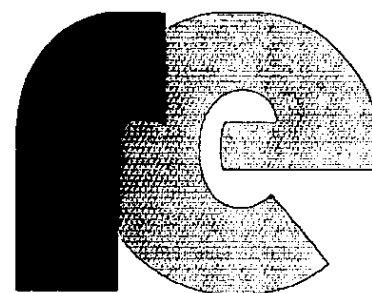


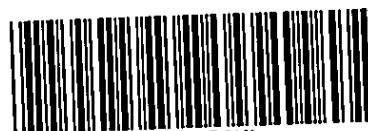
Annual Report
& Accounts
2009



rugby estates plc

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Rugby
Estates
plc

The Directors intend to realise the value of Rugby Capital's portfolio over the next three to five years. Subject to the needs of the asset management business, which is not intended to be capital intensive, the capital released will be returned to shareholders.

This will leave the Group as an earnings-focused business without the drawback of the substantial discount of share price to net assets which has traditionally dogged the quoted property sector, particularly for smaller companies.

01

02

03

- 01. Alexander House, Bath
(Rugby Estates)
- 02. Queen Elizabeth Distribution Park,
Thurrock (O Twelve)
- 03. Orchard Business Centre,
Sydenham (Rugby Estates)
- 04. Stanford House, Covent Garden,
London (REIT Plc)

Year in brief

£2.7m

Revenue profit
before impairment charges

£70m

Portfolio value
(including share of co-investment
vehicles)

371p

Triple net assets
per share

£4.2m

Fee income

1

04

Contents

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02	Chairman's Review	26	Independent Auditors' Report
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Chairman's Review

David Tye

01

02

The Group's key focus will be to grow its asset management business, which has relatively low capital requirements, under the Rugby Asset Management brand.

Results

As a consequence of the unprecedented falls in the market values of commercial properties over the past 18 months, I have to report a net loss before taxation of £15.8 million for the year ended 31 January 2009 (2008: profit of £5.8 million). The principal contributors to this loss were a write-down of the property portfolio of £11.2 million and impairment losses on the Group's co-investments of £7.3 million. The Group's profit before these unrealised items ("revenue profit") was £2.7 million (2008: £11.1 million).

Triple net assets per share ("NNNAPS") at 31 January 2009, based on the Group's underlying share of the estimated net assets of co-investment vehicles, were 371p (2008: 498p). This figure is calculated on a basis which is consistent with the corresponding figures reported in prior years. Under IFRS our two quoted vehicles, O Twelve Estates Limited ("O Twelve") and Rugby Estates Investment Trust Plc ("REIT Plc"), are carried in the balance sheet at their respective share prices. This year, for the first time, a downward adjustment has been made to the balance sheet carrying value of our holding in ING Covent Garden Limited Partnership ("CGLP") to reflect the lack of liquidity and uncertainty as to when property values will stabilise. NNNAPS calculated on the balance sheet value, rather than on share of underlying net assets, of these vehicles was 354p (2008: 480p).

The property market is experiencing a once in a lifetime correction, deeper and more far reaching than any other property downturn. From the peak of the market in June 2007 to January 2009, a period of just 19 months, the IPD All Property Monthly Index recorded a 38% decline in capital values, of which 28% was in the year under review. In the last property downturn of any significance, October 1989 to June 1993, a period of 44 months, the fall was just 27%.

As we reported in the announcement of 11 December 2008, the Board believes that, with its small capital base, Rugby will be better placed to enhance shareholder value by using the expertise of its highly focused management team to develop further its successful asset management business and reduce the capital employed in direct property holdings. The Group's directly owned property portfolio will continue to be managed to maximise net rental income and, in due course, capital receipts through disposals. The Group's key focus will be to grow its asset management business, which has relatively low capital requirements, under the Rugby Asset Management ("RAM") brand. RAM currently manages the portfolios of O Twelve, REIT Plc and CGLP.

The market value of our total portfolio at 31 January 2009 was £70 million (2008: £93 million). This comprises £46 million (2008: £59 million) of directly held property and £24 million (2008: £34 million) attributable to our share of the property portfolios held by our co-investment vehicles.

Rugby Capital

Rugby Capital is the division of the Group which deals with our directly-owned property portfolio. Rugby Capital made one acquisition and one disposal during the period. At the start of the year a retail holding in Maidenhead was acquired for £2.2 million. In the second half year, we sold a development site in Chelmsford for £2.4 million, crystallising a profit of £0.9 million since its acquisition in 2007.

Rugby Capital's total portfolio return for the year, as calculated by the directors pending receipt of the analysis from IPD, was minus 18.0%, comprising minus 24.6% capital reduction and 6.6% income return. The corresponding figures for the IPD annual index for 2008 for all properties were minus 22.1%, minus 26.3% and 5.6% respectively.

01 David Tye, Chairman

02 4 Farm Street, London W1 (Group Office)

02

The market value of our directly-owned portfolio as at 31 January 2009 was £46 million (2008: £59 million), of which 62% were industrial properties, 33% were offices and 5% was mixed-use office/retail. South East England including London accounted for 46% of capital value with 27% in the Midlands, 18% in Northern England and 9% in the South West.

Since 31 January 2009, a vacant office property in Birmingham and part of our holding in Bridgwater have been sold for £1.3 million.

Rugby Asset Management

Rugby Asset Management is the division of the Group which deals with our co-investment and asset management activities.

Fee income for the year increased by 5% to £4.2 million (2008: £4.0 million), reflecting a full year's contribution from REIT Plc which was established in 2007. Fee income is expected to reduce next year as a result of falling property values and following the change in the management fee arrangements for O Twelve which became effective from 1 April 2009.

In view of market conditions, transactions on behalf of co-investment vehicles were modest, with a total of £15 million of disposals in two transactions.

In common with property sector equities generally, the share prices of REIT Plc and O Twelve fell sharply during the year and continue to trade at substantial discounts to net asset value. These reductions in share price, although unrealised, have given rise to a charge to the income statement for the year of £4.3 million. The carrying value of our investment in CGLP fell by £4.7 million to £2.0 million. The original cost of this investment was £5.0 million; accordingly £1.7 million has been charged direct to reserves and £3.0 million to the income statement. The reduction in the Group's share of the estimated underlying net assets of these co-investments in the year was approximately £9.4 million.

At 31 January 2009, our three co-investment funds held approximately £380 million of property assets. Our target over the next few years is to achieve £1 billion of assets under management. This will be achieved primarily through the establishment of new co-investment vehicles.

Financing

During the year, the Group repaid all of its outstanding borrowings. Cash balances at 31 January 2009 amounted to £10.9 million, of which £10.4 million was freely available to the Group. At 31 January 2008, the Group had total debt of £15m which was matched by cash balances of £15 million. The Company intends to return surplus cash to shareholders, subject to working capital requirements, and it is not expected that the Group will take on any material borrowings in the foreseeable future.

£2.7m

Revenue profit

£10.9m

Cash balance

03

Chairman's Review continued

Personnel

The adverse market conditions, the very low level of transactional activity, which is expected to continue for at least the next year, and the decision to wind down Rugby Capital's directly-owned portfolio have necessitated a thorough review of overheads and staffing levels. As a consequence, in the last few months of the year a redundancy programme was implemented with the result that the total number of employees, including executive directors, has been reduced from 21 to 13. The office space occupied by the Group's staff at Farm Street has been reduced accordingly and is being sublet. With effect from 1 April 2009, the Executive Chairman, Chief Executive and Finance Director have agreed to reductions in their basic salaries of 20%, 20% and 13% respectively.

The Board expresses its thanks and best wishes for the future to our former directors and employees.

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Dividend

An interim dividend in respect of the year of 3.8p per share was paid on 27 November 2008.

On 11 December 2008, following a strategic review, the Board announced its intention that the Company should make a return of cash to shareholders of approximately 50p per share. The Board intends to despatch a circular to shareholders convening a General Meeting to consider measures to enable this as soon as practicable. Subject to both shareholder and Court approval, the Company intends to make a return of cash of 50p per share. It is intended that this, and subsequent returns of capital as the Rugby Capital portfolio properties are sold, will be in place of the regular half yearly dividends which have historically been paid.

