REI

Real Estate Investors Plc

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

REAL ESTATE INVESTORS PLC

FINANCIAL STATEMENTS

For the year ended 31 December 2022

Company Registration Number:	5045715
Registered Office:	75-77 Colmore Row, Birmingham B3 2AP
Directors:	W P Wyatt: Chairman P London: Non-Executive Director I M Stringer: Non-Executive Director P P S Bassi CBE: Chief Executive M H P Daly: Finance Director
Secretary:	M H P Daly
Statutory auditor:	Grant Thornton UK LLP Chartered Accountants Registered Auditor 17th Floor 103 Colmore Row Birmingham B3 3AG
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
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Registrar:	Link Group 10th Floor Central Square 29 Wellington Street Leeds LS1 4DL

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For the year ended 31 December 2022

Growing NTA in a challenging market

- Revenue* of £13.3 million (FY 2021: £14.7 million) (decrease in the main due to loss of income associated with sales)
- Profit before tax of £10.9 million (FY 2021: £13.9 million), including a revaluation gain of £3.2 million on investment properties (FY 2021: gain of £4.9 million), a gain of £948,000 on the sale of investment property (FY 2021: gain of £1.2 million) and a gain in the market value of our interest rate hedging instruments of £2.2 million (FY 2021: gain of £1.4 million)
- Underlying profit before tax** of £4.6 million (FY 2021: £6.4 million)
- EPRA*** Net Tangible Assets ("NTA") per share of 62.2p (FY 2021: 58.8p) up 5.7%
- Completed disposals totalling £20.9 million (an aggregate uplift, before costs, of 8.5% above December 2021 valuation)
- Disposal proceeds used to pay down £18 million of debt in 2022
- LTV (net of cash) reduced to 36.8% (FY 2021: 42.2%)
- £7.8 million cash at bank as at 31 December 2022
- Average cost of debt of 3.7%
- 100% of debt fixed with a weighted average debt maturity of 2 years
- EPRA*** EPS of 2.7p (FY 2021: 3.7p)
- Successful £2 million share buyback programme launched and completed in Q4 2022, in line with Company strategy announced on 6 July 2022

Uninterrupted Fully Covered Dividend

- Final dividend of 0.4375p per share, payable in April 2023 as a Property Income Distribution (PID)
- Total fully covered dividend per share for 2022 of 2.5p (FY 2021: 3.0625p), (which would be the basis for the dividend for FY2023, subject to the pace of further disposals) reflecting a yield of 8.8% based on a mid-market opening price of 28.25p on 27 March 2023
- £46.3 million total declared/paid to shareholders since commencement of dividend policy in 2012

Positive valuations and strong lettings activity

- Like-for-like portfolio valuation up by 1.9% to £173.0 million (FY 2021: £169.8 million)
- Gross property assets of £175.4 million (FY 2021: £190.8 million) with 201 occupiers across 42 assets
- Rent collection levels for 2022 of 99.54% (2021 overall collection: 97.81%) and Q1 2023 rent collection to date of 99.80% (adjusted for monthly/deferred agreements)
- Completed 127 lease events during the year
- WAULT**** of 4.98 years to break and 6.29 years to expiry (FY 2021: 5.03 years /6.76 years)
- Contracted rental income of £12.6 million (FY 2021: £14.3 million) net of disposals
- Portfolio occupancy of 84.54% (FY 2021: 85.75%) with potential to rise further as key pipeline lettings are completed (subject to ongoing sales and ongoing portfolio lease activity)

Post year end activity – continued demand from private investor market

- Additional significant pipeline sales in legals
- Healthy pipeline of new lettings in legals of £828,486 p.a.
- In March 2023, the Group extended the £20 million facility with Lloyds for 6 months to 31 May 2024 and the £31 million facility with NatWest for 3 months to June 2024

Financial and Operational Results

	31 Dec 2022	31 Dec 2021
Revenue*	£13.3 million	£14.7 million
Pre-tax profit	£10.9 million	£13.9 million
Underlying profit before tax**	£4.6 million	£6.4 million
Contracted rental income	£12.6 million	£14.3 million
EPRA EPS***	2.7p	3.7p
Basic EPS***	6.3p	7.8p
Dividend per share	2.5p	3.0625p
Average cost of debt	3.7%	3.5%
Like-for-like rental income	£12.6 million	£12.6 million
	31 Dec 2022	**31 Dec 2021**
Gross property assets	£175.4 million	£190.8 million
EPRA NTA per share	62.2p	58.8p
Like-for-like capital value psf	£125.97 psf	£123.67 psf
Like-for-like valuation	£173.0 million	£169.8 million
Tenants	201	256
WAULT to break****	4.98 years	5.03 years
Total ownership (sq ft)	1.37 million sq ft	1.49 million sq ft
Net assets	£109 million	£105 million
Loan to value	42.2%	47.4%
Loan to value net of cash	36.8%	42.2%

Definitions
* *Excludes land sale*
** *Underlying profit before tax excludes gain on revaluation and sale of properties and interest rate swaps*
*** *EPRA = European Public Real Estate Association*
**** *WAULT = Weighted Average Unexpired Lease Term*

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

Corporate and institutional buyers remained cautious throughout 2022, with limited demand for larger lot sizes. However, despite negative market sentiment, rising interest rates and high inflation, private investor and overseas buyer activity has remained healthy, resulting in a strong year of sales and debt reduction for REI.

To take advantage of private investor appetite for smaller lot sizes and, in line with the Company strategy (outlined in July 2022), REI identified a number of assets with break-up potential that met this investor demand, successfully disposing of 25 assets/units totalling £20.9 million during the year, at an aggregate uplift, before costs, of 8.5% on 2021 year-end book values and a net initial yield of 6.84%, demonstrating a robust underlying portfolio value.

Portfolio disposals contributed towards a pre-tax profit of £10.9 million (FY 2021: £13.9 million profit) and supported a fully-covered uninterrupted dividend payment of 2.5p for the year, taking the total declared/paid to shareholders since the commencement of our dividend policy in 2012 to £46.3 million.

During the year, £18 million of debt was repaid, reducing overall total drawn debt to £71.4 million (FY 2021: £89.4 million) and LTV (net of cash) to 36.8% (FY 2021: 42.2%). Our average cost of debt increased marginally to 3.7% due to the repayment of low-cost debt, with 100% of our remaining debt fixed as at 31 December 2022. Management's priority remains to repay further debt, via additional sales to a strong private investor market, with a view to maintaining portfolio gearing below 40%, and, supporting further improvement in the Group's Net Tangible Assets ("NTA").

In addition to substantial debt repayment, the accelerated sales rate in 2022 allowed the Company to fund a share buyback of £2 million, further supporting the Company's ongoing capital return strategy, aimed at reducing the unwarranted discount between the share price and NTA.

As well as reducing debt, the Company is looking to target £300,000 plus of savings in FY 2023 by identifying services that are no longer required as the portfolio reduces in size. More than 50% of this target saving has already been actioned.

REI's resilient regional portfolio, underpinned by a diversified tenant and sector spread and consisting of 201 occupiers across 42 assets, has gross property assets of £175.4 million (FY 2021: £190.8 million). Our like-for-like portfolio valuation has seen a 1.9% recovery during the year. Given that the UK investment property market suffered average valuation declines of 14.2% over the year, this outperformance by the REI portfolio is a clear indication of the portfolio's stability and diversity. With limited exposure to sectors that are undergoing a sharp yield correction and value reduction, conservative portfolio gearing and the benefit of significant underlying break-up potential demonstrated by recent sales, the portfolio is well placed to weather ongoing economic instability. However, should interest rates rise further than presently anticipated, this could have a negative impact on future valuations.

Intensive asset management during the year resulted in 127 lease events, and a WAULT of 4.98 years to break and 6.29 years to expiry (FY 2021: 5.03 years to break and 6.76 years to expiry). Occupancy across the portfolio is stable at 84.54% (FY 2021: 85.75%) despite disposals of fully occupied assets, however, market sentiment and cost pressures from rising interest rates have resulted in a slowing down in occupier decisions. A shift in employee working habits, a legacy of the pandemic, has also contributed to the hesitation from office occupiers who have not yet seen a full return of their workforce and are now seeking smaller quality spaces 'a flight to quality' that will entice employees back to their desks, whilst also meeting relatively new sustainability objectives. We anticipate, in light of market sentiment that occupancy will increase, particularly as we have witnessed an improvement in occupier demand (albeit decision making remains slow) in the first quarter of 2023. We are buoyed by the interest levels in the type of space we have available, much of which is non-City centre and accessible for those who wish to avoid heavy commutes and public transport.

Contracted rental income is at £12.6 million p.a. (FY 2021: £14.3 million p.a.), with the majority of this reduction due to the loss of income associated with disposals during the year, combined with lease terminations and other known lease events which we would expect to see in any normal trading period.

We currently have a significant pipeline of lettings totalling £828,486 rent p.a. in solicitors' hands, including large government-backed lettings that, once completed, have the potential to positively impact our occupancy levels, leading to improved income and WAULT and supporting future valuation recovery.

In another sign of market normalisation and in line with the easing of Covid 19 related government restrictions in early 2022, overall rent collection levels for the year were a very healthy 99.54% translating into EPRA earnings per share of 2.7p. For Q1 2023, rent collection levels are currently at 99.80%, signalling that occupiers are continuing to trade well, despite inflationary and interest rate pressure.

Ongoing Strategy

The Board renews its commitment set out in the July 2022 Trading Update and Capital Return Strategy, to deliver maximum value to our shareholders. The Board believes that the share price discount to the net tangible assets ("NTA") continues to be unwarranted and that it is in the best interests of all shareholders to continue to take steps to reduce this discount.

During 2022, the Company disposed of £20.9 million of portfolio assets at levels exceeding book value and a proportion of the subsequent disposal receipts, were used to repay £18 million of debt.

In Q4 2022 the Company utilised further disposal receipts to fund a share buyback, acquiring a total of 7,142,857 shares at an average cost of 28p per share during November and December 2022. All 7,142,857 buyback shares purchased under the programme were cancelled. Therefore, the total number of Ordinary Shares in issue and carrying voting rights is 172,651,577 with no Ordinary Shares held in treasury.

Our strategy remains as previously stated and the Board looks to maintain maximum flexibility when considering how best to allocate surplus capital, including a return of capital to shareholders, whether in the form of a further share buyback, special dividend or other method of capital return. The quantum of any return of capital will be set to ensure that we maintain a prudent loan-to-value ("LTV") ratio and will be subject to market conditions. Alternatively, if the environment for acquisitions changes and opportunities offering significant value start to arise, then we may look to make opportunistic acquisitions where there is scope to capture material upside through asset management. The Board evaluates the relative merits of these options on an ongoing basis.

