividend per share	3p	3.81p	-21.3%
Average cost of debt	3.4%	3.4%	-
Like for like rental income	£16.7 million	£17.6 million	-5.3%
	31 Dec 2020	31 Dec 2019	
Gross property assets	£201.3 million	£228.9 million	-12.0%
EPRA NAV per share	55.2p	67.4p	-18.1%
EPRA NNAV per share	53.3p	66.0p	-19.2%
Like for like capital value psf	£126.41 psf	£143.71 psf	-12.0%
Like for like valuation	£201.3 million	£228.9 million	-12.0%
Tenants	262	280	-6.4%
WAULT***	4.84 years	3.82 years	+25.7%
Total ownership (sq ft)	1.59 million sq ft	1.59 million sq ft	-
Net assets	£97.7 million	£125.4 million	-22.1%
Loan to value	51.3%	46.7%	+9.9%
Loan to value net of cash	49.2%	42.2%	+16.6%

Definitions

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

** EPRA = European Public Real Estate Association

*** WAULT = Weighted Average Unexpired Lease Term

REAL ESTATE INVESTORS PLC

CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT

For the year ended 31 December 2020

Chairman's and Chief Executive's Statement

Overview

As the global, economic and human impact of the COVID-19 pandemic began to materialise in Q1 2020, our first priority was the safety and wellbeing of our staff and tenants. We took swift action to ensure that our offices provided a safe environment for our team and invested in our IT resources to support efficient home working.

Additionally, we worked closely with our managing agents to ensure that our portfolio buildings and spaces were safe and compliant before beginning a positive, ongoing dialogue with our tenants, offering a constructive approach to solving the unprecedented problems many were facing. We secured a good outcome for REI from a rent collection perspective, against the backdrop of very unfavourable Government restrictions on landlords.

We are pleased that our portfolio of £201.3 million has delivered improved underlying profits of £8.1 million, up 1.2% in the last 12 months and our revenue has remained stable at £16.4 million - both clearly held back by the uncollected rent, classified as bad debt, and COVID-19 related rent incentives granted, totalling £1 million in aggregate.

The Company's portfolio has 262 occupiers across 53 assets, which offers multi-sector diversification with no material reliance on any single sector, asset or occupier and this is the foundation of our stability and rent collection.

These results allow us to pay a total fully covered dividend of 3p for 2020 and the Board remains committed to a progressive dividend policy going forward. A total of £36.4 million has been declared/paid to shareholders since the commencement of our dividend payments in 2012.

Periods of political, financial and economic volatility, such as the recession in the early 90's and the financial crisis of 2008 trigger sector instability and often rapid valuation decline. Our experience in understanding, managing and capitalising on these events has shaped our business model and strategy in building a diversified portfolio, reducing sector exposure and securing strong rent collection in unprecedented circumstances.

During such times, we believe the fundamental metric for our business is rent collection. Despite the remarkable challenges faced by businesses over the last 12 months, we have continued a positive dialogue with our tenants, resulting in a strong overall rental collection performance for 2020 of 96.35%, improved from 95.29% previously stated in January 2021.

We anticipate a further improvement in this overall figure as tenants who (despite having the ability to pay) have chosen to hide behind or take advantage of Government legislation on overdue rents, begin to pay their historic and current rents, and tenants who are currently closed, re-commence trading in 2021.

For Q1 2021, rent collection stands at 90.21% and is expected to improve.

A summary of each quarter and the overall rent collection for 2020 (96.35%) is shown below (adjusted for monthly and deferred agreements):

Rent Collections	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021 (to date)
Collected	99.60%	86.99%	90.20%	93.75%	82.97%
Deferred arrangement	0.28%	8.19%	4.35%	1.49%	7.24%
Total	99.88%	95.18%	94.55%	95.24%	90.21%
Debtors	0.12%	4.82%	5.45%	4.76%	9.79%

REAL ESTATE INVESTORS PLC**CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT**For the year ended 31 December 2020

COVID-19 Impact & Our Response

Whilst the impact of COVID-19 has been profound across the global economy, the business has been faced with both challenges and opportunities and we are well positioned to act on further opportunities that a post-COVID-19 environment presents as and when they arise.

COVID-19 Impact:

- Bad debt and rent incentives granted together totalled £1 million
- The portfolio experienced valuation declines in the following assets, principally due to retail sentiment - 6 of our assets decreased in total by £13.3m (Acocks Green/Tunstall/Birch/Crewe/Bradford St Walsall/33 Bennetts Hill)
- The balance of £14.6 million is spread across the remainder of our retail and office portfolio, with void properties absorbing most of the reduction, which will correct with the benefit of a letting
- Occupancy dropped to 91.60% from 96.3% predominantly due to known lease events, that would let in a normalised market however, occupiers understandably have deferred decisions in the current climate

Management actions:

- Maintained a close dialogue with all tenants throughout challenging trading period leading to strong rental collection performance of 96.35% during 2020
- Offered constructive and supportive actions/concessions in exchange for positive lease events resulting in 34 lease events (including 7 lease renewals), materially improving the portfolio WAULT to 4.84 years to break and 6.54 years to expiry (2019: 3.82 years to break and 5.79 years to expiry)
- Enhanced service charge controls to restrict costs during periods of low occupancy
- Conducted a robust overview of all insurance policies to maximise protection and assess claim viability
- Maintained intensive rent collection/cash management throughout the period
- Prioritised cash preservation/contracts exchanged on £9.725 million of disposals to support debt reduction and cash generation

Our occupancy at the year-end was 91.60% (2019: 96.3%) a reduction of which over 70% can be attributed almost entirely to known lease events and which are predominantly in our office portfolio. Such lease events in a normalised marketplace, would likely result in valuation growth by providing capital uplift opportunities and improvements in our WAULT via lease renewals and re-letting void space. On this occasion they have in part contributed to what we believe will be a short-term valuation decline.

Over the last few years, our decision to expand our portfolio in resilient sub-sectors has been rewarded as these sub-sectors enjoy growth and renewed occupier and investor demand as the pandemic has driven increases in turnover for essential services and convenience-store operators.

Our healthy exposure (36.6% of portfolio) to the 'convenience, neighbourhood and essential retail' sector (also referred to as community or suburban retail) has revealed high occupier and investor demand for these resilient assets.

We have a good pipeline of new lettings in legals, with space under offer to the NHS (Community Health & Eyecare Limited)/Department for Work and Pensions and interest from Co-op and Cap Gemini, plus strong occupier requirements across our convenience retail, from multiples and independents. These lettings, combined with asset management events across the existing portfolio, will provide additional rental income, support valuation recovery and our progressive dividend policy. In addition to the new lettings, we continue to re-gear existing leases with tenants and seek out value add lease events, such as Break Date removals.

Whilst we saw some valuation decline at the half year stage, the subsequent Q4 lockdowns have had a material impact on the real estate sector as a whole.

The 12.0% valuation decline was predominantly across a small number of assets that have suffered as a result of negative retail sentiment - 6 of our assets dropped in total by £13.3 million.

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While an understandable response, we believe valuations will recover once the economy and real estate market normalises, particularly in our out-of-town offices (71.83% of our office stock) and convenience and retail portfolio (36.6% of portfolio), both of which are performing extremely well and have enjoyed strong rent collection performance throughout 2020.

Due to the COVID-19 backdrop and the subsequent slowing of the property markets, we did not complete any sales in 2020. However, we ended the period with £9.725 million unconditionally exchanged contracts on a number of assets, which are due to complete in 2021. The associated rental reduction from the properties sold is only £457,500 per annum.

In these unprecedented times, external valuers are cautious, which we fully understand. The evidence however, from these recently completed sales and other properties under offer, suggests that this is a temporary reduction as we are able to achieve higher pricing on our assets.

This demonstrates that investor confidence and appetite for our stock is stronger than external valuers' expectations. We anticipate making further sales in 2021 at valuations that are comfortably ahead of our year end 2020 valuations.

The sales proceeds from these additional disposals will be used to reduce the Company's gearing, whilst leaving existing cash and bank facilities available to make strategic and opportunistic acquisitions.

Within the existing portfolio, there are multiple opportunities to add value through lease events, letting voids, planning gains and permitted development. We continue to identify assets that have potential for permitted development (in addition to the 250,000 sq ft already eligible), providing excellent embedded opportunities for capital uplift. We assess each eligible asset on its own merit with regards to the commercial viability of a residential conversion against the opportunity to re-let the space.

In respect of our dividend and in view of the impact of the COVID-19 related lockdowns in Q4 2020 and Q1 2021, combined with the subsequent valuation reductions, it is prudent for the Company to pay 1.5p in respect of the final dividend, reflecting a total fully covered dividend payment for 2020 of 3p. The Board remains committed to growing the dividend further, as market conditions normalise.

Financial Results

As expected, our results for 2020 have been materially affected by the COVID-19 pandemic, particularly in the last quarter of the year. However, the strength and diversification of our portfolio has insulated the business from over exposure to weaker sectors, and we have worked tirelessly with our tenants to assist them where we can and improve terms where it suited both parties.

Underlying profit for the year was up at £8.1 million (2019: £8 million). Our earnings have been affected by £1 million of bad debts on rent not collected and incentives granted on extending lease terms. However, this has been counteracted by the Board's decision that it would not be appropriate for any bonuses to be declared for the executive directors and significantly reduced bonuses for other members of staff.

We have recorded a net loss before tax for the year of £20.2 million as a result of independent investment portfolio revaluation deficit of £27.9 million.

Our like-for-like rental income has reduced by 5.3%, predominantly due to known lease events that provide asset management opportunities to improve rental income and lease terms and enhance capital value.

Loss before tax (IFRS) totalled £20.2 million (2019: profit £3.7 million), after accounting for non-cash items being a loss on revaluation of investment properties of £27.9 million (2019: £4.3 million), together with a loss on the market value of our interest rate hedging instruments of £483,000 (2019: £41,000). Since the year end the market value on our hedging instruments has recovered by £523,000.

The underlying profits of £8.1 million support our total fully covered dividend for 2020 of 3p per share.

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Share Buyback

On 20 October 2020, we announced a share buyback, to purchase an aggregate market value up to £2 million of the Company's ordinary shares. In aggregate, between 20 October 2020 and 27 November 2020, the Company repurchased 7,042,700 ordinary shares at an average purchase price of 28.40 pence per share, representing a 49% discount to the EPRA NAV of 55.2p at 31 December 2020.

Finance and Banking

With our longstanding banking relationships and access to debt, we will continue to secure additional bank facilities when appropriate, to support future growth and improve profitability. We will continue to maintain a policy of being multi-banked across a number of established lenders.

Our bank facilities were successfully restructured during the year with 86% of our debt fixed, through facilities secured with 5 banks and average cost of debt remaining at 3.4% (2019: 3.4%). We continue to review long term rates to fix low-cost debt when appropriate.

In April 2020, REI finalised a facility of £3.5 million with Barclays Bank for 4 years and subsequently fixed the total facility of £12 million with Barclays at 2.2% including margin against a portfolio of assets. In addition, we repaid our facility of £7 million with Santander Bank plc. In March 2021, post year end, we successfully renewed our £51 million facility with National Westminster Bank PLC for 3 years at 2.25% above LIBOR.

We continue to meet our bank covenant requirements however as a result of the downward valuations on our investment portfolio, the LTV (net of cash) has risen to 49.2%, which we expect to reduce in the current year, through sales to satisfy investor demand and valuation recovery. The bank covenants are measured against the LTV of the loans to property values and the interest cover measured against rental income. On average, property values would have to fall a further 10% and rental income by 40% to breach the covenants and, in addition, the Group has £11 million of unencumbered properties, which could be provided as further security. Following the renewal of the NatWest facility our average cost of debt remains at 3.4%, with 46% of debt fixed and 54% variable.

Dividend

Attractive returns in a period of uncertainty

Despite the challenges faced throughout the pandemic, the proactive asset management approach that has been taken across the portfolio and the subsequent income has supported the continuation of our dividend payments, which were paid at a level of 0.50p per quarter in 2020.

One of our principal objectives continues to be to deliver a covered and progressive dividend.

We are pleased to announce an uplift in our Q4 dividend in respect of 2020 to 1.5p, reflecting a total fully covered dividend payment for 2020 of 3p.

The proposed timetable for the final dividend, which will be a Property Income Distribution (PID), is as follows:

Dividend Timetable

Ex-dividend date:	8 April 2021
Record date:	9 April 2021
Dividend payment date:	30 April 2021

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Outlook*Post COVID-19 recovery with strong investor demand*

Whilst the pandemic continues to present unique and unprecedented challenges, the resilience of our portfolio is underpinned by its diversity and the intensive asset management strategy, which has resulted in strong levels of rent collection, though we are not immune to a negative valuation sentiment.

