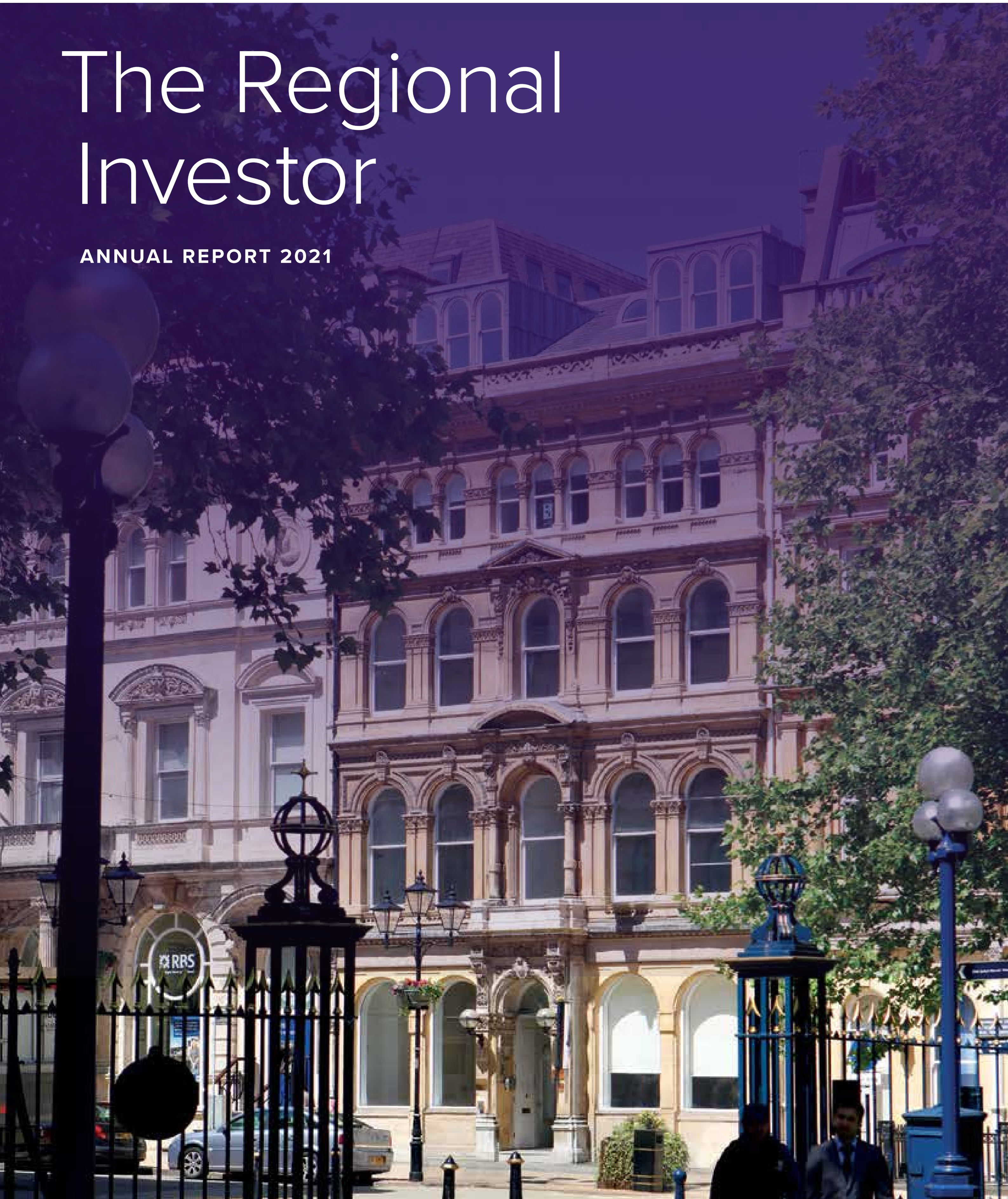
REI

Real Estate Investors Plc

The Regional Investor

ANNUAL REPORT 2021



Welcome to

Real Estate Investors Plc

The UK's only Midlands-focused Birmingham-based Real Estate Investment Trust (REIT), with a portfolio of 1.5 million sq. ft. of commercial investment property across all sectors.

Uniquely positioned in the vibrant economy of the Midlands, home to the 2022 Commonwealth Games, REI Plc's £190 million portfolio is diversified by sector, asset and tenant and is internally managed by an experienced team of property professionals. Active asset management is at the core of the value-add business model and the Company strives to achieve maximum income and capital growth to support its dividend policy and deliver attractive returns.

Front cover image:
75-77 COLMORE ROW, BIRMINGHAM, (REI PLC HEAD OFFICE)

Image on the left:
33 BENNETTS HILL, BIRMINGHAM

2021 Overview

Financial highlights

£13.9m	£16.0m	3.7p	3.0625p	58.8p
Profit before tax	Revenue	EPRA EPS	per share Total Dividend for 2021	EPRA NTA per share
42.2%	**3.5%**	**£188.5m**	**£14.3m**	**£6.4m**
Net LTV	Average low cost of debt	Like for like valuation	Like for like rental income	Underlying profit before tax*

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

Operational highlights

£14.3m p.a.	£190.8m	85.75%
Contracted rental income	Gross property assets	Occupancy

- Final dividend of 0.8125p per share, paid in April 2022 as a Property Income Distribution (PID)
- Total fully covered dividend per share for 2021 of 3.0625p (FY 2020: 3p) up 2.08%
- Completed 15 disposals totalling £17.55 million (an aggregate uplift of 7.3% before costs above December 2020 valuation)
- Disposal proceeds used to pay down £11.9 million of debt in 2021
- Near normal rent collection levels for 2021 of 97.81% (2020 Overall collection: 96.35%) (adjusted for monthly/deferred agreements)
- Completed 54 lease events during the period
- Improved WAULT to 5.03 years to break and 6.76 years to expiry (FY 2020: 4.84 years /6.54 years)
- £1.115 million disposals completed since year end at 12.6% above 2020 book value

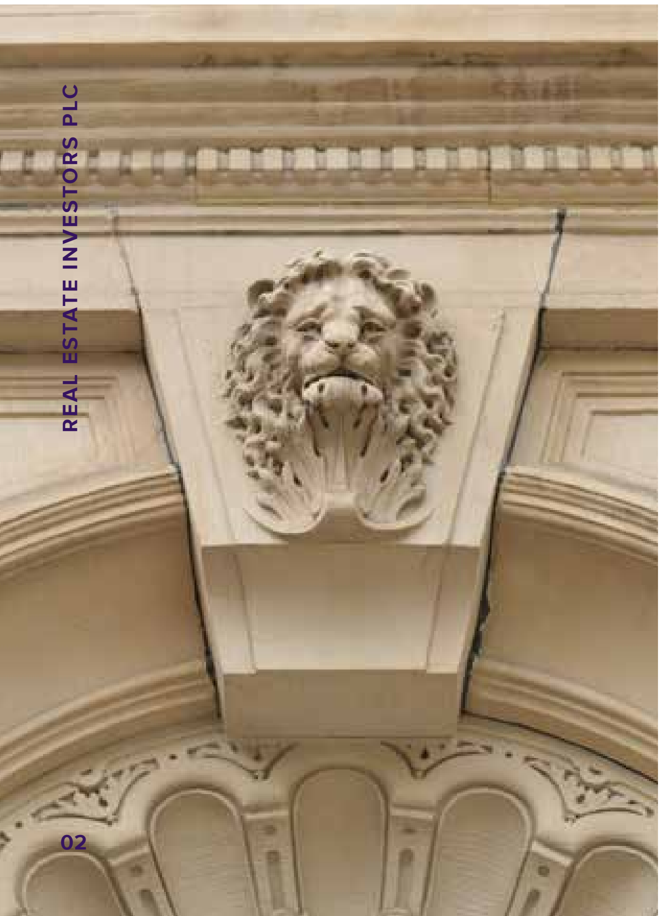
> **Another challenging year, after which we are pleased to announce an excellent set of results, with an enhanced dividend and some early signs of valuation recovery.**

Paul Bassi CBE
Chief Executive

Our Investment Proposition

A Solid Foundation

REI Plc operates a robust and scalable platform, delivering attractive returns via its diversified portfolio of well-invested regional commercial assets.



UNIQUELY POSITIONED IN A VIBRANT ECONOMY

- Focused on the transformational and vibrant region of the Midlands
- Home of the 2022 Commonwealth Games
- HS2 works underway (one of Europe's largest infrastructure projects) promising further prosperity
- Annual investment volumes in the Midlands reached £6.4bn in 2021, up from £3.7bn in 2020
- Booming regional residential market
- Leading region for Foreign Direct Investment

See pages 16-17 for more information

ACTIVE ASSET MANAGEMENT

- Value creation through rent reviews, lease renewals, lettings, change of use
- Realising permitted development value from within existing portfolio
- Acquisitions at attractive initial yields
- Disposals at/above book value when asset management initiatives have been completed
- Capital from disposals recycled into value-add opportunities or pay down debt
- Capacity to grow portfolio further with existing cost structure

See pages 20-21 for more information

INTERNALLY MANAGED BY AN EXPERIENCED TEAM

- Specialist internal asset management and investment teams
- Over 100 years of combined property experience
- Unparalleled market and regional knowledge with a privileged network of external relationships
- Excellent reputation amongst market participants
- Management track record of successfully operating in periods of uncertainty
- Aligned management with 8.5% shareholding

See pages 30-31 for more information

SECURE FINANCIAL STRUCTURE

- Responsible leverage providing certainty and security
- Long-standing banking relationships and access to capital
- Multi-banked to avoid risk and take advantage of competitive rates
- Low average cost of debt
- Significant proportion of the Company's debt fixed
- Ability to execute quickly on deals due to available capital

See page 6 for more information

DIVERSIFIED REGIONAL PORTFOLIO

- Multi-sector diversification
- Deliberate strategy to focus on resilient subsectors, mitigating risk
- No material reliance of any single tenant or asset
- Geographically focused in a region where management have expertise
- Strong tenant covenants
- Robust occupancy levels

See pages 18-19 for more information

REIT WITH PROGRESSIVE COVERED DIVIDEND

- On 1st January 2015, REI Plc converted to a Real Estate Investment Trust ("REIT")
- A REIT must pay 90% of its taxable profits as dividends
- Dividend policy commenced in 2012 and has enjoyed consecutive years of payments
- Total dividends declared/paid to shareholders - £41.9 million
- Dividend fully covered by EPRA earnings
- Paid quarterly to shareholders

See page 7 for more information

Our Performance

A Resilient Record

Despite the landscape being dominated by COVID19, the business delivered strong pre-tax profits during 2021 of £13.9 million (FY 2020: loss of £20.2 million), predominantly due to revaluation gains.

In a seller's market, the business successfully disposed of £17.55 million of assets, paying down £11.9 million of debt with a portion of the proceeds, reducing net LTV to 42.2% (FY 2020: 49.2%) with fixed debt at 90% (as at 1 Jan 2022).

These results supported an increased fully-covered dividend payment of 3.0625p for the period.

The diversification across the portfolio continued to shelter the business from specific sector downturns and significant COVID19 related tenant losses which, combined with proactive tenant engagement and management, led to strong rent collection levels during the period of 97.81%.

The asset management team transacted a total of 54 lease events in 2021, against a challenging backdrop, driving WAULT to 5.03 years to break and 6.76 years to expiry (FY 2020: 4.84 years to break and 6.54 years to expiry).

Our contracted rental income reduced to £14.3 million p.a. reflecting disposals during the year. Occupancy levels dipped in the latter stages of the year to 85.75% (FY 2020: 91.60%), a temporary reduction due to occupiers showing hesitancy as COVID variants took hold in Q4. Q1 2022 saw an increase in occupier activity and there is a healthy pipeline of lettings in legals which management expect to drive an improvement in contracted rental income, occupancy levels and support future valuation gain.

The evidence from sales during the period, combined with the intensive asset management carried out across the portfolio, led to a 2.7% recovery in revaluations. Management expect to see further improvement in valuations in the coming months.

£13.9m
Profit Before Tax

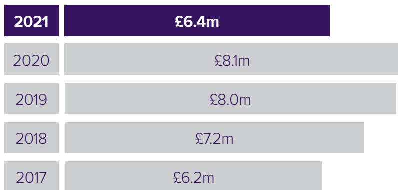
STRATEGIC PILLAR

SHAREHOLDER RETURNS

KPIS

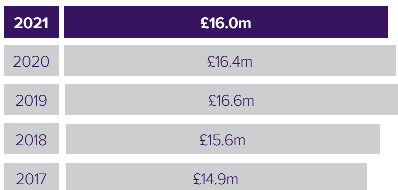
Underlying Profit before tax

£6.4m



Revenue

£16.0m



“Despite the restrictions imposed by the pandemic, REI has had a respectable year during which we have taken advantage of the private investor demand to sell some of our properties, using the disposal proceeds to repay £11.9 million of debt, retain £9.8 million of cash and fix 90% of our debt at attractive rates. This has delivered pre-tax profits of £13.9 million and an increased fully covered dividend.”

Paul Bassi CBE
Chief Executive

STRATEGIC PILLAR

INCOME STREAMS

KPIS

Contracted rental income

£14.3m

2021	£14.3m
2020	£16.7m
2019	£17.7m
2018	£17.0m
2017	£16.2m

Occupancy

85.75%

2021	85.75%
2020	91.6%
2019	96.3%
2018	96.1%
2017	94.0%

STRATEGIC PILLAR

ROBUST PORTFOLIO

KPIS

Gross Property Assets

£190.8m

2021	£190.8m
2020	£201.3m
2019	£228.9m
2018	£224.8m
2017	£213.1m

Number of tenants

256

2021	256
2020	262
2019	280
2018	269
2017	258

STRATEGIC PILLAR

EPRA EARNINGS

KPIS

EPRA EPS

3.7p

2021	3.7p
2020	4.5p
2019	4.3p
2018	3.9p
2017	3.3p

EPRA NTA per share

58.8p

2021	58.8p
2020	55.2p

Simplified Debt

Protection against interest rate rises

Management sought to take advantage of investor appetite in 2021, disposing of 15 assets for a total sales consideration of £17.55 million. £11.9 million of debt was repaid, reducing gearing levels, whilst a significant amount of debt was fixed during a low interest rate period.

The business is multi-banked with current debt spread across 5 lenders. Management have built strong banking relationships and a solid reputation amongst lenders, providing access to debt at competitive rates. In March 2021 the business entered into a new NatWest facility of £51 million for 3 years at 2.25% above LIBOR.

The Company took advantage of the low interest rate environment in 2021 and fixed £35 million of the NatWest facility, hedging the business from potential interest rate rises and leading to 90% of the Company's debt being fixed as at 1 January 2022 with a low cost of debt of 3.5%. Our hedge facility has improved by £1.4 million for the year to 31 December 2021 and has improved by a further £497,000 since the period end. During the period, £11.9 million of debt was repaid using cash from disposals supporting a reduction in our LTV (net of cash) to 42.2% (FY 2020: 49.2%). All banking covenants continue to be met.