Future Prospects

Whilst we have not yet seen a major reduction in tenant demand, the global economy is still suffering from the effects of the banking crisis and is now largely in recession.

Our immediate priority continues to be to protect shareholder value. To date this has been achieved by the de-gearing of our balance sheet, largely accomplished before the financial crisis, which has greatly mitigated the impact of falling property values on shareholders' funds, and by building up a substantial net cash position. Our focus is on maintaining a positive cash flow from our asset management business and from our directly-owned portfolio.

With interest rates at their current levels and likely to stay low for some time, and other traditional investment areas yielding low or uncertain returns, property as an investment asset class is beginning to look an interesting play on a medium term view. The gap between high yields and low interest rates should create wider

margins for both banks and investors leading to a stabilisation in capital values and increasing market activity. The key uncertainty, of course, is the depth and length of the economic recession. The risk for 2009 and beyond is that, whilst there is a general consensus that yields have little further to drift, the downward trend in capital values could be maintained by declining rental values, increasing voids and an increasing number of tenants facing difficulties in meeting their financial commitments. To date, across the portfolios we manage, tenant default has been limited and we are seeing tenant demand for those units which do become vacant, albeit lettings are taking longer to complete and greater incentives are required.

Against this backdrop, there is every reason to believe that, with our management expertise, in-depth market knowledge, ability to source and execute transactions and our track record, the Group has a promising future as a property-based asset manager.

Following our strategic review, the Directors intend to realise the value of Rugby Capital's portfolio through sales over the next three to five years. However, since the year end, property capital values generally have continued to fall and it is not possible to forecast with any degree of confidence where the bottom of the market will be, nor the time scale and extent of any recovery. The Directors do not consider there to be any need to dispose of properties in the next year and the planned disposal period is intended to allow time for market conditions to stabilise before seeking to make substantial sales. Individual sales of properties will be made as specific opportunities arise. Strategic flexibility will be essential in what may remain a rapidly changing business environment.

Subject to the needs of the asset management business, which is not expected to be capital intensive, the capital released will be returned to shareholders in as tax-efficient a manner as is possible. This will leave the Group as an earnings-focused business without the drawback of the substantial discount of share price to net assets which has traditionally dogged the quoted property sector, particularly for smaller companies.

David Tye, Chairman
30 April 2009

£70m

Total portfolio
market value

£6.6m

Total portfolio
estimated rental
value

This will leave the Group as an earnings-focused business without the drawback of the substantial discount of share price to net assets which has traditionally dogged the quoted property sector, particularly for smaller companies.

Business and Financial Review

Andrew Wilson,
Chief Executive

Stephen Jones,
Finance Director

01

The extraordinary adverse market conditions have meant that the Group's principal financial key performance indicators (KPIs) have been negative for the year. For measuring performance at Group level these are:

- profit or loss before tax, which was a loss for the year of £15.8 million, against a profit of £5.8 million last year;
- change in triple net assets per share (NNNAPS), which reduced by 26% to 371p (2008: 498p); and
- return on net assets (RONA), which was minus 23% for the year (2008: plus 0.4%).

NNNAPS takes into account the market value of properties (before deducting any selling expenses), uncrystallised tax liabilities, the Group's share of the estimated underlying net assets of co-investment vehicles and the effect of share schemes. The calculation of NNNAPS is set out on page 12. RONA is measured as the increase in diluted NNNAPS plus dividends expressed as a percentage of diluted NNNAPS at the start of the year.

Rugby Capital

Rugby Capital is the division of the Group which deals with the directly-owned property portfolio. Rugby Capital made one acquisition and one disposal during the period. At the start of the year a retail holding in Maidenhead was acquired for £2.2 million. In the second half year, we sold a development site in Chelmsford for £2.4 million, crystallising a profit of £0.9 million since its acquisition in 2007. Two further disposals in Birmingham and Bridgwater, which realised £1.3 million, have been made since the year end.

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The Group's directly-owned property portfolio comprises 124 lettable units in 24 properties which are let to 87 tenants. The market value of this portfolio as at 31 January 2009 was £46 million (2008: £59 million), of which 62% were industrial properties, 33% were office and 5% was mixed-use office/retail. South east England including London accounted for 46% of capital value with 27% in the Midlands, 18% in northern England and 9% in the south west.

The current annual rental income from the directly-owned portfolio as at 31 January 2009 was £3.8 million. The estimated rental value ("ERV") was £4.5 million, of which vacant units accounted for 10%, which is the current average void rate for commercial property generally. However, the sale of a vacant property in Birmingham since the year end has reduced the void rate to 6%. Industrial uses accounted for 57% of ERV, with office use accounting for 40% and retail use 3%. Excluding income from subletting the Group's own offices, gross rental income for the year under review was £3.7 million and net income after direct expenses was £3.4 million. Fifty four per cent of rental income is from leases expiring within five years, with 23% from leases with between five and ten years to expiry and 23% from leases with more than ten years unexpired.

The KPI for the performance of our directly owned property portfolio is total portfolio return. We have calculated this for our directly owned portfolio at minus 18.0% for the year, compared with IPD's all property total return for 2008 of minus 22.1%.

The Directors intend to realise the value of Rugby Capital's portfolio through sales over the next three to five years. Since the year end, property capital values generally have continued to fall. It is not possible to forecast with any degree of confidence where the bottom of the market will be, nor the time scale and extent of any recovery. The estimated net realisable value of properties held as inventory

£4.5m Estimated
Rental Value (directly
owned portfolio)

01 Andrew Wilson, Chief Executive

03 Austin Friars, London EC2 (REIT Plc)

02 Stephen Jones, Finance Director

at the balance sheet date has been based on valuations of the properties as at that date. The Directors do not consider there to be any need to dispose of properties in the next year and the planned disposal period is intended to allow time for market conditions to stabilise before seeking to make substantial sales. Individual sales of properties will be made as specific opportunities arise.

Rugby Asset Management

Rugby Asset Management is the division of the Group which manages our co-investing asset management activities. RAM's principal appointments as Property Adviser are:

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REIT Plc's proven business model remains sound and we expect to be able to identify further corporate acquisitions for REIT Plc when a more favourable environment returns.

07

Rugby Estates Investment Trust Plc (REIT Plc)

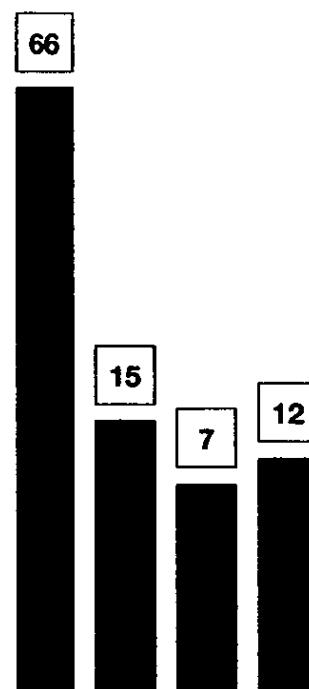
REIT Plc's objective is to assemble a portfolio of investment properties in the UK principally through the acquisition of privately owned property investment companies. REIT Plc raised £50 million of new equity and its shares commenced trading on the London Stock Exchange on 15 May 2007.

REIT Plc successfully achieved its initial objectives of converting to Real Estate Investment Trust ("Reit") status, which took effect from 1 January 2008, and establishing its initial portfolio. Acting on behalf of REIT Plc, in 2007 RAM identified, negotiated and managed the acquisition of three private property companies. All of the companies acquired had significant latent tax liabilities which were extinguished once Reit status was achieved. This tax arbitrage worked to the advantage of both REIT Plc and the owners of the private companies and was reflected in the price agreed.

The substantial falls in property values in 2008 have reduced, but not necessarily eliminated, the latent tax liabilities in property companies generally and the owners of the long-established, lowly geared private companies which are REIT Plc's acquisition targets are not willing vendors in current conditions. Accordingly, it is not expected that any transactions, whether corporate or in direct property holdings, will be undertaken until there is a significant degree of stabilisation in both property and financial markets. This is unlikely to be seen until 2010. Nevertheless REIT Plc's proven business model remains sound and we expect to be able to identify further corporate acquisitions for REIT Plc when a more favourable environment returns.