Our business remains well positioned to capitalise on a growing occupier demand for the convenience and neighbourhood assets and our out-of-town offices. As the market place normalises, we anticipate a healthy recovery in valuations and sales at pre-COVID-19 levels with a strong investor demand for regional assets that performed well during the global pandemic, supported by high levels of equity and low costs of debt available for real estate.

Signs of market recovery are emerging, supported by the recent budget announcement, with many business owners optimistic about future trading. Recent Rightmove data suggests that 35% more users registered for Rightmove Commercial in the first two months of 2021, than the equivalent months in 2020.

Our regional economy looks set to recover from the pandemic and looks forward to the economic boost from HS2, Coventry City of Culture 2021 and the Commonwealth Games 2022.

We anticipate consolidation in the quoted real estate sector, particularly amongst UK REITs. The Board remain open to all possibilities to maximise shareholder value.

Investment Market Overview

Although there was an end-of year surge in investment activity, preliminary data suggests that this surge was far weaker than in previous years. Overall investment volumes for 2020 stand at £44 billion, down almost 20% from the 2019 level and the weakest since 2012 (Source: Colliers International).

Overseas investors accounted for over 50% of all investment, its highest ever share. The Midlands region also saw a decline in volumes during the period. However, after a subdued 2020, we expect investment volumes to increase throughout 2021, as confidence returns to the market and pricing remains attractive and this view is supported by market commentators and the investor community. Analysts are predicting growth and acceleration in the second half of 2021; CBRE have forecast £48 billion worth of investment this year, up 30% from £37 billion in 2020 and Colliers International are predicting commercial property investment in the UK will accelerate by 36%.

There is still a significant weight of capital targeting commercial property in the wider Midlands region. Prime investment yields moved out during the year, but Birmingham city centre remains resilient and we anticipate this will improve as the market strengthens throughout 2021.

The suggestion that Birmingham is high on investors' radar for 2021, is supported by the fact that the city has been ranked 18th on the list of European cities based on real estate prospects in rents and capital values, up 9 places on last year, according to the annual 'Emerging Trends in Real Estate Europe 2021 report' by PwC and Urban Land Institute (ULI). The investment of £5.1bn in Birmingham's transport systems, including HS2, Europe's largest infrastructure project, combined with the fast-emerging City sectors of technology and sciences are unpinning the City's resilience with investors expecting to spend stockpiled cash rapidly when markets get moving.

The REI Portfolio

The portfolio's gross property assets have reduced by 12.0% to £201.3 million (2019: £228.9 million). The portfolio is comprised of 53 assets with 262 tenants and a net initial yield of 7.95%, with a reversionary yield of 8.60%.

The portfolio has reduced occupancy levels of 91.60% (2019: 96.3%) with potential for positive capital and rental performance in 2021 from reletting void space. This reduction is almost entirely from known lease events, that in a normalised market place would re-let rapidly and add value and income to our business.

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We are noting a significant undersupply of office space and experiencing rental growth across some of our office ownership, in particular, in our non-city centre stock across the Midlands that does not require occupiers to use public transport, with readily available on-site parking and areas where historic office stock has been converted to residential. The office assets comprise 35.6% of the portfolio, of which 71.83% is out-of-town. Of our income, 6.08% is Government income.

Our retail holdings have seen a decline in values throughout the period, which is entirely linked to sector market sentiment, due to highly publicised insolvencies including Debenhams, House of Fraser and Arcadia Group. We do not have any such holdings and anticipate valuation recovery as the market recognises our strong neighbourhood and convenience assets which make up 36.6% of our total portfolio.

Disposals

We ended the year with £9.725 million of unconditionally exchanged contracts. Completion is expected on these during 2021 and REI will continue to receive rent between exchange and completion on these assets:

- **Aldi supermarket, Bearwood, Edgbaston** - due to the strong trading performance of this unit, Aldi have acquired the freehold for £5.350 million, representing a yield of 5.26%. The sale price reflects an increase of £1.296 million (32% uplift) in value against the December 2019 year end valuation of £4.053 million. As part of the sale agreement, the Company negotiated an extended completion date of September 2021 and REI will continue to benefit from £300,000 per annum rental income until this date, demonstrating heightened demand for convenience retail.
- **City Gate House, Leicester** - sold for £2.6 million (at a premium due to permitted development rights) following exchange in 2018 and completion due in December 2020, now extended to H1 2021 (following an extension request from the purchaser). REI has benefitted from the ongoing rental income during the interim period. REI secured an additional £100,000 for delayed completion.
- **Land at Coseley, West Midlands** - sold for a minimum of £1.150 million, with a potential additional £350,000, subject to the completion of a local authority grant application by the purchaser, Countryside Properties PLC. Completion took place on 15 February 2021.
- **315-317 & 319 High Street, West Bromwich** - vacated offices which have become in need of refurbishment, sold for £625,000, which reflects our December 2019 valuation and now due to complete in H1 2021.

The associated rental reduction from the disposal consideration of £9.725 million is only £457,500 per annum.

Disposals (Post Period - Q1 2021)

Post year end, we have transacted disposals on the following, at levels at or above our pre-COVID-19 valuations, demonstrating the understandably cautious valuations provided by our external valuers at year end 2020:

- **54-56 High St, Bromsgrove** - a high street retail unit, let to WHSmith, but with a diminishing unexpired lease term. In view of recent appetite from smaller private investors, we sold the property on 10 February 2021 for £450,000.
- **Betting Shop High Street Portfolio** - a portfolio of 3 high street retail units including; 82 High Street, Gillingham, 12-14 High Street, Ringwood and 3 Hanover Buildings Southampton, which are part vacant or part let to Done Brothers (Cash Betting) Ltd, but on short unexpired lease terms. The properties are under offer and in legals to a private investor for £850,000.
- **124-125 Osborne Road, Pontypool** - a high street retail unit that is part vacant and part let to Lloyds Pharmacy. We have conditionally exchanged to sell this non-core asset to a private investor for £180,000.

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These sales reduce our retail exposure and demonstrate the market detachment from valuation pricing to investor demand.

We have received approaches on a number of properties in the portfolio that are suitable for sale and we will monitor this position over the coming months and anticipate securing sales positively above our year end valuations.

Material Change of Use - Upside Potential

In addition to the permitted development potential of approximately 250,000 sq ft, from 1 September 2020, a new Use Class E (Commercial, Business and Service) was introduced by the Government.

The changes provide for three new use classes: Class E (Commercial, business and service), Class F.1 (Learning and non-residential institutions) and Class F.2 (Local community). The changes will combine: Shops (A1), financial/professional services (A2), cafés/restaurants (A3), indoor sports/fitness (D2 part), medical health facilities (D1 part), creche/nurseries and office/business uses (B1) will be subsumed into a new single Use Class E.

This amendment was designed to allow more flexibility in moving between uses and affords landlords the opportunity to attract tenants to vacant units more easily as a major planning hurdle has been removed. We are seeing increased enquiries for conversions to alternative use improve significantly and we believe this will impact rental and capital values positively. For example, Unit 1 Commodore Court, Nottingham comprises a large unit with retail planning use only. Under the new planning rules, this can now be used as per Class E above and is under offer to a medical practice at £90,000 per annum. Our assumptions on ERV have been £77,500 per annum.

Acquisitions

We anticipate acquiring mispriced assets during 2021, to grow our portfolio and income, whilst maintaining a balanced and diversified asset, sector and occupier base. With our established network of regional contacts and our well-established reputation for efficient transactions we will continue to target good income with low gearing in a diversified regional portfolio and continue to focus on delivering stable long-term returns for shareholders.

Occupational Market Overview*Post-COVID-19 Recovery Ahead*

Prospects for the West Midlands region remain strong. HS2 has been secured and, with Coventry named as the UK's City of Culture for 2021 and Birmingham hosting the 2022 Commonwealth Games, the region has a rare opportunity to showcase everything it has to offer on a global stage.

Furthermore, we are seeing unprecedented levels of investment across the entire region in infrastructure, housing, education, innovation and culture. This is making our towns and cities a compelling proposition to domestic and overseas businesses and we expect our region to take advantage of this level of inward investment.

Before COVID-19, Birmingham's economy had been performing relatively well and accelerating. It had higher GDP growth than the UK and European city averages in three of the last five years and the highest population growth in the UK outside of London.

Its strength in the professional & other private services sector, which accounts for roughly a quarter of regional output, is one of the underlying factors that has been driving the healthy economic performance since the global financial crisis. Only the South East and London have a larger share of GVA in this sector.

Investment in infrastructure is having a transformative effect on Birmingham and will continue to improve this year with the completion of the second phase of the Metro extension, helping boost the economy and unlock development opportunities.

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The guarantee of HS2, whilst some time away, will be a key long-term driver of change. We expect to see inward investment from London and south eastern occupiers which will increase demand and maintain healthy levels of occupancy across the wider Midlands office market and throughout the REI portfolio.

In contrast to the pre-COVID trend of the city centre performing better, in 2021 we expect out of town destinations and some local high streets to continue to be relative beneficiaries, as people will still be spending more time closer to home. Essential retailers have remained open throughout the year and have had a very different experience, which will be reflected in the investment market, viewed as secure income, and convenience stores have proved resilient.

With planning legislation relaxing, we have seen an increase in investor demand for high street retail assets which can be repurposed and are underpinned by alternative uses. We anticipate this trend to continue in 2021 as the effects of CVAs and shop closures conclude.

The majority of the REI portfolio office buildings are in fringe locations of the Birmingham office market which were more resilient in 2020 than Birmingham city centre. In 2019, 10% of office take-up took place in Birmingham's fringe locations, yet in 2020, it accounted for 18%. The office lettings market has already seen an increase in enquiries for satellite office locations reflecting this trend which is positive for REI's portfolio of small out of town regional offices and we anticipate rising rents and capital values.

Assets let to essential retailers, such as foodstores, have seen a surge in demand as they are considered to be sustainable convenience. We expect demand to improve for convenience-led retail assets first. There is strong occupier demand for neighbourhood and convenience retail and our deliberate focus on this subsector has seen overall occupancy across the portfolio remain at a robust level of 91.6%.

Portfolio Mix

The current sector weightings are:

	Sector	£ per annum	% by Income
Office	Office	5,982,801	35.64
TR	Traditional Retail	3,234,897	20.27
DR	Discount Retail - Poundland/B&M etc	1,751,402	9.87
M&P	Medical and Pharmaceutical - Boots/Holland & Barrett etc	1,135,300	6.79
RBC	Restaurant/Bar/Coffee - Costa Coffee, Loungers etc	1,160,150	6.74
FIN	Financial/Licences/Agency - Lloyds TSB, Santander UK Plc, Bank of Scotland etc	774,652	4.62
FS	Food Stores - M&S, Aldi, Co-op, Iceland etc	885,690	5.29
Other	Other - Hotels (Premier Inn/Travelodge), Leisure (The Gym Group, Luda Bingo), Car parking, AST	1,803,009	10.78
		16,727,901	100

Asset management

Diversity is key

REI's strategy of holding a diversified, mixed used portfolio really came to the fore in 2020. With a global pandemic affecting real estate generally, REI's drive to limit exposure to any single occupier and focus on convenience and neighbourhood retail has protected the portfolio.

Rental collection has remained high; partly due to the above strategy - but also because the Company, early on, adopted a proactive approach towards those tenants that have been affected and have had little Government support.

Some tenants deferred rental payments and others chose to re-gear leases or remove tenant break options. Alongside this, other asset management initiatives have taken place, adding to the WAULT of the portfolio.

REAL ESTATE INVESTORS PLC

CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT

For the year ended 31 December 2020

Change of Use/Planning Gains

Permitted Development Residential

We continue to identify assets that have potential for permitted development and this remains in excess of 250,000 sq ft across the portfolio:

- We are seeking to secure office development consent on surplus land at Topaz Business Park in Bromsgrove, at Junction 1 of the M42, together with a Costa Coffee drive through. Any material land value and planning gain in respect of these initiatives are not included in our existing valuations
- Additionally, the town centre hybrid scheme of retail park style outlets/large car park/adjoining high street site in Crewe has the potential for residential on a large section of the scheme (25,000 sq ft) and we are in dialogue with the Council and a local developer. Again, this change of use planning gain is not included within the existing valuation

Key asset management initiatives undertaken during the period include:

Virginia House, Worcester

Discussions had been underway for a long period with an operator of student accommodation who had another operation close by. Pro-active asset management work allowed the building to be delivered to the tenant with vacant possession secured. The tenant signed a 125-year lease and commenced fit-out. When the pandemic hit, discussions around timings of the lease and rent commencement took place, and both parties reached an agreement that was mutually beneficial. This resulted in a scheme that is performing exceptionally well for the operator and added value to the portfolio for REI.

Brandon Court, Coventry

When a neighbouring tenant vacated, REI worked closely with an existing tenant to explore opportunities to allow them to expand their operation. This resulted in the tenant taking additional space and extending and combining two units into one lease, with a longer term, allowing the tenant the ability to consolidate and grow its operation from the site, adding value to the asset with limited void period.