3.5%
Average cost of debt

42.2%
LTV net of cash

90%
Fixed debt
(as at 1 Jan 2022)

£51m
NatWest refinance
in March 2021

3.0x
Interest cover

£11.9m
Debt repaid in 2021

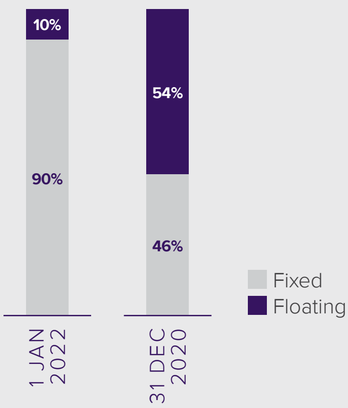
1.8 years
Debt maturity

Net Debt (£m)

Net debt	31 Dec 2021 (£m)	31 Dec 2020 (£m)
Borrowings	89.4	101.4
Cash	(9.8)	(4.2)
	79.6	97.2

Lender	Debt Facility (£m)	Debt Maturity	Hedging (£m)
National Westminster Bank	£41.7	March 2024	£35.0
Lloyds Banking Group	£20.0	December 2023	£20.0
Aviva	£14.2	2027, 2030 & 2031	£14.2
Barclays	£12.0	December 2024	£12.0
AIB GB	£2.1	April 2022	nil

Debt Structure (%)



Continued Dividend Payments

The Board is well-aligned to the business with 8.52% combined shareholding and is committed to delivering consistent and attractive dividend yields.

REI Plc continues to perform well against its peer group on dividend yield. Management is committed to delivering a progressive dividend and following a respectable operational performance in 2021, which saw pre-tax profits of £13.9 million, it was deemed appropriate to increase the final dividend of 2021 to 0.8125p, representing a total dividend per share for 2021 of 3.0625p (FY 2020: 3p).

Since the inception of the dividend policy in 2012, the Company has paid £41.9 million to its shareholders.

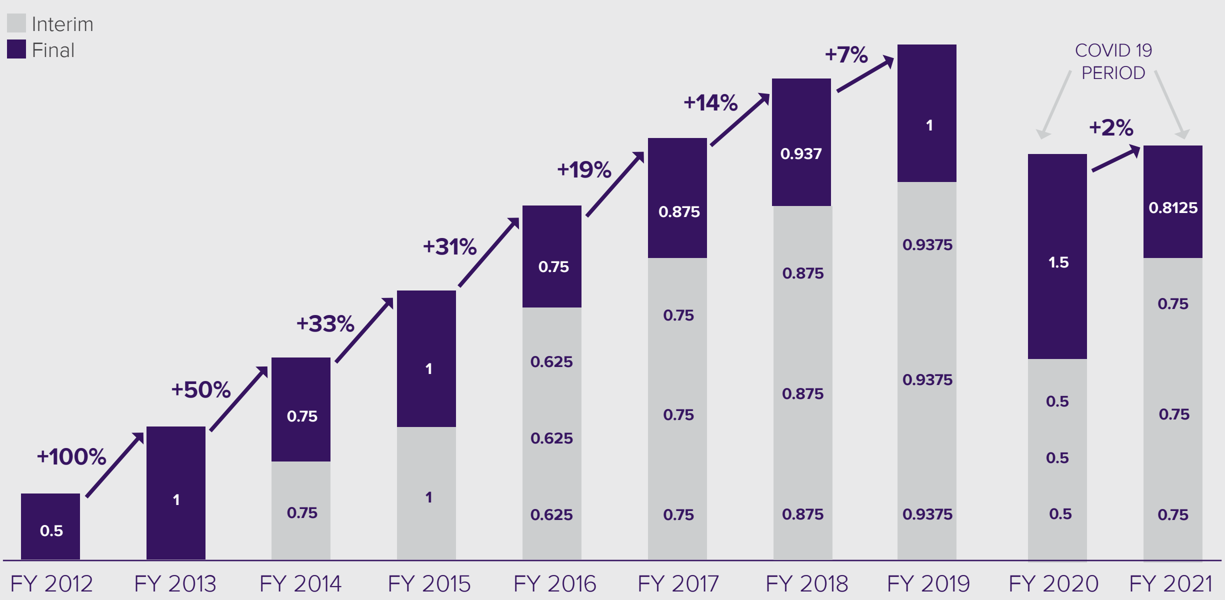
Record of attractive financial returns

– 3.0625p total dividend per share for 2021
– Fully covered by EPRA earnings
– Quarterly dividend payments

£41.9m

declared/paid to shareholders since 2012

Shareholder Distribution Year on Year (p)



Chairman's and Chief Executive's Statement

William Wyatt and Paul Bassi

Return to growth in asset values

William Wyatt
Non-Executive Chairman

Despite COVID19 and the subsequent variants dominating the past 12 months for many businesses, we are pleased to report a positive performance, resulting in pre-tax profits of £13.9 million (FY 2020: loss of £20.2 million) which has supported an increased fully-covered dividend payment of 3.0625p for the period. A total of £41.9 million has been declared/paid to shareholders since the commencement of our dividend payments in 2012.

This performance is underpinned by our high rent collection levels throughout 2021, with an overall collection level of 97.81%, against a backdrop of the unfavourable government moratorium restrictions which are soon to expire. For Q1 2022, rent collection levels are currently at 99.42%. These collection levels are a testament to the diversity of our portfolio and the asset management team who worked collaboratively with our portfolio tenants to navigate a uniquely challenging period.

The first few months of 2022 have seen market recovery continue to gather pace which has been improved further by the step-by-step ceasing of UK restrictions and the return to normality that has been so eagerly awaited, led by the UK regions who are now at near normal activity and ahead of London and the South East.

Our portfolio, valued at £190.8 million (with 256 occupiers across 47 assets) has weathered the COVID storm and we believe is well placed to benefit from the ongoing revaluation and occupancy recovery. Private investors with high levels of cash reserves continue to lead the interest in our assets. Many of our properties are acquired on the basis of their significant break-up potential to satisfy this demand, predominantly small retail units within local neighbourhood and convenience schemes. With a healthy exposure to the community retail market (39.07% of our portfolio) we successfully disposed of a number of these sought-after assets, along with the remaining legacy non-core stock, ending the period with sales totalling £17.55 million, at 7.3% above the December 2020 book value, demonstrating the underlying portfolio value. We continue to consider further sales of assets for a premium price.

As anticipated, disposals, along with the capital uplift gained from intensive asset management is leading to some reversal in the valuation declines experienced in December 2020, which were naturally cautious given we were in the midst of the UK's third national lockdown. We are pleased to report a 2.7% recovery in our like-for-like portfolio valuations for the period, a trend we expect to continue as the market normalises further and activity returns to pre-pandemic levels and our occupancy improves.

Of the cash generated from portfolio disposals during 2021, £11.9 million was used to repay debt and we capitalised on the low interest rate environment to fix 90% of our borrowings, such that the average cost of debt is 3.5%. The remaining cash from 2021 disposals is earmarked for opportunistic acquisitions during 2022 to support the Company's next phase of growth. We did not complete any acquisitions in 2021 and focused on sales and debt reduction, as it remains very much a 'sellers' market.

Against the challenging backdrop of working from home initiatives and COVID19 variants, REI successfully completed 54 lease events in the year, resulting in an improvement in our WAULT to 5.03 years to break and 6.76 years to expiry (FY 2020: 4.84 years to break/6.54 years to expiry). Our contracted rental income reduced to £14.3 million, reflecting disposals and the loss of income associated with known lease events and new voids particularly in our office portfolio. We anticipate improved lettings, that will boost contracted rental levels in 2022 and support valuation gain.

Occupancy levels within the portfolio dipped in the final quarters of 2021 to 85.75% (FY 2020: 91.60%). We believe that this reduction is temporary and reflective of the circumstances at the time, given that spaces which were due to become void during the period (due to known lease events) and which would let in a normalised marketplace, sat empty for longer whilst occupiers dwelled on decisions and COVID19-related government guidance encouraged office workers back to their homes, naturally leading to a pause in occupier decisions. A significant volume of our void space within the portfolio is offices. Our retail portfolio by comparison is 91.88% occupied.

We are optimistic that 2022 will see renewed interest in our available spaces particularly our office portfolio. We are seeing the trend for non-City centre offices continue and, of our office stock, 81.03% is non-City centre.

We will be focused on unlocking the income sitting in our voids and the multiple existing embedded opportunities across the portfolio (including change of use, planning gains and lease re-gears) which would translate into enhanced occupancy levels, increased contracted rental income and improved WAULT. This activity, together with ongoing valuation recovery, should drive capital and income growth across the portfolio and a rise in our NAV, supporting our progressive dividend policy.

As our region gears itself up for this year's highly anticipated 2022 Commonwealth Games, we expect this 'once in a lifetime' event to further boost the recovery we have already witnessed and attract yet more investment to our thriving region.

> **REI has delivered a solid set of results in a tricky, pandemic affected year. The annual dividend has increased and, following some careful asset management, the Company is well placed for the future.**

William Wyatt
Non-Executive Chairman

Portfolio Scope 1 and Scope 2 Emissions (landlord-controlled areas only/ electricity and gas only)

Working with Measurabl, we have established the carbon emissions (Scope 1 and Scope 2 emissions) for landlord-controlled areas only across the portfolio (totalling 1.07 million sq ft) for the period 1st January 2019 to 31st December 2019 (electricity and gas only).

In line with our ESG Policy, dated 18 February 2022, we will continue to capture and report our emissions on an annual basis. We also commit to expanding our data capture over time to include tenant consumption data (where possible) for the purpose of analysing our Scope 3 (tenant controlled) emissions (electricity & gas only).

We have detailed below our emissions for Jan – Dec 2019, a benchmark pre-pandemic year:

Emissions (landlord-controlled areas only)	2019
Scope 1 Portfolio Emissions	17,574 $MTCO_2e$
Scope 2 Portfolio Emissions	1,236 $MTCO_2e$
Total Scope 1 and Scope 2 Emissions	18,810 $MTCO_2e$*

* Applies to 1.07 million sq ft of the portfolio (landlord controlled areas).

As stated in our 2020 year-end results, the reduction of the portfolio's carbon footprint is a priority for the business.

Portfolio Energy Performance Certification

In accordance with government guidelines, REI PLC has a programme to ensure we meet the UK statutory time frame for EPCs. It remains our intention to upgrade assets when required.

EPC Rating	A	B	C	D	E	F	G	Total
Portfolio % within rating	0.00%	9.48%	37.18%	43.15%	9.35%	0.54%	0.30%	100%

Financial Results

We have recorded pre-tax profits of £13.9 million (FY 2020: loss of £20.2 million), a result which is after a revaluation gain of £4.9 million (2.7%) on our investment properties (FY 2020: reduction of £27.9 million), a surplus of £1.2 million on sale of investment property (2020: £nil) and a rise in the market value of our interest rate hedging instruments of £1.4 million (FY 2020: loss of £483,000).

Underlying profit for the year was £6.4 million (FY 2020: £8.1 million) impacted primarily by a reduction in contracted rental income due to void space within the portfolio and disposals during the period.

Our like-for-like rental income has reduced by 10.74% to £14.3 million, predominantly due to known lease events that provide asset management opportunities to improve rental income and lease terms and enhance capital value.

The pre-tax profits of £13.9 million support our fully covered dividend for 2021 of 3.0625p per share.

Paul Bassi,
Chief Executive

£13.9m
Profit Before Tax

£190.8m
Gross Property Assets

£16.0m
Revenue

Chairman's and Chief Executive's Statement *continued*

William Wyatt and Paul Bassi

Finance and Banking

In March 2021, the Group entered into a new NatWest facility of £51 million for 3 years at 2.25% above LIBOR. The remainder of our debt is secured across another 4 banks and we continue to enjoy longstanding banking relationships that gives us access to debt at competitive rates.

Lender	Debt Facility (£m)	Debt Maturity	Hedging (£m)
National Westminster Bank	**£41.7**	March 2024	£35.0
Lloyds Banking Group	**£20.0**	December 2023	£20.0
Aviva	**£14.2**	2027, 2030 & 2031	£14.2
Barclays	**£12.0**	December 2024	£12.0
AIB GB	**£2.1**	April 2022	nil

With a view to hedging against future interest rate rises, the Company took advantage of the low interest rate environment in 2021 and fixed £35 million of the NatWest facility, preserving our low average cost of debt. This took effect from 1 January 2022 and our fixed debt ratio as at that date was 90% with an average cost of debt of 3.5%. Our hedge facility has improved by £1.4 million for the year to 31 December 2021 and has improved by a further £497,000 since the period end. This all provides us with some protection from the likelihood of further interest rate rises to manage very real inflation.

Of the disposals during the period totalling £17.55 million, £11.9 million of the proceeds were used to repay debt with the balance earmarked for future acquisitions. This strategy, combined with a 2.7% gain in our like-for-like portfolio valuations has led to a reduction in our LTV (net of cash) to 42.2% (FY 2020: 49.2%) and is in line with management's objective to reduce Company gearing levels to 40% LTV or below.

All banking covenants (which are a combination of both the measurement of LTV against asset value and interest cover against rental income) continue to be met with headroom available and various cure facilities in place.

Dividend

The Company's dividend payments continued throughout 2021 despite market uncertainty, with the first three quarters paid at a level of 0.75p per share, fully covered.

In light of the strong operational performance and in line with managements' ongoing commitment to a progressive dividend policy, it has been deemed appropriate to increase the final dividend in respect of 2021 to 0.8125p per share, reflecting a total fully-covered dividend payment for 2021 of 3.0625p. Total fully covered dividend per share for 2021 of 3.0625p (FY 2020: 3p) up 2.08% and a yield of 7.90% based on a mid-market opening price of 38.75p on 21 March 2022. The Board remains committed to growing the dividend further, as market conditions continue to normalise. The proposed timetable for the final dividend, which will be a Property Income Distribution (PID), is as follows:

Ex-dividend date:	**7 April 2022**
Record date:	**8 April 2022**
Dividend payment date:	**29 April 2022**

Outlook for 2022

We will continue to take advantage of private investor demand. Capital from disposals will be used for acquisitions that support portfolio growth and the balance will be used to repay debt and further reduce gearing to levels in line with management's parameters. We expect further valuation recovery and intend to maximise gains and unlock income potential by focusing on void letting opportunities and asset management initiatives across the portfolio. We recognise the need for market consolidation within the real estate and REIT market and remain alert to options that align with the interests of our shareholders. Having successfully weathered the global pandemic and two years of Brexit fiasco, we recognise the Russian invasion of Ukraine may well have a negative impact on commercial activity generally in 2022 and beyond.

Our Stakeholders

Our ongoing thanks to our shareholders, advisors, tenants and staff for their invaluable support and assistance during the pandemic.

Chairman's Succession

In May 2021 John Crabtree OBE retired as Non-Executive Chairman of the Company at the Annual General Meeting ('AGM'). William Wyatt, Non-Executive Director of the Company since 2010, was appointed as Chairman, with effect from the AGM in 2021. This appointment is the result of our Board succession planning, an ongoing process which identifies necessary competencies and works to assess what would be required to ensure a continuation of leadership in all circumstances.