At 31 December 2008, REIT Plc held a diversified portfolio of 34 properties let to 124 tenants with a valuation of £60.3 million. Net assets per share at that date were 64p. Applying the IPD monthly all property capital value index movement for January 2009 of minus 3.0% gives the Group's share of REIT Plc's estimated underlying net assets as at 31 January 2009 of £3.0 million, which is £1.7 million more than the Group's balance sheet value of £1.3 million based on its share price as at 31 January 2009 of 27p.

Total Portfolio (%)
Proportion of capital value
(£70m)



01

The Group holds 4,990,200 shares in REIT Plc, representing 8.47% of its issued share capital.

O Twelve Estates Limited (O Twelve)

In 2005, we conceived the idea of a focused investment fund to take advantage of real estate opportunities to the east of London arising as a result of the 2012 Olympic Games and the major regeneration and infrastructure initiatives taking place in the Thames Gateway area. In March 2006, O Twelve raised £122.5 million of new equity and its shares commenced trading on AIM. RAM is Property Adviser to O Twelve and the Group holds a 5.46% equity interest.

Following the acquisition programme implemented by RAM in 2006 and 2007, O Twelve has now assembled a balanced portfolio of 22 properties across the retail, industrial, office and residential sectors in its target area.

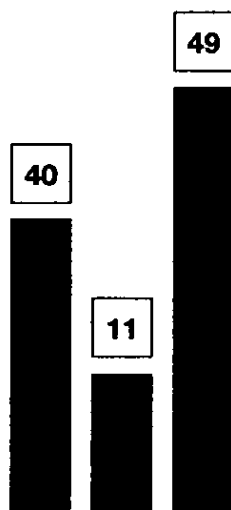
Notwithstanding the adverse market conditions generally, the rationale for the creation of O Twelve Estates continues to be soundly based. The implementation of regeneration projects, particularly in and around Stratford with its knock-on effect on surrounding areas, is helping to maintain occupier demand and rental values. O Twelve's target area is still relatively under-researched compared to other areas of London and, coupled with the regeneration initiatives currently in progress, promises to be attractive to both tenants and investors once market conditions stabilise.

At 30 September 2008, the latest date for which O Twelve has announced results, the portfolio was valued at £233 million and net asset value per share was 55p. Applying the IPD monthly all property capital value index movement for October 2008 to January 2009 of minus 17.5%, and also taking into account the estimated adverse movement in the fair value of O Twelve's fixed rate debt over that period, gives the Group's share of O Twelve's estimated underlying net assets as at 31 January 2009 of £0.7 million, which is £0.4 million more than the Group's balance sheet value of £0.3 million based on its share price as at 31 January 2009 of 5p.

In its interim results for the 6 months ended 30 September 2008, which were published on 13 December 2008, O Twelve reported it was probable that at some point it would be in breach of its banking covenants and that RAM, acting on behalf of the Board of O Twelve, is maintaining a close dialogue with the lenders with the expectation that a sustainable solution to minimise the risk of future loan covenant breaches will be achieved.

On 17 February 2009, the Group announced that it had agreed to reduce its management fee to O Twelve from 1.0% to 0.6% per annum of gross property asset value and that O Twelve had agreed not to exercise its right to terminate the agreement as a result of failure to achieve the minimum performance target of 5% per annum growth in net assets per share (with dividends added back) for the period ending

**Total Portfolio
by Sector (%)**
**Proportion of estimated
rental value (£6.6m)**



01 Queensgate, Waltham Cross (O Twelve)

02 Drury Lane, London WC2 (CGLP)

31 March 2009. The minimum performance target will next be tested for the three years to 31 March 2012 with net assets per share at 31 March 2009 deemed to be 50p. Changes to the basis of calculation of any future performance fees were also agreed.

ING Covent Garden Limited Partnership ("CGLP")

RAM has been Property Adviser to CGLP since its creation in March 2002 and the Group holds a 6.46% interest.

Office and retail rental values in Central London, including Covent Garden, have fallen significantly in the past year. However, tenant demand, especially for smaller office suites, is still positive and CGLP's portfolio void rate currently stands at just over 3% of ERV, which compares favourably to a wider void rate for London WC2 of just under 7%. Lease renewals on expiry and new lettings are generally for shorter terms and higher levels of tenant incentive are required than in recent years. A sale during the year realised £10 million. The major mixed-use redevelopment at St Martins Lane and New Row is due to be completed in late 2009. CGLP's property portfolio was valued at £135 million as at 31 December 2008 and £125 million as at 31 March 2009.

When established in 2002, CGLP was intended to have a seven year term. However, it would not be in investors' best interests to attempt major sales in present conditions and an extension of the life of the partnership is presently under consideration. If this is approved by investors, RAM expects that its management appointment will be extended accordingly.

The Group's estimated share of CGLP's net assets as at 31 January 2009 (after applying the IPD monthly capital value index for January of minus 3.0% to CGLP's audited accounts as at 31 December 2008) was £2.8 million. Taking into account the lack of liquidity for the Group's minority partnership interest and the uncertain market conditions, the Directors consider the best estimate of the fair value of the Group's interest as at 31 January 2009 to be £2 million.

Fee Income

Fee income for the year increased by 5% to £4.2 million (2008: £4.0 million), reflecting a full year's contribution from REIT Plc. Fee income is expected to reduce next year as a result of falling property values and following the change in the management fee arrangements for O Twelve which became effective from 1 April 2009.

Total Portfolio

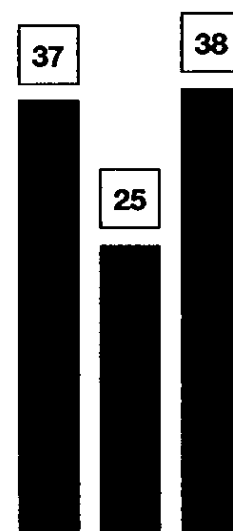
At 31 January 2009, the Group's total portfolio, including our attributable share of properties held by co-investment vehicles, was £69.8 million (31 January 2008: £92.6 million). This comprises:

- £46.0 million (2008: £58.5 million) being the Group's directly-owned portfolio which was valued as at 31 January 2009;
- £8.4 million (2008: £12.6 million) being the Group's 6.46% share of CGLP's portfolio valuation as at 31 December 2008, adjusted for market indexation;
- £10.5 million (2008: £14.6 million) being the Group's 5.46% share of O Twelve's portfolio valuation as at 30 September 2008, adjusted for market indexation; and
- £4.9 million (2008: £6.9 million) being the Group's 8.47% share of REIT Plc's portfolio valuation as at 31 December 2008, adjusted for market indexation.

On the basis of ERV, 49% of the total portfolio is in the industrial sector, 40% in offices and 11% in retail. By capital value, 37% is located in London, 25% elsewhere in south east England, 18% in the Midlands, 13% in northern England, and 7% in the south west.

02

Total Portfolio
by Region (%)
Proportion of capital
value (£70m)



09

371p
Triple net assets
per share

Financing

During the year, the Group repaid all of its outstanding borrowings. Cash balances at 31 January 2009 amounted to £10.9 million, of which £10.4 million was freely available to the Group. At 31 January 2008, the Group had total debt of £15 million which was matched by cash balances of £15 million. The Company intends to return surplus cash to shareholders and it is not expected that the Group will take on any material borrowings in the foreseeable future.

Principal Risks and Uncertainties

Investment and financial markets have not yet stabilised and property values may decline further in the foreseeable future. The global and UK economies are in recession, which is likely to increase the risk of tenant default. These factors increase the risk that our co-investment vehicles, which all have net bank borrowings, may breach loan covenants or have difficulty in arranging additional or alternative financing. This in turn would adversely affect the value of the Group's holdings in those vehicles and future management fee income.

The recession may adversely affect the rental income from and the capital value of the Group's directly-owned properties. This in turn would reduce the amount of cash available to be returned to shareholders, or delay the realisation period beyond the three to five years currently expected.