The Parade, Leamington Spa

Following the acquisition in November 2019, REI quickly identified key asset management opportunities. One of these was McDonalds, who had a lease event and a potential desire to refurbish the unit. By approaching the tenant, it was established that a new, longer, lease would benefit both parties and the matter was concluded in June 2020. The longer term allowed the tenant to invest in the unit and REI increased the WAULT and secured a key tenant for a further ten years.

Lloyds Bank, Acocks Green

With an intimate knowledge of the local market and an understanding of what our tenants are doing, it was established that Lloyds Bank were seeking opportunities to secure new terms at well-performing locations, in return for some rent-free period. This resulted in a new five-year lease being agreed; adding certainty for both parties, confirming that small, local, retail parades are key for REI and its tenants.

Westgate House, Warwick

Further to the deals with Boots and Moore & Tibbitts in late 2019, REI concluded a deal with Heaphys, a long-term tenant, to provide security for their future business operations. Heaphys approached REI about any options to extend and keen to support and work with the tenant, REI worked up a deal that was, once again, beneficial to both parties.

REAL ESTATE INVESTORS PLC**CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT**

For the year ended 31 December 2020

All of the above deals highlight the positive sentiment that the tenants have about their locations and have proven, once again, that REI is keen to work with tenants, on a case-by-case approach, to support them, whilst ensuring that the portfolio mix and values remain protected.

31 Dec 2020	Value £	Area (sq ft)	Contracted Rent (£)	ERV £	NIY %	RY %	Occupancy %
Central Birmingham	27,265,000	114,049	1,582,770	2,046,837	5.44%	7.04%	84.12%
Other Birmingham	30,545,000	215,895	2,651,632	2,775,690	8.14%	8.52%	96.67%
West Midlands	73,775,000	647,207	6,352,119	6,862,526	8.09%	8.74%	93.17%
Other Midlands	63,275,000	586,435	5,862,728	6,175,951	8.70%	9.16%	89.25%
Other Locations	2,660,000	28,779	278,652	236,810	10.08%	8.57%	96.15%
Land	3,795,967	-	-	-	-	-	-
Total	201,315,967	1,592,365	16,727,901	18,097,814	7.95%	8.60%	91.60%

*Our land holdings are excluded from the yield calculations

Our Stakeholders

Our continued thanks to our shareholders, advisors, occupiers and staff for their support and assistance during an unprecedented year of uncertainty.

Chairman's Succession

The Board would like to announce that John Crabtree OBE will be retiring as Non-Executive Chairman of the Company at the next Annual General Meeting ('AGM') in May 2021.

The Board is pleased to announce that William Wyatt, current Non-Executive Director of the Company will be appointed as Chairman with effect from the AGM in 2021. William has served on the Board of the Company since 2010 and is well placed to continue the strategic direction and focus of the business. William has extensive knowledge of the business and has enjoyed a successful executive career and is currently Chief Executive of Caledonia, having joined in 1997 from Close Brothers Group Plc.

This appointment is the result of our Chairman succession planning, an ongoing process which identifies necessary competencies and works to assess what would be required to ensure a continuing of leadership for all critical positions.

The Board of REI sincerely wish John the very best in his future endeavours and particularly in his role of Chairman of the Organising Committee of the 2022 Commonwealth Games, a significant event in the history of our region and one which we all anticipate eagerly.

John Crabtree OBE D. Univ
Chairman
29 March 2021

Paul Bassi CBE D. Univ
Chief Executive
29 March 2021

REAL ESTATE INVESTORS PLC

FINANCE DIRECTOR'S REPORT

For the year ended 31 December 2020

FINANCIAL REVIEW

Overview

Our results for 2020 were materially affected by the COVID-19 pandemic, particularly in the last quarter of the year, due to the further Q4 lockdown. However, the strength and diversification of our portfolio have delivered strong rental receipts, and we have worked tirelessly with our tenants to assist them where we can and improve terms where it suited both parties.

Underlying profit for the year was up 1.2% to £8.1 million (2019: £8 million). Our earnings have been affected by £1 million, particularly in Q4 2020, a result of bad debts on rent not collected and incentives granted on extending lease terms where appropriate. This impact however has been counteracted by the Board decision that it would not be appropriate for any bonuses to be declared for the executive directors and significantly reduced bonuses for the management team.

We have recorded a net loss before tax for the year of £20.2 million as a result of an investment portfolio revaluation deficit of £27.9 million. The majority of our investment portfolio has been revalued externally.

As a result, our EPRA NAV per share has fallen to 55.2p (2019: 67.4p). This has impacted our LTV (net of cash) on our banking facilities which has risen to 49.2% (2019: 42.2%). We continue to remain within our covenants with our bankers and in March 2021 we successfully concluded the refinance of our £51 million facility with National Westminster Bank PLC and are in negotiations to renew our £4.2 million facility with Allied Irish Bank (GB) plc for 5 years. The bank covenants are measured against the LTV of the loans to property values and the interest cover measured against rental income. On average, property values would have to fall a further 10% and rental income by 40% to breach the covenants and, in addition, the Group has £11 million of unencumbered properties, which could be provided as further security. Following the renewal of this facility our average cost of debt remains at 3.4%, with 46% of debt fixed and 54% variable.

The Board decided at the start of the pandemic to honour the payment in April 2020 of the final dividend for 2019 and decided that dividends should be continued to be paid for 2020 but to reduce the quarterly dividends to 0.5p per share. The final dividend for the year has been declared at 1.5p and is fully covered, representing a total covered dividend for 2020 of 3p (2019: 3.8125p).

Our share price has continued to trade at a significant discount to NAV and as a result the Company embarked on a share buyback of £2 million. In aggregate, between 20 October 2020 and 27 November 2020, the Company repurchased 7,042,700 ordinary shares at an average purchase price of 28.40 pence per share, representing a 49% discount to the EPRA NAV of 55.2p at 31 December 2020.

	31 December 2020	31 December 2019	Change
Gross Property Assets	£201.3 million	£228.9 million	-12.0%
Underlying profit before tax	£8.1 million	£8.0 million	+1.2%
(Loss)/profit before tax	(£20.2 million)	£3.7 million	-
Revenue	£16.4 million	£16.6 million	-1.2%
EPRA EPS	4.5p	4.3p	+4.7%
EPRA NAV per share	55.2p	67.4p	-18.1%
EPRA NNAV per share	53.3p	66.0p	-19.2%
Net Assets	£97.7 million	£125.4 million	-22.1%
Loan to value	51.3%	46.7%	+9.9%
Loan to value net of cash	49.2%	42.2%	+16.6%
Average cost of debt	3.4%	3.4%	-
Dividend per share	3p	3.81p	-21.3%
Like for like rental income	£16.7 million	£17.6 million	5.3%
Like for like capital value per sq ft	£126.41 sq ft	£141.71 sq ft	-12.0%
Like for like valuation	£201.3 million	£228.9 million	-12.0%

Results for the year

Our underlying profit before tax rose to £8.1 million (2019: £8 million). Loss before tax (IFRS) totalled £20.2 million (2019: £3.7 million profit), after accounting for a loss on revaluation of investment properties of £27.9 million (2019: £4.3 million), together with a loss on the market value of our interest rate hedging instruments of £483,000 (2019: £41,000).

REAL ESTATE INVESTORS PLC**FINANCE DIRECTOR'S REPORT**For the year ended 31 December 2020

We did not purchase any new investment properties during the year. Revenues for the year were down 1.2% to £16.4 million (2019: £16.6 million). As noted previously the majority of our investment properties were revalued externally at 31 December 2020 and resulted in a loss on revaluation of £27.9 million. As expected, this was mainly due to a cautious view taken on retail, combined with a fall in car park revenues, which resulted in an aggregate write down of £13.3 million for the Company's Acocks Green, Tunstall, Birch, Crewe, Bradford St Walsall and 33 Bennetts Hill assets. The balance of £14.6 million is spread across the remainder of our retail and office portfolio, with void properties absorbing most of the reduction, which will correct with the benefit of a letting.

We continue to control our overhead base and administrative expenses which were stable at £3.3 million (2019: £3.5 million) having made provision for bad debts of £825,000 (2019: £25,000), providing for a reduced bonus provision, (plus employers' National Insurance) of £55,000 (2019: £940,000) and releasing a provision for costs of the Long-Term Investment Plan of £250,000 (2019: charge £100,000). The Board agreed that bonuses for the executive directors for 2020 were not appropriate.

Interest costs for the year remained stable at £3.6 million (2019: £3.6 million) and the weighted average cost of debt remained stable at 3.4% (2019: 3.4%) as a result of fixing our £12 million of debt of with Barclays.

Earnings per share were:

Basic: Loss 11.5p (2019: profit 2.0p)

Diluted: Loss 11.5p (2019: profit 1.9p)

EPRA: 4.5p (2019: 4.3p)

Shareholders' funds decreased to £97.7 million at 31 December 2020 (2019: £125.4 million) as a result of the deficit on property portfolio revaluation.

Basic NAV: 54.5p (2019: 67.3p)

EPRA NAV: 55.2p (2019: 67.4p)

EPRA NNAV: 55.3p (2019: 66.0p)

Finance and banking

Total drawn debt at 31 December 2020 was £101 million (2019: £105 million). In April 2020, the Group agreed a new £3.5 million facility with Barclays Bank, subsequently fixed the total £12 million facility with Barclays at 2.2% and repaid the facility of £7 million with Santander. As a result, the weighted average cost of debt has remained at 3.4% (2019: 3.4%) and the weighted average debt maturity was 2.25 years (2019: 3.25 years), with 86% of debt fixed and 14% variable. The loan to value (LTV) at 31 December 2020 was 51.3% (2019: 46.7%) and the LTV (net of cash) was 49.2% (2019: 42.2%).

In March 2021, the Group renewed the £51 million facility with National Westminster Bank PLC for 3 years at 2.25% above LIBOR. This extends the debt maturity profile to 3.4 years. In addition, the Group is in negotiation to renew the facility of £4.2 million with Allied Irish Bank (GB) plc for a further 5 years.

We continue to meet our facility covenants with our lenders.

Long Term Incentive Plan (LTIP)

The LTIP is designed to promote retention and to incentivise the executive directors to grow the value of the Group and to maximise returns. Based on the results none of the options awarded for 2018 or 2019 are likely to vest and so a release of the provision of £250,000 (2019: £100,000 charge) has been made in the accounts in respect of the LTIP.

Taxation

The Group converted to a Real Estate Investment Trust (REIT) on 1 January 2015. Under REIT status the Group does not pay tax on its rental income profits or on gains from the sale of investment properties. The tax charge for the year is in respect of bank interest received and the movement on the deferred tax asset is in respect of the financial instruments. The Group continues to meet all of the REIT requirements to maintain REIT status.

Dividend

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

REAL ESTATE INVESTORS PLC

FINANCE DIRECTOR'S REPORT

For the year ended 31 December 2020

As a result of the pandemic the quarterly interim dividends were reduced to 0.5p per share and were paid in July 2020, October 2020 and January 2021. The Board proposes a final dividend of 1.5p per share payable in April 2021 as a Property Income Distribution making a total of 3p for the year (2019: 3.8125p). The allocation of dividend payments between PID and non PID will continue to vary.

Marcus Daly, Finance Director
29 March 2021

REAL ESTATE INVESTORS PLC**DIRECTOR'S REPORT**

For the year ended 31 December 2020

The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2020.

Directors

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

J R A Crabtree	Chairman - Non-Executive Director
W Wyatt	Non-Executive Director
P London	Non-Executive Director
P P S Bassi	Chief Executive
M H P Daly	Finance Director

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

John Crabtree OBE will be retiring as Non-Executive Chairman of the Company at the next Annual General Meeting ('AGM') in May 2021 and William Wyatt, current Non-Executive Director of the Company will be appointed as Chairman with effect from the AGM in 2021.

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 28 February 2021:

	Number	%
J O Hambro Capital Management	18,495,166	10.31
Premier Miton Investors	17,375,363	9.69
Hargreaves Lansdown	14,474,028	8.07
Ruffer	13,681,289	7.63
M & G Investments	12,414,215	6.92
P P S Bassi	12,000,000	6.68
EFG Harris Allday	8,756,090	4.88
Interactive Investor	7,562,482	4.22
Aberdeen Standard Investments	7,481,259	4.17
River and Mercantile Asset Management	6,000,000	3.34
Allianz Global Investors	5,670,490	3.16

Other matter

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

Real Estate Investment Trust (REIT)

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Company and Group financial statements in accordance with international accounting standards in conformity with the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and the profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;

REAL ESTATE INVESTORS PLC**DIRECTOR'S REPORT**

For the year ended 31 December 2020

- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

Statement of directors' responsibilities (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's and Group's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the 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 75-77 Colmore Row, Birmingham, B3 2AP on 28 May 2021 at 11.00 am.