Market commentators suggest that 2023 may see a more normalised investment market, with corporate and institutional investors returning to the market, having remained inactive for much of the last 24 months. If this interest and activity materialises as predicted, we expect the quantum of REI sales in both volume and monetary terms to significantly increase, which would see an acceleration in REI's debt repayment objectives. Likewise, should market conditions change dramatically and acquisition opportunities reveal themselves, management will consider acquisitions, should they offer our portfolio value and income enhancement for shareholders.

Dividend

The Company's dividend payments continued uninterrupted throughout 2022, despite unfavourable market conditions and an ongoing sales programme by REI. The first two quarterly dividend payments in respect of 2022 were paid at a level of 0.8125p per share, fully covered. The Q3 2022 dividend was reduced to 0.4375p per share due to the acceleration of disposals. The final dividend in respect of 2022 is confirmed as 0.4375p per share, reflecting a total fully-covered dividend payment for 2022 of 2.5p (FY 2021: 3.0625p) (which would be the basis for the dividend for FY2023, subject to the pace of further disposals) and a yield of 8.8% based on a mid-market opening price of 28.25p on 27 March 2023. The Board remains committed to paying a covered dividend, subject to business performance and the pace of further disposals.

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

Ex-dividend date:	6 April 2023
Record date:	11 April 2023
Dividend payment date:	28 April 2023

Outlook for 2023

We anticipate continued sales in 2023, with private investor appetite remaining strong in Q1 2023. Until clarity is available around interest rates, larger buyers will likely remain inactive. Sales to private investors are piecemeal and slow but nevertheless are value enhancing and worth pursuing. Receipts from these selective disposals will be used towards repaying further debt and reducing portfolio gearing, with a view to delivering on strategic objectives and narrowing the discount between share price and NAV.

The Board intends to maintain 'maximum flexibility' with our strategy in the months ahead and will consider a further share buyback or capital return if appropriate, the structure and timing of which is yet to be decided. The quantum of any return of capital will be set to ensure that we maintain a prudent LTV ratio, whilst also being mindful of the overall liquidity in the Company's shares.

Renewed occupier appetite, combined with a proactive asset management approach to the existing portfolio over the months ahead should unlock income from void spaces and lead to improved occupancy levels. A rise in occupancy, along with evidence from successful sales should go some way to offsetting any negative impact of economic instability on future valuations, although further and higher rate rises could adversely impact these.

Management intends to continue paying an uninterrupted, fully-covered quarterly dividend payment to shareholders, subject to portfolio disposals and any acceleration in the sales programme.

As always, we are aware of market consolidation within the real estate and REIT market and we remain alert to options that align with the interests of REI's shareholders.

Our Stakeholders

Our thanks to our shareholders, advisers, tenants and staff for their continued support.

William Wyatt	**Paul Bassi CBE D. Univ**
Chairman	**Chief Executive**
27 March 2023	**27 March 2023**

PROPERTY REPORT

UK Property Market Overview

Sentiment around the investment market is shrouded in uncertainty following a tumultuous 2022. The year started off with investor optimism on the economic outlook, although economists' forecasts vary considerably. The impact of central banks raising interest rates to combat inflation has led to some of the highest borrowing costs since the 2008 global financial crisis. Consequently, UK fund activity has so far been subdued during Q1 2023, with noticeable reduction in demand for larger lot sizes, except for some well let prime industrial investments, where interest is slowly recovering after a poor year of performance.

However, as witnessed throughout the UK national auction markets, activity from smaller private investors remains resilient, albeit on-going sales are piecemeal and slow due to a lack of market confidence and availability of finance. UK institutions have started the year very subdued with minimal volume activity for larger lot sizes. Until the inflationary storm passes, monetary policy pivots to neutral and the economy proves resilient, we anticipate that the funds will likely remain inactive or at best highly selective.

As would have been expected given base rate moves, capital value declines in 2022 were overwhelmingly driven by expanding yields (yield impact of -17.3% year-on-year), with rental values seeing marginal growth (+4.2%) as a result of a strong performance in the first half of the year. However, overall total returns are down. According to MCSI's IPD UK Property Index, UK investment property values declined by 14.2% for the year, making 2022 the worst year for UK property since the financial crisis.

Higher borrowing costs fed through to the investment market with prospects of higher rate expectations which has dampened buyer sentiment towards commercial real estate. Consequently, open-ended real estate funds have been battling to meet a surge in demand for redemptions against a backdrop of high inflation and economic uncertainty. Some of the largest UK property asset managers, have imposed restrictions on property fund redemptions since September 2022, with many other funds and institutions also cutting their exposure to commercial property.

Early 2023 valuations look slightly healthier, with sentiment improving, suggesting that some of the downside risk has been mitigated. However, property prices are typically negatively correlated to interest rates, so returns will likely be determined by how high interest rates need to go to tame inflation. The length and breadth of a recession is also very important for commercial property pricing, as this will impact the occupational market. Reductions in valuations in the investment market is mainly focussed on industrial and offices sectors. Fortunately, the REI portfolio is heavily diversified and our valuations have proven to be more resilient.

With the region firmly on the map, thanks to a very successful 2022 Commonwealth Games and the highly anticipated HS2 project, Birmingham City centre and the wider Midlands region is witnessing a continued migration of large businesses from London to the region, with Goldman Sachs just one of many corporates taking space in 2022, signing up for 110,000 sq ft of Grade A space.

According to JLL Research, occupiers continue to seek quality, with Grade A accounting for 49% of office take up across the Birmingham City Centre office market in 2022. Take up levels in the City centre totalled 692,700 sq ft for the year, a marginal increase on the 5-year average, with transaction levels 14% higher. Recovery in rental values continued with an increase of 7% in Birmingham's headline rent on 2021 to £40.00 per sq ft, 16% above pre-Covid levels. A lack of quality space is driving the growth, with only c. 80,000 sq ft of new build development in the pipeline for Birmingham City Centre, currently under construction and available. We acknowledge that the market for secondary City centre offices is experiencing a decline, however our vacancy within this sector represents c. 1% of our entire portfolio and as such is not cause for concern.

The REI Portfolio

The REI portfolio, comprising of 42 assets with 201 tenants has a net initial yield of 6.84% and a reversionary yield of 8.23%. Valuations have seen a rise of 1.9% on a like-for-like basis to £173.0 million (FY 2021: £169.8 million). Further valuation gains could be achieved during the course of 2023 as REI intends to continue to sell off assets at a premium to a strong investor market and generate income from void space within the portfolio. However, further interest rate rises could add downward valuation pressure.

The current portfolio sector weightings are:

Sector	£ Income by sector	% Income by sector
Office	5,310,138	42.06
Traditional Retail	2,189,615	17.34
Other - Hotels (Travelodge), Leisure (The Gym Group, Luxury Leisure), Car parking, AST	1,502,058	11.90
Discount Retail - Poundland/B&M etc	1,472,350	11.66
Medical and Pharmaceutical - Boots/Holland & Barrett etc	759,049	6.01
Restaurant/Bar/Coffee – Wetherspoons, Dominos etc	595,750	4.72
Food Stores - Co-op, Iceland etc	409,545	3.25
Financial/Licences/Agency – Clydesdale Bank Plc, Santander UK Plc, Bank of Scotland etc	386,125	3.06
Total	**12,624,630**	**100.00**

Disposals

Whilst the more institutional markets were in a state of flux, during the year we recognised that there was a growing amount of activity from private investors seeking smaller lot sizes of up to £1 million. We identified several assets that could be broken up into smaller sales to achieve premium values and disposed several assets via private treaty to private purchasers at levels above book value.

During the year, we disposed of 25 assets/units with an average lot size of £836,000, for a combined consideration of £20.9 million at an aggregate 8.5% uplift to valuation, comprising the following:

- Acocks Green Shopping Centre, comprising twelve separate units, with a combined sale value of £7.03m – sold at an aggregate uplift of 17% above book value
- 120-138 High Street, Kings Heath for £4.7m – sold at 8% above book value
- Bearwood Shopping Centre, comprising eight separate units, with a combined sale of £3.7m – sold at an aggregate uplift of 4% above book value
- 37a Waterloo Street, Birmingham at £3.17m, to a China based private investor – sold at 9.41% below book value
- McDonalds Unit Leamington for £1.55m – sold at 43% above book value
- Eastleigh / Hanover retail units, non-core assets to a private property company for £735,000 – no uplift on combined sales

It is worth noting that, whilst some of our assets were sold on an opportunistic basis, others, where asset management initiatives had been completed, were identified as ready for disposal as our knowledge of the local market meant it was the correct time to be disposing of them.

Post Period End Disposals

Since the year end, we are now under offer on a significant pipeline of disposals which are in solicitors hands, subject to contract. REI intends to make further opportunistic sales, should investor demand prevail.

Acquisitions

No suitable acquisitions were identified during the year and focus was directed at sales. Management will consider portfolio acquisitions should they offer portfolio value and income enhancement.

Asset Management

Notwithstanding the backdrop of economic uncertainty amid a cost-of-living crisis, there was still renewed occupier confidence experienced in 2022, with the asset management team completing 127 lease events. New lettings during the year totalled just under £1 million p.a. with notable lettings at Birchfield House (Oldbury), Titan House (Telford) and Venture Court (Wolverhampton).

The occupier market remains active with a good number of pipeline lettings in our void space. Portfolio occupancy is at 84.54% (FY 2021: 85.75%) with potential to rise further with the completion of key pipeline lettings which are in advanced discussions. Of the 15.46% vacancy (as at 31 December 2022) within the portfolio, over half of this (8.01%) can be attributed to spaces at 4 properties (Barracks Road, Newcastle-under-Lyme; Crewe Shopping Centre; Kingston House and Birch House).

As a result of the asset management activity in 2022 our WAULT was 4.98 years to break and 6.29 years to expiry (FY 2021: 5.03 years to break and 6.76 years to expiry).

Key asset management initiatives undertaken during the year include:

Titan House
Following the refurbishment of the office space to a Grade A specification, there was strong interest during 2022. BohooMoon Limited signed for the third floor on a 5-year lease and we are in legals with an occupier to take the first-floor office space. This is on a ten-year lease with a tenant break in year 5. The remaining floor has seen strong interest since the year end to date and we are confident that the building will be fully occupied by the end of 2023.

Oldbury
DHU Health Care CIC took occupation of all 16,584 sq ft at Birchfield House towards the end of 2022 at a market rent of £273,636 p.a. This is on a short-term lease to facilitate a potential move into all of the 35,749 sq ft at Birch House during 2023.