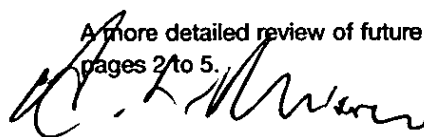
Lack of investor appetite for managed property funds may make growth of the Group's asset management business difficult to achieve. Competitive pressures on management fees may inhibit the profitability of the asset management business.

Further consideration of the Group's principal risks and uncertainties is set out in the Corporate Governance Report on pages 22 to 24.

Future Prospects

Our strategy is to maximise shareholder value by focusing on asset management as the driver of future value and by returning to shareholders the cash realised through the disposals of directly held properties.

A more detailed review of future prospects is set out in the Chairman's Review on pages 2 to 5.



Andrew Wilson, Chief Executive
30 April 2009



Stephen Jones, Finance Director

01 Baytree Shopping Centre, Brentwood (O Twelve)

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11

Portfolio Value Analysis – 31 January 2009

	Total £m	Properties held Directly £m	Indirectly £m
Capital value			
Completed properties	68.7	46.0	22.7
Developments in progress	1.1	–	1.1
	69.8	46.0	23.8
Rental value (completed properties)			
Current income	5.5	3.8	1.7
Available for letting	0.7	0.5	0.2
Reversions	0.4	0.2	0.2
Rental value	6.6	4.5	2.1

Net Assets per Share

	Notes	31 January 2009 £m	31 January 2008 £m
Net assets per balance sheet		60.0	79.2
Market value of property inventories	1	46.0	58.5
Less: book value of property inventories	1	(44.1)	(54.1)
Share of underlying net assets of co-investments	2	6.5	15.9
Less: co-investments per balance sheet	2	(3.7)	(12.7)
LTIP obligation	3	(1.7)	(1.4)
Tax payable if property inventories are sold at market value	4	(0.5)	(1.3)
Triple net assets		62.5	84.1
Number of ordinary shares in issue		16,854,203	16,852,590
Triple net assets per share – undiluted		371p	499p
Dilution effect if all share options were exercised		-	(1p)
Triple net assets per share – diluted		371p	498p

12

- (1) The Group's properties are held as trading stock. The audited balance sheet must show these at the lower of cost and net realisable value, not market value. In order to arrive at an appropriate figure for underlying net assets per share, it is therefore necessary to adjust for the market value of trading stock held by the Group. Market value of trading stock is stated without deduction for any expenses, such as agency and legal fees, which may be incurred in connection with a sale. Such expenses are taken into account in assessing net realisable value.
- (2) The Group's co-investments, which are interests in vehicles managed by RAM, comprise a partnership interest in CGLP and shareholdings in O Twelve and REIT Plc. The balance sheet values do not necessarily reflect the underlying net asset value, which the directors consider to be the appropriate long term measure of performance. The Group's share of the underlying net asset value of CGLP, O Twelve and REIT Plc has been estimated by taking the Group's share of those companies' last reported underlying net assets (O Twelve as at 30 September 2008 and REIT Plc and CGLP as at 31 December 2008), and adjusting the property portfolio values by the change in the UK Monthly All Property Capital Growth indices published by IPD for the period to 31 January 2009. Due to the sharp falls in interest rates in the last quarter of 2008, the estimated adverse effect on the fair value of O Twelve's fixed rate loans between 30 September 2008 and 31 January 2009 has also been taken into account in estimating the Group's share of the underlying net assets of O Twelve.

If the adjustment in respect of co-investments were excluded, triple net assets as at 31 January 2009 would be 354p (2008: 480p).
- (3) In 2004 the Group commenced a Long Term Incentive Plan ("LTIP"), further details of which are given on pages 20 to 21. IFRS 2 requires "equity settled" transactions to be shown as a credit to equity rather than an external liability in the audited balance sheet. Hence the directors consider it appropriate to reflect the potential future reduction in triple net assets per share over the vesting period of the LTIP.
- (4) The board also considers it appropriate to adjust for the corporation tax liabilities which would be crystallised on a sale of all properties at market value.

The result of adjusting the shareholders' funds shown on the Group balance sheet for these items is termed 'triple net assets'.

Analysis of Movement in Triple Net Assets

	2009 £m	2009 p/share	2008 £m	2008 p/share
Change in property values	(12.8)	(76)	3.9	23
Net rental income	3.4	20	3.1	19
Total portfolio return on directly owned properties	(9.4)	(56)	7.0	42
Administrative costs	(6.2)	(37)	(6.9)	(41)
Fees receivable	4.2	25	3.9	23
Financing income	0.2	2	–	–
Change in underlying net asset value of and income from financial assets	(9.3)	(55)	(1.9)	(11)
Share of post-tax results of associate	–	–	(0.3)	(2)
Change in LTIP obligation	(0.5)	(3)	–	–
Tax recoverables/(liabilities) crystallised in the year	0.7	4	(3.0)	(18)
Change in uncrystallised tax liabilities	0.8	5	1.8	11
Change in net assets after tax	(19.5)	(115)	0.6	4
Dividends paid	(2.1)	(13)	(1.7)	(10)
(Decrease)/increase in net assets before changes in share capital*	(21.6)	(128)	(1.1)	(6)
Shares issued†	1.3	–	0.3	–
Shares purchased	(1.3)	–	(0.2)	–
Opening triple net assets	84.1	499	85.1	507
Closing triple net assets (undiluted)	62.5	371	84.1	499
Dilution effect if all share options were exercised at the balance sheet date		–		(1)
Triple net assets per share (diluted)		371		498

* The changes in net assets per share at this line and above are calculated using the number of shares in issue at the start of the year. This enables the effect on net assets per share of share issues and share purchases to be separately identified.

† Shares issued include treasury shares used for employee share schemes.

Property Portfolio – 31 January 2009

Valuation ranges £ million	Acquired	A	B	C	D	E	F
LONDON							
EC1 : St John's Square	2001 Office	1-3	-	-	1-3	1-3	1-3
W3 : Old Oak Common Lane	2004 Industrial	3-5	-	-	3-5	1-3	1-3
Staines, Moor Lane	2005 Industrial	1-3	-	-	1-3	0-1	1-3
E1 : Mansell Street	2006 Office	1-3	0-1	-	1-3	1-3	1-3
Surbiton, Hook Road	2006 Industrial	1-3	-	-	1-3	0-1	0-1
The Oval, Hackney	2007 Industrial	1-3	-	-	1-3	0-1	1-3
Security House, Romford Road	2007 Office	1-3	-	-	-	0-1	0-1
SOUTH EAST							
Maidenhead, King Street	2008 Retail/residential	-	1-3	-	1-3	0-1	1-3
Portsmouth, Gunstore Road	2006 Industrial	1-3	-	-	1-3	1-3	1-3
Jewson Site, Guildford Road, Cranleigh	2007 Industrial	1-3	-	-	1-3	1-3	1-3
Printers Way, Harlow	2007 Industrial	1-3	-	-	1-3	1-3	1-3
Orchard Business Centre, Sydenham	2007 Industrial	3-5	-	-	3-5	1-3	1-3
Parkway, Chelmsford	2007 Industrial	1-3	0-1	1-3	-	-	-
OTHER LOCATIONS							
Rugby, Somers Road	2006 Industrial	3-5	-	-	3-5	3-5	3-5
Bridgwater, Chilton Trinity	2006 Industrial development	1-3	-	-	1-3	1-3	0-1
Birmingham, Edgbaston, Highfield Road	2006 Office	1-3	0-1	-	1-3	1-3	1-3
Birmingham, Edgbaston, George Road	2005 Office	8-12	-	-	8-12	5-8	5-8
Mill Wharf, Mill Street, Aston, Birmingham	2007 Office	1-3	-	0-1	1-3	-	1-3
Alexander House, Bath	2007 Office	1-3	-	-	1-3	1-3	1-3
Wylds Road, Bridgwater	2007 Industrial	1-3	-	-	1-3	1-3	1-3
Birstall Industrial Portfolio, Leeds	2007 Industrial	8-12	-	-	8-12	5-8	5-8
Totals – directly owned properties (£m)		58.5	2.6	2.4	46.0	3.8	4.5
SHARE OF PROPERTIES HELD INDIRECTLY:							
ING Covent Garden Ltd Partnership (6.5% fixed asset investment)		12-20	0-1	0-1	8-12	5-8	5-8
O Twelve Estates Ltd (5.5% fixed asset investment)		12-20	0-1	0-1	8-12	5-8	8-12
Rugby Estates Investment Trust plc (8.5% fixed asset investment)		5-8	-	-	3-5	3-5	3-5
Totals – share of properties held indirectly (£m)		34.1	0.7	0.9	23.7	1.7	2.1
TOTALS – DIRECT AND INDIRECT (£m)		92.6	3.3	3.3	69.7	5.5	6.6

A Valuation 31 January 2008

B Acquisitions and expenditure in year

C Disposals in year

D Valuation 31 January 2009

E Current income (Ranges x £100,000 p.a.)