William Wyatt
Non-Executive Chairman
21 March 2022

Paul Bassi CBE D. Univ
Chief Executive
21 March 2022

Buyer Demand

Investment Market Overview

National 2021 annual investment volumes (according to Colliers Research) reached £60 billion, up from £47 billion in 2020 and 15% above the five-year annual average. The £23 billion transacted during Q4 alone represents the strongest quarterly figure on record.

Across the Midlands, annual investment volumes reached £6.4 billion in 2021, up from £3.7bn in 2020 and almost 50% above the five-year average. Retail investment volumes rose to £890 million in 2021 up from £710 million in 2020 but slightly below the five-year average. Office investment was subdued in 2021 with £330 million invested, down from £490 million in 2020.

In view of investors' access to relatively low-cost finance and high levels of investor equity, there is good reason for optimism as these transactions will provide the comparable evidence to support valuation recovery. Across the region we are seeing limited availability of criteria-compliant investment stock, as investors are holding onto income from property assets due to outperformance as an asset class.

Industry experts believe that industrial values have peaked, with yields across the region at 4.5% now widely considered to be expensive and investors are shifting to alternative, higher yielding sectors such retail, retail warehousing and offices that offer superior returns.

Meanwhile, private investors' appetite for investments under £1m has continued to increase. It comes at a time where there is a lack of available supply and we are capitalising on this by breaking up unbroken retail parades to secure premium prices. Smaller investment sales are of more appeal to private investors and we will capture this wherever possible to achieve additional profits. More generally, we expect to see improved volume activity throughout the year which will bring about yield compression for secondary yields.

The REI Portfolio

The £190.8 million portfolio is comprised of 47 assets with 256 tenants with a net initial yield of 7.14% and a reversionary yield of 8.18%. The like-for-like portfolio valuation has risen to £190.86 million (FY 2020: £185.26 million) as a result of independent valuations and is in line with our expectations. The rise was predominantly across our retail portfolio. We anticipate further valuation gains during the course of 2022 due to improved investment activity, as well as asset management initiatives and the letting of void space within the portfolio.

The portfolio has reduced occupancy levels of 85.75% (FY 2020: 91.60%) with unrealised capital value and rental income growth potential within our void space. We anticipate successfully reletting these areas during the course of 2022. The reletting of our void space, combined with the acquisition of new value-add opportunities is expected to drive occupancy and valuations back towards pre-pandemic levels.

Disposals

Stock selection is a key element of effective property portfolio management in order to achieve investment objectives. This occasionally entails selling properties to balance the portfolio. During the year, we identified a number of investments for disposal that were significantly ahead of valuation or that no longer fit within the Company's investment strategy. In 2021 we successfully disposed of 15 assets totalling £17.55 million, achieving strong returns as we capitalised on private investor demand in the market. The sales were achieved at an aggregate uplift of 7.3% (before costs) above December 2020 valuations.

The capital generated from sales completed in 2021 was partially used for debt repayment and the balance is set aside for new acquisitions in the coming months.

The Company sold the following properties during the period:

- 54/56 High Street, Bromsgrove
- Citygate House, Leicester
- 82 High Street, Gillingham
- 14-14 High Street, Ringwood
- 3 Hanover Buildings, Southampton
- 33 Bennetts Hill, Birmingham
- 4-16 Brook Square, Rugeley
- 315-317 & 319 High Street, West Bromwich
- 23 Market Street, Leigh
- 25-25a Institute Road, Swanage
- St Austell House, Ilfracombe
- Bearwood Road Shopping Centre
- 124-125 Osbourne Road, Pontypool
- Land at Coseley
- Land at Brandon Court

The associated rental reduction from the total disposal consideration of £17.55 million is £977,852 per annum, providing an overall market yield on combined sales of 4.75%, assuming usual purchasers costs.

Post Period End Disposals

Since 31 December 2021, a further £1.115 million of asset disposals have completed:

- 571 Bearwood High Street, Birmingham
- 31 High Street, Eastleigh
- 1-2 Hanover Buildings, Southampton

As we approach the end of Q1 2022, we currently have a further £7.5 million of sales in pipeline legals (above 2020 valuation levels) driven by demand from private investors. We will continue to make opportunistic sales, where appropriate, to achieve maximum gain where they have reached their potential and where we have exhausted asset management initiatives.

This will also include assets that we believe will present a challenge from a sustainability perspective, as we continue our commitment to owning assets that positively impact the environment and contribute to our goal of lowering our carbon emissions across the portfolio.

Property Report *continued*

Occupational Market Overview

The Birmingham office market delivered a strong year in spite of continuing challenges. Occupation transactions were almost double that of 2020, and the total square footage was 26% higher. Central Birmingham offices saw eight transactions over 25,000 sq ft. We expect this to continue into 2022 and believe that the Midlands' regional office markets remain undersupplied with Grade A offices as the market returns to normality.

The rise in working remotely is not restricted to working from home but has also resulted in an increase in working from regional satellite offices. We believe that there is rental growth potential in many regional office markets where supply has been diminished. Business Park Locations that offer an attractive environment to both live and work locally and that boast buildings with high environmental standards and accessibility to a skilled workforce, will be in much demand.

Hotels and Leisure had a strong year throughout 2021, with investor optimism underlined by an impressive £4 billion of UK hotel transactions. Increased hotel demand, continued progress on profitability and improved visibility have all contributed to the momentum.

Market pricing and valuations in the retail warehouse sector are recovering strongly, with occupiers in discounting, DIY, homewares and food trading well. We expect that well-located retail warehouse units let off recently rebased lower rents will continue to be in demand. The importance of convenience as well as the relatively low cost compared to the high street is likely to support occupational demand.

Investors are increasingly confident that rental levels have bottomed out and pricing for assets has moved noticeably. However, there is still potential value in assets that incorporate leisure experiences, or where consumers prefer to try before they buy such as furniture and homewares. Meanwhile retail repurposing continues to gather pace, as the sector manages oversupply in the market, leaving a shortage of good quality retail, which we anticipate will lead to rental growth in the medium term.

Acquisitions

In a sellers' market we did not complete any acquisitions in 2021 and focused on sales and debt reduction and restructure. We continue to seek new investments and have retained close contact with investment market activity through our well-established network of contacts. However, availability of stock throughout the year was restricted and vendor expectations were unrealistic.

We are seeking off-market medium sized acquisitions (above private investor market) that offer stronger returns with prospects for income/capital value improvement.

Portfolio Mix

The current sector weightings are:

	Sector	£ per annum	% by Income
Office	Office	4,815,756	33.61
TR	Traditional Retail	2,665,694	18.61
DR	Discount Retail – Poundland/B&M etc	1,801,350	12.57
M&P	Medical and Pharmaceutical – Boots/Holland & Barrett etc	1,143,999	7.99
RBC	Restaurant/Bar/Coffee – Costa Coffee, Loungers etc	1,026,900	7.17
FIN	Financial/Licences/Agency – Lloyds TSB, Santander UK Plc, Bank of Scotland etc	546,000	3.81
FS	Food Stores – M&S, Aldi, Co-op, Iceland etc	585,690	4.09
Other	Other - Hotels (Vine Hotels/Travelodge), Leisure (The Gym Group, Luda Bingo), Car parking, AST	1,740,264	12.15
		14,325,653	**100**

> **REI Plc capitalised on the sellers' market, with 15 disposals during the period at 7.3% above 2020 book value. We intend to reinvest some of the disposal proceeds into value-add acquisitions.**

Andrew Osborne BSc (Hons)
Investment Management

Asset Management

Our £190.8 million portfolio of regional property has proved resilient during economic crises, market downturns and global pandemics, not least due to its sector and tenant diversity.

As the light at the end of the pandemic tunnel begins to brighten, we closed 2021 with robust overall rent collection levels of 97.81%.

2021 was very much a year of two halves; with the start of the year seeing the legacy of 2020 continue with a subdued lettings market. The second half of the year saw occupier demand slowly increase with a return towards the end of the year of pre-pandemic interest in our portfolio spaces dampened slightly by the 'work from home' guidance and the spread of Omicron in the final weeks of 2021.

A significant number of lease events took place in 2021 (54 in total) improving our WAULT to 5.03 years to break and 6.76 years to expiry (FY 2020: 4.84 years to break/6.54 years to expiry), as at 31 December 2021.

Whilst the high levels of asset management activity drove an increase in our WAULT, our occupancy levels reduced to 85.75% (FY 2020: 91.60%) due to sales and known lease expiries during the period.

Key asset management initiatives undertaken during the period include:

West Plaza, West Bromwich

Despite the overall downturn in the global hotel market, following a competitive bidding exercise at West Plaza (the former Premier Inn) Vine Hotels signed up to a 15-year lease over six floors, at a rental level above independent valuer ERV. This represents almost two thirds of the building and the remainder is fully occupied.

Titan House, Telford

2021 saw the refurbishment of two floors along with the associated common areas. Titan House was formally let to HP Enterprise Services in its entirety and upon contractual lease expiry plans were subsequently drawn up to significantly improve the office accommodation along with the ESG credentials of the building.

In May 2021 the Department of Workplace and Pensions took a lease on the whole of the ground floor and upgraded the space to their own specification. Once completed, REI instigated refurbishments to the first and second floors, common areas (stair core and WC lobbies) to all floors, reception and the WCs (first and second floors only). The office accommodation was stripped out and taken back to a shell and core condition. This included the replacement of the M&E system with new energy efficient equipment, as well the replacement of the office lighting with new LED fittings, coupled with infrared sensors further reducing energy usage.

Pre-refurbishment, the EPC rating for the property was a D (76) and it is projected that upon completion of the works, a higher EPC rating will be achieved. As well as improving the quality of space we have achieved an ERV increase from £10 per sq ft to £12 per sq ft, and once re-let the uplift in property valuation will comfortably exceed the capital expenditure for the refurbishment.

TITAN HOUSE, TELFORD

Property Report *continued*

Brandon Court, Coventry

When a neighbouring unit became vacant, 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 longer term lease, allowing the tenant the ability to consolidate and grow its operation from the site, adding value to the asset with limited void period.

In addition, a surrender was agreed with a tenant that was withdrawing from the UK market. The large unit was separated into two units and refurbished. Both units were let at market rents on strong terms, post period end.

Portfolio Summary

31 Dec 2021	Value £	Area (sq ft)	Contracted Rent (£)	ERV £	NIY %	RY %	Occupancy %
Central Birmingham	23,960,000	101,477	1,336,102	1,838,210	5.22%	7.19%	76.33%
Other Birmingham	25,970,000	186,998	2,326,336	2,127,435	8.41%	7.69%	94.70%
West Midlands	71,875,000	636,671	5,330,568	6,339,931	6.96%	8.28%	82.59%
Other Midlands	65,945,000	558,924	5,253,645	5,941,780	7.47%	8.45%	87.92%
Other Locations	735,000	5,013	79,000	59,500	10.31%	7.77%	100.00%
Land	2,384,000	–	–	–	–	–	–
Total	**190,869,000**	**1,489,083**	**14,325,651**	**16,306,856**	**7.13%**	**8.12%**	**85.75%**

* Our land holdings are excluded from the yield calculations.

BRANDON COURT, COVENTRY

> **In 2022 we will look to unlock the value sitting in our void portfolio space to maximise rental income.**

Jack Sears BSc (Hons) MRICS
Asset Management

Jasper Square, Tunstall
Poundland renewed its lease for a further 5 years from February 2022. Poundland has been occupying the property by way of short term contracted lease from August 2020 and traded throughout the COVID19 pandemic. The renewal demonstrates their ongoing confidence in the retail park and the agreed rent of £130,000 p.a. helps REI to enforce our ERV throughout the rest of the parade.

New tenants to the portfolio in 2021
New tenants include The Trustees of Association of School and College Leaders; Vine Hotels; Merkur Slots UK Limited; JD Sports Gyms Limited; Comex 2000; Bennetts Motorcycling Services Limited; Community Health and Eyecare Limited; YMCA; Secretary of State for Housing, Communities and Local Government.

Post Period End Activity and Sentiment
Lease activity across the portfolio has increased in the first quarter of 2022; with notable lease events at Tunstall, Southgate Retail Park and Brandon Court. Strong interest in units previously empty in community retail parades such as Acocks Green reinforces the market sentiment for local and convenience retail. We have negotiated terms on a space that has been void for some time in Redditch (£30,000 p.a., 15-year lease with breaks at years 5 and 10, with 6 months rent-free) at £6,400 p.a. over ERV, supporting our prediction that the market is normalising and rent levels are increasing. We currently have a healthy pipeline of new lettings in legals of £159,000 p.a.

Our priority in 2022 remains to operate a sustainable portfolio with an ESG policy embedded within our asset management strategy. Additionally, we remain committed to ensuring that we explore initiatives that provide value to our shareholders.

Embedded Opportunities
As mentioned in our January 2022 trading update, demand for fast food/drive thru locations significantly rose during the pandemic and is expected to continue. In response to this trend, we have identified suitable unoccupied sites/redundant land and are negotiating competitive terms to strong covenants in this space.

97.81%
Overall rent collection during 2021

54
Lease Events

Our Region

Global stage for the region

The 2022 Commonwealth Games is being hailed as a 'celebration of creativity across the West Midlands' with a programme of events spanning over six months and promises to be one of the largest ever Commonwealth Games cultural festivals.

BIRMINGHAM COMMONWEALTH GAMES 2022

Image courtesy of Birmingham City Council

Commonwealth Games statistics

- 50,000 jobs created during the Games itself, of which 14,000 are volunteers
- Procurement contracts worth in excess of £300m (at least 70% secured in the region)
- Estimated economic value of the Games to the region of at least £1 billion
- The Birmingham 2022 Festival will deliver over 200 projects engaging over 2.5million people in person and online
- Over 100 community groups across Birmingham staging their own festival events following funding from Birmingham City Council
- The Queen's Baton Relay will visit all 72 nations and territories of the Commonwealth
  - It will travel 140,000-kilometres (which is the equivalent of completing over 350,000 laps of Alexander Stadium's running track) and will take 294 days
  - 7,500 Batonbearers will carry the Baton
  - 2,022 Batonbearers will carry the Baton in England alone
- 200,000 hours of training will be provided to the volunteer workforce
- The learning programme hopes to engage 1 million young people
- The culture programme has over 200 projects, made by 1000 artists, with opportunities for 100,000 participants and around 500 volunteers

50,000

Jobs created

This is a very exciting opportunity to place the West Midlands firmly on the global map and a chance to showcase the incredible region we live, work and operate in.

The 2022 Commonwealth Games festival is centered around community, diversity, inclusion, talent and participation and via the Birmingham 2022 Creative City Grants Programme, it has provided 108 community groups the chance to work with artists to flood our city with new creative work as part of the Birmingham 2022 Festival.

The region's incredibly rich heritage is woven through each aspect of the programme and its motto is 'the Games is a festival made in the West Midlands for the Commonwealth, and everyone is invited'.