Tunstall
Argos' 15-year lease expired in 2020 and following a period of time where they 'held over', this lease was renewed for a further 5 years in mid-2022. Poundland, having taken a temporary lease in 2020 to assess trade post Covid, entered into a new 5-year lease at a market rent. The proposed Drive Thru 'pod' has seen an increased demand from a number of operators. All the above support the sentiment of the strength of this location.

Crewe
The former Argos unit became vacant after the store consolidated to the local Sainsburys and we are now under offer to a national occupier for the ground floor of this unit. Additionally, we are in solicitors' hands for a new lease agreement to Bodycare to take the former Clinton Cards unit with anticipated opening during the summer. We currently have two vacancies in the indoor mall which occurred after Christmas, but we are working hard to find occupiers, with ongoing interest. We have agreed to sell the consented new drive thru land in the rear car park to a well-known fast-food operator and once completed we feel that this will have a very positive effect on the scheme. Parking revenue has been resilient and we have recently renewed our parking contract with an operator which includes brand new parking machines and improved car park signage.

Brandon Court
Following the successful surrender and reconfiguration of the Yazaki space, the letting to Bennetts and Comex 2000 completed late 2021/early 2022. The final suite at the scheme was let in June 2022 to City Fibre on a 5-year lease. Once again, the scheme is fully let.

Redditch
The final vacant unit was let in March 2022 to a Euro Supermarket. The operator took a 15-year lease and has traded exceptionally well since opening. Car parking income at the scheme has seen a strong resurgence since the impact of the Pandemic. A new operator was appointed and has invested in new equipment and pay facilities.

Topaz Business Park
Several operators expressed interest in surplus land at Topaz and, after negotiations, it was decided to proceed with Costa. Costa is considered one of the best covenants of the Drive Thru market. An Agreement for Lease was entered into in July 2022 and tenders are being prepared to obtain a fixed price build contract.

Heads have been agreed on a forward sale with REI committing to develop the scheme. Once PC is achieved, the lease is entered into and this will trigger the completion of the sale.

Lease terms:

- Letting to Costa Limited
- 15-year lease
- £85,000 per annum
- 9-months' rent free
- Five yearly rent reviews – open market reviews with cap and collar limits of 3% and 1% respectively

New tenants to the portfolio in 2022

Microsoft, Shoe Zone (AG), King & Moffat UK Ltd, Delta Simons Ltd, City Fibre Holdings, Team Support Healthcare & DHU.

Post Period End Activity and Sentiment

Whilst there have only been a handful of lettings post the year end, we are noticing a significant increase in enquiries for vacant space. The vacant office space within key city/town centres is generating levels of enquiries not seen since the pandemic. Ongoing lease events are progressing slowly, e.g. Birch House, Oldbury due to government funding approval and ever-increasing levels of scrutiny.

Portfolio Summary

	Value (£)	Area (Sq ft)	Contracted Rent (£)	ERV (£)	NIY (%)	EQY (%)	RY (%)	Occupancy (%)
Portfolio	173,030,000	1,373,631	12,624,630	15,193,820	6.84	8.14	8.23	84.54
Land	2,389,365	-	-	-	-	-	-	-
Total	175,419,365	1,373,631	12,624,630	15,193,820	6.84	8.14	8.23	84.54

*Our land holdings are excluded from the yield calculations

Environmental, Social and Governance ("ESG")

REI has continued to work alongside Measurabl, the leading ESG technology and services platform for real estate, to collect, track and report carbon emissions data across REI's landlord-controlled areas. The reduction of the portfolio's carbon footprint is a priority for the business.

We have detailed below our emissions for Jan-Dec 2019 and 2020 (carbon emissions data for 2021 and 2022 will be supplied in due course as we complete the historical data collection):

Carbon Emissions	**2020**	**2019**
Scope 1 Emissions*	10,930 $MTCO_2e$	17,574 $MTCO_2e$
Scope 2 Emissions *	904.28 $MTCO_2e$	1,236 $MTCO_2e$
Total Scope 1 and Scope 2 Emissions*	**11,834 $MTCO_2e$**	**18,810 $MTCO_2e$**

*The above calculations apply to landlord-controlled gas and electricity consumption only

Portfolio Energy Performance Certification

In accordance with government guidelines, REI has undertaken a programme to ensure our assets meet the UK statutory regulations and timeframes for EPCs. We will continue to upgrade assets when required. An overview of the asset EPC ratings across the portfolio is noted below, showing the progress since 31 December 2021:

	% of portfolio (by sq ft)							
EPC Rating	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**Total**
31 Dec 2021	0.00	9.48	37.18	43.15	9.35	0.54	0.30	100.00
31 Dec 2022	1.36	22.99	31.18	37.49	6.98	0	0	100.00

FINANCIAL REVIEW

Overview

Our results for 2022 are in line with management's expectations following a successful year of disposals. Profit before tax of £10.9 million (FY 2021: £13.9 million), to include a revaluation gain of £3.2 million on investment properties (FY 2021: gain of £4.9 million), a gain of £948,000 on the sale of investment property (FY 2021: gain of £1.2 million) and a gain in the market value of our interest rate hedging instruments of £2.2 million (FY 2021: gain of £1.4 million).

Property disposals during the year amounted to £20.9 million, of which £18 million was used to repay debt. Significant debt repayment, combined with a gain in portfolio valuations has led to a reduction in our LTV (net of cash) to 36.8% (FY 2021: 42.2%). As a result, our EPRA NTA per share has risen by 5.8% to 62.2p (FY 2021: 58.8p).

As at 31 December 2022, total drawn down debt was £71.4 million (FY 2021: £89.4 million) with 100% of the Company's debt fixed at an average cost of debt of 3.7%. REI continues to meet all banking covenants (which continue to be measured against LTV of the loans to property values and the interest cover against rental income) and have headroom available. REI remains multi-banked across 4 lenders.

During the year, contracted rental income reduced to £12.6 million (FY 2021: £14.3 million) due to significant portfolio disposals, combined with a temporary drop in occupancy levels across the portfolio as the markets react to economic pressures. The loss of income resulted in a drop in revenue to £13.3 million (FY 2021: £14.7 million). Our like-for-like rental income has remained constant, due to intensive asset management during the year. Underlying profit for the year was £4.6 million (FY 2021: £6.4 million).

Our pre-tax profits of £10.9 million supported uninterrupted dividend payments throughout 2022, with Q1 and Q2 paid at a level of 0.8125p per share, fully covered. The Q3 2022 dividend was reduced to 0.4375p per share due to the acceleration of disposals. The final dividend in respect of 2022 is confirmed as 0.4375p per share, reflecting a total fully-covered dividend payment for 2022 of 2.5p (FY 2021: 3.0625p) and a yield of 8.8% based on a mid-market opening price of 28.25p on 27 March 2023.

	31 December 2022	31 December 2021
Gross Property Assets	£175.4 million	£190.8 million
Underlying profit before tax	£4.6 million	£6.4 million
Profit before tax	£10.9 million	£13.9 million
Revenue	£13.3 million	£14.7 million
EPRA EPS	2.7p	3.7p
EPRA NTA per share	62.2p	58.8p
Net Assets	£109 million	£105 million
Loan to value	42.2%	47.4%
Loan to value net of cash	36.8%	42.2%
Average cost of debt	3.7%	3.5%
Dividend per share	2.5p	3.0625p
Like-for-like rental income	£12.6 million	£12.6 million
Like-for-like capital value psf	£125.97 psf	£123.67 psf
Like-for-like valuation	£173.0 million	£169.8 million

Capital Return Strategy & Buyback Programme

The Board is committed to delivering value to its shareholders and believes that the share price discount to the net tangible assets ("NTA") continues to be unwarranted. Following successful sales and subsequent debt repayment in 2022, the Company undertook a share buyback, acquiring a total of 7,142,857 shares at an average cost of 28p per share during November and December 2022. All 7,142,857 buyback shares purchased under the programme previously held in treasury were cancelled. Therefore, the total number of Ordinary Shares in issue and carrying voting rights is 172,651,577 with no Ordinary Shares held in treasury.

During 2023, the Board intends to maintain 'maximum flexibility' in our approach towards our capital return strategy and will consider a special dividend, further share buyback or other form of capital return to shareholders, the structure and timing of which is yet to be decided and subject to the ongoing sales programme.

Results for the year

The profit before tax of £10.9 million (FY 2021: £13.9 million), includes a revaluation gain of £3.2 million on investment properties (FY 2021: gain of £4.9 million), a gain of £948,000 on the sale of investment property (FY 2021: gain of £1.2 million) and a gain in the market value of our interest rate hedging instruments of £2.2 million (FY 2021: gain of £1.4 million). Excluding these items, the underlying profits reduced to £4.6 million (FY 2021: £6.4 million).

Due to a loss of income during the year of £1.7 million p.a. (in the main due to loss of income associated with sales of £1.654 million, combined with other expected lease events) revenues for the year were down to £13.3 million (FY 2021: £14.7 million) despite new lettings of just under £1 million p.a. and intensive asset management initiatives offsetting much of the rental loss. In addition, holding costs of void space and direct costs increased to £2.5 million (FY 2021: £1.9 million).

As at 31 December 2022, cash at bank was £7.8 million. During the year, REI did not make any investment property acquisitions due to a lack of supply. Attention was focussed on achieving value by disposing of assets at above book value to a strong private investor market.

As previously stated, the Company is looking to target up to £300,000 of savings in FY 2023 by identifying services that are no longer required as the portfolio reduces in size. During the year, administrative costs and overhead expenses increased by £200,000 to £3.3 million (FY 2021: £3.1 million), mainly due to a salary rise and increased bonus for staff (excluding directors) of £100,000, maintaining bad debts provision of £50,000 (FY 2021: £50,000), and a provision for costs of the Long-Term Incentive Plan of £150,000 (FY 2021: £150,000). The Remuneration Committee agreed that bonuses for the Executive Directors of £180,000, being 25% of salary for 2022 should be made (FY 2021: £180,000).

Interest costs for the year reduced by £250,000 to £3 million (FY 2021: £3.2 million) due to £18 million debt repayment during the year. The weighted average cost of debt rose marginally to 3.7% (FY 2021: 3.5%) as a result of the Group paying down cheaper debt.

Earnings per share were:
Basic: 6.3p (FY 2021: 7.8p)
Diluted: 6.3p (FY 2021: 7.6p)
EPRA: 2.7p (FY 2021: 3.7p)

Shareholders' funds increased to £109 million at 31 December 2022 (31 December 2021: £105 million) as a result of the gain on property portfolio revaluation.