F ERV income (Ranges x £100,000 p.a.)

All the above properties were valued at 31 January 2009 by CB Richard Ellis, except for property valued by the directors at £953,000.

Summary Five Year Financial History

Year Ended 31 January			2009	2008	2007	2006	2005
Turnover		£m	10.5	37.4	46.4	24.5	36.7
Rental income		£m	3.8	3.6	2.6	2.3	1.9
(Loss)/profit before taxation		£m	(15.8)	5.8	10.2	5.7	7.8
Dividends per share	(1)	pence	12.5	13.26	5.85	5.695	4.747
(Loss)/earnings per share – basic		pence	(89.7)	16.3	62.1	38.7	48.7
– diluted		pence	(89.7)	16.3	62.0	38.6	48.4
Property portfolio – group		£m	46.0	58.5	53.6	46.7	34.7
– share of co-investments		£m	23.8	34.1	24.5	16.8	10.9
– total (market value)		£m	69.8	92.6	78.1	63.5	45.6
Triple net assets	(2)	£m	62.5	84.1	85.1	47.3	40.5
Triple net assets per share (diluted)	(2)	pence	371	498	506	420	363
Return on net assets	(3)	%pa	(22.9)	0.4	22.4	17.3	21.5
Portfolio return	(4)	%pa	-18.0	13.3	29.6	24.4	43.4
IPD total return	(5)	%pa	-22.1	-2.7	18.5	19.4	18.0
Ordinary shares in issue	(6)	No.	17,137,489	17,137,489	17,137,489	11,603,508	11,403,508
Ordinary shares – mid market price at 31 January		pence	212.5	403.0	580.5	385.5	315.5

(1) Dividends per share comprise the dividends paid in the year.

(2) The calculation of triple net assets is set out on page 12. 2005 has been restated to eliminate the accrual for dividends not paid at the balance sheet date.

(3) The increase in diluted triple net assets per share plus dividends is shown as a percentage of triple net assets per share at the start of the year.

(4) Portfolio return measures the profits and gains arising directly from the Group's properties, including share of joint ventures, but excluding share of associates and investments, expressed as a percentage return on the underlying portfolio value. This has been calculated by IPD for 2004 to 2008. For 2009 total portfolio return has been calculated by the directors pending receipt of IPD's analysis. This is calculated as the change in property values plus net rental income during the year divided by the average of the portfolio valuations at the start and end of the year.

(5) Total portfolio return (for the calendar year immediately preceding the Group's year end) of actively managed property funds in the IPD All-Fund Universe. © Investment Property Databank Ltd.

(6) Ordinary shares in issue are shown before deducting shares held by the Group for treasury and share scheme purposes. Further details are shown in note 24 on page 53.

Directors' Report

Principal Activities

The Group carries on the business of property trading, management and investment within the United Kingdom.

Results and Dividend

The results for the period are set out in the Group Income Statement on page 28.

The loss for the period, before taxation, amounted to £15,804,000 (2008: £5,786,000 profit). On 11 December 2008, the Company announced its intention to make a return of cash to shareholders of approximately 50p per share in a tax efficient manner. The Board intends to despatch a circular to shareholders convening a General Meeting to approve arrangements to enable this as soon as practicable after the date of this document. Subject to approval by Shareholders and by the Court, the Company intends to make a return of cash of 50p per share. This will replace the conventional final dividend for the year. An interim dividend of 3.8p per ordinary share has already been paid.

Business Review

Accounts of the Group's progress during the period, key performance indicators, the position of its business at the end of the year and future prospects are set out in the Chairman's Review on pages 2 to 5 and the Business and Financial Review on pages 6 to 10. Risk factors and environmental, employee and social matters are considered in the Corporate Governance Report on pages 22 to 24.

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Political and Charitable Contributions

The Group made charitable donations of £6,060 (2008: £10,625) during the period. The principal charitable purposes were: medical research £1,700 (2008: £3,350) and child welfare £4,050 (2008: £4,920). The Group made no political contributions.

Payment Policy

The Company agrees terms and conditions for its business transactions with its suppliers. Payment is then made to these terms, subject to the terms and conditions being met by the supplier. At 31 January 2009 there were nil days purchases (2008: 5 days) outstanding in respect of the Group's trade creditors.

Financial Risk Management

The Group's policies for managing financial risk are described in note 28 on page 60.

Going Concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Directors' Liabilities

The Company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Business of 2009 Annual General Meeting

The Annual General Meeting of the Company will be held at 4, Farm Street, London W1J 5RD on Wednesday 24 June 2009 at 10:30am. The Directors will be available from 10:00 am to meet shareholders and answer any questions. The resolutions which will be proposed are set out in the Notice of Annual General Meeting on pages 63 and 64. Explanatory information regarding the proposed Resolutions is set out below.

Directors' Report

continued

Ordinary Business (Resolutions 1 to 5)

The first Resolution will be to receive and adopt the Annual Report and Accounts.

In accordance with the Company's Articles of Association, Mr Tyrie and Mr Jones will retire and, being eligible, offer themselves for re-election by shareholders. Resolutions 2 to 3 will propose the re-elections. Brief biographies of the Directors can be found on page 66.

Resolutions 4 and 5 will propose the re-appointment of BDO Stoy Hayward LLP as the Company's auditor and give authority to the Directors to set the auditor's fee.

Special Business (Resolutions 6 to 8)

Resolutions 6,7 and 8 are being proposed and, if passed, will take effect subject to no equivalent resolutions being passed at a general meeting of the Company between the date of the notice of Annual General Meeting and the proposal of the resolutions at the Annual General Meeting. On 11 December 2008, the Board announced its intention that the Company should make a return of cash to shareholders of approximately 50p per share. If a general meeting of the Company is held between the date of notice of the Annual General Meeting and the holding of the Meeting to pass any resolutions necessary to implement a return of cash to shareholders, resolutions equivalent to those proposed at Resolutions 6,7 and 8 will be proposed and will take effect instead of Resolutions 6,7 and 8 below until the conclusion of the Annual General Meeting of the Company to be held in 2010.

Resolution 6 – Authority to Allot Shares

Under section 80 of the Companies Act 1985, the Directors are prevented from allotting shares without the permission of shareholders given in general meeting. The Directors were last authorised to allot shares up to a nominal value of £1,125,000 at the Company's last Annual General Meeting on 25 June 2008. No shares have been issued under that authority, which will expire at the conclusion of the Annual General Meeting. Accordingly, the Directors will seek authority at the Annual General Meeting to allot shares up to a nominal value of £1,125,000, being approximately one third of the issued share capital on 30 April 2009. This authority, if granted, will expire at the conclusion of the next Annual General Meeting. The Directors have no current intention of exercising this authority, if granted.

In addition, the Association of British Insurers (ABI) has said that it will now consider as routine a resolution to authorise the allotment of a further one-third of share capital for use in connection with a rights issue. The Directors consider it appropriate to seek this additional allotment authority at this year's Annual General Meeting in order to take advantage of the flexibility it offers. However, the Directors have no present intention of using this authority.