United By 2022 Legacy Charity

United By 2022 is the legacy charity for Birmingham 2022 – established so that when the Commonwealth Games rolls out of town, the community benefits do not. The Games bring the region together and the organisers want the projects and community-based work to continue long after the games are over. The charity endeavours to 'empower people to solve challenges on their doorstep, champion fairness and inclusivity, and turn Games' venues into well-loved and used community spaces'.

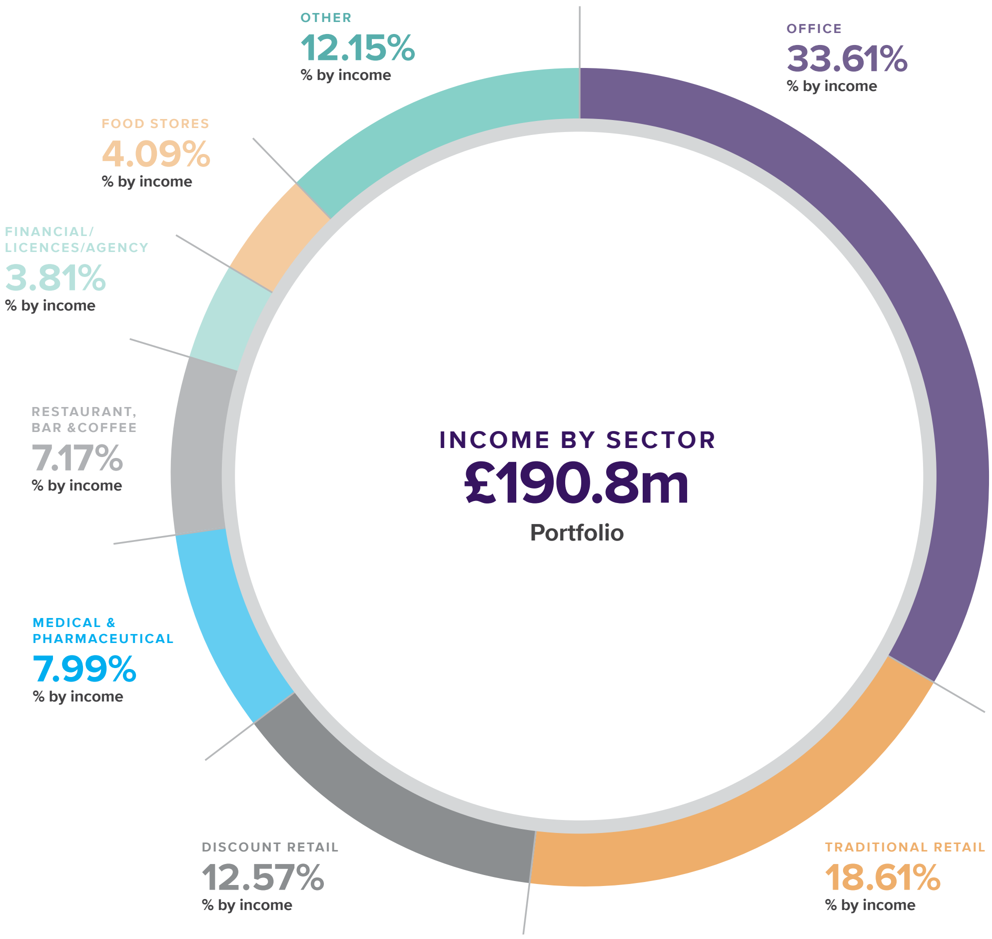
Image on the right:
37A WATERLOO STREET, BIRMINGHAM

> The 2022 Commonwealth Games is set to thrust our great City and region onto the global stage with its vibrant programme of events already well underway. The Midlands has long been known as the manufacturing heart of the UK and this milestone event is a chance for our region to demonstrate its first-class position in the creative, technology, education, engineering, tourism and leisure industries and prove why so many choose to migrate and relocate their businesses here.

John Crabtree
Chairman of the Board of Directors of the 2022 Commonwealth Games
Former Non-Executive Chairman of REI Plc

Our Portfolio

Diversity is key



Despite the impact of COVID19 on the UK economy in 2021, our strategy of spreading risk by diversifying our portfolio by sector, asset and occupier has proved successful and sheltered us from over exposure to troubled sectors. This was evident in our rent collection levels of 97.81% in 2021. Our top tenants represent only 25.26% of our contracted rental income and no asset represents more than 10% of the portfolio value.

Our offices are predominantly in non-city centre locations and, whilst we are not immune to the pressure in this sector following COVID19 and working from home guidance in 2021, we are seeing a revival in interest for out-of-town space. Our retail portfolio is 91.88% occupied and proving resilient.

39.07%
of our retail portfolio is classed as Neighbourhood and Convenience

4.92%
of our rental income is government income

81.03%
of our offices are non-City centre

OFFICES

Our office portfolio is predominantly in out-of-town locations where demand is strong for assets that provide workers with the ability to travel to work by car, access parking and avoid public transport. A proportion of our office income is government occupation.

33.61%

by income

TRADITIONAL RETAIL

Our traditional retail portfolio has reduced over the last few years with our exposure to the resilient subsector of neighbourhood and convenience retail increasing. We expect traditional retail values to continue to improve.

18.61%

by income

DISCOUNT RETAIL

A proportion of our portfolio retail holdings are discount retailers, offering substantially lower prices than those of their competitors, most of which traded well during the pandemic providing 'essential' services to the public, including Poundland and B&M Retail.

12.57%

by income

MEDICAL & PHARMACEUTICAL

A number of our occupiers are health food and supplement specialists or retailers/ pharmacies supplying general healthcare advice, prescription and non-prescription medication to the public, including Boots & Holland & Barrett, many of these are essential services.

7.99%

by income

RESTAURANT, BAR & COFFEE

Some tenants in this sector partially operated during 2021 and have benefitted from government support and initiatives. This sector experienced a sharp increase in trading once the restrictions were lifted. Occupiers include Costa Coffee and Dirty Martini.

7.17%

by income

FINANCIAL, LICENCES & AGENCY

Many well-known financial institutions and banks, insurance brokers and betting agencies are amongst our portfolio occupiers, a proportion of which are essential services, providing strong covenants such as Lloyds TSB, Santander UK Plc and Bank of Scotland.

3.81%

by income

FOOD STORES

Food store operators experienced very profitable trading during the pandemic driving many operators to expand their market presence, particularly c-store operators, resulting in an increase in value in these assets. Occupiers include M&S, Co-op, Iceland.

4.09%

by income

OTHER

The combined make-up of the remaining part of our portfolio includes Leisure operators (Gym groups, Luda Bingo) Hotel operators (Vine Hotels/Travelodge), a number of car parks associated with our other holdings and a small number of Assured Shorthold Tenancies.

12.15%

by income

Our Business Model

Value Creation

The unrivalled regional market knowledge of our property team, combined with the intensive asset management initiatives that we undertake across our commercial portfolio, drives capital value and income growth, supporting our continued dividend.

Our resources and relationships

RESOURCE

Expertise & Reputation

- Aligned management team with 100+ years' experience
- Substantial knowledge of the local market
- Outstanding reputation and preferred buyer status in the marketplace

Unique Relationships

- Access to wider property business network via management connections
- Long-standing relationships with property agents and advisers
- Unrivalled market intelligence and access to prospective investments

Structure & Track Record

- Strong banking relationships and access to capital
- Conservative debt structure with responsible gearing
- Ability to exchange in 7–10 days as a trusted cash buyer

How we create value

ACQUISITION

- Selective opportunistic cash buyer
- Mixed-use commercial assets
- Orphan disposals by institutions/ closed-end funds
- Properties with strong prospects of income and capital growth
- Lot sizes of £4 million – £20 million
- Target yield of 7%–20%

Yield

20%

> **Despite a uniquely challenging set of circumstances, 54 lease events were completed, improving WAULT and maximising asset and income growth.**

Ian Clark BSc (Hons) MRICS
Director, Asset Management

CAPITAL RECYCLING

ASSET MANAGEMENT

- Lettings
- Rent reviews
- Lease renewals
- Change of use
- Permitted development rights
- Refurbishment
- Portfolio windfalls

DISPOSAL

- Book value or above
- Sale to institutional buyers
- Crystallise value or retain for income
- Recycle proceeds into new opportunities
- Yield of 5-9%

Yield
5%

YIELD

The value we create for our stakeholders

OUTCOME

Increased Total dividend payment for 2021
3.0625p

Profit before Tax
£13.9m

EPRA NTA
58.8p

Disposals during period
£17.55m

Improved WAULT
5.03
years to break

Break up value

Unlocking value across our portfolio to satisfy investor appetite.

Disposals

In 2021, the Company sold 15 assets, totalling £17.55 million. Proceeds from these sales were partially used for debt repayment, with the balance to be used towards new acquisitions that support portfolio growth. The associated rental reduction from the disposal consideration of £17.55 million is £977,852 per annum, and the sales represented an overall market yield of 4.75%, assuming usual purchasers' costs.

Since the year end, a further £1.115 million of asset disposals have completed, demonstrating that investor appetite is still very much there for our type of assets.

To satisfy this demand, REI Plc identified assets with break-up value, as investors seek smaller lots on well-located community schemes.

Community Retail

This sub-sector continues to thrive and represents 39.07% of our portfolio. The appetite for these resilient assets has continued into 2022 and REI plc will consider further sales where appropriate.

BEARWOOD ROAD SHOPPING CENTRE

Valuation Recovery – Capital Upside

We are pleased to report a 2.7% recovery in our like-for-like portfolio valuations for the period. We anticipate further valuation recovery as the market normalises further and activity returns to pre-pandemic levels and our occupancy improves.

ACOCKS GREEN

39.07%
Neighbourhood and convenience retail

15
Disposals during period

£17.55m
total sales consideration

4.75%
Yield on combined sales in 2021 (assuming purchasers' costs)

£11.9m
Debt repaid with disposal proceeds during period

Renewed occupier demand

Following a hiatus in occupier decisions due to the pandemic, we now have a healthy pipeline of new lettings in our void space.

2021 saw 54 lease events across the portfolio, driving an improvement in our WAULT to 5.03 years to break and 6.76 years to expiry (FY 2020: 4.84 years to break and 6.54 years to expiry).

Our portfolio diversification and intensive asset management by our internal team led to continued robust rent collections levels of 97.81% for 2021, despite the ongoing disruption caused by COVID19.

Following a somewhat subdued start to 2021 with national lockdowns, H2 saw an increase in occupied demand, which was only impacted slightly in December with the emergence of Omicron.

Unlocking void potential

Despite improved occupier demand, decisions were slow and our occupancy levels reduced to 85.75% (FY 2020: 91.60%) at the end of 2021, due to asset sales and known lease expiries during the period, with void spaces sitting empty for longer than in a normalised market as occupiers delayed commitments due to uncertainty.

In 2022, management is focused on reducing void space and unlocking the income sitting in our voids. The asset management team, having completed 54 lease events in 2021, have a healthy pipeline of new lettings in legals with further multiple opportunities that are in early discussion stages to enhance portfolio occupancy levels. We anticipate improved lettings in 2022 that will boost contracted rental levels and support further valuation gain.

TOPAZ BUSINESS PARK, BROMSGROVE

54
Lease events

47
Assets

256
Tenants

85.75%
Occupancy

Environmental, Social and Governance ("ESG")

We recognise our responsibility to ESG and the importance of creating a sustainable business, one that has a positive impact on the community and wider environment. We are committed to leading by example and fulfilling the needs of our stakeholders.

In 2020 REI Plc committed to expanding our ESG reporting and working with relevant consultants to accurately capture, measure and report ESG data.

How did we do?

ESG Committee

Management recognises its responsibility to incorporate ESG into the daily working practices at REI and in order to manage this process, a non-Board ESG Committee was formed in 2021, headed by Ian Stringer, a Non-Executive Director. The ESG Committee was formed with the purpose of creating, implementing and reviewing the ESG framework for the business. The Company's ESG Policy along with details of the ESG Committee members and our ESG partners is available to view on our website at www.reiplc.com.

Measurabl

REI is proud to partner with Measurabl, the world's most widely adopted ESG technology and services platform for commercial real estate. ESG data is now a leading performance indicator for commercial real estate. With Measurabl's assistance, we will collect consumption data across our portfolio in order to measure and comprehensively report carbon emissions. Partnering with Measurabl gives us the ability to capture and store data in one centralised digital platform, providing independent, accurate and auditable ESG data.

measurabl

Carbon Emissions

Working with Measurabl, we have established the carbon emissions (Scope 1 and Scope 2 emissions) for landlord-controlled areas only across the portfolio (totalling 1.07 million sq ft) for the period 1st January 2019 to 31st December 2019 (electricity and gas only).

In line with our ESG Policy, dated 18 February 2022, we will continue to capture and report our emissions on an annual basis. We also commit to expanding our data capture over time to include tenant consumption data (where possible) for the purpose of analysing our Scope 3 (tenant controlled) emissions (electricity & gas only).

"Measurabl is honoured to work with REI Plc to help drive and amplify its ESG and decarbonisation efforts. We are thrilled that REI has chosen Measurabl's industry-leading data management platform to streamline its carbon emissions tracking and reporting, and to measure, manage, and act on asset-level ESG data from its portfolio of just under £200 million in commercial properties throughout the UK. We believe that by taking an automated approach to gathering material ESG data and benchmarking its performance, REI will easily accomplish its current and future sustainability goals."

Matt Ellis
Measurabl CEO

REI Plc is dedicated to acting responsibly and undertaking initiatives that lower carbon emissions across our portfolio and, as we progress with Measurabl, identify further opportunities to support and expand ESG reporting and improve outcomes across our portfolio.

Anna Durnford
Director, Investor Relations

We have detailed below our emissions for Jan - Dec 2019, a benchmark pre-pandemic year:

Portfolio Scope 1 and Scope 2 Emissions (landlord-controlled areas only/electricity and gas only)

Emissions (landlord-controlled areas only)	2019
Scope 1 Portfolio Emissions	17,574 $MTCO_2e$
Scope 2 Portfolio Emissions	1,236 $MTCO_2e$
Total Scope 1 and Scope 2 Emissions	18,810 $MTCO_2e$*

* Applies to 1.07 million sq ft of the portfolio (landlord controlled areas).

As stated in our 2020 year-end results, the reduction of the portfolio's carbon footprint is a priority for the business.

Energy Performance Certification

In accordance with government guidelines, REI PLC has a programme to ensure we meet the UK statutory time frame for EPCs. It remains our intention to upgrade assets when required.

Portfolio Energy Performance Certification

EPC Rating	A	B	C	D	E	F	G	Total
Portfolio % within rating	0.00%	9.48%	37.18%	43.15%	9.35%	0.54%	0.30%	100%

CASE STUDY

Titan House, Telford

2021 saw the refurbishment of two floors along with the associated common areas. Titan House was formally let to HP Enterprise Services in its entirety and upon contractual lease expiry plans were subsequently drawn up to significantly improve the office accommodation along with the ESG credentials of the building.