Basic NAV: 63.1p (FY 2021: 58.5p)
EPRA NTA: 62.2p (FY 2021: 58.8p)

Finance and Banking

Due to a successful disposals programme in 2022 and subsequent debt repayment of £18 million, total drawn debt at 31 December 2022 was £71.4 million (FY 2021: £89.4 million) with the AIB facility repaid in full. The Group has £7.8 million cash at bank and remains multi-banked across 4 lenders and continues to meet banking covenants with its lenders, with headroom available. As at 31 December 2022, 100% of the debt across the portfolio is fixed, preserving low average costs of debt at 3.7%, with a weighted average debt maturity of 2 years (FY 2021: 1.8 years). The business is well-insulated from interest rate rises in the coming months.

The LTV as at 31 December 2022 was 42.2% (FY 2021: 47.4%) and the LTV (net of cash) was 36.8% (FY 2021: 42.2%). It is management's intention to maintain a portfolio LTV of sub 40%. The Group's hedge facility improved by £2.2 million for the year to 31 December 2022 and as at 31 December 2022, the swap position was an asset of £68,000.

Lender	Debt Facility (£m)	Debt Maturity	Hedging (%)
National Westminster Bank	33.1	March 2024	100
Lloyds Banking Group	20	December 2023	100
Barclays	7.6	December 2024	100
Aviva	11.2	2027 & 2030	100

In March 2023, the Group extended the £20 million facility with Lloyds Banking Group Plc for 6 months to 31 May 2024 and the £31 million facility with National Westminster Bank Plc for 3 months to June 2024. It was agreed to renew discussions later in the year in order to formalise new, longer-term facilities when long-term rates have stabilised. However, management continues to take a proactive approach to the maturity of these loans, and have a close dialogue with the banks, with rates monitored on a continuous basis to renew the facilities earlier if appropriate.

Going concern

The consolidated financial statements for the Group have been prepared on a going concern basis. The directors' report on page 18 sets out the justification for the basis of preparation.

Long Term Incentive Plan ("LTIP")

The Company's LTIP is designed to incentivise and reward employees in reaching specific goals that lead to increased shareholder value and maximised returns. Based on the results for the year, 50% of the options awarded for 2020 are likely to vest and so a charge to the provision of £150,000 (FY 2021: £150,000) 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 Group continues to meet all REIT requirements for REIT status.

Dividend

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

Despite uncertainty in the property markets throughout 2022 and significant disposals by REI, the Company's dividend payments continued uninterrupted with the first two quarterly dividend payments in respect of 2022 paid at a level of 0.8125p per share, fully covered. The Q3 2022 dividend was reduced to 0.4375p per share due to the acceleration of disposals.

The final dividend in respect of 2022 is confirmed as 0.4375p per share, reflecting a total fully-covered uninterrupted dividend payment for 2022 of 2.5p (FY 2021: 3.0625p) (which would be the basis for the dividend for FY2023, subject to the pace of further disposals) and a yield of 8.8% based on a mid-market opening price of 28.25p on 27 March 2023. This takes the total declared/paid to shareholders since the commencement of our dividend policy in 2012 to £46.3 million.

The dividend will be paid on 28 April 2023 as a Property Income Distribution (PID), to all shareholders on the register as at 11 April 2023 with an ex-dividend date of 6 April 2023. The Board remains committed to paying a covered dividend, subject to business performance and the pace of further disposals.

Marcus Daly, Finance Director
27 March 2023

REAL ESTATE INVESTORS PLC

DIRECTORS' REPORT

For the year ended 31 December 2022

The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2022.

Profit and dividend
The profit for the year before tax was £10.9 million (2021: £13.9 million).

The directors have recommended a final dividend of 0.4375p per share, making a total dividend for the year of 2.5p (2021: 3.0625p).

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

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

P London and M H P Daly will retire and submit themselves for re-election at the forthcoming Annual General Meeting.

Substantial shareholdings
The Company has been notified of the following interests that represent 3% or more of the issued share capital of the Company at 28 February 2023:

	Number	%
Hargreaves Lansdown	18,205,973	10.54
J O Hambro Capital Management	16,878,738	9.78
P P S Bassi	16,000,000	9.27
Premier Miton Investors	15,188,450	8.80
Interactive Investor	12,019,069	6.96
Ruffer	10,981,289	6.36
Abrdn	7,481,259	4.33
EFG Harris Allday	5,648,540	3.27
A J Bell	5,344,764	3.10

Other matter

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

Real Estate Investment Trust (REIT)

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

Directors' responsibilities statement

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

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

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

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

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's and Group's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's and the Group's auditor is aware of that information.

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

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

To the best of our knowledge:

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

Directors' Section 172(1) statement

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

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

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

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

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

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

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

Going concern
The Group has prepared and reviewed forecasts and made appropriate enquiries which indicate that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of 12 months from the date of approval of these financial statements to 31 March 2024. These enquiries considered the following:

- the significant cash balances the Group holds and the low levels of historic and projected operating cash outflows
- any property purchases will only be completed if cash resources or loans are available to complete those purchases
- the Group's bankers have indicated their continuing support for the Group. In March 2023 the Group extended the £20 million facility with Lloyds Banking Group Plc for 6 months to 31 May 2024, whilst continuing negotiations to extend the facility by a further 3 years.
- In March 2023 the Group extended the facility of £31 million with National Westminster Bank PLC by a further 3 months to June 2024.
- The directors have at the time of approving these financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future being a period of not less than 12 months from the date of approval of these financial statements.

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

Future developments
Details of future developments can be found in the Chairman's and Chief and Executive's statement on pages 3 to 7.

Post balance sheet events
In March 2023 the Group extended the £20 million facility with Lloyds Banking Group Plc for 6 months to 31 May 2024 and the £31 million facility with National Westminster Bank Plc for 3 months to June 2024.

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

Annual General Meeting
The Annual General Meeting will be held at 75-77 Colmore Row, Birmingham, B3 2AP on 24 May 2023 at 11.00 am.

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

BY ORDER OF THE BOARD

M H P Daly
Secretary
Date: 27 March 2023
Company No 5045715

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

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

The Group has built up a portfolio of good quality assets concentrated in these resilient established markets, without reliance on one sector or location (see pages 3 to 12) for the review of the business which forms part of this Strategic Report).

Principal risks and uncertainties

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

Risk area	
Investment portfolio	**Mitigation**
• Tenant default • Change in demand for space • Market pricing affecting value • Inflation	• Not reliant on one single tenant or business sector • Focused on established business locations for investment • Properties are valued externally twice per year, asset concentration is monitored, the Company maintains a borrowing headroom should there be a decline and all facilities have cure options • Smaller lot size business model limits exposure to individual asset values • Portfolio diversification between office and retail properties • Building specifications not tailored to one user • Continual focus on current vacancies and expected changes • Neighbourhood retail and not shopping centres
Financial	
• Going concern • Reduced availability or increased cost of debt • Interest rate sensitivity	• See going concern accounting policy on page 47 • 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 ESC 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	**2022**	2021
Profit before tax	£10.9 m	£13.9m
EPRA earnings per share	2.7p	3.7p
Underlying profit before tax	£4.6m	£6.4m
Investment property valuation	£173m	£188.5m
Net assets	£109m	£105m
EPRA NTA per share	62.2p	58.8p

BY ORDER OF THE BOARD

M H P Daly
Secretary
Date: 27 March 2023

2018 UK CORPORATE GOVERNANCE CODE

This report sets out how we have applied and complied with the QCA Corporate Governance Code (2018 edition) in the financial year ended 31 December 2022.

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

STATEMENT OF COMPLIANCE WITH THE QCA CORPORATE GOVERNANCE CODE

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

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

Corporate governance principles

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

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

REAL ESTATE INVESTORS PLC

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2022

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 12 and 13 of the company's 2018 financial statements.

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

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

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

Principle 2: Seek to understand and meet shareholder needs and expectations
The company remains committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what analysts and investors think about us, and in turn, helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market. We do so via investor roadshows, attending investor conferences and our regular reporting.

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

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

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

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success
Our business model which explains how we create value is set out on pages 12 and 13 of our 2018 Annual Report.

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

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

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

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

Audit, risk and internal control

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

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

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

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

The Board is responsible for continually reviewing the key risks to the business and assessing their likely impact on the business. Significant areas under constant review are property, financial and corporate risks. Further detail of the Company's principal risks and uncertainties are detailed on pages 20 and 21.

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

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

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

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

Key Board activities this year included:

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

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

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities
The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, as detailed below:

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

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

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

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

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

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

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement
Will Wyatt assesses the individual contributions of each of the members of the team to ensure that:

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

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

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.

Marcus Daly
Finance Director
27 March 2023

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

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

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

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

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

Directors' remuneration (forming part of the financial statements and subject to audit)
The remuneration of directors for the year ended 31 December 2022 was as follows:

	Salary	Salary in lieu of benefits	Bonus	Share - based payment gain	Total	Employers' national insurance contributions	2022 Total	2021 Total	Share options 2022	Share options 2021
	£000	£000	£000	£000	£000	£000	£000	£000	Number	Number
P P S Bassi	440	110	110	79	739	104	843	746	1,114	793
M H P Daly	275	69	69	49	462	65	527	466	696	495
J Crabtree	-	-	-	-	-	-	-	18	-	-
W Wyatt	44	-	-	-	44	5	49	47	-	-
P London	38	-	-	-	38	4	42	42	-	-
I Stringer	38	-	-	-	38	4	42	24	-	-
	835	179	179	128-	1,321	182	1,503	1,343	1,810	1,288

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 219,492 (2021: Nil) shares and 137,183 (2021: Nil) shares respectively.

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

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

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 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 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 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 2020, 27 March 2021 and 20 June 2022 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 and 50% of the options awarded in 2020 are likely to vest.

Approved by the Board of Directors
P London
Chairman, Remuneration Committee
Date: 27 March 2023

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 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company statements of financial position, the Consolidated and Company Statements 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 2022 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.

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- undertaking discussions with management of their assessment of the Group's ability to continue as going concern;
- obtaining management's assessment for the period to March 2024, which included a base case forecast, and obtaining an understanding of how these forecasts were compiled;
- testing the reliability of management's forecasting by comparing the accuracy of the actual financial performance with forecast information obtained in the prior period;
- assessing the reasonableness of projected cashflow and working capital assumptions and critically evaluating the revenue and cost projections underlying the cashflow model;
- assessing how these cashflow forecasts were compiled, assessing their appropriateness by applying relevant sensitivities to the underlying assumptions, and challenging those assumptions, including revenue growth assumptions;

- challenging the sensitivity analysis performed by management on the key assumptions and estimates to determine the impact of reasonably possible movements and assessing the reasonableness of mitigating actions available to management;
- considering whether the assumptions are consistent with our understanding of the business derived from other detailed audit work undertaken; and
- assessing the adequacy of the going concern disclosures included within the strategic report and accounting policies for compliance with the requirements of International Accounting Standard ('IAS') 1 'Presentation of Financial Statements'.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as the crisis in Ukraine and the cost of living crisis, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

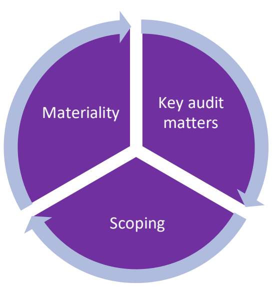
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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.