Auditor

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

BY ORDER OF THE BOARD

M H P Daly
Secretary

Date: 29 March 2021

Company No 5045715

REAL ESTATE INVESTORS PLC**GROUP STRATEGIC REPORT**

For the year ended 31 December 2020

Review of business

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

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

The Group has built up a portfolio of good quality assets concentrated in these resilient established markets, without reliance on one sector or location (see pages 3 to 14 for the review of the business which forms part of this Strategic Report).

Principal risks and uncertainties

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

Risk area**Investment portfolio**

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

Mitigation

- Not reliant on one single tenant or business sector
- Focused on established business locations for investment
- Monitor asset concentration
- Portfolio diversification between office and retail properties
- Building specifications not tailored to one user
- Continual focus on current vacancies and expected changes

Financial

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

- Low gearing policy
- Fixed rate debt and hedging in place
- Existing facilities sufficient for spending commitments
- On-going monitoring and management of the forecast cash position
- Internal procedures in place to track compliance with bank covenants

People

- Retention/recruitment

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

Corporate

- Reputational risk
- Health & safety
- IT/Cyber

- External investor and public relations consultancy
- Management system and support from specialist external advisors
- IT systems and anti virus software and firewalls

Key performance indicators ("KPIs")

The following KPIs are some of the tools used by management to monitor the performance of the Group against the aim of creating sustainable long-term returns for shareholders:

Indicator	2020	2019
EPRA earnings per share	4.5p	4.3p
Underlying profit before tax	£8.1m	£8.0m
EPRA NAV per share	55.2p	67.4p

BY ORDER OF THE BOARD

M H P Daly**Secretary****Date: 29 March 2021**

REAL ESTATE INVESTORS PLC**CORPORATE GOVERNANCE REPORT**For the year ended 31 December 2020

2018 UK CORPORATE GOVERNANCE CODE AND S172 REPORTING

This report sets out how we have applied and complied with the UK Corporate Governance Code 2016 in the financial year ended 31 December 2020.

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

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

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

Corporate governance principles applicable to REI

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

Corporate governance principles

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

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

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

REAL ESTATE INVESTORS PLC**CORPORATE GOVERNANCE REPORT**For the year ended 31 December 2020

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

The company is a commercial property investment company specialising in the established and proven markets of the greater Midlands area. The group's business model is based on generating rental and capital growth from an active approach to the management and development of a portfolio of quality buildings, predominantly within the office and retail sector. Recurring rental income from the portfolio underpins profits, which are supplemented by gains from the sale of investment properties. Disposal proceeds are recycled into new acquisitions with better growth prospects, whilst maintaining compliance with the terms of flexible secured bank finance. How the company creates value is shown on pages 12 and 13 of the company's 2018 financial statements.

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

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

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

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

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

Institutional shareholders

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

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

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

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

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

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

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

REAL ESTATE INVESTORS PLC**CORPORATE GOVERNANCE REPORT**For the year ended 31 December 2020

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

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

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

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

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

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

The Board comprises the Non-Executive Chairman, two Executive Directors and two Non-Executive Directors. The Board considers, after careful review, that both the Non-Executive Directors are independent.

The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the company on the other, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. During 2020 four Board meetings took place - all Board members attended all such meetings.

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

Key Board activities this year included:

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

Directors' conflict of interest

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

REAL ESTATE INVESTORS PLC**CORPORATE GOVERNANCE REPORT**For the year ended 31 December 2020

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

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

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

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

Appointment, removal and re-election of Directors

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

Independent advice

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

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

John Crabtree, as Chairman, has been assessing the individual contributions of each of the members of the team to ensure that:

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

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

Over the next 12 months we intend to review the performance of the team as a unit to ensure that the members of the board collectively function in an efficient and productive manner.

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

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

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

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

REAL ESTATE INVESTORS PLC

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2020

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

Roles of the Board, Chairman and Chief Executive Officer

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

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

Executive Team

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

Board committees

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

Audit Committee

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

Remuneration Committee

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

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

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

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

REAL ESTATE INVESTORS PLC

DIRECTORS' REMUNERATION REPORT

For the year ended 31 December 2020

Remuneration Committee

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

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

Service agreements

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

Policy on directors' remuneration

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

The performance management of the executive directors and the determination of their annual remuneration package is undertaken by the Remuneration Committee. No director plays a part in any decision about his own remuneration. Annual bonuses will be paid at the discretion of the Remuneration Committee as an incentive and to reward performance during the financial year pursuant to specific performance criteria. In exercising its discretion the committee will take into account (among other things) NAV growth, dividend growth, rental growth, management performance and overall financial performance. The Remuneration Committee believes that incentive compensation should 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 2020 was as follows:

	Salary	Salary in lieu of benefits	Fees	Bonus	Share based payment expense	Total	Employers' national insurance contributions	2020 Total	2019 Total	Share options 2020	Share options 2019
	£000	£000	£000	£000	£000	£000	£000	£000	£000	Number	Number
P P S Bassi	440	110	-	-	126	676	76	752	1,120	1,257	846
M H P Daly	275	69	-	-	78	422	47	469	700	786	529
J Crabtree	-	-	44	-	-	44	-	44	44	-	-
W Wyatt	19	-	19	-	-	38	3	41	38	-	-
P London	38	-	-	-	-	38	4	42	42	-	-
	772	179	63	-	204	1,218	130	1,348	1,944	2,043	1,375

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

During the year P P S Bassi and M H P Daly exercised options on 306,327 (2019: Nil) shares and 191,454 (2019: Nil) shares respectively.

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

Policy on non-executive directors' remuneration

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

REAL ESTATE INVESTORS PLC**DIRECTORS' REMUNERATION REPORT**For the year ended 31 December 2020

Long Term Incentive Plan

At the Annual General Meeting held in June 2010 a resolution was passed approving the adoption of a new Long Term Incentive Plan (LTIP). On 8th June 2015, the terms of the LTIP were revised and previous options cancelled. The LTIP is designed to promote retention and incentivise the executive directors to grow the value of the Group and to maximise returns:

- The LTIP has a ten year life from January 2010 to December 2019.
- Performance conditions:
 - 50% of the award subject to absolute NAV growth plus dividends with threshold vesting - 30% of this part of the award - at 8.5% annual growth including dividends and full vesting at 14.0% annual growth
 - 50% subject to absolute total shareholder return (share price growth plus dividends) with threshold vesting - 30% of this part of the award - at 8.5% annual growth and full vesting at 14.0%
- Amounts payable will be satisfied in full (save as below) by the issue of Ordinary shares or the grant of zero/nominal cost options to any participant. The price at which shares will be issued will be the weighted average mid-market closing price for the first 20 business days following announcement of the latest full year results. On issue, the Ordinary shares will rank pari passu with the existing issued Ordinary shares.
- The number of Ordinary shares which can be issued under the LTIP is limited to 10% of the Company's then issued share capital. Any excess earned above this level will be paid in cash provided that the remuneration committee consider it prudent to do so at that stage, otherwise payment will be deferred until the remuneration committee deem it prudent.
- The remuneration committee may from time to time make any alteration to the plan which it thinks fit, including for legal, regulatory or tax reasons, in order to ensure the smooth workings of the plan in line with its objectives.
- Conditional awards of shares made each year
- Awards vest after three years subject to continued employment and meeting objective performance conditions

On 19 March 2018 and 25 March 2019 and 27 March 2020 the Group granted each of P P S Bassi and M H P Daly an option under the scheme which entitles them to subscribe for or acquire ordinary shares in the company at a price of 10p per share (in the case of new ordinary shares) or 0p per share (in the case of a transfer of existing shares). The grant and exercise of the options is subject to the rules of the LTIP and cannot be exercised unless the relevant performance criteria are met, as discussed above.

The remuneration committee have agreed to instruct remuneration experts in the current year to recommend an appropriate plan for the future. In the interim the committee agreed to extend the current plan for a further year, but in the current climate reduced the entitlement by one third.

Based on the results and particularly the share price for 2020 none of the options awarded in 2018 are likely to vest.

Approved by the Board of Directors
P London
Chairman, Remuneration Committee
Date: 29 March 2021

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

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Real Estate Investors PLC (the 'parent company') and its subsidiaries (together the 'group') for the year ended 31 December 2020 which comprise the consolidated statement of comprehensive income, consolidated and company statement of changes in equity, consolidated and company statement of financial position, consolidated and company statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

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



A description of our evaluation of management’s assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matter section of our report.

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

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

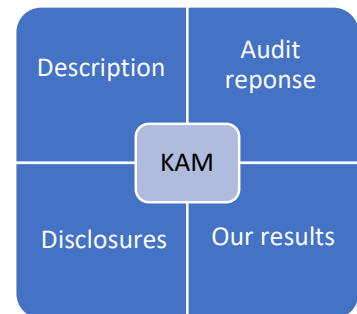
The responsibilities of the directors with respect to going concern are described in the ‘Responsibilities of directors for the financial statements’ section of this report.

Our approach to the audit

 <p>Grant Thornton</p> 	<p>Overview of our audit approach</p> <p>Overall materiality:</p> <ul style="list-style-type: none"> • Group materiality: £2.5m, which represents approximately 1% of the group’s total assets. • Parent company: £2.28m, which represents 1% of the parent company’s total asset. <p>The key audit matters that we identified are investment property valuation (same as the previous year) and going concern (new in the year) for both the group and the parent company.</p> <p>The parent company was identified as significant component which we performed an audit of the financial information of the component using component materiality (full scope audit). There were three subsidiaries where we have performed specific procedures for one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements. These includes 3147398 Limited, Southgate Derby Retail Limited and Real Homes One Limited.</p> <p>The smaller component of the group was subject to analytical procedures.</p>
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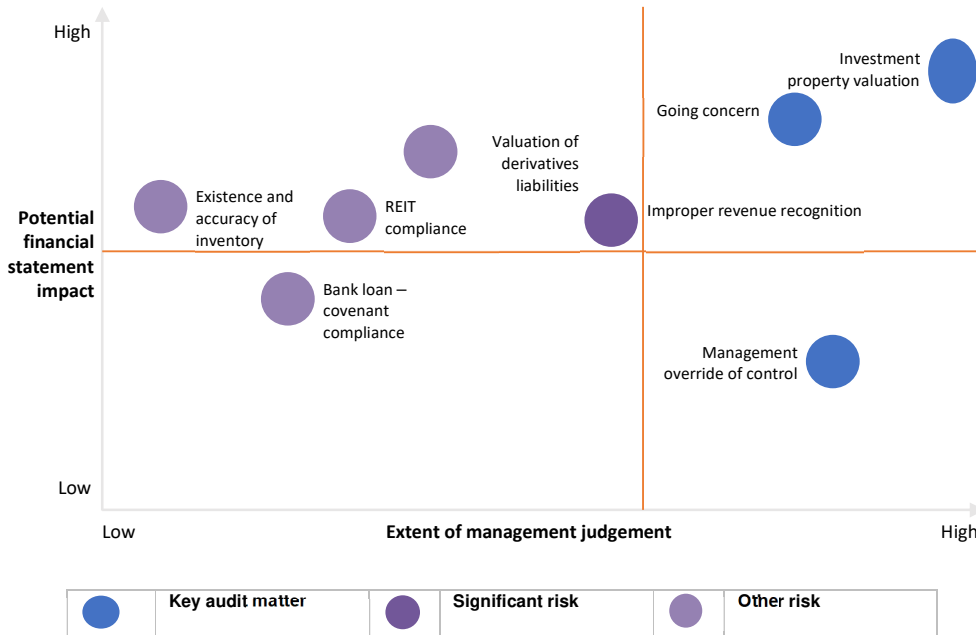
Key audit matters

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



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

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key Audit Matter – Group and Parent Company

Investment property valuation

We identified investment property valuation as one of the most significant assessed risks of material misstatement due to fraud or error.

The group’s and parent company’s investment property portfolio is required to be held at fair value under IAS 40 ‘Investment Property’. The group’s and parent company’s portfolio is split between retail and office properties across the UK.

The valuation of the investment property portfolio was identified as a significant risk given the valuation is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental streams for that particular property. The wider challenges currently facing the real estate occupier and investor markets as a result of COVID-19 further contributed to the subjectivity for the year ended 31 December 2020.

The valuations of all but eight investment properties were carried out by third party valuers. The valuers were engaged by the Directors and performed their work in accordance with the Royal Institution of Chartered Surveyors (‘RICS’) Valuation – Professional Standard. The valuers used by the group and parent company have considerable experience in the markets in which the group operates.

In determining a property’s valuation, the valuers consider property specific information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation.