Resolution 7 – Disapplication of Statutory Pre-emption Rights

The Companies Act 1985 prohibits the Directors from allotting shares for cash unless they are first offered to existing shareholders on a pre-emptive basis. Resolution 7, if passed, will empower the Directors to allot shares in the capital of the Company for cash on a non-pre-emptive basis:

- in connection with a rights issue or other pro-rata offer to existing shareholders; or
- (otherwise than in connection with a rights issue) up to a maximum nominal value of £171,350, representing approximately 5% of the total issued share capital of the Company as at 30 April 2009.

A similar authority was granted at the Annual General Meeting held on 25 June 2008 and expires at the conclusion of the Annual General Meeting. The authority under Resolution 7, if granted, will expire at the conclusion of the next Annual General Meeting. The Directors have no present intention of using this authority.

Resolution 7 will be proposed as a Special Resolution.

Directors' Report

continued

Resolution 8 – Authority for the Company to Purchase its own Shares

Authority was granted at the last Annual General Meeting on 25 June 2008 for the Directors to purchase the Company's own shares. Under this authority, the Company purchased 258,058 of its own ordinary 20p shares on 4 June 2008 at 393p each and 76,228 ordinary 20p shares on 9 June 2008 at 397p each. This authority will expire at the conclusion of the Annual General Meeting.

To retain flexibility, the Directors will seek authority through Resolution 8 to purchase up to 2,500,000 ordinary 20p shares (being approximately 14.9% of the existing issued shares at 30 April 2009). The minimum price payable will be 20p, being the nominal value of a share, and the maximum price payable will be a value equal to 105% of the average of the closing market price of the shares on the five business days preceding the purchase. This authority would only be exercised if the Directors were satisfied that a purchase would be in the best interests of shareholders. This authority, if granted, will expire at the conclusion of the next Annual General Meeting. The Directors have no current intention to exercise this authority. Consideration will be given to holding any shares purchased in treasury. The Company currently holds 249,869 shares in treasury. At 30 April 2009, there were options outstanding over 48,580 shares at 247p per share.

Resolution 8 will be proposed as a Special Resolution.

Substantial Shareholdings

At 27 April 2009 the Company has been notified of the following interests (other than those of directors) in excess of 3% of the issued ordinary share capital of the Company.

	Ordinary Shares of 20p	
Laxey Partners	4,731,928	28.02%
Aberdeen Asset Management plc	1,485,000	8.79%
Prudential plc	1,398,000	8.28%
Thames River Capital LLP	1,000,000	5.92%
Gartmore Investments Ltd	839,182	4.97%
F&C Asset Management plc	606,667	3.59%
Rugby Estates Plc Retirement Benefits Scheme	603,936	3.58%

Directors and Directors' Interests

The directors who served during the year are set out below. They had the following interests (all of which were beneficial) in the ordinary shares of 20p each of the Company as at the dates indicated:

	27 April 2009	31 January 2009	31 January 2008
David M F Tweeddale-Tye	1,443,739	1,443,739	1,430,021
Andrew L Wilson	536,440	536,440	522,722
Stephen D Jones	197,151	197,151	188,833
Andrew Tyrie (non-executive)	4,500	4,500	4,500
John A Jackson (non-executive)	82,824	82,824	82,824

Neal Taylor and Alexander Wildman resigned as directors on 31 December 2008.

The beneficial interests of directors in the shares of the Company disclosed above include those of their spouses, minor children, private companies and the shares awarded, conditionally and unconditionally, under the Group's All Employee Share Ownership Plan as shown below.

Mr Tweeddale-Tye, Mr Wilson and Mr Jones are trustees and members of Rugby Estates Plc Retirement Benefit Scheme.

Directors' Report

continued

Interests of the Directors in the Company's Share Option Schemes

Ordinary Shares of 20p each	D M F Tweeddale-Tye	A L Wilson	S D Jones
At 31 January 2008	12,145	12,145	12,145
Lapsed during the year	–	–	–
At 31 January 2009	12,145	12,145	12,145

Scheme Details	Date of grant	Exercise price	Exercise Date Earliest	Exercise Date Latest	Performance Criteria
1994 Approved Executive Scheme	1/11/2001	247p	1/11/2004	1/11/2011	See below

The exercise of share options under the 1994 Approved Executive Scheme is subject to the satisfaction of the criterion that the increase in the adjusted net asset value per ordinary share over a continuous period of three financial years of the Company (commencing no earlier than one year prior to the date of grant) exceeded the growth in the All Properties Capital Growth Index published by Investment Property Databank Limited over the same period by at least 3 per cent per annum.

The mid-market price of each ordinary share at 31 January 2009 was 212.5p (2008: 403p) and the range during the year was 175p – 403p (2008: 393p – 659p).

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Interests of the Directors in the Rugby Estates Plc All Employee Share Ownership Plan (the "Plan")

Ordinary shares of 20p each		D M F Tweeddale-Tye	A L Wilson	S D Jones
Share awards which became unconditional during the year:				
Vesting date		MV(a)		
26 July 2008	F	297.5p	891	891
12 December 2008	M	176p	1,064	1,064
			1,955	1,955
Market value at date of vesting			£4,524	£4,524
Outstanding conditional awards of shares				
Vesting date		MV(b)		
6 July 2009	F	495p	606	606
21 December 2009	M	534p	814	814
24 July 2010	F	592p	506	506
12 December 2010	M	415p	722	722
4 July 2011	F	305p	983	983
12 December 2011	M	185p	958	958
At 31 January 2009			4,589	4,589
At 31 January 2008			4,603	4,603

(F): Free Shares awarded to all employees.

(M): Matching Shares awarded on the basis of 2 shares for each Partnership Share purchased by the employee.

MV(a): The market value of a share at the date on which the award became unconditional.

MV(b): The market value of a share at the date of the award, calculated in accordance with the rules of the Plan.

Directors' Report

continued

The All Employee Share Ownership Plan was established under Schedule 8 of the Finance Act 2000 and was approved by shareholders at the 2000 Annual General Meeting.

All shares held by the Trustees of the Plan belonging, unconditionally or conditionally, to directors who are members of the Plan, are included within the directors' interests in shares shown on page 18.

Free Shares and Matching Shares become unconditionally vested in the member at the expiry of the three year holding period as shown above, provided the member remains an employee of the Group throughout the holding period. Vesting may take place before the end of the holding period if employment ceases by reason of disability, redundancy, retirement, death, change of control of the employer or transfer of employment.

Interests of the Directors in the Rugby Estates Plc Long Term Incentive Plan (the "LTIP")

Ordinary Shares of 20p each	D M F Tweeddale-Tye	A L Wilson	S D Jones
Outstanding conditional awards of shares			
Vesting date			
6 July 2009	54,949	54,949	30,303
23 May 2010	51,737	51,737	27,567
21 May 2011	89,058	89,058	47,836
At 31 January 2009	195,744	195,744	105,708
At 31 January 2008	190,258	190,258	100,932
Shares vesting during the year	83,572	83,572	43,062
Share awards lapsed during the year	-	-	-

Shares vested during the year on 20 May 2008, at which date the market price was 393p.

The LTIP Awards are conditional awards of shares to the executive directors and other senior employees. The numbers of shares awarded are calculated as 100% of basic annual salary at the date of the award divided by the closing share price prior to the date of grant of 495p (for awards vesting on 6 July 2009), 647.5p (for awards vesting on 23 May 2010) and 393p (for awards vesting on 21 May 2011).

Vesting of the awards is subject to the following performance conditions:

- 50% of the shares will be released based upon the Total Shareholder Return ("TSR") of the Company against those companies comprising the FTSE Real Estate Index at the date of grant measured over a three year period. No shares will be released at or below median performance, 100% will be released at upper quartile performance, with straight line vesting between these two points.
- 50% of the shares will be released based upon growth in Adjusted Net Assets Per Share ("ANAPS") in excess of the growth in the IPD All Property Capital Growth Index over the three year period commencing with the end of the financial year immediately preceding the date of grant of the LTIP award. No shares shall be released if ANAPS growth is at or below the IPD Index, 100% will be released at 5% per annum growth above the IPD Index, with straight line vesting between these two points.

Directors' Report

continued

ANAPS will be calculated on the same basis as triple net assets per share as set out in the company's 2004 annual report, adjusted to eliminate the effect of all significant variations in issued share capital. The remuneration committee will also be entitled to make any other adjustments to the calculation which it considers to be fair and reasonable provided that the primary purpose of the adjustment is not to make the condition less difficult to satisfy.