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

Our approach to the audit

GrantThornton



Overview of our audit approach

Overall materiality:

Group: £1.86m, which represents approximately 1% of the Group's total assets.

Parent company: £1.77m, which represents 1% of the parent company's total assets, restricted to 95% of Group materiality.

Key audit matters were identified as:

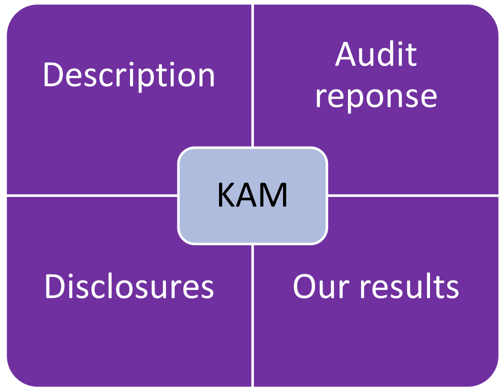
- Valuation of investment property (same as previous year)

Our auditor's report for the year ended 31 December 2021 included one key audit matter that has not been reported as a key audit matter in our current year's report. This relates to going concern, which has not been reported as key audit matter in our current year's report as the level of uncertainty associated with the outbreak of Covid-19 on the group's assessment of going concern has reduced.

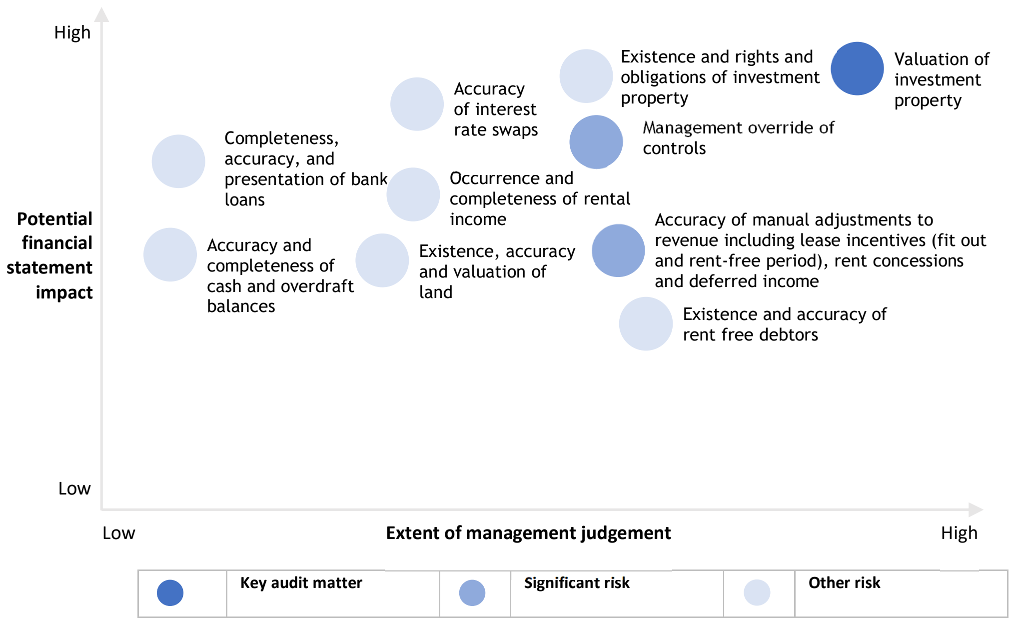
We performed an audit of the financial statements using component materiality (full-scope audit procedures) of the parent company, which was identified as a significant component. We performed analytical procedures on the financial information of the subsidiaries, which are all based in the UK. These are 3147398 Limited, Southgate Derby Retail Limited and Real Homes One 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.



Key Audit Matter – Group	How our scope addressed the matter – Group
Valuation of investment property We identified valuation of investment property as the most significant assessed risks of material misstatement due to error. The Group's and the parent company's investment property portfolio is required to be held at fair value in accordance with 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.	In responding to the key audit matter, we performed the following audit procedures: • obtaining an understanding of the relevant controls in relation to the valuation process; • obtaining year end valuations for a sample of properties selected after discussion with our internal valuation experts, confirming that the valuation approach for each was appropriate, being in accordance with the requirements of IAS 40 and the RICS Valuation – Professional Standards and has been appropriately recorded in the general ledger; • assessing the valuers' qualification, capabilities and objectivity by reviewing searches on the valuers;

Key Audit Matter – Group	How our scope addressed the matter – Group
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, warranted specific focus in this area. The wider challenges currently facing the real estate occupier and investor markets as a result of the "cost of living crisis" contributed to the subjectivity of the valuation as at 31 December 2022. External valuers (management's experts) were engaged by the Directors and performed their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standard. 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.	• analysing year-on-year valuation movements and challenging any significant fluctuations from our expectations 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; • obtaining the source information provided by management to the valuer and testing the integrity of a sample of such information.
Relevant disclosures in the Annual Report and Financial Statements 2022 • Financial statements: Accounting policies (note 1); Investment properties (note 9); and Fair value disclosures (note 16).	**Our results** Based on our audit work, 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.

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:

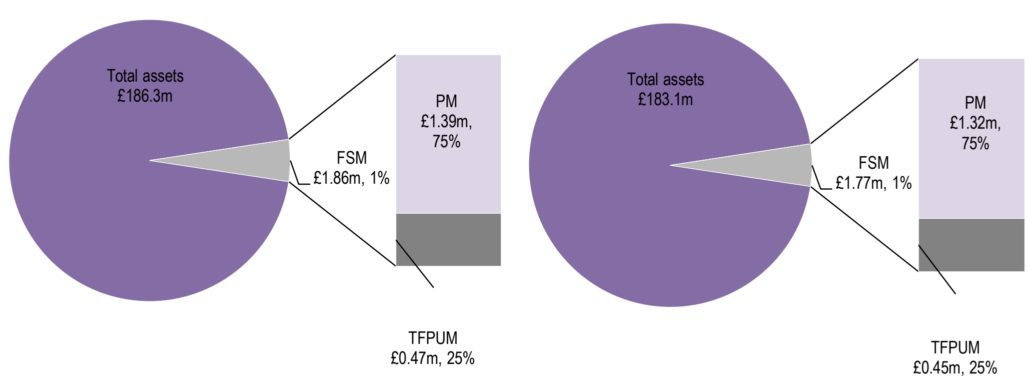
Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£1.86m, which is 1% of the Group's total assets.	£1.77m, which is 1% of the parent company's total assets, restricted to 95% of Group materiality for Group audit purposes.

Materiality measure	Group	Parent company
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: • We considered the Group's 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 2021 reflecting the decrease in the Group's total assets at the year end.	In determining materiality, we made the following significant judgements: • We considered the parent company's 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 2021 reflecting the decrease in the parent company's total assets at the year end and the restriction to 95% of Group materiality, which was lower this year.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£1.39m which is 75% of financial statement materiality.	£1.32m which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgements: • few control deficiencies have been identified in prior periods that would require a decrease in performance materiality; • there were no significant adjustments identified in the prior year audit which would have suggested a lower performance materiality may be necessary; • there have been no changes in senior management during the year; and • there were no significant changes in business objectives or strategy.	In determining materiality, we made the following significant judgements: • few control deficiencies have been identified in prior periods that would require a decrease in performance materiality; • there were no significant adjustments identified in the prior year audit which suggested a lower performance materiality would have been necessary; • there have been no changes in senior management during the year; and • there were no significant changes in business objectives or strategy.

Materiality measure	Group	Parent company
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	We determined a lower level of specific materiality for the following areas: • Revenue; • Directors' remuneration; and • Related party transactions outside of the normal course of business.	We determined a lower level of specific materiality for the following areas: • Revenue; • Directors' remuneration; and • Related party transactions outside of the normal course of business.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£93,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£89,000 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 misstatement

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

Our audit approach was a risk-based approach founded on a thorough understanding of the group's and the parent company's business, their environment and risk profile. The group's accounting process is all within the UK. 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 risks such as management override of control and revenue.

Identifying significant components

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 revenue to assess the significance of the component and to determine the planned audit response. 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 key audit matter as identified above.

Type of work to be performed on financial information of the components

A full-scope audit approach for components evaluated as significant was determined based on their relative share of key group financial metrics including revenue and total assets. For components classified as "individually financially significant to the group" an audit of the financial information of the component using component materiality (full-scope audit procedure) was performed. We also considered whether any components were likely to include significant risks of material misstatement to the group financial statements due to their specific nature of circumstances. None were noted.

In order to address the audit risks identified during our planning procedures, the engagement team performed full-scope audit procedures on the financial statements of the parent company which holds the majority of the trade.

The financial information of the three subsidiaries, being 3147398 Limited, Southgate Derby Retail Limited and Real Homes One Limited was subject to analytical procedures with a focus on the significance to the group's balances and the areas of estimation and judgement.

An 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 (2021: 1)	97.8% (2021: 98.5%)	98.1% (2021: 92.0%)
Specific-scope procedures	0 (2021: 3)	0% (2021: 1.5%)	0% (2021: 8%)
Analytical procedures	3 (2021: 1)	2.2% (2021: <0.1%)	1.9% (2021: <0.1%)

The approach to the audit has changed since the previous period and was driven by a change in the respective financial significance of the chosen benchmarks, in the context of the group as a whole. Metro Court (WB) Limited was also dissolved in the year.

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. The directors are responsible for the other information contained within the annual report and financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. 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.

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 their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 financial reporting framework, being the Companies Act 2006 and UK-adopted international accounting standards, together with the AIM Rules for Companies and the relevant taxation regulations.
- 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 tested significant identified related party transactions; and
  - We performed audit procedures to consider the compliance of disclosures in the financial statements with the applicable financial reporting framework requirements.
- 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.

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

Use of our report

This report is made solely to the 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.