How our scope addressed the matter – Group and Parent Company

In responding to the key audit matter, we performed the following audit procedures:

- obtaining year end valuations for each property, ensuring that the valuation approach for each was appropriate in accordance with the requirements of IAS 40 and in line with RICS “red book”, and that any factual inputs were accurate by comparing the rental data used in a sample of the valuers’ calculations to the rental schedule prepared by management;
- assessing the valuers’ competence, capabilities and objectivity;
- analysing year-on-year valuation movements, including discussion with both management and the third party valuers;
- benchmarking, for outlier properties identified by the analysis above, valuation yields against comparable published market data and seeking further corroboration for those that fall outside a pre-determined range informed using a suitably qualified auditor’s expert;
- evaluating evidence of the reliability of valuation estimations by comparing the historical trend of investment property sales with the related carrying values;
- obtaining the contracts for sale for the seven properties in the process of being sold at year end and confirming the directors’ valuation agrees to these; and

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

Key Audit Matter – Group and Parent Company

Of the eight properties which were valued at the year end by directors, seven were in the process of being sold with contracts having been exchanged at the year end.

The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area.

Relevant disclosures in the Annual Report and Financial Statements for the year ended 31 December 2020

- Financial statements: Note 1, Accounting policies; Note 9, Investment properties; and Note 16, Fair value disclosures.

How our scope addressed the matter – Group and Parent Company

- obtaining the source information provided by management to the valuer and tested the integrity of the sample of such information.

Our results

We found that the judgements and assumptions used in the valuation of investment properties were balanced, and we did not identify any inconsistencies between the valuations recorded in the financial statements, the third party valuations, the directors' valuations and the other evidence obtained during the audit

Key Audit Matter – Group and Parent Company

Going concern

We have identified a key audit matter related to going concern as one of the most significant assessed risks of material misstatement due to fraud or error as a result of the judgment required to conclude whether there is a material uncertainty related to going concern.

COVID-19 and Brexit are the most significant economic events for the UK, and at the date of this report there is an unprecedented level of uncertainty as to the ultimate impact of these event on the group. In undertaking their assessment of going concern for the group the directors considered the impact of the current financing available to the group and associated debt covenants and as well as any other COVID-19 and Brexit related events considered appropriate.

The directors have applied sensitivities to these forecasts and performed a reverse stress test of the group's liquidity. The results of these sensitivity analyses have been considered by the directors in forming their conclusion.

The directors have concluded, based on the various scenarios developed, that the group has sufficient resources available to meet its liabilities as they fall due and have concluded that there are no material uncertainties around the going concern assumptions.

Relevant disclosures in the Annual Report and Financial Statements for the year ended 31 December 2020

- Financial statements: Note 1, Accounting policies.

How the matter was addressed in the audit – Group and Parent Company

In responding to the key audit matter, we performed the following audit procedures:

- obtaining management's base case cash flow forecast and sensitivity analysis covering the period from 1 March 2021 up to 31 March 2022;
- performing walkthroughs to update and document our understanding of the budgeting and forecasting process, management's considerations in forming their own assessment and any internal review process;
- considering the timing of expiry of the current facilities held by the group and whether the group has sufficient cash reserves to cover an expiry or if an extension agreement is in place with the banking institution;
- assessing the accuracy of management's historical forecasting to check the reliability of current forecasting process;
- assessing the banking facilities and covenant compliance to check whether these supports the going concern assumptions;
- challenging the key assumptions in the forecasts and the scope of scenario planning undertaken given current social and economic conditions in the UK and wider world; and
- assessing the appropriateness of the going concern accounting policy.

Our results

We have nothing to report in addition to that stated in the "Conclusions relating to going concern" section of our report.

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

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£2.5m which was determined based on approximately 1% of total assets.	£2.28m which was determined based on approximately 1% of total assets.
Significant judgements made by auditor in determining the materiality	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> We have considered total assets to be the most appropriate benchmark because total assets include investment properties, the ownership and valuation of which we consider to be of critical importance to the users of the financial statements and are a key area of audit focus. We have chosen to maintain our materiality level at the same level as determined for the year ended 31 December 2019, as there have been no significant changes to the business in the current year and there were no significant adjustments identified in the prior year which suggested a lower materiality may be necessary. 	<p>In determining materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> We have considered total assets to be the most appropriate benchmark because total assets include investment properties, the ownership and valuation of which we consider to be of critical importance to the users of the financial statements and are a key area of audit focus. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2019 reflecting the decrease in total asset value in the parent company in the year.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£1.75m which was determined based on 70% of financial statement materiality.	£1.60m which was determined based on 70% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> There have been no changes to the business in their operation or financial reporting process. Having audited the group in previous years, we have obtained a good understanding of the entity and its environment. The quality of the control environment. The control environment is deemed to be appropriate and the relevant controls are in place. The nature, volume and low level of misstatements (corrected and uncorrected) in the previous audit. 	
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	

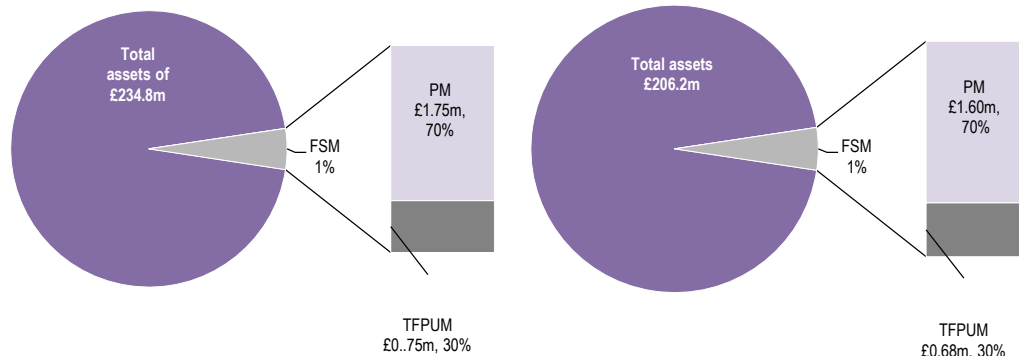
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
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Materiality measure	Group	Parent company
Specific materiality threshold	<p>We applied a lower materiality of £0.6m to revenue, determined with reference to the group's revenue and profitability for the year. We believe misstatement of revenue of a lesser amount than materiality for the financial statements as a whole could reasonably be expected to influence the group's members' assessment of the financial performance of the group.</p> <p>We believe that having a lower materiality applied to revenue reduces the risk of material misstatement that could possibly turn loss into profit. Whilst we do not apply the lower materiality to other balances such as cost of sales and administrative expenses, we consider our testing to be sufficient as we consider them to be stable, and have limited risk associated with them, as transactions affecting these balances are straightforward and involve insignificant levels of judgement or estimation.</p>	Not applicable on the basis no separate parent company statement of comprehensive income is presented.
Specific materiality threshold	We also applied a lower level of specific materiality for Directors' remuneration.	
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Communication of misstatements to the audit committee	£0.125m and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£0.124m and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality – Group

Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

The components of the group were evaluated by the audit team based on a measure of materiality considering each as a percentage of total group assets and revenues to assess the significance of the component and to determine the planned audit response. For significant components requiring a full scope approach we evaluated the processes and controls over the financial reporting system identified as part of our risk assessment, reviewed the financial statement production process and addressed critical accounting matters such as those related to the key audit matter as identified above. We then undertook substantive testing on significant transactions and material account balances.

In order to address the audit risks described above as identified during our planning procedures, we performed a full-scope audit of the financial statements of the parent company, Real Estate Investors PLC. The operation that was subject to full scope audit procedures consists of 97% (2019: 100%) of consolidated revenues and 98% (2019: 99.4%) of the group's total assets. The parent company has the majority of the trade and there is minimal activity in other subsidiaries.

There were three subsidiaries where we have performed specific procedures relating to significant risks of material misstatement of the group financial statements. This includes 3147398 Limited, Southgate Derby Retail Limited and Real Homes One Limited.

The smaller component of the group, Metro Court (WB) Limited, was subjected to analytical procedures over the statements of comprehensive income and statements of financial position of the respective entities with a focus on applicable risks identified and the significance to the group's balances.

Overview of the changes in the current year's scoping from prior year is set out below:

Audit approach	No. of components	% coverage total assets	% coverage revenue
Full-scope audit	1 (2019: 2)	98% (2019: 99.4%)	97% (2019: 100%)
Specific-scope audit	3 (2019: Nil)	2% (2019: Nil)	3% (2019: Nil)
Analytical procedures	1 (2019: 2)	-	-

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

Matters on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on pages 18 and 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent company and the group and industry in which they operate. We determined that the following laws and regulations were most significant: IFRS, Companies Act 2006, QCA Corporate governance code and the relevant tax compliance regulations in the jurisdictions in which the group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to environmental, and bribery and corruption practices;
- We understood how the parent company and the group is complying with those legal and regulatory frameworks by, making inquiries to the management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee;
- We assessed the susceptibility of the parent company's and group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
 - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - challenging assumptions and judgements made by management in its significant accounting estimates;
 - utilising a valuation expert to challenge the assumptions used by management expert in valuing investment properties;
 - identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- We assessed the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement team's:
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates; and
 - understanding of the legal and regulatory requirements specific to the entity including, the provisions of the applicable legislation, the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules and the applicable statutory provision.
- Team communications in respect of potential non-compliance with laws and regulations and presumed risk of fraud around revenue recognition in accordance with ISA UK 240, The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the parent company's and the group's operations, including the nature of its revenue sources and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement; and
 - the applicable statutory provisions.

Use of our report

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

Rebecca Eagle
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
BIRMINGHAM
29 March 2021

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Revenue		16,425	16,596
Cost of sales		<u>(1,397)</u>	<u>(1,485)</u>
Gross profit		15,028	15,111
Administrative expenses		(3,262)	(3,553)
Surplus on sale of investment properties		-	8
Change in fair value of investment properties	9	<u>(27,896)</u>	<u>(4,349)</u>
(Loss)/profit from operations		(16,130)	7,217
Finance income	5	14	41
Finance costs	5	(3,637)	(3,554)
Deficit on financial liabilities at fair value through profit and loss	16	<u>(483)</u>	<u>(41)</u>
(Loss)/profit on ordinary activities before taxation	3	(20,236)	3,663
Income tax charge	6	(405)	-
Net (loss)/profit after taxation and total comprehensive income		<u>(20,641)</u>	<u>3,663</u>
Total and continuing (loss)/earnings per ordinary share			
Basic	7	(11.51)p	1.96p
Diluted	7	<u>(11.51)p</u>	<u>1.93p</u>

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

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

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Other reserve £000	Retained Earnings £000	Total £000
At 1 January 2019	18,642	51,721	45	1,002	57,261	128,671
Share based payment	-	-	-	100	-	100
Dividends	-	-	-	-	(6,991)	(6,991)
Transactions with owners	-	-	-	100	(6,991)	(6,891)
Profit for the year and total comprehensive income	-	-	-	-	3,663	3,663
At 31 December 2019	18,642	51,721	45	1,102	53,933	125,443
Share based payment	-	-	-	(493)	-	(493)
Share buy back	(704)	-	-	-	(1,306)	(2,010)
Transfer re capital	-	-	704	-	(704)	-
Dividends	-	-	-	-	(4,625)	(4,625)
Transactions with owners	(704)	-	704	(493)	(6,635)	(7,128)
Loss for the year and total comprehensive income	-	-	-	-	(20,641)	(20,641)
At 31 December 2020	17,938	51,721	749	609	26,657	97,674

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

REAL ESTATE INVESTORS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Other reserve £000	Retained Earnings £000	Total £000
At 1 January 2019	18,642	51,721	45	1,002	54,119	125,529
Share based payment	-	-	-	100	-	100
Dividends	-	-	-	-	(6,991)	(6,991)
Transactions with owners	-	-	-	100	(6,991)	(6,891)
Profit for the year and total comprehensive income	-	-	-	-	3,954	3,954
At 31 December 2019	18,642	51,721	45	1,102	51,082	122,592
Share based payment	-	-	-	(493)	-	(493)
Share buyback	(704)	-	-	-	(1,306)	(2,010)
Transfer re capital	-	-	704	-	(704)	-
Dividends	-	-	-	-	(4,625)	(4,625)
Transactions with owners	(704)	-	704	(493)	(6,635)	(7,128)
Loss for the year and total comprehensive income	-	-	-	-	(20,430)	(20,430)
At 31 December 2020	17,938	51,721	749	609	24,017	95,034

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

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 £000	2019 £000
Assets			
Non current			
Intangible assets	8	-	-
Investment properties	9	197,520	225,075
Property, plant and equipment	10	5	8
Deferred tax	17	-	405
		<u>197,525</u>	<u>225,488</u>
Current			
Inventories	12	3,796	3,780
Trade and other receivables	13	4,340	2,423
Cash and cash equivalents		4,238	10,092
		<u>12,374</u>	<u>16,295</u>
Total assets		<u><u>209,899</u></u>	<u><u>241,783</u></u>
Liabilities			
Current			
Bank loans	15	(45,579)	(7,368)
Provision for current taxation		(1)	(1)
Trade and other payables	14	(7,336)	(8,113)
		<u>(52,916)</u>	<u>(15,482)</u>
Non current			
Bank loans	15	(55,775)	(97,807)
Financial liabilities	15	(3,534)	(3,051)
		<u>(59,309)</u>	<u>(100,858)</u>
Total liabilities		<u><u>(112,225)</u></u>	<u><u>(116,340)</u></u>
Net assets		<u><u>97,674</u></u>	<u><u>125,443</u></u>

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

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2020

	Note	2020 £000	2019 £000
Equity			
Share capital	18	17,938	18,642
Share premium account		51,721	51,721
Capital redemption reserve		749	45
Other reserve		609	1,102
Retained earnings		<u>26,657</u>	<u>53,933</u>
Total Equity		<u><u>97,674</u></u>	<u><u>125,443</u></u>
Net assets per share		<u><u>54.5p</u></u>	<u><u>67.3p</u></u>

These financial statements were approved and authorised for issue by the Board of Directors on 29 March 2021.