In May 2021 the Department of Workplace and Pensions took a lease on the whole of the ground floor and upgraded the space to their own specification. Once completed, REI instigated refurbishments to the first and second floors, common areas (stair core and WC lobbies) to all floors, reception and the WCs (first and second floors only). The office accommodation was stripped out and taken back to a shell and core condition.

This included the replacement of the M&E system with new energy efficient equipment, as well the replacement of the office lighting with new LED fittings, coupled with infrared sensors further reducing energy usage.

Pre-refurbishment, the EPC rating for the property was a D (76) and it is projected that upon completion of the works, a higher EPC rating will be achieved. As well as improving the quality of space we have achieved an ERV increase from £10 per sq ft to £12 per sq ft, and once re-let the uplift in property valuation will comfortably exceed the capital expenditure for the refurbishment.

Finance Director's Report

Financial Review

Marcus Daly,
Finance Director

Overview

Our results for 2021 are in line with management's expectations. Whilst the COVID19 pandemic dominated much of 2021, our diversified and resilient portfolio, delivered high rent collection levels of 97.81%.

During the period we recorded pre-tax profits of £13.9 million (FY 2020: loss of £20.2 million), including a gain of £4.9 million (2.7%) on our investment properties (FY 2020: reduction of £27.9 million), a surplus of £1.2 million on sale of investment property (2020: £nil) and a rise in the market value of our interest rate hedging instruments of £1.4 million (FY 2020: loss of £483,000).

We disposed of £17.55 million of assets during the period and used £11.9 million of the disposal proceeds to repay debt. This debt repayment, combined with the gain in portfolio valuations has led to a reduction in our LTV (net of cash) to 42.2% (2020: 49.2%). As a result, our EPRA NTA per share has risen by 6.5% to 58.8p (2020: 55.2p).

In March 2021 we refinanced our £51 million facility with National Westminster Bank PLC for 3 years at 2.25% above LIBOR, taking our average cost of debt to 3.5%. During the period we successfully fixed £35 million of this facility and as at 1 January 2022 90% of our debt was fixed. In addition, in February 2022 we extended the term of our £12 million facility with Barclays by 12 months to December 2024. AIB GB are withdrawing from the retail banking market and so we will repay the balance of £2.1 million on our facility in Q2 this year. We continue to meet the requirements of our banking covenants (which are measured against LTV of the loans to property values and the interest cover against rental income) and have headroom available and cure facilities in place.

Despite a drop in our like-for-like rental income to £14.3 million (impacted by an increase in void space across the portfolio due to COVID19-related delays in occupier decisions, combined with disposals during the period) the Group delivered revenue of £16.0 million (2020: £16.4 million). Our underlying profit for the year was £6.4 million (2020: £8.1 million).

Following the Board's decision in 2020 to continue with dividend payments to shareholders despite the pandemic, the Board increased the quarterly dividend payments in respect of 2021 to 0.75p per share for Q1, Q2 and Q3. The final dividend for 2021 has been declared at 0.8125p and is fully covered, representing a total covered dividend for 2021 of 3.0625p (2020: 3p), this has been supported by our pre-tax profits of £13.9 million.

Our share price has yet to recover fully from the impact of COVID19 and continues to trade at a significant discount to NAV.

Results for the year

Pre-tax profits during the period recorded of £13.9 million (2020: £20.2 million loss), following a revaluation gain of £4.9 million on investment properties (2020: £27.9 million reduction), a surplus of £1.2 million on sale of investment property (2020: £nil) and a rise in the market value of our interest rate hedging instruments of £1.4 million (2020: loss of £483,000). Excluding these items, the underlying profits reduced to £6.4 million (FY 2020: £8.1 million).

Revenues for the year were down to £16 million (2020: £16.4 million) as a result of a decrease in rental income of £1.8 million due to sales and leases coming to an end, particularly in Oldbury and Kingston House, but offset by the sale of land in Coseley.

We did not make any investment property acquisitions during the period. As at 31 December 2021, cash at bank of £9.8 million is earmarked for future capital and income growth supporting acquisitions.

We continue to closely monitor our overhead base and administrative expenses have reduced during the period by £200,000 to £3.1 million (2020: £3.3 million), mainly as a result of a reduction of the provision for bad debts of £50,000 (2020: £825,000), providing for bonuses (plus employers' National Insurance) of £260,000 (2020: £55,000) and a provision for costs of the Long-Term Investment Plan of £150,000 (2020: credit £250,000). The Remuneration Committee agreed that bonuses for the Executive Directors of £180,000, being 25% of salary for 2021 should be made, (2020: nil). Direct costs during the period rose by £500,000 due to the increased holding costs of void space across the portfolio.

	31 December 2021	31 December 2020
Gross Property Assets	£190.8 million	£201.3 million
Underlying profit before tax	£6.4 million	£8.1 million
Profit/(loss) before tax	£13.9 million	(£20.2) million
Revenue	£16 million	£16.4 million
EPRA EPS	3.7p	4.5p
EPRA NTA per share	58.8p	55.2p
Net Assets	£105 million	£97.7 million
Loan to value	47.4%	51.3%
Loan to value net of cash	42.2%	49.2%
Average cost of debt	3.5%	3.4%
Dividend per share	3.0625p	3p
Like-for-like rental income	£14.3 million	£16.0 million
Like-for-like capital value per sq ft	£126.58 psf	£123.25 psf
Like-for-like valuation	£188.5 million	£183.5 million

Interest costs for the year reduced by £400,000 to £3.2 million (2020: £3.6 million) due to £11.9 million debt repayment during the period. The weighted average cost of debt rose slightly to 3.5% (2020: 3.4%) as a result of the Group fixing £35 million of the facility with NatWest to hedge against future interest rate rises.

Earnings per share were:
Basic: 7.8p (2020: loss 11.5p)
Diluted: 7.6p (2020: loss 11.5p)
EPRA: 3.7p (2020: 4.5p)

Shareholders' funds increased to £105 million at 31 December 2021 (2020: £97.7 million) as a result of the gain on property portfolio revaluation.

Basic NAV: 58.5p (2020: 54.5p)
EPRA NTA: 58.8p (2020: 55.2p)

Finance and banking

Total drawn debt at 31 December 2021 was £89 million (2020: £101 million). In March 2021, the Group renewed the £51 million facility with National Westminster Bank PLC for 3 years at 2.25% above LIBOR. In February 2022 the Group extended the £12 million facility with Barclays Bank PLC by a further 12 months to December 2024. The Group remains multi-banked across 5 lenders and continues to meet banking covenants with its lenders. The Company took advantage of the low interest rate environment in 2021 and fixed £35 million of the NatWest facility, preserving low average costs of debt at 3.5% and leading to 90% of the debt across the portfolio being fixed as at 1 January 2022.

Of the asset disposals completed during the period totalling £17.55 million, £11.9 million of the proceeds were used for debt repayment, as at 31 December 2021 the weighted average debt maturity was 1.8 years (2020: 2.25 years). The loan to value (LTV) as at 31 December 2021 was 47.4% (2020: 51.3%) and the LTV (net of cash) was 42.2% (2020: 49.2%). The Group's hedge facility improved by £1.4 million for the year to 31 December 2021 and has improved by a further £497,000 since the period end.

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 for the year, 15% of the options awarded for 2019 are likely to vest and so a charge to the provision of £150,000 (2020: £250,000 release) 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. Following a reduction in dividend payments in 2020 as a direct result of the pandemic, the Board paid the first three quarters of 2021 at a level of 0.75p per share and these were paid in July 2021, October 2021 and January 2022. The Board proposes a final dividend of 0.8125p per share payable in April 2022 as a Property Income Distribution making a total of 3.0625p for the year (2020: 3p) Total fully covered dividend per share for 2021 of 3.0625p (FY 2020: 3p) up 2.08%, reflecting a yield of 7.90% based on a mid-market opening price of 38.75p on 21 March 2022. The Board remains committed to growing the dividend further, as market conditions normalise.

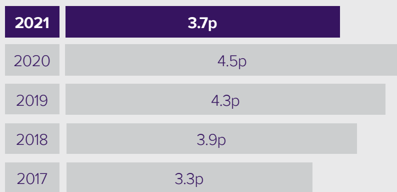
Marcus Daly
Finance Director
21 March 2022

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:

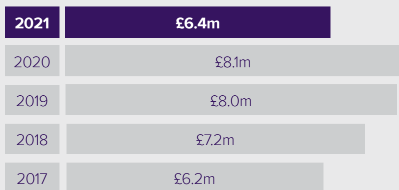
EPRA EPS

3.7p



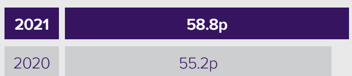
Underlying Profit before tax

£6.4m



EPRA NTA per share

58.8p



Principal Risks and Uncertainties

Review of the 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 4 to 10 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	Mitigation
Investment portfolio – Tenant default – Change in demand for space – Market pricing affecting value – Brexit	– Not reliant on one single tenant or business sector – Focused on established business locations for investment – Properties are valued externally twice per year, asset concentration is monitored, the Company maintains a borrowing headroom should there be a decline and all facilities have cure options – Smaller lot size business model limits exposure to individual asset values – Portfolio diversification between office and retail properties – Building specifications not tailored to one user – Continual focus on current vacancies and expected changes
Financial – Going concern – Reduced availability or increased cost of debt – Interest rate sensitivity	– See going concern accounting policy on page 52 – Low gearing policy – Fixed rate debt and hedging in place – Existing facilities sufficient for spending commitments – On-going monitoring and management of the forecast cash position – Internal procedures in place to track compliance with bank covenants
People – Retention/recruitment	– Remuneration structure reviewed – Regular assessment of performance – Long term incentive plan
Corporate – Reputational risk – Legal and regulatory risk – Health & safety – IT/Cyber	– External investor and public relations consultancy – The Company employs experienced staff and external advisers to provide guidance on regulatory requirements – Management system and support from specialist external advisors – IT systems and anti-virus software and firewalls
Taxation – REI non compliance	– Throughout the period the Company complied with the regulations and dividend distribution requirements
ESG – Failure to appropriately manage the environmental performance of the property portfolio	– The Company engaged specialist environmental consultants to advise the Board on compliance and has set up a dedicated ESG committee

Key performance indicators ("KPIs")

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

Indicator	**2021**	2020
Profit/(loss) before tax	**£13.9 m**	£(20.2)m
EPRA earnings per share	**3.7p**	4.5p
Underlying profit before tax	**£6.4m**	£8.1m
Investment property valuation	**£188.5m**	£197.5m
Net assets	**£105m**	£97.7m
EPRA NTA per share	**58.8p**	55.2p

BY ORDER OF THE BOARD

Marcus Daly
Secretary
21 March 2022

Image on the right:
75-77 COLMORE ROW, BIRMINGHAM, (REI PLC HEAD OFFICE)


RBS

Board of Directors and Management

William Wyatt
Non-Executive Chairman

William joined Caledonia in 1997 from Close Brothers Group Plc. He was appointed a Director in 2005 and Chief Executive in 2010. As well as Caledonia and REI, he is a Non-Executive Director of Cobehold, a Trustee of The Rank Foundation and Chairman of Newmarket Racecourses.

Peter London
Non-Executive Director

Peter is a consultant for a leading firm of Independent Financial Advisers.
He has a lifetime of experience in providing independent financial advice to high-net-worth individuals and sold his IFA company to a Swiss Bank in 2007. Peter is also Non-Executive Chairman of a number of property related companies.

Ian Stringer
Non-Executive Director

Ian is a Chartered Surveyor who has nearly 40 years' experience in the property sector. Ian's career started in 1983 at Grimley and Son and he has stayed with the business in its various incarnations throughout his entire career, during which, he acted as Regional Managing Director for the Midlands office for over a decade whilst also heading up the UK Offices Team and UK Markets Division.

Paul Bassi CBE DL D.UNIV DSC
Chief Executive

Paul is also Non-Executive Chairman of Likewise Group and Bond Wolfe and formerly Non-Executive Chairman of CP Bigwood Chartered Surveyors, Regional Chairman & Strategy Adviser to Coutts Bank (West Midlands) and past President of the Birmingham Chamber of Commerce. Appointed High Sheriff for the County of West Midlands for 2009 and Deputy Lieutenant. Paul was awarded a CBE in the 2010 New Year's Honours List.

Marcus Daly FCA
Finance Director

Marcus is a Chartered Accountant and has over 30 years' experience in advising clients on strategic matters and corporate planning, particularly in the property sector. He has responsibility for all financial and group accounting matters, together with corporate finance matters. Marcus is also formerly Non-Executive Chairman of the Tipton & Coseley Building Society.

Anna Durnford
Director, Investor Relations

Anna has over 21 years' experience within the legal, financial, accountancy and property sectors. Anna started her career in financial services, before joining Ernst & Young as PA to the Managing Partner in Birmingham. Having joined REI in 2007 to provide executive support to the Board, Anna now oversees operations within the business and is Head of Investor Relations.

Ian Clark BSc (Hons) MRICS
Director, Asset Management

Ian is a qualified chartered surveyor with over 25 years' experience in the property market and is responsible for co-ordinating the asset management strategy across the portfolio. After qualifying with a niche practice, Ian joined GVA Grimley (Avison Young), acting for institutional landlords. Prior to joining REI, Ian worked for Argent Estates Limited for 10 years as Asset Manager and was responsible for the asset management of the 1.5 million sq ft Brindleyplace Estate.

Andrew Osborne BSc (Hons)
Investment Management

Andrew qualified as a Chartered Surveyor in 1997 and specialises in property investment activity. Prior to joining REI in June 2014, he worked for a property associated subsidiary of Goldman Sachs. He began his career as an Investment surveyor in the commercial markets team at CBRE and as a Property Fund Manager at Canada Life and a Regional Director of Highcross in Birmingham.

Jack Sears BSc (Hons) MRICS
Asset Management

Jack joined REI Plc in July 2016 following a short time at BNP Paribas Real Estate where he assisted corporate clients with the management of their residual properties when they became surplus to their day to day business requirements. Prior to this Jack spent 5 years at Bilfinger GVA (Avison Young) where, after qualifying in 2013, he began working in the Occupational Management team on behalf of a major national bank, focusing on their northern retail and office portfolio.

Donna Mooney
Receptionist/Administrator

Donna has had a long and varied career as a Personal Assistant within Insurance, Advertising and Accountancy, most recently supporting members of the UK&I Leadership team within Corporate Finance and Tax at Ernst & Young LLP. Donna joins REI Plc to take up position as Front of House / Administrator and to provide additional support to the Executive and Operations team.

Corporate Governance Report

2018 UK CORPORATE GOVERNANCE CODE AND S172 REPORTING

This report sets out how we have applied and complied with the QCA Corporate Governance Code (2018 edition) in the financial year ended 31 December 2021.

- 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.

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, whist maintaining compliance with the terms of flexible secured bank finance. How the company creates value is shown on pages 20 and 21.

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

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

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

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

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

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

Institutional shareholders

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

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

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

Our business model which explains how we create value is set out on pages 20 and 21.

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.