David White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
27 March 2023

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 £000	2021 £000
Revenue		**13,293**	15,971
Cost of sales		**(2,489)**	(3,329)
Gross profit		**10,804**	12,642
Administrative expenses		**(3,252)**	(3,045)
Gain on sale of investment properties		**948**	1,177
Gain in fair value of investment properties	9	**3,152**	4,951
Profit from operations		**11,652**	15,725
Finance income	5	**49**	46
Finance costs	5	**(2,981)**	(3,235)
Gain on financial liabilities at fair value through profit and loss	16	**2,214**	1,388
Profit on ordinary activities before taxation	3	**10,934**	13,924
Income tax charge	6	**-**	-
Net profit after taxation and total comprehensive income		**10,934**	13,924
Total and continuing earnings per ordinary share			
Basic	7	**6.33p**	7.76p
Diluted	7	**6.25p**	7.64p

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

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

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Share-based payment reserve £000	Retained Earnings £000	Total £000
At 1 January 2021	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
Share based payment	-	-	-	150	-	150
Share buyback	(714)	-	-	-	(1,296)	(2,010)
Transfer re capital	-	-	714	-	(714)	-
Share issue	42	108	-	(150)	-	-
Dividends	-	-	-	-	(5,131)	(5,131)
Transactions with owners	(672)	108	714	-	(7,141)	(6,991)
Profit for the year and total comprehensive income	-	-	-	-	10,934	10,934
At 31 December 2022	**17,266**	**51,829**	**1,463**	**759**	**37,648**	**108,965**

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

REAL ESTATE INVESTORS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital	Share premium account	Capital redemption reserve	Share – based payment reserve	Retained Earnings	Total
	£000	£000	£000	£000	£000	£000
At 1 January 2021	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
Share based payment	-	-	-	150	-	150
Share buyback	(714)	-	-	-	(1,296)	(2,010)
Transfer re capital	-	-	714	-	(714)	-
Share issue	42	108	-	(150)	-	-
Dividends	-	-	-	-	(5,131)	(5,131)
Transactions with owners	(672	108	714	-	(7,141)	(6,991)
Profit for the year and total comprehensive income	-	-	-	-	9,227	9,227
At 31 December 2022	**17,266**	**51,829**	**1,463**	**759**	**33,788**	**105,105**

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

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	2022 £000	2021 £000
Assets			
Non-current			
Intangible assets	8	**-**	-
Investment properties	9	**173,030**	188,485
Property, plant and equipment	10	**3**	4
		173,033	188,489
Current			
Inventories	12	**2,389**	2,384
Trade and other receivables	13	**3,110**	3,588
Derivative financial asset	16	**68**	-
Cash and cash equivalents		**7,818**	9,836
		13,385	15,808
Total assets		**186,418**	204,297
Liabilities			
Current			
Bank loans	15	**(20,325)**	(2,479)
Trade and other payables	14	**(5,982)**	(7,685)
		(26,307)	(10,164)
Non-current			
Bank loans	15	**(51,146)**	(86,965)
Derivative financial liabilities	16	**-**	(2,146)
		(51,146)	(89,111)
Total liabilities		**(77,453)**	(99,275)
Net assets		**108,965**	105,022

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

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2022

	Note	2022	2021
		£000	£000
Equity			
Share capital	18	**17,266**	17,938
Share premium account		**51,829**	51,721
Capital redemption reserve		**1,463**	749
Share-based payment reserve		**759**	759
Retained earnings		**37,648**	33,855
Total Equity		**108,965**	105,022
Net assets per share		**63.1p**	58.5p

These financial statements were approved and authorised for issue by the Board of Directors on 27 March 2023.

Signed on behalf of the Board of Directors

W Wyatt – Chairman

M H P Daly – Finance Director
Company No 5045715

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

REAL ESTATE INVESTORS PLC

COMPANY STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022

	Note	2022	2021
Assets		**£000**	£000
Non-current			
Investment properties	9	**170,130**	185,225
Property, plant and equipment	10	**3**	4
Investments	11	**241**	1,670
		170,374	186,899
Current assets			
Inventories	12	**2,389**	2,384
Trade and other receivables	13	**2,964**	3,440
Derivative financial asset	16	**68**	-
Cash and cash equivalents		**7,816**	9,817
		13,237	15,641
Total assets		**183,611**	202,540
Liabilities			
Current			
Bank loans	15	**(20,280)**	(2,434)
Trade and other payables	14	**(10,615)**	(11,717)
Net current liabilities		**(30,895)**	(14,151)
Non-current			
Bank loans	15	**(47,611)**	(83,374)
Derivative financial liabilities	16	**-**	(2,146)
		(47,611)	(85,520)
Total liabilities		**(78,506)**	(99,671)
Net assets		**105,105**	102,869
Equity			
Ordinary share capital	18	**17,266**	17,938
Share premium account		**51,829**	51,721
Capital redemption reserve		**1,463**	749
Share-based payment reserve		**759**	759
Profit and loss account		**33,788**	31,702
Total Equity		**105,105**	102,869

The company profit for the year was £9,227,000 (2021: £13,924,000).

These financial statements were approved by the Board of Directors on 27 March 2023.

Signed on behalf of the Board of Directors

W Wyatt – Chairman

M H P Daly – Finance Director

Company No 5045715

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

REAL ESTATE INVESTORS PLC

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 31 December 2022

	2022 £000	2021 £000
Cash flows from operating activities		
Profit after taxation	**10,934**	13,924
Adjustments for:		
Depreciation	**2**	2
Net gain on valuation of investment property	**(3,152)**	(4,951)
Gain on sale of investment property	**(948)**	(1,177)
Share based payment	**150**	150
Finance income	**(49)**	(46)
Finance costs	**2,981**	3,235
Gain on financial liabilities at fair value through profit and loss	**(2,214)**	(1,388)
(Increase)/decrease in inventories	**(5)**	1,412
Decrease in trade and other receivables	**478**	752
Decrease in trade and other payables	**(1,051)**	(100)
	7,126	11,813
Cash flows from investing activities		
Expenditure on investment properties	**(609)**	(955)
Purchase of property, plant and equipment	**(1)**	(2)
Proceeds from sale of investment properties	**20,164**	16,119
Interest received	**49**	46
	19,603	15,208
Cash flows from financing activities		
Interest paid	**(2,981)**	(3,235)
Share buyback	**(2,010)**	-
Equity dividends paid	**(5,783)**	(6,278)
Payment of bank loans	**(17,973)**	(11,910)
	(28,747)	(21,423)
Net (decrease)/increase in cash and cash equivalents	**(2,018)**	5,598
Cash and cash equivalents at beginning of period	**9,836**	4,238
Cash and cash equivalents at end of period	**7,818**	9,836

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 CASHFLOWS

For the year ended 31 December 2022

	2022	2021
	£000	£000
Cash flows from operating activities		
Profit after taxation	**9,227**	14,411
Adjustments for:		
Depreciation	**2**	2
Impairment of investment in subsidiaries	**1,429**	-
Net gain on valuation of investment property	**(2,777)**	(4,866)
Gain on sale of investment property	**(948)**	(1,120)
Share based payment	**150**	150
Finance income	**(49)**	(46)
Finance costs	**2,763**	3,014
Gain on financial liabilities at fair value through profit and loss	**(2,214)**	(1,388)
Increase in inventories	**(5)**	(4)
Decrease in trade and other receivables	**476**	1,444
(Decrease)/increase in trade and other payables	**(451)**	1,277
	7,603	12,874
Cash flows from investing activities		
Expenditure on investment properties	**(609)**	(955)
Purchase of property, plant and equipment	**(1)**	(2)
Proceeds from sale of investment properties	**19,429**	14,862
Interest received	**49**	46
	18,868	13,951
Cash flows from financing activities		
Interest paid	**(2,763)**	(3,014)
Share buyback	**(2,010)**	-
Equity dividends paid	**(5,783)**	(6,278)
Payment of bank loans	**(17,916)**	(11,857)
	(28,472)	(21,149)
Net (decrease)/increase in cash and cash equivalents	**(2,001)**	5,676
Cash and cash equivalents at beginning of period	**9,817**	4,141
Cash and cash equivalents at end of period	**7,816**	9,817

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

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

1. Accounting policies

Basis of preparation

The 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 2021 financial statements, except where new standards have been issued and applied retrospectively. Further details of these standards and their application by the Group are set out on pages 52 and 53.

Going concern

The Group has prepared and reviewed forecasts and made appropriate enquiries which indicate that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of 12 months from the date of approval of these financial statements to 31 March 2024. These enquiries considered the following:

- the significant cash balances the Group holds and the low levels of historic and projected operating cash outflows
- any property purchases will only be completed if cash resources or loans are available to complete those purchases
- the Group's bankers have indicated their continuing support for the Group. In March 2023 the Group extended the £20 million facility with Lloyds Banking Group Plc for 6 months to 31 May 2024, whilst continuing negotiations to extend the facility by a further 3 years.
- In March 2023 the Group extended the facility of £31 million with National Westminster Bank PLC by a further 3 months to June 2024.
- 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 £9,227,000 (2021: £13,924,000).

1. Accounting policies (continued)

Investments

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

Income recognition

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

Rental income

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 and/or profit share arrangements on properties owned by the Group is accounted for on a straight-line basis over the period commencing on the later of the start of the lease or acquisition of the property by the Group, and ending on the end of the lease, unless it is reasonably certain that the break option will be exercised. Rent reviews are recognised in the period to which they relate. Any incentive for lessees to enter into a lease agreement and any costs associated with entering into the lease are spread over the same period.

Sale of properties

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

Investment properties

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

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

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

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

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

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

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.

1. Accounting policies (continued)

Inventories

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

Operating leases

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

Taxation

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

The Group elected for Real Estate Investment Trust (REIT) status with effect from 1 January 2015. As a result, providing certain conditions are met, the Group's profits from property investment are exempt from United Kingdom corporation tax. Therefore, for 2022 there is no income tax payable on the Group's property investment transactions and no provision for deferred tax arising on the revaluation of properties or on unused trading losses, substantially all of which relate to property investment.

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

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

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

1. Accounting policies (continued)

Financial assets

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

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

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

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

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

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

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

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

Impairment of financial assets

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

1. Accounting policies (continued)

Cash and cash equivalents

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

Equity

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

Financial liabilities

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

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

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

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

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

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

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

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

Classification as equity or financial liability

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

1. Accounting policies (continued)

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

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

Reserves

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

Share warrants and share options

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

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

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

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

Share based payments

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

Segmental reporting

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

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

New standards adopted for the year ended 31 December 2022

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

1. Accounting policies (continued)

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

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

Critical accounting estimates and assumptions

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

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

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

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.