Performance will be measured at the end of each three year period. If the performance conditions are not satisfied or only partially satisfied the award or the balance of the award will lapse.

The remuneration committee has introduced minimum shareholding guidelines to encourage substantial long-term share ownership by the executive directors, to be built up over five years through the retention of shares acquired under the LTIP. This is currently set at a shareholding value equal to 250% of basic salary.

The remuneration committee was advised by Halliwell Consulting in establishing the LTIP, which was approved by shareholders at the 2004 AGM.

Auditors

All of the current Directors have taken the steps which they ought to have taken in their duties as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

So far as each Director is aware, there is no relevant information of which the Company's auditors are unaware.

Ernst & Young LLP resigned as auditors of the Company during the year. BDO Stoy Hayward LLP were appointed as auditors of the Company by the directors. BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to appoint them will be put to shareholders at the forthcoming Annual General Meeting.

By order of the board

Stephen Jones Company Secretary

30 April 2009



Corporate Governance

Whilst the Combined Code issued by the Financial Reporting Council does not apply to AIM companies, the directors consider good corporate governance to be important to the success of the Group and accordingly have provided the disclosure below to outline how the governance of the Group is conducted.

The Board

Until 31 December 2008 the Board consisted of five executive directors and two independent non-executive directors. Since then, there have been only three executive directors.

The board as a whole meets at least six times each year. A formal schedule of matters reserved for the decision of the board covers key areas of the Group's affairs, including all property or other acquisitions in excess of 5% of the Group's net assets. Procedures are in place to enable directors to obtain independent professional advice, where necessary, at the company's expense.

All the directors have access to the advice and services of the company secretary, whose appointment and removal is a matter for the board as a whole.

The board receives financial and other relevant information on a quarterly basis with additional reports where appropriate.

The board is led by the executive chairman responsible primarily for the running of the board and for strategic development. The business is run by the chief executive, supported by the finance director. There is a clear written division of responsibilities between the executive chairman and the chief executive.

The two non-executive directors are considered by the board to be independent of management. Both are able to exercise independent judgement and their views carry significant weight in the board's decisions. The board considers that, as the Group is neither large nor complex, the present board composition provides an effective balance of power and authority.

Nomination Committee

The nomination committee comprises Mr Tweeddale-Tye as chairman, Mr Tyrie and Mr Jackson. The committee did not meet during the year.

The terms of reference of the nomination committee are available on the Company's website (www.rugbyestates.plc.uk) and on request from the company secretary.

Audit Committee

The audit committee comprised Mr Jackson as chairman and Mr Tyrie. During the year, the committee met on three occasions. Two meetings were held to review with the auditors and the executive directors the draft final and interim results, key areas of accounting treatment and judgement, risks and control procedures. At each meeting the committee met with the Group's auditors prior to the chairman or executive directors being present.

During the year, the board carried out a periodic audit review and re-tender exercise, the last such exercise having been undertaken in 2003. Four leading firms were invited to tender, and as a result, BDO Stoy Hayward LLP were appointed to act as the Group's auditors with effect from the financial year ending 31 January 2009. The directors express their thanks to Ernst & Young LLP for their work for the Group since 1994.

The terms of reference of the audit committee are available on the Company's website (www.rugbyestates.plc.uk) and on request from the company secretary.

Risk Management and Internal Control

The directors consider the principal risks and uncertainties faced by the Group to be the following:

- > Conditions in the UK property market generally over the foreseeable future, particularly tenant and investor demand for commercial property. These represent uncertainties in the operating environment, successful management of which is achieved through the employment of suitably qualified and experienced personnel.
- > Financial risks, such as sudden adverse changes in interest rates or availability of debt finance. The Group's treasury policies for managing these are set out in note 28 on page 60.
- > Transactional risks, such as entering into commitments without proper board approval, failure to carry out proper due diligence on acquisitions and similar matters. These risks are managed through internal control procedures and through the employment of suitably experienced and qualified personnel.
- > Judgement risks, such as acquiring a property for redevelopment but ultimately failing to obtain the desired planning consent. Such uncertainties reflect business opportunities as well as risks and are at the heart of any successful property business. Successful business judgements rely on the expertise, knowledge and talent of the management team.

Corporate Governance

continued

> Reputational risks, which include investor, community, personnel and business relationships. With the growth of the asset management business, the Group's reputation for expertise, professionalism and integrity has become increasingly important for shareholder value. Managing such risks, and maximising the opportunities arising therefrom, is achieved by employing suitably experienced, qualified and talented personnel who are motivated to achieve the Group's long-term objectives.

The directors are responsible for maintaining a system of internal control to safeguard shareholders' investment and the Group's assets and for reviewing the effectiveness of that system. Any internal control system can only be designed to manage, rather than eliminate, the risk of failure to achieve in part or in whole business objectives and can only provide reasonable (not absolute) assurance against material misstatement or loss. The key elements of the process by which the effectiveness of the system of internal control is reviewed are as follows:-

- > The principal risks which the Group faces, or is considered likely to face in the foreseeable future, are formally reviewed at least annually by the board.
- > The control mechanisms for each identified risk are formally reviewed on an annual basis.
- > Any problem arising is analysed to establish whether its effect could have been avoided or mitigated through improved control procedures.
- > The risk and control aspects of changes in the nature or conduct of the Group's business or significant new projects are considered as they arise.
- > The audit committee considers and determines relevant action in respect of any internal control issues raised by the external auditors or identified by management.

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The Group has a very small management team operating from a single location. The board meets at least six times each year and reviews and approves all significant transactions. Each executive director has responsibility for specific aspects of the Group's affairs and executive directors meet regularly to discuss day to day operational matters.

Accordingly, the board exercises close control over all the Group's significant transactions and the executive directors exercise close control over all operational activities. The board has considered the need for an internal audit function, but due to the very small number of staff this is not currently considered to be necessary or practicable.

The directors have reviewed the effectiveness of the system of internal control as it operated during the year ended 31 January 2009 and subsequently up to the date of this report. This has involved considering the present needs of the business, the risks it faces and appropriate control measures.

The Remuneration Committee

The remuneration committee during the year comprised Mr Tyrie as Chairman and Mr Jackson, Mr Tweeddale-Tye, the Executive Chairman, provides advice to the committee in relation to the other executive directors. The committee acts within agreed terms of reference to make recommendations to the board on the broad policy framework of the remuneration of executive directors and to determine the details of the pay, incentives, benefits and pension rights for individual executive directors. The committee met formally on two occasions during the year.

The terms of reference of the remuneration committee are available on the Company's website (www.rugbyestates.plc.uk) and on request from the company secretary.

Remuneration Policy

The Company's policy on directors' remuneration is that the overall remuneration package should be sufficiently competitive to attract, retain and motivate high quality executives capable of achieving the Group's objectives and thereby enhancing long term shareholder value. Remuneration packages are designed to reward directors fairly for their contributions and to reflect the long term interests of shareholders. Accordingly, individual packages are structured on the premise that, over the longer term, the performance-related elements of each director's remuneration should form a significant proportion of the total remuneration package. Longer term performance is rewarded principally through the LTIP, whilst annual performance-related bonuses are based principally on the profits realised in each financial year. Realised profit for bonus purposes is assessed by adjusting the profit before taxation as reported under IFRS for certain unrealised and exceptional items.

Details of directors' remuneration for the year are set out in note 6 on page 43

Corporate Governance

continued

Non-executive Directors

The remuneration of the non-executive directors takes the form solely of fees which are determined by the board within the limits stipulated in the Articles of Association. The non-executive directors are not involved in any discussions or decision about their own remuneration.

Letters of appointment provide for Mr Tyrie to serve until the 2009 AGM and for Mr Jackson to serve until the 2011 AGM. The non-executive directors' letters of appointment also provide for termination on 3 months notice by either party.

Service Contracts

The Company's policy is for all executive directors to have contracts of employment with provision for termination on 12 months notice.