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

Audit, risk and internal control

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

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

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

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

The Board is responsible for continually reviewing the key risks to the business and assessing their likely impact on the business. Significant areas under constant review are property, financial and corporate risks. Further detail of the Company's principal risks and uncertainties are detailed on page 28.

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

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

The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the company on the other, to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. During 2021 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.

Corporate Governance Report *continued*

Directors' conflict of interest

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

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

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

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

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

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

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

Appointment, removal and re-election of Directors

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

Independent advice

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

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

William Wyatt was appointed the new Chairman at the AGM in 2021 and 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.

He intends to put a programme in place over the next 12 months 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.

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

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

Board programme

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

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

Roles of the Board, Chairman and Chief Executive Officer

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

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

Executive Team

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

Board Committees

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

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.

Directors' Section 172(1) Statement

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

The likely consequences of any decision in the long term

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

The interests of the Group's employees

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

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

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

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

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

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

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

The need to act fairly between members of the Group

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

Directors' Remuneration Report

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 their own remuneration. Annual bonuses will be paid at the discretion of the Remuneration Committee as an incentive and to reward performance during the financial year pursuant to specific performance criteria. In exercising its discretion the Committee will take into account (among other things) NAV growth, dividend growth, rental growth, management performance and overall financial performance. The Remuneration Committee believes that incentive compensation should recognise the growth and profitability of the business.

Directors' remuneration (forming part of the financial statements and subject to audit)
The remuneration of directors for the year ended 31 December 2021 was as follows:

	Salary £000	Salary in lieu of benefits £000	Fees £000	Bonus £000	Share-based payment expense £000	Total £000	Employers' national insurance contributions £000	**2021 Total £000**	2020 Total £000	**Share options 2021 Number**	Share options 2020 Number
P P S Bassi	440	110	–	110	–	660	86	**746**	752	**793**	1,257
M H P Daly	275	69	–	69	–	413	53	**466**	469	**495**	786
J Crabtree	–	–	18	–	–	18	–	**18**	44	**–**	–
W Wyatt	42	–	–	–	–	42	5	**47**	41	**–**	–
P London	38	–	–	–	–	38	4	**42**	42	**–**	–
I Stringer	22	–	–	–	–	22	2	**24**	–	**–**	–
	817	179	18	179	–	1,193	150	**1,343**	1,348	**1,288**	2,043

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 Nil (2020: 306,327) shares and Nil (2020: 191,454) 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.

Long Term Incentive Plan

The Remuneration Committee instructed remuneration consultancy experts to advise on a new LTIP plan. The plan is designed to promote retention and incentivise the Executive Directors to grow the value of the Group and to maximise returns. The new plan:

- The LTIP has a ten year life from January 2021 to December 2030.
- Performance conditions:
- 50% of the award subject to absolute NAV growth plus dividends with threshold vesting – 30% of this part of the award – at 7.5% annual growth including dividends and full vesting at 12.0% 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 7.5% annual growth and full vesting at 12.0%.
- 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.

Under the previous plan, on 25 March 2019, 27 March 2020 and 27 March 2021 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.

Based on the results 15% of the options awarded in 2019 are likely to vest.

Approved by the Board of Directors
P London
Chairman, Remuneration Committee
21 March 2022

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 (the 'Group') for the year ended 31 December 2021, 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 cash flows and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards 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 2021 and of the Group's profit for the year then ended;
– the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
– the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions 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.

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 matters 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

Overview of our audit approach

Overall materiality:

- Group: £2.10m, which represents approximately 1% of the Group's total assets for the year.
- Parent company: £2.02m, which represents 1% of the parent company's total assets as well.

Key audit matters were identified as:

- Valuation of investment property (same as previous year).
- Going concern (same as previous year).

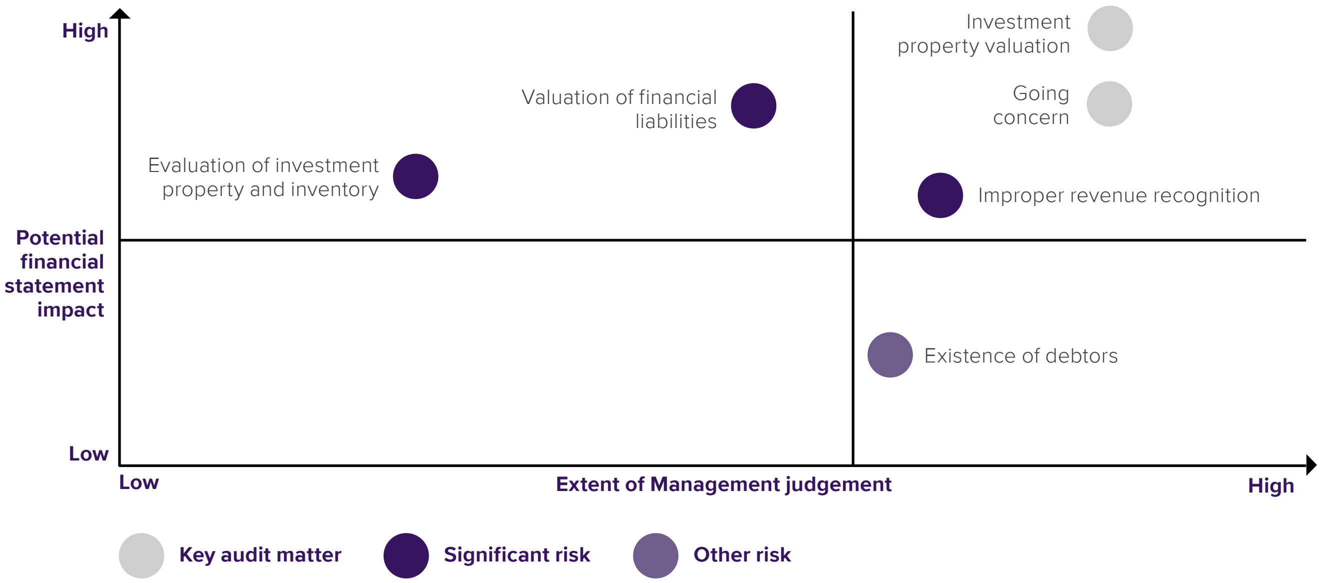
The parent company was identified as significant component which we performed an audit of the financial information of the component using component materiality (full-scope audit). There were three subsidiaries where we have performed specific procedures for one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the Group financial statements. These are 3147398 Limited, Southgate Derby Retail Limited, Real Homes One Limited and Metro Court (WB) Limited.

We have performed a full scope audit on Real Estate Investors Plc which provides 98.5% coverage of total assets and 92% coverage of revenue. We have performed specific scope audit on 3147398, Southgate Derby Retail Limited and Real Homes on Limited obtaining 1.5% coverage of total assets and 8% coverage over revenue. Analytical procedures have been performed on Metro Court (WB) Limited.

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.

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Independent Auditor's Report to the members of Real Estate Investors Plc *continued*

Key Audit Matter – Group	How our scope addressed the matter – Group
Investment property valuation We identified investment property valuation as one of the most significant assessed risks of material misstatement due to error. The Group and parent's investment property portfolio is required to be held at fair value under IAS 40 'Investment Property'. The Group's portfolio is split between retail, leisure 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 investors markets as a result of COVID-19 further contributed to the subjectivity for the year ended 31 December 2021. 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 have considerable experience in the markets in which the Group and parent 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. 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 Accounts 2021** – Financial statements:, Accounting policies (note 1), Investment properties (note 9); and, Fair value disclosures (note 16).	In responding to the key audit matter, we performed the following audit procedures: – obtaining year end valuations for a sample of properties picked after discussion with our valuation experts, confirming 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 by reviewing searches performed by the Central Audit Services Team along with interviewing the valuations team and obtaining their agreement letter with REI plc; – 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 completion statements for sale of the eleven properties that were sold in the year and confirming the directors' valuation agrees to these; and – 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 fair, 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	How the matter was addressed in the audit – 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 and error as a result of the judgment required to conclude whether there is a material uncertainty related to going concern. Covid-19 remains a significant global economic event and its effects remain subject to unprecedented levels of uncertainty. This could adversely impact the future trading performance of the Group including and the current financing available to the Group and associated debt covenants. As such, this increases the extent of judgement and estimation uncertainty associated with the directors' decision to adopt the going concern basis of accounting in the preparation of the financial statements. 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 2021 – Financial statements: Note 1, Accounting policies.	In responding to the key audit matter, we performed the following audit procedures: – obtaining management's base case cash flow forecast, reverse stress test and sensitivity analysis covering the period to March 2023; – 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 support 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 local and global macro-economic and social conditions; 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.

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:

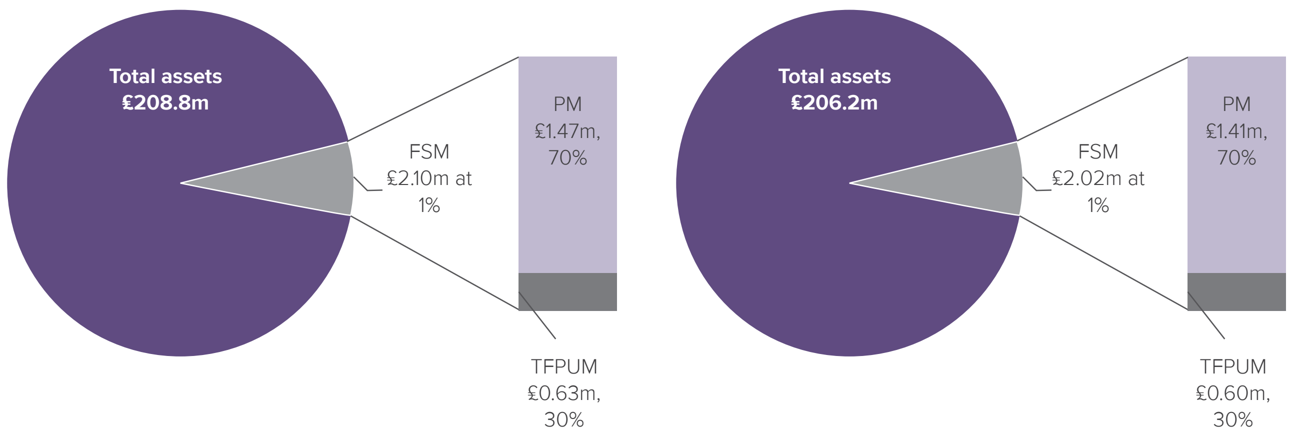
Materiality measure	Group	Parent Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£2.10m which was determined based on approximately 1% of total assets.	£2.02m which was determined based on approximately 1% of total assets.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: – 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 2020, as there have been no significant changes to the business in the current year.	In determining materiality, we made the following significant judgements: – 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 2020 reflecting the decrease in total asset value in the parent company in the year.

Independent Auditor's Report to the members of Real Estate Investors Plc *continued*

Materiality measure	Group	Parent Company
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	£1.47m which was determined based on 70% of financial statement materiality.	£1.41m which was determined based on 70% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining materiality, we made the following significant judgements: – 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 control environment is deemed to be appropriate, and the relevant controls are in place. – There were no significant adjustments identified in the prior year which suggested a lower materiality may be necessary.	In determining materiality, we made the following significant judgements: – 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 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.	
Specific materiality threshold	We determined a lower level of specific materiality for the following areas: – Revenue of £568k determined with reference to the Group 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 Company's members' assessment of the financial performance of the Group. 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, immaterial and have limited risk associated with them, as a transaction affecting these balances are straightforward and involve insignificant levels of judgement or estimation. – We also applied a lower level of specific materiality to Directors' remuneration of £10k to give greater assurance over this key area.	Not applicable on the basis no separate parent company statement of comprehensive income is presented.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£105k and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£100k and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

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.

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 components judged significant a full scope audit was performed. As part of this we evaluated the processes and controls over the financial reporting system identified as part of our risk assessment and critical accounting areas such as the property valuations key audit matter as identified above. We then undertook substantive testing on significant transactions and material account balances.

We obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level by performing walkthroughs across our significant risks such as management override and revenue. 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 operations that were subject of full-scope audit procedures made up 92% of Consolidated Group revenues (2020:97%) and 98.5% of Group's total assets (2020: 98%). The parent company has majority of the trade and there is minimal activity in other subsidiaries. Hence, the parent company is the only significant component for the group

There were three subsidiaries which 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, Real Homes One Limited and Metro Court (WB) Limited. 'The parent company and subsidiary audits were all performed by the Group audit team

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 (2020: 1)	98.5% (2020: 98%)	92% (2020: 97%)
Specific-scope audit	3 (2020: 3)	1.5% (2020: 2%)	8% (2020: 3%)
Analytical procedures	1 (2020: 1)	<0.1%	<0.1%

Independent Auditor's Report to the members of Real Estate Investors Plc *continued*

Other information
The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial statements 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.

Responsibilities of directors for the financial statements
As explained more fully in the statement of directors' responsibilities, 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.

Matter 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.

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 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 that are applicable to the parent company and the Group, and the sector in which they operate, through our commercial and sector experience, making enquiries of management and those charged with governance, and inspection of the parent company's and the Group's key external correspondence. We corroborated our enquiries through our review of board minutes and other information obtained during the course of the audit.
- Through the understanding that we obtained, we determined the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements are those related to the reporting framework, including UK-adopted international accounting standards, the AIM Rules for Companies, the Companies Act 2006 and the relevant taxation regulations in the jurisdictions in which the parent company and Group operate.
- We obtained an understanding of how the parent company and the Group are complying with those legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures, and the company secretary. We corroborated our inquiries through our review of Board minutes.
- We assessed the susceptibility of the parent company's and the Group's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the estimation and judgemental areas with a risk of fraud, including potential management bias, of revenue recognition and valuation of investment property and through management override of controls.
- Our audit procedures included:
  - We made enquiries of management concerning the parent company's and the Group's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
  - We enquired with management and those charged with governance whether they were aware of any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual, suspected, or alleged fraud. We corroborated the results of our enquires to relevant supporting documentation.
  - We challenged significant accounting assumptions, estimates and judgements made by management, including those relevant to the estimation and judgemental areas with a risk of fraud, including potential management bias, of revenue recognition and valuation of investment property.
  - We performed journal entry testing, with a focus on journals indicating large or unusual transactions or account combinations based on our understanding of the business.
  - We gained an understanding of and testing significant identified related party transactions.
  - We performed audit procedures to consider the compliance of disclosures in the financial statements with the applicable financial reporting framework requirements; and
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included 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 parent company and the Group operate; and
  - Understanding of the legal and regulatory requirements specific to the parent company and the Group.
- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in relation to the estimation and judgemental areas with a risk of fraud, including potential management bias, of revenue recognition and valuation of investment property, which we identified as key audit matters, and through management override of controls in the preparation of the financial statements.

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
21 March 2022.