1. Accounting policies (continued)

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

REIT status

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

2. Segmental information

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

		Investment in and trading of properties	
		2022	2021
		£000	£000
Segment revenues	– Rental income	**12,725**	13,934
	- Surrender premiums	**568**	812
	- Sale of land	**-**	1,225
		13,293	15,971
Cost of sales	– Direct costs	**(2,489)**	(1,932)
	- Cost of land	**-**	(1,397)
		10,804	12,642
Administrative expenses		**(3,252)**	(3,045)
Gain on disposal of investment property		**948**	1,177
Gain on valuation of investment properties		**3,152**	4,951
Segment operating profit		**11,652**	15,725
Segment assets		**186,418**	204,297
Segment liabilities		**(77,453)**	(99,275)

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

	2022	2021
	£000	£000
Finance income	**49**	**46**
Finance costs	**(2,981)**	**(3,235)**
Depreciation	**(2)**	**(2)**

Revenue from external customers and non-current assets arises wholly in the United Kingdom. All revenue for the year is attributable to the principal activities of the Group. Revenue from the largest customer represented 4% (2021: 4%) of the total rental income revenue for the period.

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after:

	2022	2021
	£000	£000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**79**	55
Fees payable to the Company's auditor for other services		
Audit of the accounts of the subsidiaries	**-**	20
Depreciation of owned property and equipment	**2**	2
Lease payments	**183**	183

4. Directors and employees

Staff costs during the period were as follows:

	2022	2021
	£000	£000
Wages and salaries	**1,698**	1,582
Social security costs	**247**	200
Share based payment charge	**150**	150
	2,095	1,932

The highest paid director received £739,000 (2021: £660,000).

The average number of employees (including executive directors) of the Group and the Company during the period was seven (2021: seven), all of whom were engaged in administration. The executive and non-executive directors are also the key management personnel of the Group and the Company and details of their remuneration are included within the directors' remuneration report on pages 28 and 29.

5. Finance income/finance costs

	2022	2021
	£000	£000
Finance income:		
Interest receivable	**49**	46
Finance costs:		
Interest payable on bank loans	**(2,981)**	(3,235)

6. Income tax charge

	2022	2021
	£000	£000
Profit for the year before tax	**10,934**	13,924
Tax rate	**19%**	19%
Expected tax charge	**2,077**	2,646
REIT exempt income and gains	**(2,077)**	(2,646)
Actual tax charge	**-**	-

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.

	2022			2021		
	Earnings	**Average number of shares**	**Earnings per Share**	Earnings	Average number of shares	Earnings per share
	£000			£000		
Basic earnings per share	**10,934**	**172,651,577**	**6.33p**	13,924	179,377,898	7.76p
Dilutive effect of share options	**-**	**2,312,675**	**-**	-	2,883,365	-
Diluted earnings per share	**10,934**	**174,964,252**	**6.25p**	13,924	182,261,263	7.64p

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

	2022			2021		
	Earnings	**Shares**	**Earnings Per Share**	Earnings	Shares	Earnings per share
	£000	**No**	**p**	£000	No	P
Basic earnings per share	**10,934**	**172,651,577**	**6.33**	13,924	179,377,898	7.76
Net gain on valuation of investment properties	(3,152)			(4,951)		
Gain on disposal of investment properties	(948)			(1,177)		
Loss on sale of inventory properties	-			172		
Gain in fair value of derivatives	(2,214)			(1,388)		
EPRA earnings per share	4,620	**172,651,577**	2.68	6,580	179,377,898	3.67

7. Earnings per share (continued)

NET ASSET VALUE PER SHARE

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

The Group considered EPRA Net Tangible Assets (NTA) to be the most relevant NAV measure for the Group and we are now reporting this as our primary NAV measure, replacing our previously reported EPRA NAV and EPRA 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 2022	
	EPRA NTA	**EPRA NRV**	**EPRA NDV**
	£'000	**£'000**	**£'000**
Net assets	**108,965**	**108,965**	**108,965**
Fair value of derivatives	**(68)**	**(68)**	**-**
Real estate transfer tax	**-**	**11,245**	**-**
EPRA NAV	**108,897**	**120,142**	**108,965**
Number of ordinary shares issued for diluted and EPRA net assets per share	**174,964,252**	**174,964,252**	**174,964,252**
EPRA NAV per share	**62.2p**	**68.7p**	**62.3p**

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

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

		31 December 2021	
	EPRA NTA	**EPRA NRV**	**EPRA NDV**
	£'000	**£'000**	**£'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**

7. Earnings per share (continued)

	31 December 2022 No of Shares	31 December 2021 No of Shares
Number of ordinary shares issued at end of period	**172,651,577**	**179,377,898**
Dilutive impact of options	**2,312,675**	**2,883,365**
Number of ordinary shares issued for diluted and EPRA net assets per share	**174,964,252**	**182,261,263**
Net assets per ordinary share		
Basic	**62.2p**	**58.8p**
Diluted	**68.7p**	**66.0p**
EPRA NTA	**62.3p**	**57.6p**

8. Intangible assets

	Goodwill £000
Gross carrying amount	
Cost	
At 1 January 2022 and 31 December 2022	171
Accumulated impairment losses	
At 1 January 2022 and 31 December 2022	171
Net book amount at 31 December 2022	**-**
Net book amount at 31 December 2021	**-**

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 2021	197,520
Additions – subsequent expenditure	955
Disposals	(14,941)
Change in fair value	4,951
Carrying amount at 31 December 2021	188,485
Additions – subsequent expenditure	609
Disposals	(19,216)
Change in fair value	3,152
Carrying amount at 31 December 2022	**173,030**

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

	2022 £000	2021 £000
At professional valuation	173,030	186,245
At directors' valuation	-	2,240
	173,030	188,485

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

	2022 **£'000**	2021 £'000
Cost and net book amount at 31 December	**191,938**	210,090

Investment properties with a value of £164,430,000 (2021: £180,195,000) have been pledged as security against bank loans.

9. Investment properties (continued)

Company

	£000
Carrying amount at 1 January 2021	193,145
Additions – subsequent expenditure	955
Disposals	(13,741)
Change in fair value	4,866
Carrying amount at 31 December 2021	185,225
Additions – subsequent expenditure	609
Disposals	(18,481)
Change in fair value	2,777
Carrying amount at 31 December 2022	170,130

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

	Investment properties	
	2022	2021
	£000	£'000
At professional valuation	**170,130**	182,985
At directors' valuation	**-**	2,240
	170,130	185,225

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

	Investment properties	
	2022	2021
	£'000	£000
Cost and net book amount at 31 December	**190,192**	207,200

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 2022 was £13,923,000 (2021: £14,746,000) and direct operating expenses in relation to those properties were £2,464,000 (2021: £1,858,000). Direct operating expenses in relation to those properties which did not generate rental income in the period were £25,000 (2021: £74,000).

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 2022 has been carried out by Colliers, independent professional valuers. The professional valuers have recent experience in the location and type of properties held. Directors' valuations are reflected at values as per sales agreements or recent purchases. An insignificant level of the portfolio is unencumbered.

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

10. Property, plant & equipment

Group and Company

	Leasehold Improvements	Office Equipment	Total
	£000	£000	£000
Gross carrying amount			
At 31 December 2021	112	84	196
Additions	-	1	1
At 31 December 2022	112	85	197
Depreciation and Impairment			
At 31 December 2021	112	80	192
Charge for the year	-	2	2
At 31 December 2022	112	82	194
Net book carrying amount			
At 31 December 2022	**-**	**3**	**3**
At 31 December 2021	-	4	4

11. Interests in subsidiaries

	£000
Cost	
At 31 December 2022 and 31 December 2021	4,223
Impairment	
At 1 January	2,553
Charge for the year	1,429
At 31 December	3,982
Net book carrying amount	
At 31 December 2022	**241**
At 31 December 2021	1,670

At 31 December 2022 and 31 December 2021 the Company wholly owned the following subsidiaries:

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

The Group has control over each of these subsidiaries by virtue of its 100% shareholding in each.

The provision for impairment is a result of the underlying property asset in the subsidiary being disposed of and therefore the carrying value of the investment is reduced to reflect the underlying net assets.

The Directors have taken advantage of the exemption available under Section 479A of the Companies Act 2006 relating to the requirement for the audit of the individual accounts for these subsidiaries with a parental guarantee.

12. Inventories

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Land held for trading	2,389	2,384	2,389	2,384

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 (2021: £nil), is pledged as security for bank loans.

13. Trade and other receivables

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Trade receivables	**808**	822	**746**	790
Other receivables	**159**	458	**159**	422
Accrued income	**1,774**	358	**1,711**	357
Prepayments	**369**	1,950	**348**	1,871
	3,110	3,588	**2,964**	3,440

All of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision of £91,000 (2021: £118,000) has been recorded accordingly. Expected credit loss is recognised when there no reasonable expectation of recovery of receivables. The movement in the provision for impairment during the year is as follows:

	Group and Company	
	2022	2021
	£000	£000
At 1 January	**118**	143
Increase in provisions	**50**	50
Utilisation of provisions	**(77)**	(75)
At 31 December	**91**	118

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

	Group and Company	
	2022	2021
	£000	£000
Not more than three months past due	**516**	284
More than three months but no more than six months past due	**71**	235
	587	519

13. Trade and other receivables (continued)

Financial assets by category

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

Group

	2022				2021		
	Financial assets at fair value through profit and loss £000	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	-	808	-	808	822	-	822
Other receivables	-	159	-	159	458	-	458
Accrued income	-	-	1,774	1,774	-	1,950	1,950
Prepayments	-	-	369	369	-	358	358
Derivative financial asset	68	-	-	68	-	-	-
Cash and cash equivalents	-	7,818	-	7,818	9,836	-	9,836
	68	8,785	2,143	10,996	11,116	2,308	13,424

Company

	2022				2021		
	Financial assets at fair value through profit and loss £000	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	-	746	-	746	790	-	790
Amounts owed by subsidiary undertakings	-	-	-	-	-	-	-
Other receivables	-	159	-	159	422	-	422
Accrued income	-	-	1,711	1,711	-	1,871	1,871
Prepayments	-	-	348	348	-	357	357
Derivative financial asset	68	-	-	68	-	-	-
Cash and cash equivalents	-	7,816	-	7,816	9,817	-	9,817
	68	8,721	2,059	10,848	11,029	2,228	13,257

14. Trade and other payables

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
Trade payables	**697**	1,127	**672**	1,100
Amounts owed to subsidiary undertakings	**-**	-	**4,735**	4,189
Other payables	**458**	466	**449**	451
Social security and taxation	**1,368**	1,473	**1,359**	1,441
Deferred income	**1,794**	2,190	**1,785**	2,164
Accruals	**972**	1,084	**922**	1,027
Dividend payable	**693**	1,345	**693**	1,345
	5,982	7,685	**10,615**	11,717