Signed on behalf of the Board of Directors

J R A Crabtree - Chairman

M H P Daly - Finance Director
Company No 5045715

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

REAL ESTATE INVESTORS PLC

COMPANY STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2020

	Note	2020 £000	2019 £000
Assets			
Non current			
Investment properties	9	193,145	220,370
Property, plant and equipment	10	5	8
Investments	11	1,670	1,670
Deferred tax	17	-	405
		<u>194,820</u>	<u>222,453</u>
Current assets			
Inventories	12	2,380	2,380
Trade and other receivables	13	4,884	3,300
Cash and cash equivalents		4,141	10,022
		<u>11,405</u>	<u>15,702</u>
Total assets		<u><u>206,225</u></u>	<u><u>238,155</u></u>
Liabilities			
Current			
Bank loans	15	(45,534)	(7,323)
Trade and other payables	14	(9,992)	(11,076)
Net current liabilities		<u>(55,526)</u>	<u>(18,399)</u>
Non current			
Bank loans	15	(52,131)	(94,113)
Financial liabilities	15	(3,534)	(3,051)
		<u>(55,665)</u>	<u>(97,164)</u>
Total liabilities		<u><u>(111,191)</u></u>	<u><u>(115,563)</u></u>
Net assets		<u><u>95,034</u></u>	<u><u>122,592</u></u>
Equity			
Ordinary share capital	18	17,938	18,642
Share premium account		51,721	51,721
Capital redemption reserve		749	45
Other reserve		609	1,102
Profit and loss account		24,017	51,082
Total Equity		<u><u>95,034</u></u>	<u><u>122,592</u></u>

The company loss for the year was £20,430,000 (2019: profit £3,954,000).

These financial statements were approved by the Board of Directors on 29 March 2021.

Signed on behalf of the Board of Directors

J R A Crabtree - Chairman

M H P Daly - Finance Director

Company No 5045715

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

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 31 December 2020

	2020 £000	2019 £000
Cash flows from operating activities		
(Loss)/profit after taxation	(20,641)	3,663
Adjustments for:		
Depreciation	3	5
Net deficit on valuation of investment property	27,896	4,349
Surplus on sale of investment property	-	(8)
Share based payment	(250)	100
Finance income	(14)	(41)
Finance costs	3,637	3,554
Loss on financial liabilities at fair value through profit and loss	483	41
Income tax charge	405	-
Increase in inventories	(16)	(16)
Increase in trade and other receivables	(1,917)	(146)
Increase in trade and other payables	74	113
	<u>9,660</u>	<u>11,614</u>
Cash flows from investing activities		
Purchase of investment properties	(341)	(10,384)
Purchase of property, plant and equipment	-	(2)
Proceeds from sale of investment properties	-	2,008
Interest received	14	41
	<u>(327)</u>	<u>(8,337)</u>
Cash flows from financing activities		
Interest paid	(3,637)	(3,554)
Share buyback	(2,010)	-
Share based payment	(243)	-
Equity dividends paid	(5,476)	(6,874)
Proceeds from new bank loans	3,500	8,500
Payment of bank loans	(7,321)	(2,100)
	<u>(15,187)</u>	<u>(4,028)</u>
Net decrease in cash and cash equivalents	(5,854)	(751)
Cash and cash equivalents at beginning of period	10,092	10,843
Cash and cash equivalents at end of period	<u>4,238</u>	<u>10,092</u>

NOTES:

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

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

REAL ESTATE INVESTORS PLC

COMPANY STATEMENT OF CASHFLOWS

For the year ended 31 December 2020

	2020	2019
	£000	£000
Cash flows from operating activities		
(Loss)/profit after taxation	(20,430)	3,954
Adjustments for:		
Depreciation	3	5
Net deficit on valuation of investment property	27,566	3,884
Loss on sale of investment property	-	-
Share based payment	(250)	100
Finance income	(14)	(41)
Finance costs	3,411	3,327
Deficit on financial liabilities at fair value through profit and loss	483	41
Income tax charge	405	-
Increase in inventories	-	-
(Increase)/decrease in trade and other receivables	(1,584)	1,334
(Decrease)/increase in trade and other payables	(233)	734
	<u>9,357</u>	<u>13,338</u>
Cash flows from investing activities		
Purchase of investment properties	(341)	(10,384)
Purchase of property, plant and equipment	-	(2)
Proceeds from sale of investment properties	-	-
Interest received	14	41
	<u>(327)</u>	<u>(10,345)</u>
Cash flows from financing activities		
Interest paid	(3,411)	(3,327)
Share buyback	(2,010)	-
Share based payment	(243)	-
Equity dividends paid	(5,476)	(6,874)
Proceeds from new bank loans	3,500	8,500
Payment of bank loans	(7,271)	(2,052)
	<u>(14,911)</u>	<u>(3,753)</u>
Net decrease in cash and cash equivalents	(5,881)	(760)
Cash and cash equivalents at beginning of period	10,022	10,782
Cash and cash equivalents at end of period	<u>4,141</u>	<u>10,022</u>

NOTES

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

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

REAL ESTATE INVESTORS PLC**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2020

1. Accounting policies

The financial statements have been prepared under the historical cost convention, except for the revaluation of properties and financial instruments held at fair value through profit and loss, and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The principal accounting policies of the Group are set out below and are consistent with those applied in the 2019 financial statements, except where new standards have been issued and applied retrospectively. Further details of these standards and their application by the Group are set out on pages 50 and 51.

Going concern

The Group has prepared and reviewed forecasts and made appropriate enquiries which indicate that the Group has adequate resources to continue in operational existence for the foreseeable future. These enquiries considered the following:

- the significant cash balances the Group holds and the low levels of historic and projected operating cash outflows
- any property purchases will only be completed if cash resources or loans are available to complete those purchases
- the Group's bankers have indicated their continuing support for the Group. On 1 March 2021 the Group renewed the £51 million facility with National Westminster Bank PLC for 3 years at 2.25% above LIBOR. In addition, the Group is in negotiation to renew the facility of £4.2 million with Allied Irish Bank (GB) plc for a further 5 years.
- Management have performed various sensitivities which demonstrate that the group has sufficient cash resources to continue in operational existence for the foreseeable future.
- The directors have at the time of approving these financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future being a period of not less than 12 months from the date of approval of these financial statements.

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

Business combinations

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

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

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

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

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

No statement of comprehensive income is presented for the Company as permitted by Section 408 of the Companies Act 2006. The Company's loss for the financial year was £20,430,000 (2019: profit £3,954,000).

REAL ESTATE INVESTORS PLC**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2020

1. Accounting policies (continued)**Investments**

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

Income recognition

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

Rental income

The Group's accounting policy under IFRS 16 has not changed from the comparative period. As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Rental income arising from operating leases on properties owned by the Group is accounted for on a straight line basis over the period commencing on the later of the start of the lease or acquisition of the property by the Group, and ending on the end of the lease, unless it is reasonably certain that the break option will be exercised. Any incentive for lessees to enter into a lease agreement and any costs associated with entering into the lease are spread over the same period.

Sale of properties

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

Investment properties

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

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

Investment properties are subsequently valued externally or by the directors on an open market basis at the balance sheet date and recorded at valuation. Any surplus or deficit arising on revaluing investment properties is recognised in profit or loss in the period in which they arise. The valuations exclude prepaid or accrued operating lease income, because it is recognised as a separate liability or asset.

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

Leasehold improvements and office equipment

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

Leasehold improvements	-	length of lease
Office equipment	-	five years

Residual values and useful lives are reassessed annually.

Inventories

Inventories are held at the lower of cost and net realisable value. Cost includes all fees relating to the purchase of the property and improvement expenses. Net realisable value is based on estimated selling price less future costs expected to be incurred to sale. Any provisions to impair inventories below cost are reversed in future periods if market conditions subsequently support a higher fair value but only up to a maximum of the original cost.

REAL ESTATE INVESTORS PLC**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2020

1. Accounting policies (continued)**Operating leases****Group company is the lessor**

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

Taxation

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

The Group elected for Real Estate Investment Trust (REIT) status with effect from 1 January 2015. As a result, providing certain conditions are met, the Group's profits from property investment are exempt from United Kingdom corporation tax. Therefore, for 2019 there is no income tax payable on the Group's property investment transactions and no provision for deferred tax arising on the revaluation of properties or on unused trading losses, substantially all of which relate to property investment.

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

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

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

REAL ESTATE INVESTORS PLC**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020

1. Accounting policies (continued)**Financial assets**

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

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

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

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

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

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

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

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

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'.

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

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

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

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

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

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

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

REAL ESTATE INVESTORS PLC**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020

1. Accounting policies (continued)**Cash and cash equivalents**

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

Equity

- Share capital represents the nominal value of equity shares that have been issued.
- Share premium represents the excess over nominal value of the fair value of the consideration received for equity shares, net of expenses of the share issue.
- The capital redemption reserve represents the nominal value of shares cancelled on the purchase of own shares in order to maintain the capital base of the Group.
- Other reserves represent the cumulative amount of the share based payment expense.
- Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.
- Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

Financial liabilities

The Group's financial liabilities include bank loans and overdrafts, trade and other payables and liabilities at fair value through profit and loss. Additionally, the parent company's financial liabilities include amounts owed to subsidiary undertakings.

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

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

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

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

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

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

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

Classification as equity or financial liability

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

REAL ESTATE INVESTORS PLC**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2020

1. Accounting policies (continued)

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

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

Share warrants and share options

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

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

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

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

Share based payments

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

Segmental reporting

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

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

New standards adopted for the year ended 31 December 2020

Certain new standards applicable during the year would not have a material impact on the Group and so have not been adopted.

REAL ESTATE INVESTORS PLC**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2020

1. Accounting policies (continued)**Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group**

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

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

Critical accounting estimates and assumptions

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

Investment property valuation

The Group uses the valuations performed by its independent valuers or the directors as the fair value of its investment properties. The valuation is based upon assumptions including future rental income, anticipated maintenance costs, the appropriate discount rate and post year end sales values. The valuer and directors also make reference to market evidence of transaction prices for similar properties. The impact of changes in property yields used to ascertain the valuation of investment properties are considered (see notes 15 and 16).

Critical judgements in applying the Group's accounting policies

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

Surrender premiums

The Group is required to judge whether amounts due under lease surrenders are sufficiently irrevocable that income can be accrued. Judgement is also required in establishing whether income relates to an exit fee for terminating the leased asset (recognised immediately), or whether it represents accelerated rental income (recognised over the remaining lease term). Surrender premiums received during the year are shown in note 2.

REAL ESTATE INVESTORS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. Accounting policies (continued)

REIT status

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

Investment entity status

Following the conversion of the Group to REIT status during 2015, the directors have considered the criteria of the International Accounting Standards Board's publication 'Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27' and are satisfied that the Group does not meet the definitions of an investment entity and as such it remains appropriate to consolidate all of the subsidiaries.

2. Segmental information

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

		Investment in and trading of properties	
		2020	2019
		£000	£000
Segment revenues	- Rental income	15,691	16,401
	- Surrender premiums	734	195
		16,425	16,596
Cost of sales	- Direct costs	(1,397)	(1,485)
		15,028	15,111
Administrative expenses		(3,262)	(3,553)
Surplus on disposal of investment property		-	8
Deficit on valuation of investment properties		(27,896)	(4,349)
Segment operating (loss)/profit		(16,130)	7,217
Segment assets		209,899	241,783

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

	2020	2019
	£000	£000
Finance income	14	41
Finance costs	(3,637)	(3,554)
Depreciation	(3)	(5)
Income tax charge	405	-

Revenue from external customers and non current assets arises wholly in the United Kingdom. All revenue for the year is attributable to the principal activities of the Group. Revenue from the largest customer represented 3% (2019: 3%) of the total rental income revenue for the period.