Consolidated statement of comprehensive income for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Revenue		**15,971**	16,425
Cost of sales		**(3,329)**	(1,397)
Gross profit		**12,642**	15,028
Administrative expenses		**(3,045)**	(3,262)
Surplus on sale of investment properties		**1,177**	–
Change in fair value of investment properties	9	**4,951**	(27,896)
Profit/(loss) from operations		**15,725**	(16,130)
Finance income	5	**46**	14
Finance costs	5	**(3,235)**	(3,637)
Surplus/(deficit) on financial liabilities at fair value through profit and loss	16	**1,388**	(483)
Profit/(loss) on ordinary activities before taxation	3	**13,924**	(20,236)
Income tax charge	6	**–**	(405)
Net profit/(loss) after taxation and total comprehensive income		**13,924**	(20,641)
Total and continuing earnings/(loss) per Ordinary Share			
Basic	7	**7.76p**	(11.51)p
Diluted	7	**7.64p**	(11.51)p

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

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

Consolidated statement of changes in equity for the year ended 31 December 2021

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Other reserve £000	Retained Earnings £000	Total £000
At 1 January 2020	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
Share based payment	–	–	–	150	–	150
Dividends	–	–	–	–	(6,726)	(6,726)
Transactions with owners	–	–	–	150	(6,726)	(6,576)
Profit for the year and total comprehensive income	–	–	–	–	13,924	13,924
At 31 December 2021	**17,938**	**51,721**	**749**	**759**	**33,855**	**105,022**

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

Company statement of changes in equity for the year ended 31 December 2021

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Other reserve £000	Retained Earnings £000	Total £000
At 1 January 2020	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
Share based payment	–	–	–	150	–	150
Dividends	–	–	–	–	(6,726)	(6,726)
Transactions with owners	–	–	–	150	(6,726)	(6,576)
Profit for the year and total comprehensive income	–	–	–	–	14,411	14,411
At 31 December 2021	**17,938**	**51,721**	**749**	**759**	**31,702**	**102,869**

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

Consolidated statement of financial position at 31 December 2021

	Note	2021 £000	2020 £000
Assets			
Non current			
Intangible assets	8	**–**	–
Investment properties	9	**188,485**	197,520
Property, plant and equipment	10	**4**	5
		188,489	197,525
Current			
Inventories	12	**2,384**	3,796
Trade and other receivables	13	**3,588**	4,340
Cash and cash equivalents		**9,836**	4,238
		15,808	12,374
Total assets		**204,297**	209,899
Liabilities			
Current			
Bank loans	15	**(2,479)**	(45,579)
Provision for current taxation		**(1)**	(1)
Trade and other payables	14	**(7,684)**	(7,336)
		(10,164)	(52,916)
Non current			
Bank loans	15	**(86,965)**	(55,775)
Derivative financial liabilities	16	**(2,146)**	(3,534)
		(89,111)	(59,309)
Total liabilities		**(99,275)**	(112,225)
Net assets		**105,022**	97,674
Equity			
Share capital	18	**17,938**	17,938
Share premium account		**51,721**	51,721
Capital redemption reserve		**749**	749
Other reserve		**759**	609
Retained earnings		**33,855**	26,657
Total Equity		**105,022**	97,674
Net assets per share		**58.5p**	54.5p

These financial statements were approved and authorised for issue by the Board of Directors on 21 March 2022.

Signed on behalf of the Board of Directors

William Wyatt
Non-Executive Chairman
21 March 2022

Marcus Daly
Finance Director

Company No 5045715

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

Company statement of financial position for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Assets			
Non current			
Investment properties	9	**185,225**	193,145
Property, plant and equipment	10	**4**	5
Investments	11	**1,670**	1,670
		186,899	194,820
Current assets			
Inventories	12	**2,384**	2,380
Trade and other receivables	13	**3,440**	4,884
Cash and cash equivalents		**9,817**	4,141
		15,641	11,405
Total assets		**202,540**	206,225
Liabilities			
Current			
Bank loans	15	**(2,434)**	(45,534)
Trade and other payables	14	**(11,717)**	(9,992)
Net current liabilities		**(14,151)**	(55,526)
Non current			
Bank loans	15	**(83,374)**	(52,131)
Derivative financial liabilities	16	**(2,146)**	(3,534)
		(85,520)	(55,665)
Total liabilities		**(99,671)**	(111,191)
Net assets		**102,869**	95,034
Equity			
Ordinary share capital	18	**17,938**	17,938
Share premium account		**51,721**	51,721
Capital redemption reserve		**749**	749
Other reserve		**759**	609
Profit and loss account		**31,702**	24,017
Total Equity		**102,869**	95,034

The Company profit for the year was £13,924,000 (2020: loss £20,430,000).

These financial statements were approved by the Board of Directors on 21 March 2022.

Signed on behalf of the Board of Directors

William Wyatt
Non-Executive Chairman
21 March 2022

Marcus Daly
Finance Director

Company No 5045715

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

Consolidated statement of cash flows for the year ended 31 December 2021

	2021 £000	2020 £000
Cash flows from operating activities		
Profit/(loss) after taxation	**13,924**	(20,641)
Adjustments for:		
Depreciation	**2**	3
Net (surplus)/deficit on valuation of investment property	**(4,951)**	27,896
Surplus on sale of investment property	**(1,177)**	–
Share based payment	**150**	(250)
Finance income	**(46)**	(14)
Finance costs	**3,235**	3,637
(Surplus)/deficit on financial liabilities at fair value through profit and loss	**(1,388)**	483
Income tax charge	**–**	405
Decrease in inventories	**1,412**	(16)
Decrease/(increase) in trade and other receivables	**752**	(1,917)
(Decrease)/increase in trade and other payables	**(100)**	74
	11,813	9,660
Cash flows from investing activities		
Expenditure on investment properties	**(955)**	(341)
Purchase of property, plant and equipment	**(2)**	–
Proceeds from sale of investment properties	**16,119**	–
Interest received	**46**	14
	15,208	(327)
Cash flows from financing activities		
Interest paid	**(3,235)**	(3,637)
Share buyback	**–**	(2,010)
Share based payment	**–**	(243)
Equity dividends paid	**(6,278)**	(5,476)
Proceeds from new bank loans	**–**	3,500
Payment of bank loans	**(11,910)**	(7,321)
	(21,423)	(15,187)
Net increase/(decrease) in cash and cash equivalents	**5,598**	(5,854)
Cash and cash equivalents at beginning of period	**4,238**	10,092
Cash and cash equivalents at end of period	**9,836**	4,238

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.

Company statement of cash flows for the year ended 31 December 2021

	2021 £000	2020 £000
Cash flows from operating activities		
Profit/(loss) after taxation	**14,411**	(20,430)
Adjustments for:		
Depreciation	**2**	3
Net (surplus)/deficit on valuation of investment property	**(4,866)**	27,566
Profit on sale of investment property	**(1,120)**	–
Share based payment	**150**	(250)
Finance income	**(46)**	(14)
Finance costs	**3,014**	3,411
(Surplus)/deficit on financial liabilities at fair value through profit and loss	**(1,388)**	483
Income tax charge	**–**	405
Increase in inventories	**(4)**	–
Decrease/(increase) in trade and other receivables	**1,444**	(1,584)
Increase/(decrease) in trade and other payables	**1,277**	(233)
	12,874	9,357
Cash flows from investing activities		
Expenditure on investment properties	**(955)**	(341)
Purchase of property, plant and equipment	**(2)**	–
Proceeds from sale of investment properties	**14,862**	–
Interest received	**46**	14
	13,951	(327)
Cash flows from financing activities		
Interest paid	**(3,014)**	(3,411)
Share buyback	**–**	(2,010)
Share based payment	**–**	(243)
Equity dividends paid	**(6,278)**	(5,476)
Proceeds from new bank loans	**–**	3,500
Payment of bank loans	**(11,857)**	(7,271)
	(21,149)	(14,911)
Net increase/(decrease) in cash and cash equivalents	**5,676**	(5,881)
Cash and cash equivalents at beginning of period	**4,141**	10,022
Cash and cash equivalents at end of period	**9,817**	4,141

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.

Notes to the financial statements for the year ended 31 December 2021

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 2020 financial statements, except where new standards have been issued and applied retrospectively. Further details of these standards and their application by the Group are set out on page 56.

Going concern

The Group has prepared and reviewed forecasts and made appropriate enquiries which indicate that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements. 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 February 2022 the Group extended the facility of £12 million with Barclays Bank PLC by a further 12 months to December 2024.
- Management has 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 profit for the financial year was £13,924,000 (2020: loss £20,430,000).

Investments

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

Income recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration 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. Rent reviews are recognised in the period to which they relate. Any incentive for lessees to enter into a lease agreement and any costs associated with entering into the lease are spread over the same period.

Sale of properties

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

Investment properties

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

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

Investment properties are subsequently valued externally or by the Directors on an open market basis at the balance sheet date and recorded at valuation. Any 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.

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

Deferred income

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

Leasehold improvements and office equipment

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

Leasehold improvements	–	length of lease
Office equipment	–	five years

Residual values and useful lives are reassessed annually.

Inventories

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

Operating leases

Group Company is the lessor

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

Taxation

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

Notes to the financial statements for the year ended 31 December 2021
continued

1. Accounting policies continued

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 2021 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.

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.

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.

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).

Notes to the financial statements for the year ended 31 December 2021
continued

1. Accounting policies continued
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 2021
Certain new standards applicable during the year would not have a material impact on the Group.

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

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

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

Investment property valuation

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

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

Investment entity status

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

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

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

Surrender premiums

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

REIT status

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

2. Segmental information

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

		Investment in and trading of properties	
		2021 £000	2020 £000
Segment revenues	– Rental income	**13,934**	15,691
	– Surrender premiums	**812**	734
	– Sale of land	**1,225**	–
		15,971	16,425
Cost of sales	– Direct costs	**(1,932)**	(1,397)
	– Cost of land	**(1,397)**	–
		12,642	15,028
Administrative expenses		**(3,045)**	(3,262)
Surplus on disposal of investment property		**1,177**	–
Surplus/(deficit) on valuation of investment properties		**4,951**	(27,896)
Segment operating profit/(loss)		**15,725**	(16,130)
Segment assets		**204,297**	209,899

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

	2021 £000	2020 £000
Finance income	**46**	14
Finance costs	**(3,235)**	(3,637)
Depreciation	**(2)**	(3)
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 4% (2020: 3%) of the total rental income revenue for the period.

Notes to the financial statements for the year ended 31 December 2021
continued

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

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

	2021 £000	2020 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**55**	33
Fees payable to the Company's auditor for other services		
Audit of the accounts of the subsidiaries	**20**	19
Depreciation of owned property and equipment	**2**	3
Lease payments	**183**	183

4. Directors and employees

Staff costs during the period were as follows:

	2021 £000	2020 £000
Wages and salaries	**1,582**	1,321
Social security costs	**200**	227
Share based payment charge/(credit)	**150**	(250)
	1,932	1,298

The average number of employees (including Executive Directors) of the Group and the Company during the period was seven (2020: 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 36 and 37.

5. Finance income/finance costs

	2021 £000	2020 £000
Finance income:		
Interest receivable	**46**	14
Finance costs:		
Interest payable on bank loans	**(3,235)**	(3,637)

6. Income tax charge

	2021 £000	2020 £000
Profit/(loss) for the year before tax	**13,924**	(20,236)
Tax rate	**19%**	19%
Expected tax charge	**2,646**	(3,845)
REIT exempt income and gains	**(2,646)**	4,250
Actual tax charge	**–**	405
Tax charge comprises:		
Current tax	**–**	–
Deferred tax charge (note 17)	**–**	405
	–	405

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.

	2021			2020		
	Earnings £000	**Average number of shares**	**Earnings per Share**	Loss £000	Average number of shares	Earnings per share
Basic earnings/(loss) per share	**13,924**	**179,377,898**	**7.76p**	(20,641)	179,377,898	(11.51)p
Diluted earnings/(loss) per share	**13,924**	**182,261,263**	**7.64p**	(20,641)	183,369,382	(11.51)p

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

	2021			2020		
	Earnings £000	**Shares No**	**Earnings per Share p**	Earnings £000	Shares No	Earnings per share p
Basic earnings/(loss) per share	**13,924**	**179,377,898**	**7.76**	(20,641)	179,377,898	(11.51)
Net (profit)/loss on valuation of investment properties	**(4,951)**			27,896		
Profit on disposal of investment properties	**(1,177)**			–		
Loss on sale of inventory properties	**172**			–		
Change in fair value of derivatives	**(1,388)**			483		
Deferred tax	**–**			405		
EPRA earnings per share	**6,580**	**179,377,898**	**3.67**	8,143	179,377,898	4.54

Net asset value per share

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

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

	31 December 2021		
	EPRA NTA £000	**EPRA NRV £000**	**EPRA NDV £000**
Net assets	**105,022**	**105,022**	**105,022**
Fair value of derivatives	**2,146**	**2,146**	**–**
Real estate transfer tax	**–**	**13,127**	**–**
EPRA NAV	**107,168**	**120,295**	**105,022**
Number of ordinary shares issued for diluted and EPRA net assets per share	**182,261,263**	**182,261,263**	**182,261,263**
EPRA NAV per share	**58.8p**	**66.0p**	**57.6p**

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

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

Notes to the financial statements for the year ended 31 December 2021
continued

7. Earnings per share continued

	31 December 2020		
	EPRA NTA £000	EPRA NRV £000	EPRA NDV £000
Net assets	97,674	97,674	97,674
Fair value of derivatives	3,534	3,534	–
Real estate transfer tax	–	12,623	–
EPRA NAV	101,208	113,831	97,674
Number of ordinary shares issued for diluted and EPRA net assets per share	183,369,382	183,369,382	183,369,382
EPRA NAV per share	55.2p	62.1p	53.3p

	31 December 2021 No of Shares	31 December 2020 No of Shares
Number of Ordinary Shares issued at end of period	**179,377,898**	179,377,898
Dilutive impact of options	**2,883,365**	3,991,484
Number of Ordinary Shares issued for diluted and EPRA net assets per share	**182,261,263**	183,369,382
Net assets per ordinary share		
Basic	**58.8p**	55.2p
Diluted	**66.0p**	62.1p
EPRA NTA	**57.6p**	53.3p

8. Intangible assets

	Goodwill £000
Gross carrying amount	
Cost	
At 1 January 2021 and 31 December 2021	171
Accumulated impairment losses	
At 1 January 2021	171
Charge for the year	–
31 December 2021	171
Net book amount at 31 December 2021	–
Net book amount at 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 2020	225,075
Additions – acquisition of new properties	–
Additions – subsequent expenditure	341
Disposals	–
Change in fair value	(27,896)
Carrying amount at 31 December 2020	197,520
Additions – acquisition of new properties	–
Additions – subsequent expenditure	955
Disposals	(14,941)
Change in fair value	4,951
Carrying amount at 31 December 2021	**188,485**

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

	2021 £000	2020 £000
At professional valuation	**186,245**	190,220
At Directors' valuation	**2,240**	7,300
	188,485	197,520

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

	2021 £000	2020 £000
Cost and net book amount at 31 December	**210,090**	225,988

Company

	£000
Carrying amount at 1 January 2020	220,370
Additions	341
Disposals	–
Change in fair value	(27,566)
Carrying amount at 31 December 2020	193,145
Additions – subsequent expenditure	955
Disposals	(13,741)
Change in fair value	4,866
Carrying amount at 31 December 2021	**185,225**

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

	Investment properties	
	2021 £000	2020 £000
At professional valuation	**182,985**	186,875
At Directors' valuation	**2,240**	6,270
	185,225	193,145

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

	Investment properties	
	2021 £000	2020 £000
Cost and net book amount at 31 December	**207,200**	221,797

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 2021 was £14,746,000 (2020: £16,425,000) and direct operating expenses in relation to those properties were £1,858,000 (2020: £1,329,000). Direct operating expenses in relation to those properties which did not generate rental income in the period were £74,000 (2020: £68,000).