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

	2022				2021			
	Financial liabilities at fair value through profit and loss	**Other financial liabilities at amortised cost**	**Non-financial liabilities**	**Balance sheet total**	Financial liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Non-financial liabilities	Balance sheet total
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Current								
Bank loans	**-**	**20,325**	**-**	**20,325**	-	2,479	-	2,479
Trade payables	**-**	**697**	**-**	**697**	-	1,127	-	1,127
Other payables	**-**	**458**	**-**	**458**	-	466	-	466
Social security and taxation	**-**	**-**	**1,368**	**1,368**	-	-	1,474	1,474
Deferred income	**-**	**-**	**1,794**	**1,794**	-	-	2,190	2,190
Accruals	**-**	**972**	**-**	**972**	-	1,084	-	1,084
Dividend payable	**-**	**693**	**-**	**693**	-	1,345	-	1,345
	-	**23,145**	**3,162**	**26,307**	-	6,501	3,664	10,165
Non-current								
Bank loans	**-**	**51,146**	**-**	**51,146**	-	86,965	-	86,965
Derivative financial liabilities	**-**	**-**	**-**	**-**	2,146	-	-	2,146
	-	**51,146**	**-**	**51,146**	2,146	86,965	-	89,111
	-	**74,291**	**3,162**	**77,453**	2,146	93,466	3,664	99,276

14. Trade and other payables (continued)

Company

	2022				2021			
	Financial liabilities at fair value through profit and loss	**Other financial liabilities at amortised cost**	**Non-financial liabilities**	**Balance sheet total**	Financial liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Non-financial liabilities	Balance sheet total
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Current								
Bank loans	**-**	**20,280**		**20,280**	-	2,434	-	2,434
Trade payables	**-**	**672**	**-**	**672**	-	1,100	-	1,100
Amounts owed to subsidiary undertakings		**4,735**	**-**	**4,735**	-	4,189	-	4,189
Other payables	**-**	**449**	**-**	**449**	-	451	-	451
Social security and taxation	**-**	**-**	**1,359**	**1,359**	-	-	1,441	1,441
Deferred income	**-**	**-**	**1,785**	**1,785**	-	-	2,164	2,164
Accruals	**-**	**922**	**-**	**922**	-	1,027	-	1,027
Dividend payable	**-**	**693**	**-**	**693**	-	1,345	-	1,345
	-	**27,751**	**3,144**	**30,895**	-	10,546	3,605	14,151
Non-current								
Bank loans	**-**	**47,611**	**-**	**47,611**	-	83,474	-	83,474
Derivative financial instruments	**-**	**-**	**-**	**-**	2,146	-	-	2,146
	-	**47,611**	**-**	**47,611**	2,146	83,474	-	85,620
	-	**75,362**	**3,144**	**78,506**	2,146	94,020	3,605	99,771

15. Financial risk management objectives and policies

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

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

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

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

	Group		**Company**	
	2022	**2021**	**2022**	2021
	£000	**£000**	**£000**	£000
Cash and cash equivalents	**7,818**	**9,836**	**7,816**	9,817
Trade and other receivables	**808**	**822**	**746**	790
	8,626	**10,658**	**8,562**	10,607

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

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

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

15. Financial risk management objectives and policies (continued)

Bank loans

The Group and Company borrowings analysis (all of which are undiscounted) at 31 December 2022 is as follows:

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
In less than one year:				
Bank borrowings	**20,325**	2,479	**20,280**	2,434
In more than one year but less than two years:				
Bank borrowings	**40,992**	384	**40,942**	334
In more than two years but less than five years:				
Bank borrowings	**7,631**	75,309	**7,091**	74,769
In more than five years				
Bank borrowings	**2,944**	11,844	**-**	8,843
Deferred arrangement costs	**(421)**	(572)	**(421)**	(572)
	71,471	89,444	**67,892**	85,808
Financial instruments*	**-**	2,146	**-**	2,146
	71,471	91,590	**67,892**	87,954

*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			
	2022 £000 Current liabilities	**2022 £000 Non-current liabilities**	2021 £000 Current liabilities	2021 £000 Non-current liabilities
At 1 January	**2,479**	**86,965**	45,579	55,775
Reclassification	**19,946**	**(19,946)**	(33,290)	33,290
Repayment of bank loans	**(2,100)**	**(15,873)**	(9,810)	(2,100)
At 31 December	**20,325**	**51,146**	2,479	86,965

	Company			
	2022 £000 Current liabilities	**2022 £000 Non-current liabilities**	2021 £000 Current liabilities	2021 £000 Non-current liabilities
At 1 January	**2,434**	**83,474**	45,534	52,131
Reclassification	**19,946**	**(19,946)**	(33,343)	33,343
Repayment of bank loans	**(2,100)**	**(15,917)**	(9,757)	(2,100)
At 31 December	**20,280**	**47,611**	2.434	83,474

15. Financial risk management objectives and policies (continued)

Maturity of financial liabilities

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

	Group		Company	
	2022	2021	**2022**	2021
	£000	£000	**£000**	£000
In less than one year:				
Trade payables	**697**	1,127	**672**	1,100
Amount owed to subsidiary undertakings	**-**	-	**4,735**	4,189
Other payables	**458**	466	**449**	451
Accruals	**972**	1,084	**922**	1,027
Dividend	**693**	1,345	**693**	1,345
Bank borrowings	**23,132**	5,652	**22,848**	5,433
	25,952	9,674	**30,319**	13,545
In more than one year but less than two years:				
Bank borrowings	**42,104**	3,548	**41,830**	3,328
In more than two years but less than five years:				
Bank borrowings	**8,494**	84,801	**7,673**	84,141
In more than five years				
Bank borrowings	**3,790**	13,366	**-**	9,052
	80,340	111,389	**79,822**	110,066

The Group and Company has entered into interest rate swap agreements to cover £10 million of its bank borrowings with Lloyds Banking Group. These contracts are considered by management to be part of economic hedge arrangements but have not been formally designated. The effect of the remaining agreement is to fix the interest payable on a notional £10 million at a rate of 4.75%; unless the actual rate is between 3.65% and 4.75% in which case the actual rate is paid or unless the rate is above 4.75% in which case 3.65% is paid plus a margin of 2.45%. The agreement expires in February 2028. At 31 December 2022 the fair value of this arrangement based on a valuation provided by the Group's bankers was an asset of £68,000 (2021: £2,146,000 liability).

Borrowing facilities

The Group and Company has undrawn committed borrowing facilities at 31 December 2022 of £Nil (2021: £Nil).

Market risk

Interest rate risk

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

15. Financial risk management objectives and policies (continued)

The interest rate exposure of the financial liabilities of the Group and Company at 31 December 2022 was:

Bank loans			**Group**		**Company**	
		Expiry	**2022**	2021	**2022**	2021
	Interest %	Date	**£000**	£000	**£000**	£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	**7,550**	12,000	7,550	12,000
Fixed until March 2024		March 2024	**33,112**	35,000	33,112	35,000
Fixed until January 2030	6.04	January 2030	**3,579**	3,636	-	-
Fixed until March 2030	6.27	March 2030	**-**	628	-	628
Fixed until May 2030	5.78	May 2030	**-**	1,311	-	1,311
Fixed until March 2031	5.47	March 2031	**-**	616	-	616
Fixed until March 2027	5.16	March 2027	**7,651**	7,977	7,651	7,977
Cap and collar agreement until January 2028	4.75	January 2028	**10,000**	10,000	10,000	10,000
Variable rate			**-**	8,848	-	8,848
			71,892	90,016	68,313	86,380
Loan arrangement fees			**(421)**	(572)	(421)	(572)
			71,471	89,444	67,892	85,808

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 (2021: + half a percentage point) with effect from the beginning of the year:

	2022	2021
	£'000	£000
Decrease in result after tax and equity	**Nil**	44

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

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

15. Financial risk management objectives and policies (continued)

Capital risk management

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

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

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

16. Fair value disclosures

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

Fair value measurement of financial instruments

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

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Interest rate swap agreements:				
At 1 January 2021	-	(3,534)	-	(3,534)
Hedge settlement payment	-	-		-
Income statement – gain	-	1,388	-	1,388
At 3l December 2021	-	(2,146)	-	(2,146)
Income statement – gain	-	2,214	-	2,214
At 31 December 2022 – asset	-	68	-	68

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

16. Fair value disclosures (continued)

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

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

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

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

Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2022.

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Investment property:				
Group - held to earn rentals and for capital appreciation	-	-	173,030	173,030
Company – held to earn rentals and for capital appreciation	-	-	170,130	170,130

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

	Investment properties	
	Group	Company
	£000	£000
At 1 January 2022	188,485	185,225
Acquired during the year	609	609
Disposals during the year	(19,216)	(18,481)
Gains recognised in profit and loss - increase in fair value	3,152	2,777
At 31 December 2022	**173,030**	**170,130**

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

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

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

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

16. Fair value disclosures (continued)

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

17. Deferred taxation

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

18. Share capital

	2022 Number of Shares	**2022 £000**	2021 Number of Shares	2021 £000
Allotted, issued and fully paid:				
Ordinary shares of 10p	**172,651,577**	**17,266**	179,377,898	17,938

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

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 20 June 2022, 27 March 2021 and 27 March 2020 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.

During the year P P S Bassi and M H P Daly exercised options on 219,492 (2021: Nil) shares and 137,183 (2021: Nil) shares respectively. These options were satisfied by the issue of shares during the year.

18. Share capital (continued)

During the year a provision of £150,000 was made (2021: £150,000) as an employee remuneration expense, all of which relates to equity-settled share-based payment transactions, and has been included in profit or loss and credited to retained earnings. Based on the results and the share price 50% of the options granted in 2020 are likely to vest.

19. Leases

The Group as lessee

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. At 31 December 2022 the Group was committed to short term leases and the total commitment at that date was £71,000 (2021: £71,000).

At 31 December 2022 and 31 December 2021 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:

	2022	2021
	£000	£000
Within one year	**10,650**	1,297
Later than one year but not later than five years	**22,951**	19,842
Later than five years	**29,171**	51,010
	62,772	72,149

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

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

20. Contingent liabilities

There were no contingent liabilities at 31 December 2022 or at 31 December 2021.

21. Capital commitments

Capital commitments authorised at 31 December 2022 were £Nil (2021: £950,000).

22. Pension scheme

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

23. Post balance sheet events

In March 2023 the Group extended the £20 million facility with Lloyds Banking Group Plc for 6 months to 31 May 2024 and the £31 million facility with National Westminster Bank Plc for 3 months to June 2024.

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 28 and 29.

During the period the Company and Group paid agency fees of £268,000 (2021: £153,000) in respect of professional services and rent, service and support charges of £151,000 (2021: £139,000) 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 £37,300 (2021: £7,200).

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 2022 are shown in notes 13 and 14.

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

	2022	2021
	£000	£000
W P Wyatt	**10**	11
P London	**7**	8
I M Stringer	**-**	-
P P S Bassi	**384**	420
M H P Daly	**77**	83