REAL ESTATE INVESTORS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after:

	2020 £000	2019 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	33	29
Fees payable to the Company's auditor for other services		
Audit of the accounts of the subsidiaries	19	18
Depreciation of owned property and equipment	3	5
Lease payments	183	183

4. Directors and employees

Staff costs during the period were as follows:

	2020 £000	2019 £000
Wages and salaries	1,321	2,144
Social security costs	227	279
Share based payment (credit)/charge	(250)	100
	<u>1,298</u>	<u>2,523</u>

The average number of employees (including executive directors) of the Group and the Company during the period was eight (2019: eight), all of whom were engaged in administration. The executive and non-executive directors are also the key management personnel of the Group and the Company and details of their remuneration are included within the directors' remuneration report on pages 26 and 27.

5. Finance income/finance costs

	2020 £000	2019 £000
Finance income:		
Interest receivable	14	41
Finance costs:		
Interest payable on bank loans	(3,637)	(3,554)

6. Income tax charge

	2020 £000	2019 £000
Result for the year before tax	(20,236)	3,663
Tax rate	<u>19%</u>	<u>19%</u>
Expected tax charge	(3,845)	696
REIT exempt income and gains	<u>4,250</u>	<u>(696)</u>
Actual tax charge	<u>405</u>	<u>-</u>

REAL ESTATE INVESTORS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. Income tax charge (continued)

Tax charge comprises:

Current tax	-	(22)
Deferred tax charge (note 17)	<u>405</u>	<u>135</u>
	<u>405</u>	<u>113</u>

7. Earnings per share

The calculation of earnings per share is based on the result for the year after tax and on the weighted average number of shares in issue during the year.

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

	Loss £000	2020 Average number of shares	Earnings per Share	Earnings £000	2019 Average number of shares	Earnings per share
Basic (loss)/earnings per share	(20,641)	179,377,898	(11.51)p	3,663	186,420,598	1.96p
Diluted (loss)/earnings per share	(20,641)	183,369,382	(11.51)p	3,663	190,176,814	1.93p

The European Public Real Estate Association indices below have been included in the financial statements to allow more effective comparisons to be drawn between the Group and other businesses in the real estate sector.

EPRA EPS per share

	Earnings £000	2020 Shares No	Earnings per Share p	Earnings £000	2019 Shares No	Earnings per share P
Basic (loss)/earnings per share	(20,641)	179,377,898	(11.51)	3,663	186,420,598	1.96
Net loss on valuation of investment properties	27,896			4,349		
Profit on disposal of investment properties	-			8		
Change in fair value of derivatives	483			41		
Deferred tax	<u>405</u>			<u>-</u>		
EPRA earnings per share	<u>8,143</u>	<u>179,377,898</u>	<u>4.54</u>	<u>8,045</u>	186,420,598	4.32

REAL ESTATE INVESTORS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. Earnings per share (continued)**EPRA NAV per share**

	2020		Net asset value per share P	2019		Net asset value per share P
	Net assets	Shares		Net assets	Shares	
	£000	No		£000	No	
Basic	97,674	179,377,898	54.5	125,443	186,420,598	67.3
Dilutive impact of share options and warrants	-	3,991,484		-	3,756,216	
Diluted	97,674	183,369,382	53.3	125,443	190,176,814	66.0
Adjustment to fair value of derivatives	3,534	-		3,051	-	
Deferred tax	-	-		(405)	-	
EPRA NAV	101,208	183,369,382	55.2	128,089	190,176,814	67.4
Adjustment to fair value of derivatives	(3,534)	-		(3,051)	-	
Deferred tax	-	-		405	-	
EPRA NNNNAV	97,674	183,369,382	53.3	125,445	190,176,814	66.0

8. Intangible assets

	Goodwill £000
Gross carrying amount	
Cost	
At 1 January 2020 and 31 December 2020	<u>171</u>
Accumulated impairment losses	
At 1 January 2020	171
Charge for the year	-
31 December 2020	<u>171</u>
Net book amount at 31 December 2020	<u>-</u>
Net book amount at 31 December 2019	<u>-</u>

REAL ESTATE INVESTORS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. Investment properties

Group

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

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

	£000
Carrying amount at 1 January 2019	221,040
Additions - acquisition of new properties	9,723
Additions - subsequent expenditure	661
Disposals	(2,000)
Change in fair value	<u>(4,349)</u>
	225,075
Carrying amount at 31 December 2019	
Additions - acquisition of new properties	-
Additions - subsequent expenditure	341
Disposals	-
Change in fair value	<u>(27,896)</u>
Carrying amount at 31 December 2020	<u>197,520</u>

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

	2020	2019
	£000	£000
At professional valuation	190,220	209,350
At directors' valuation	7,300	15,725
	<u>197,520</u>	<u>225,075</u>

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

	2020	2019
	£'000	£'000
Cost and net book amount at 31 December	<u>225,988</u>	<u>225,647</u>

REAL ESTATE INVESTORS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. Investment properties (continued)

Company	£000
Carrying amount at 1 January 2019	213,870
Additions	10,384
Disposals	-
Change in fair value	(3,884)
Carrying amount at 31 December 2019	220,370
Additions	341
Disposals	-
Change in fair value	(27,566)
Carrying amount at 31 December 2020	193,145

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

	Investment properties	
	2020	2019
	£000	£'000
At professional valuation	186,875	204,645
At directors' valuation	6,270	15,725
	<u>193,145</u>	<u>220,370</u>

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

	Investment properties	
	2020	2019
	£'000	£000
Cost and net book amount at 31 December	<u>221,797</u>	<u>221,456</u>

Investment properties are either leased to third parties on operating leases or are vacant. Rental income from investment properties in the year ended 31 December 2020 was £16,425,000 (2019: £16,596,000) and direct operating expenses in relation to those properties were £1,329,000 (2019: £1,409,000). Direct operating expenses in relation to those properties which did not generate rental income in the period were £68,000 (2019: £76,000).

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

The valuation at 31 December 2020 has in the main been carried out by Cushman & Wakefield Debenham Tie Leung Limited, Colliers and Jones Lang Lasalle Limited, independent professional valuers, on certain properties and the directors on the remaining properties. All professional valuers have recent experience in the location and type of properties held. Directors' valuations are reflected at values as per sales agreements or recent purchases. An insignificant level of the portfolio is unencumbered.

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

REAL ESTATE INVESTORS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. Property, plant & equipment**Group and Company**

	Leasehold Improvements £000	Office Equipment £000	Total £000
Gross carrying amount			
At 31 December 2019	112	82	194
Additions	-	-	-
At 31 December 2020	<u>112</u>	<u>82</u>	<u>194</u>
Depreciation and Impairment			
At 31 December 2019	112	74	186
Charge for the year	-	3	3
At 31 December 2020	<u>112</u>	<u>77</u>	<u>189</u>
Net book carrying amount			
At 31 December 2020	<u>-</u>	<u>5</u>	<u>5</u>
At 31 December 2019	<u>-</u>	<u>8</u>	<u>8</u>

11. Interests in subsidiaries

	2020 £000	2019 £000
Cost		
At 1 January	4,223	4,223
Provision for impairment	<u>(2,553)</u>	<u>(2,553)</u>
At 31 December	<u>1,670</u>	<u>1,670</u>

At 31 December 2020 and 31 December 2019 the Company wholly owned the following subsidiaries:

Name	Principal activity	Country of incorporation
3147398 Limited	Property investment	England and Wales
Metro Court (WB) Limited	Property investment	Dormant
Southgate Derby Retail Limited	Property investment	England and Wales
Real Homes One Limited	Property trading	England and Wales

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

REAL ESTATE INVESTORS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

12. Inventories

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Land held for trading	3,796	3,780	2,380	2,380

All land held for trading is included at the lower of cost and net realisable value, being their fair value less costs to sell. No inventory (2019: £nil), is pledged as security for bank loans.

13. Trade and other receivables

	Group		Company	
	2019 £000	2018 £000	2020 £000	2019 £000
Trade receivables	1,884	190	1,734	157
Amounts owed by subsidiary undertakings	-	-	774	1,014
Other receivables	139	139	139	139
Prepayments and accrued income	2,317	2,094	2,237	1,990
	4,340	2,423	4,884	3,300

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 £143,000 (2019: £118,000) has been recorded accordingly. The movement in the provision for impairment during the year is as follows:

	Group and Company	
	2020 £000	2019 £000
At 1 January	118	93
Increase in provision	825	25
Debts written off	(800)	-
At 31 December	143	118

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

	Group and Company	
	2020 £000	2019 £000
Not more than three months past due	286	2
More than three months but no more than six months past due	179	9
	465	11

REAL ESTATE INVESTORS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

13. Trade and other receivables (continued)

Financial assets by category

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

Group

	2020			2019		
	Financial assets at amortised cost £000	Non financial assets £000	Balance sheet total £000	Financial assets at amortised cost £000	Non financial Assets £000	Balance sheet total £000
Trade receivables	1,884	-	1,884	190	-	190
Other receivables	139	-	139	139	-	139
Prepayments and accrued income	-	2,317	2,317	-	2,094	2,094
Cash and cash equivalents	4,238	-	4,238	10,092	-	10,092
	6,261	2,317	8,578	10,421	2,094	12,125

Company

	2020			2019		
	Financial assets at amortised cost £000	Non financial assets £000	Balance sheet total £000	Financial assets at amortised cost £000	Non financial assets £000	Balance sheet total £000
Trade receivables	1,734	-	1,734	157	-	157
Amounts owed by subsidiary undertakings	774	-	774	1,014	-	1,014
Other receivables	139	-	139	139	-	139
Prepayments and accrued income	-	2,237	2,237	-	1,990	1,990
Cash and cash equivalents	4,141	-	4,141	10,022	-	10,022
	6,788	2,237	9,025	11,332	1,990	13,322

REAL ESTATE INVESTORS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. Trade and other payables

	Group			Company
	2019 £000	2019 £000	2020 £000	2019 £000
Trade payables	562	436	531	402
Amounts owed to subsidiary undertakings	-	-	3,151	3,172
Other payables	884	470	574	460
Social security and taxation	1,802	656	1,772	640
Accrual and deferred income	3,191	4,803	3,067	4,654
Dividend payable	897	1,748	897	1,748
	7,336	8,113	9,992	11,076

Financial liabilities by category

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

Group

	2020				2019			
	Financial liabilities at fair value through profit and loss £000	Other financial liabilities at amortised cost £000	Non-financial liabilities £000	Balance sheet total £000	Financial liabilities at fair value through profit and loss £000	Other financial liabilities at amortised cost £000	Non-financial liabilities £000	Balance sheet total £000
Current								
Bank loans	-	45,579	-	45,579	-	7,368	-	7,368
Provision for current taxation	-	-	1	1	-	-	1	1
Trade payables	-	562	-	562	-	436	-	436
Other payables	-	884	-	884	-	470	-	470
Social security and taxation	-	-	1,802	1,802	-	-	656	656
Accruals and deferred income	-	903	2,288	3,191	-	2,121	2,682	4,803
Dividend payable	-	897	-	897	-	1,748	-	1,748
	-	48,825	4,091	52,916	-	12,143	3,339	15,482
Non-current								
Bank loans	-	55,775	-	55,775	-	97,807	-	97,807
Financial instruments	3,534	-	-	3,534	3,051	-	-	3,051
	3,534	55,775	-	59,309	3,051	97,807	-	100,858
	3,534	104,600	4,091	112,225	3,051	109,950	3,339	116,340

REAL ESTATE INVESTORS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. Trade and other payables (continued)

Company

	2020				2019			
	Financial liabilities at fair value through profit and loss £000	Other financial liabilities at amortised cost £000	Non-financial liabilities £000	Balance sheet total £000	Financial liabilities at fair value through profit and loss £000	Other financial liabilities at amortised cost £000	Non-financial liabilities £000	Balance sheet total £000
Current								
Bank loans	-	45,534	-	45,534	-	7,323	-	7,323
Provision for current taxation	-	-	-	-	-	-	-	-
Trade payables	-	531	-	531	-	402	-	402
Amounts owed to subsidiary undertakings	-	3,151	-	3,151	-	3,172	-	3,172
Other payables	-	574	-	574	-	460	-	460
Social security and taxation	-	-	1,772	1,772	-	-	640	640
Accruals and deferred income	-	845	2,222	3,067	-	2,062	2,592	4,654
Dividend payable	-	897	-	897	-	1,748	-	1,748
	-	51,532	3,994	55,526	-	15,167	3,232	18,399
Non-current								
Bank loans	-	52,131	-	52,131	-	94,113	-	94,113
Financial instruments	3,534	-	-	3,534	3,051	-	-	3,051
	3,534	52,131	-	55,665	3,051	94,113	-	97,164
	3,534	103,663	3,994	111,191	3,051	109,280	3,232	115,563

REAL ESTATE INVESTORS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. Financial risk management objectives and policies