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 2021 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.

Notes to the financial statements for the year ended 31 December 2021 *continued*

10. Property, plant & equipment

Group and Company

	Leasehold Improvements £000	Office Equipment £000	Total £000
Gross carrying amount			
At 31 December 2020	112	82	194
Additions	–	2	2
At 31 December 2021	112	84	196
Depreciation and Impairment			
At 31 December 2020	112	77	189
Charge for the year	–	3	3
At 31 December 2021	112	80	192
Net book carrying amount			
At 31 December 2021	**–**	**4**	**4**
At 31 December 2020	–	5	5

11. Interests in subsidiaries

	2021 £000	2020 £000
Cost		
At 1 January	**4,223**	4,223
Provision for impairment	**(2,553)**	(2,553)
At 31 December	**1,670**	1,670

At 31 December 2021 and 31 December 2020 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.

12. Inventories

	Group		Company	
	2021 £000	2020 £000	**2021 £000**	2020 £000
Land held for trading	**2,384**	3,796	**2,384**	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 (2020: £nil), is pledged as security for bank loans.

13. Trade and other receivables

	Group		Company	
	2021 £000	2020 £000	**2021 £000**	2020 £000
Trade receivables	**822**	1,884	**790**	1,734
Amounts owed by subsidiary undertakings	**–**	–	**–**	774
Other receivables	**458**	139	**422**	139
Prepayments and accrued income	**2,308**	2,317	**2,228**	2,237
	3,588	4,340	**3,440**	4,884

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 £118,000 (2020: £143,000) has been recorded accordingly. The movement in the provision for impairment during the year is as follows:

	Group and Company	
	2021 £000	2020 £000
At 1 January	**143**	118
Increase in provision	**50**	825
Debts written off	**(75)**	(800)
At 31 December	**118**	143

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	
	2021 £000	2020 £000
Not more than three months past due	**284**	286
More than three months but no more than six months past due	**235**	179
	519	465

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

	2021			2020		
	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	**822**	**–**	**822**	1,884	–	1,884
Other receivables	**458**	**–**	**458**	139	–	139
Prepayments and accrued income	**–**	**2,308**	**2,308**	–	2,317	2,317
Cash and cash equivalents	**9,836**	**–**	**9,836**	4,238	–	4,238
	11,116	**2,308**	**13,424**	6,261	2,317	8,578

Notes to the financial statements for the year ended 31 December 2021 *continued*

13. Trade and other receivables continued

Company

	2021			2020		
	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	**790**	**–**	**790**	1,734	–	1,734
Amounts owed by subsidiary undertakings	**–**	**–**	**–**	774	–	774
Other receivables	**422**	**–**	**422**	139	–	139
Prepayments and accrued income	**–**	**2,228**	**2,228**	–	2,237	2,237
Cash and cash equivalents	**9,817**	**–**	**9,817**	4,141	–	4,141
	11,029	**2,228**	**13,257**	6,788	2,237	9,025

14. Trade and other payables

	Group		Company	
	2021 £000	2020 £000	**2021 £000**	2020 £000
Trade payables	**1,127**	562	**1,100**	531
Amounts owed to subsidiary undertakings	**–**	–	**4,189**	3,151
Other payables	**465**	884	**451**	574
Social security and taxation	**1,473**	1,802	**1,441**	1,772
Accrual and deferred income	**3,274**	3,191	**3,191**	3,067
Dividend payable	**1,345**	897	**1,345**	897
	7,684	7,336	**11,717**	9,992

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

	2021				2020			
	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	**–**	**2,479**	**–**	**2,479**	–	45,579	–	45,579
Provision for current taxation	**–**	**–**	**1**	**1**	–	–	1	1
Trade payables	**–**	**1,127**	**–**	**1,127**	–	562	–	562
Other payables	**–**	**465**	**–**	**465**	–	884	–	884
Social security and taxation	**–**	**–**	**1,473**	**1,473**	–	–	1,802	1,802
Accruals and deferred income	**–**	**1,084**	**2,190**	**3,274**	–	903	2,288	3,191
Dividend payable	**–**	**1,345**	**–**	**1,345**	–	897	–	897
	–	**6,500**	**3,664**	**10,164**	–	48,825	4,091	52,916
Non-current								
Bank loans	**–**	**86,965**	**–**	**86,965**	–	55,775	–	55,775
Derivative financial liabilities	**2,146**	**–**	**–**	**2,146**	3,534	–	–	3,534
	2,146	**86,965**	**–**	**89,111**	3,534	55,775	–	59,309
	2,146	**93,465**	**3,664**	**99,275**	3,534	104,600	4,091	112,225

Company

	2021				2020			
	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	**–**	**2,434**		**2,434**	–	45,534	–	45,534
Provision for current taxation	**–**	**–**	**–**	**–**	–	–	–	–
Trade payables	**–**	**1,100**	**–**	**1,100**	–	531	–	531
Amounts owed to subsidiary undertakings		**4,189**	**–**	**4,189**	–	3,151	–	3,151
Other payables	**–**	**451**	**–**	**451**	–	574	–	574
Social security and taxation	**–**	**–**	**1,441**	**1,441**	–	–	1,772	1,772
Accruals and deferred income	**–**	**1,027**	**2,164**	**3,191**	–	845	2,222	3,067
Dividend payable	**–**	**1,345**	**–**	**1,345**	–	897	–	897
	–	**10,546**	**3,605**	**14,151**	–	51,532	3,994	55,526
Non-current								
Bank loans	**–**	**83,474**	**–**	**83,474**	–	52,131	–	52,131
Derivative financial instruments	**2,146**	**–**	**–**	**2,146**	3,534	–	–	3,534
	2,146	**83,474**	**–**	**85,620**	3,534	52,131	–	55,665
	2,146	**94,020**	**3,605**	**99,771**	3,534	103,663	3,994	111,191

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:

	2021 £000	2020 £000
Cash and cash equivalents	**9,836**	4,238
Trade and other receivables	**822**	1,884
	10,658	6,122

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

Notes to the financial statements for the year ended 31 December 2021
continued

15. Financial risk management objectives and policies continued

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.

Bank loans
The Group and Company borrowings analysis (all of which are undiscounted) at 31 December 2021 is as follows:

	Group		Company	
	2021 £000	2020 £000	**2021 £000**	2020 £000
In less than one year:				
Bank borrowings	**2,479**	45,579	**2,434**	45,534
In more than one year but less than two years:				
Bank borrowings	**384**	10,384	**334**	10,334
In more than two years but less than five years:				
Bank borrowings	**75,309**	33,560	**74,769**	33,020
In more than five years				
Bank borrowings	**11,844**	12,271	**8,843**	9,217
Deferred arrangement costs	**(572)**	(440)	**(572)**	(440)
	89,444	101,354	**85,808**	97,665
Financial instruments*	**2,146**	3,534	**2,146**	3,534
	91,590	104,888	**87,954**	101,199

* 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			
	2021 £000 Current liabilities	**2021 £000 Non-current liabilities**	2020 £000 Current liabilities	2020 £000 Non-current liabilities
At 1 January	**45,579**	**55,775**	7,368	97,807
Reclassification	**(33,290)**	**33,290**	45,532	(45,532)
Proceeds from new bank loans	**–**	**–**	–	3,500
Repayment of bank loans	**(9,810)**	**(2,100)**	(7,321)	–
At 31 December	**2,479**	**86,965**	45,579	55,775

	Company			
	2021 £000 Current liabilities	**2021 £000 Non-current liabilities**	2020 £000 Current liabilities	2020 £000 Non-current liabilities
At 1 January	**45,534**	**52,131**	7,323	94,113
Reclassification	**(33,343)**	**33,343**	45,482	(45,482)
Proceeds from new bank loans	**–**	**–**	–	3,500
Repayment of bank loans	**(9,757)**	**(2,100)**	(7,271)	–
At 31 December	**2,434**	**83,374**	45,534	52,131

Maturity of financial liabilities

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

	Group		Company	
	2021 £000	2020 £000	**2021 £000**	2020 £000
In less than one year:				
Trade payables	**1,127**	562	**1,100**	531
Amount owed to subsidiary undertakings	**–**	–	**4,189**	3,151
Other payables	**467**	884	**451**	574
Accruals	**1,084**	903	**1,027**	845
Dividend	**1,345**	897	**1,345**	897
Bank borrowings	**5,652**	48,131	**5,433**	47,878
	9,675	51,377	**13,545**	53,876
In more than one year but less than two years:				
Bank borrowings	**3,548**	2,796	**3,328**	2,544
In more than two years but less than five years:				
Bank borrowings	**84,801**	47,015	**84,141**	46,259
In more than five years				
Bank borrowings	**13,366**	14,643	**9,052**	10,394
	111,390	115,831	**110,066**	113,073

The Group and Company have 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 2021 the fair value of this arrangement based on a valuation provided by the Group's bankers was a liability of £2,146,000 (2020: £3,534,000).

Borrowing facilities

The Group and Company has undrawn committed borrowing facilities at 31 December 2021 of £Nil (2020: £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.

The interest rate exposure of the financial liabilities of the Group and Company at 31 December 2021 was:

			Group		Company	
Bank loans	Interest %	Expiry Date	**2021 £000**	2020 £000	**2021 £000**	2020 £000
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	**12,000**	12,000
Fixed until February 2021	2.75	February 2021	**–**	41,000	**–**	41,000
Fixed until March 2024	2.60	March 2024	**35,000**	–	**35,000**	–
Fixed until January 2030	6.04	January 2030	**3,636**	3,689	**–**	–
Fixed until March 2030	6.27	March 2030	**628**	643	**628**	643
Fixed until May 2030	5.78	May 2030	**1,311**	1,338	**1,311**	1,338
Fixed until March 2031	5.47	March 2031	**616**	638	**616**	638
Fixed until March 2027	5.16	March 2027	**7,977**	8,286	**7,977**	8,286
Cap and collar agreement until January 2028	4.75 cap	January 2028	**10,000**	10,000	**10,000**	10,000
Variable rate			**8,848**	14,200	**8,848**	14,200
			90,016	101,794	**86,380**	98,105
Loan arrangement fees			**(572)**	(440)	**(572)**	(440)
			89,444	101,354	**85,808**	97,665

Notes to the financial statements for the year ended 31 December 2021
continued

15. Financial risk management objectives and policies continued
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 (2020: + half a percentage point) with effect from the beginning of the year:

	2021 £000	2020 £000
Decrease in result after tax and equity	**44**	71

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.

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 (i.e. as prices) or indirectly (i.e. 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 2020	–	3,051	–	3,051
Hedge settlement payment	–	–		–
Income statement – deficit	–	483	–	483
At 3l December 2020	–	3,534	–	3,534
Income statement – gain	–	(1,388)	–	(1,388)
At 31 December 2021	**–**	**2,146**	**–**	**2,146**

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.

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 2021.

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investment property:				
Group – held to earn rentals and for capital appreciation	–	–	188,485	188,485
Company – held to earn rentals and for capital appreciation	–	–	185,225	185,225

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 2021	**197,520**	**193,145**
Acquired during the year	**955**	**955**
Disposals during the year	**(14,941)**	**(13,741)**
Gains recognised in profit and loss – increase in fair value	**4,951**	**4,866**
At 31 December 2021	**188,485**	**185,225**

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%.

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.

Notes to the financial statements for the year ended 31 December 2021

continued

17. Deferred taxation

The movement in deferred taxation assets is as follows:

	Group and Company	
	2021 £000	2020 £000
At 1 January	**–**	405
Income statement (note 6)	**–**	(405)
At 31 December	**–**	–

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

	2021 Number of Shares	**2021 £000**	2020 Number of Shares	2020 £000
Allotted, issued and fully paid:				
Ordinary shares of 10p	**179,377,898**	**17,938**	179,377,898	17,938

There were no shares bought back in the current year. As noted in last year's financial statements, 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.

The Remuneration Committee instructed remuneration consultancy experts to advise on a new LTIP plan. The plan is designed to promote retention and incentivise the executive directors to grow the value of the Group and to maximise returns. The new plan:

- The LTIP has a ten year life from January 2021 to December 2030.
- Performance conditions:
  - 50% of the award subject to absolute NAV growth plus dividends with threshold vesting – 30% of this part of the award – at 7.5% annual growth including dividends and full vesting at 12.0% 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 7.5% annual growth and full vesting at 12.0%
- 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 27 March 2021, 27 March 2020 and 25 March 2019 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 3,915,542 (2020: 3,991,484). 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 £150,000 was made (2020: credit £250,000) 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 15% of the options granted in 2019 are likely to vest.

19. Leases

The Group as lessee

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight line basis. At 31 December 2021 the Group was committed to short term leases and the total commitment at that date was £71,000 (2020: £71,000).

At 31 December 2021 and 31 December 2020 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:

	2021 £000	2020 £000
Within one year	**1,297**	1,451
Later than one year but not later than five years	**19,842**	19,771
Later than five years	**51,010**	58,834
	72,149	80,056

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 2021 or at 31 December 2020.

21. Capital commitments

Capital commitments authorised at 31 December 2021 were £950,000 (2020: £nil).

22. Pension scheme

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

23. Post balance sheet events

In February 2022 the Group extended its facility of £12 million with Barclays Bank PLC by a further 12 months to December 2024. There were no other PBSE that are material to the financial statements.

24. Related party transactions

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

The Executive and Non-Executive Directors are also the key management personnel and details of their remuneration are included within the Directors' Remuneration Report on pages 36 and 37.

During the period the Company and Group paid agency fees of £153,000 (2020: £131,000) in respect of professional services and rent and service charges of £139,000 (2020: £195,000) 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 £7,200 (2020: £25,500).

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 2021 are shown in notes 13 and 14.

Notes to the financial statements for the year ended 31 December 2021
continued

24. Related party transactions continued

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

	2021 £000	2020 £000
W Wyatt	**11**	4
P London	**8**	3
I Stringer	**–**	–
P P S Bassi	**420**	309
M H P Daly	**83**	58

Our advisers

Company Registration Number:	5045715
Registered Office:	75-77 Colmore Row, Birmingham B3 2AP
Directors:	W Wyatt: Non-Executive Chairman P London: Non-Executive Director I Stringer: 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 10th Floor Central Square 29 Wellington Street Leeds LS1 4DL

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REI

Real Estate Investors Plc

2nd Floor
75–77 Colmore Row
Birmingham B3 2AP

Telephone: 0121 212 3446
Fax: 0121 212 1415
www.reiplc.com