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

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

Credit risk

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

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

	2020 £000	2019 £000
Cash and cash equivalents	4,238	10,092
Trade and other receivables	1,884	190
	<u>6,122</u>	<u>10,282</u>

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

The Group and Company's management consider that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. In respect of trade and other receivables, the Group or Company are not exposed to any significant risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Liquidity risk

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

REAL ESTATE INVESTORS PLC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. Financial risk management objectives and policies (continued)

Bank loans

The Group and Company borrowings analysis (all of which are undiscounted) at 31 December 2020 is as follows:

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
In less than one year:				
Bank borrowings	45,579	7,371	45,534	7,323
In more than one year but less than two years:				
Bank borrowings	10,384	55,584	10,334	55,534
In more than two years but less than five years:				
Bank borrowings	33,560	30,060	33,020	29,520
In more than five years				
Bank borrowings	12,271	12,673	9,217	9,572
Deferred arrangement costs	(440)	(513)	(440)	(513)
	101,354	105,175	97,665	101,463
Financial instruments*	3,534	3,051	3,534	3,051
	104,888	108,226	101,199	104,487

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

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

	Group			
	2020 £000	2020 £000	2019 £000	2019 £000
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
At 1 January	7,368	97,807	364	98,411
Reclassification	45,532	(45,532)	9,104	(9,104)
Proceeds from new bank loans	-	3,500	-	8,500
Repayment of bank loans	(7,321)	-	(2,100)	-
At 31 December	45,579	55,775	7,368	97,807

	Company			
	2020 £000	2020 £000	2019 £000	2019 £000
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
At 1 January	7,323	94,113	319	94,669
Reclassification	45,282	(45,282)	9,056	(9,056)
Proceeds from new bank loans	-	3,500	-	8,500
Repayment of bank loans	(7,271)	-	(2,052)	-
At 31 December	45,334	52,331	7,323	94,113

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15. Financial risk management objectives and policies (continued)

Maturity of financial liabilities

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

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
In less than one year:				
Trade payables	562	436	531	402
Amount owed to subsidiary undertakings	-	-	3,151	3,172
Other payables	884	470	574	460
Accruals	903	2,121	845	2,062
Dividend	897	1,748	897	1,748
Bank borrowings	48,131	11,181	47,878	10,905
	51,377	15,956	53,876	18,749
In more than one year but less than two years:				
Bank borrowings	2,796	50,847	2,544	50,295
In more than two years but less than five years:				
Bank borrowings	47,015	45,755	46,259	44,927
In more than five years				
Bank borrowings	14,643	19,159	10,394	14,040
	115,831	131,717	113,073	128,011

The Group and Company has entered into interest rate swap agreements to cover £10 million of its bank borrowings with Lloyds Banking Group. These contracts are considered by management to be part of economic hedge arrangements but have not been formally designated. The effect of the remaining agreement is to fix the interest payable on a notional £10 million at a rate of 4.75%; unless the actual rate is between 3.65% and 4.75% in which case the actual rate is paid or unless the rate is above 4.75% in which case 3.65% is paid plus a margin of 2.45%. The agreement expires in February 2028. At 31 December 2020 the fair value of this arrangement based on a valuation provided by the Group's bankers was a liability of £3,534,000 (2019: £3,051,000).

Borrowing facilities

The Group and Company has undrawn committed borrowing facilities at 31 December 2020 of £Nil (2019: £Nil).

Market risk

Interest rate risk

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

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15. Financial risk management objectives and policies (continued)

The interest rate exposure of the financial liabilities of the Group and Company at 31 December 2020 was:

Bank loans	Interest %	Expiry Date	Group		Company	
			2020 £000	2019 £000	2020 £000	2019 £00
Fixed until December 2023	3.20	December 2023	10,000	10,000	10,000	10,000
Fixed until December 2023	2.20	December 2023	12,000	-	12,000	-
Fixed until February 2021	2.75	February 2021	41,000	41,000	41,000	41,000
Fixed until January 2030	6.04	January 2030	3,689	3,739	-	-
Fixed until March 2030	6.27	March 2030	643	658	643	658
Fixed until May 2030	5.78	May 2030	1,338	1,365	1,338	1,365
Fixed until March 2031	5.47	March 2031	638	657	638	657
Fixed until March 2027	5.16	March 2027	8,286	8,580	8,286	8,580
Cap and collar agreement until January 2028	4.75 cap	January 2028	10,000	10,000	10,000	10,000
Variable rate			14,200	29,689	14,200	29,689
			101,794	105,688	98,105	101,949
Loan arrangement fees			(440)	(513)	(440)	(513)
			101,354	105,175	97,665	101,346

The Directors consider the fair value of the loans not to be significantly different from their carrying value.

The following table illustrates the sensitivity of the net result after tax and equity to a reasonably possible change in interest rates of + half a percentage point (2019: + half a percentage point) with effect from the beginning of the year:

	2020 £'000	2019 £000
Decrease in result after tax and equity	<u>71</u>	<u>143</u>

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

Property yield risk

The valuation of investment properties is dependent on the assumed rental yields. However, the impact on the net result after tax and equity is difficult to estimate as it inter relates with other factors affecting investment property values.

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15. Financial risk management objectives and policies (continued)**Capital risk management**

The Group and Company's objectives when managing capital are:

- to safeguard the ability to continue as a going concern, so that they continue to provide returns and benefits for shareholders;
- to ensure that key bank covenants are not breached
- to maintain sufficient facilities for operating cashflow needs and to fund future property purchases
- to support the Group and Company's stability and growth;
- to provide capital for the purpose of strengthening the risk management capability;
- to provide capital for the purpose of further investment property acquisitions; and
- to provide an adequate return to shareholders.

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

16. Fair value disclosures

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

Fair value measurement of financial instruments

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

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

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

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial liabilities measured at fair value on a recurring basis in the statement of financial position, which relate to interest rate swaps, are grouped into the fair value hierarchy as follows:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Interest rate swap agreements:				
At 1 January 2019	-	3,010	-	3,010
Hedge settlement payment	-	-	-	-
Income statement - deficit	-	41	-	41
At 31 December 2019	-	3,051	-	3,051
Income statement - deficit	-	483	-	483
At 31 December 2020	-	3,534	-	3,534

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

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16. Fair value disclosures (continued)**Measurement of other financial instruments**

The measurement methods for financial assets and liabilities accounted for at amortised cost are described below:

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

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

Bank loans and overdrafts

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

Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2020.

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investment property:				
Group - held to earn rentals and for capital appreciation	-	-	197,520	197,520
Company - held to earn rentals and for capital appreciation	-	-	193,145	193,145

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

	Investment properties	
	Group £000	Company £000
At 1 January 2020	225,075	220,370
Acquired during the year	341	341
Disposals during the year	-	-
Gains recognised in profit and loss	(27,896)	(27,566)
- increase in fair value		
At 31 December 2020	197,520	193,145

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

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

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

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

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16. Fair value disclosures (continued)

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

17. Deferred taxation

The movement in deferred taxation assets is as follows:

	Group and Company	
	2020	2019
	£000	£000
At 1 January	405	405
Income statement (note 6)	(405)	-
At 31 December	-	405

The deferred tax asset arising from temporary differences can be summarised as follows:

	Group and Company	
	2020	2019
	£'000	£'000
Financial instrument	-	405
	-	405

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

Deferred tax has been provided on all temporary differences as the interest rate swap liability will ultimately reverse regardless of movements in future interest rates.

18. Share capital

	2020	2020	2019	2019
	Number of	£000	Number of	£000
	Shares		Shares	
Allotted, issued and fully paid:				
Ordinary shares of 10p	179,377,898	179,378	186,420,598	18,642

During the year the Board approved the terms of a share buy back programme to buy back the company's ordinary shares of 10 pence each with an aggregate market value of £2 million. Between 20 October 2020 and 27 November 2020, the Company repurchased 7,042,700 shares at an average price of 28.4 pence per share. These shares were subsequently cancelled,

At the Annual General Meeting held in June 2010 a resolution was passed approving the adoption of a new Long Term Incentive Plan (LTIP). On 8 June 2015, the terms of the LTIP were revised and previous options cancelled. As the previous options were deemed unlikely to be exercised, as in previous years there was no charge made to the profit and loss account on cancellation. The proposed LTIP is designed to promote retention and incentivise the executive directors to grow the value of the Group and to maximise returns:

- The LTIP has a ten year life from January 2010 to December 2019.
- Performance conditions:
 - 50% of the award subject to absolute NAV growth plus dividends with threshold vesting - 30% of this part of the award - at 8.5% annual growth including dividends and full vesting at 14.0% annual growth

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- 50% subject to absolute total shareholder return (share price growth plus dividends) with threshold vesting - 30% of this part of the award - at 8.5% annual growth and full vesting at 14.0%

18. Share capital (continued)

- Amounts payable will be satisfied in full (save as below) by the issue of Ordinary shares or the grant of zero/nominal cost options to any participant. The price at which shares will be issued will be the weighted average mid-market closing price for the first 20 business days following announcement of the latest full year results. On issue, the Ordinary shares will rank *pari passu* with the existing issued Ordinary shares.
- The number of Ordinary shares which can be issued under the LTIP is limited to 10% of the Company's then issued share capital. Any excess earned above this level will be paid in cash provided that the remuneration committee consider it prudent to do so at that stage, otherwise payment will be deferred until the remuneration committee deem it prudent.
- The remuneration committee may from time to time make any alteration to the plan which it thinks fit, including for legal, regulatory or tax reasons, in order to ensure the smooth workings of the plan in line with its objectives.
- Conditional awards of shares made each year
- Awards vest after three years subject to continued employment and meeting objective performance conditions

On 27 March 2020, 25 March 2019 and 19 March 2018 the Group granted certain employees options under the scheme which entitles them to subscribe for or acquire ordinary shares in the company at a price of 10p per share (in the case of new ordinary shares) or 0p per share (in the case of a transfer of existing shares). The grant and exercise of the options is subject to the rules of the LTIP and cannot be exercised unless the relevant performance criteria are met, as discussed above, and the total award is capped at a maximum value of shares at the time of exercise, not a specific number of shares.

The weighted average fair value of the awards made is 59p per option, the binomial option pricing model with a volatility of 25% (based on the weighted average share price movements over the last 3 years), a dividend yield of 5.5%, a risk free rate of 1.5%, an expected weighted average life of 5 years, a weighted average exercise price of 0.5p option at the year end is estimated as 3,991,484 (2019: 3,756,216). As the award has a maximum value the actual number of shares which will be issued when the option is exercised will depend on the market value of the shares at the time of exercise.

During the year a provision of £250,000 was released (2019: charge £100,000) as an employee remuneration expense, all of which relates to equity-settled share based payment transactions, and has been included in profit or loss and credited to retained earnings. Based on the results and the share price for 2020 none of the options granted in 2018 are likely to vest.

The remuneration committee have agreed to instruct remuneration experts in the current year to recommend an appropriate plan for the future. In the interim the committee agreed to extend the current plan for a further year, but in the current climate reduced the entitlement by one third.

19. Leases**The Group as lessee**

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight line basis. At 31 December 2020 the Group was committed to short term leases and the total commitment at that date was £71,000 (2019: £71,000).

At 31 December 2020 and 31 December 2019 the Group had lease commitments on two long leasehold properties within its portfolio. These are held as investment properties and measured and disclosed within these financial statements in accordance with IAS 40 (see note 9). The Group pays peppercorn rents on these properties and under IFRS 16, the associated lease liability is not material and as such the more extensive disclosures required by that Standard are not presented as they are not material.

The Group as lessor

Non-cancellable operating lease commitments receivable:

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	2020 £000	2019 £000
Within one year	1,451	1,550
Later than one year but not later than five years	19,771	18,568
Later than five years	58,834	63,179
	<u>80,056</u>	<u>83,297</u>

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 2020 or at 31 December 2019.

21. Capital commitments

Capital commitments authorised at 31 December 2020 were £nil (2019: £nil).

22. Pension scheme

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

23. Related party transactions

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

The executive and non-executive directors are also the key management personnel and details of their remuneration are included within the directors' remuneration report on pages 26 and 27.

During the period the Company and Group paid agency fees of £131,000 (2019: £47,000) in respect of professional services and rent and service charges of £195,000 (2019: £197,000) to Bond Wolfe, a partnership in which P P S Bassi is a partner. Amounts outstanding owed to Bond Wolfe at the year end were £25,500 (2019: £171). It also received rent income of £56,250 (2019: £75,000) from Bond Wolfe during the year. Amounts outstanding from Bond Wolfe at the year end were £1,400 (2019: £22,500).

During the period the Company's transactions with subsidiary companies related to inter-company dividends and repayment of loans. Details of amounts outstanding at 31 December 2020 are shown in notes 13 and 14.

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

	2020 £000	2019 £000
J R Crabtree	8	10
W Wyatt	4	6
P London	3	4
P P S Bassi	309	385
M H P Daly	<u>58</u>	<u>70</u>