There are no predetermined special provisions for executive or non-executive directors regarding compensation for loss of office or any other payments in respect of early termination. If the situation arises, the remuneration committee considers the individual circumstances and determines any compensation payments accordingly.

All directors are required to submit themselves for re-election every three years. At the 2009 AGM Mr Tyrie and Mr Jones will retire and offer themselves for re-election. Biographical details of all directors are given on page 66.

Personnel

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Maintenance of shareholder value depends critically on the recruitment, personal development and retention of suitably experienced, qualified and talented people. As a result of difficult market conditions, the number of employees, including executive directors, decreased during the year from 21 to 13. All of these employees are based at the Group's office at 4 Farn Street London W1. Seven of the 13 employees are professionally qualified Chartered Surveyors or Chartered Accountants. All employees are encouraged to obtain relevant qualifications and to enhance their relevant skills, and appropriate assistance with this is given by the Company. All employees are eligible for free life assurance cover and medical insurance. Company pension contributions are negotiated as part of an individual's overall remuneration package; however, the Company will as a minimum match any employee's own pension contributions up to 5% of basic salary. All employees are eligible for awards of Shares under the All Employee Share Ownership Plan ("AESOP"). Certain senior employees below board level also receive awards under the Long Term Incentive Plan ("LTIP"). Further details of the AESOP and LTIP are given on pages 19 to 21. These share schemes, which both include three year vesting periods, play a valuable role in staff retention and in aligning individual rewards with the success of the Group.

Corporate Responsibility

The board has reviewed the Group's policies and procedures for managing risks arising from social, environmental, health and safety and ethical matters.

Each area of the Group's activities is the responsibility of a specific executive director.

Other than for buildings which are let to a single tenant on full repairing and insuring leases, the Group appoints specialist facilities management firms whose responsibilities include compliance with all relevant health, safety and environmental requirements. Prior to acquisition of any property, appropriate surveys and reports are obtained, as part of the due diligence process, to identify potential environmental and health and safety issues, which are then dealt with post acquisition. Regular meetings are held with the facilities managers at which health and safety and environmental matters for each property are reviewed. No reportable incidents arose during the year.

Given the nature of the Group's present business, its successful history and the small number of employees, the directors do not consider the Group currently to face significant risks in respect of social or ethical matters. Any such risks are identified and dealt with by the Group's internal control procedures as described above.

Shareholder Relations

Communications with shareholders are given a high priority and the Company undertakes regular dialogue with shareholders and fund managers. The executive directors are the Company's main spokesmen with shareholders, fund managers, analysts and the press, and give regular feedback to the non-executive directors on meetings with and presentations made to major shareholders and other interested parties.

Statement of Directors' Responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The Directors have chosen to prepare financial statements for the Company in accordance with IFRSs.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

David Tye
Directors

30 April 2009

Stephen Jones



Independent Auditors' Report

– to the Shareholders of Rugby Estates Plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Rugby Estates Plc for the year ended 31 January 2009 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Review, the Business and Financial Review, the Property Value Analysis, Net Assets per Share analysis, Property Portfolio analysis, Summary Five Year Financial History and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Independent Auditors' Report

continued

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 January 2009 and of its loss for the period then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 January 2009;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

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BDO Stoy Hayward LLP
BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

55 Baker Street
 London
 W1U 7EU

30 April 2009

Group Income Statement

– for the year ended 31 January 2009

	Notes	2009 £'000	2008 £'000
Sales of properties		2,400	29,829
Rental income		3,852	3,622
Fees receivable		4,213	3,992
Revenue		10,465	37,443
Direct costs of:			
Sales of properties		(1,487)	(18,635)
Net realisable value adjustment to inventory		(11,178)	(1,355)
Rental income		(415)	(534)
Fees receivable		(24)	(54)
Direct costs		(13,104)	(20,578)
Income from investments	4	163	129
Administrative expenses:			
– ongoing		(6,170)	(6,928)
– unrealised impairment losses on financial assets		(7,320)	(3,989)
Share of post-tax results of associates accounted for using the equity method		–	(283)
Finance costs	7	(829)	(1,322)
Finance income	8	991	1,314
(Loss)/profit before unrealised impairment losses on financial assets		(8,484)	9,775
Unrealised impairment losses on financial assets		(7,320)	(3,989)
(Loss)/profit before taxation		(15,804)	5,786
Taxation	9	687	(3,040)
(Loss)/profit for the year attributable to equity shareholders	26	(15,117)	2,746
Basic (loss)/earnings per share	12	(89.7)	16.3p
Diluted (loss)/earnings per share	12	(89.7)	16.3p

Statement of Recognised Income and Expense

– for the year ended 31 January 2009

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Fair value gains and losses on financial assets	(1,725)	(1,464)	–	–
(Loss)/profit for the year	(15,117)	2,746	(6,452)	(1,434)
Total recognised income and expense for the year				
attributable to equity shareholders	(16,842)	1,282	(6,452)	(1,434)

Group Balance Sheet

- as at 31 January 2009

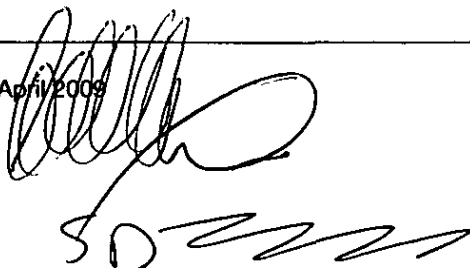
	Notes	2009 £'000	2008 £'000
Non-current assets			
Investment in associates	14	51	51
Available for sale financial assets	14	3,682	12,727
Total co-investments		3,733	12,778
Property, plant, equipment and motor vehicles	15	363	443
Receivables	19	1,194	1,147
Deferred tax assets	20	-	409
Total non-current assets		5,290	14,777
Current assets			
Property inventories	17	44,108	54,106
Trade and other receivables	18	1,366	18,293
Current tax assets		1,114	-
Cash and short term deposits	27(b)	10,862	15,129
Total current assets		57,450	87,528
Total assets		62,740	102,305
Current liabilities			
Trade and other payables	21	2,757	6,352
Income tax payable		-	1,734
Financial liabilities - interest-bearing borrowings	22	-	13,668
Total current liabilities		2,757	21,754
Non-current liabilities			
Financial liabilities - interest-bearing borrowings	22	-	1,382
Deferred taxation	20	18	-
Total non-current liabilities		18	1,382
Total liabilities		2,775	23,136
Net assets		59,965	79,169
Equity			
Called up share capital	24	3,427	3,427
Own shares - held for treasury	26	(709)	(709)
- held for AESOP	26	(222)	(234)
Share premium account	26	39,370	39,370
Capital redemption reserve	26	1,504	1,504
Unrealised gains and losses	26	-	1,725
Retained earnings	26	14,912	32,681
LTIP reserve	26	1,683	1,405
Shareholders' equity		59,965	79,169

Approved by the board on 30 April 2009

D M F Tweeddale-Tye

S D Jones

Directors



Company Balance Sheet

- at 31 January 2009

	Notes	2009 £'000	2008 £'000
Non-current assets			
Investment in associates	14	2	2
Investment in subsidiary undertakings		2	2
Property, plant, equipment and motor vehicles	15	363	443
Deferred tax assets	20	-	409
Total non-current assets		367	856
Current assets			
Trade and other receivables	18	49,068	67,943
Current tax assets		988	-
Cash and short term deposits	27(b)	7,380	9,513
Total current assets		57,436	77,456
Total assets		57,803	78,312
Current liabilities			
Trade and other payables	21	7,129	18,842
Total current liabilities		7,129	18,842
Non-current liabilities			
Financial liabilities – deferred taxation	20	18	-
Total non-current liabilities		18	-
Total liabilities		7,147	18,842
Net assets		50,656	59,470
Equity			
Called up share capital	24	3,427	3,427
Own shares – held for treasury	26	(709)	(709)
– held for AESOP	26	(222)	(234)
Share premium account	26	39,370	39,370
Capital redemption reserve	26	1,504	1,504
Retained earnings	26	5,603	14,707
LTIP reserve	26	1,683	1,405
Shareholders' equity		50,656	59,470

Approved by the board on 30 April 2009

D M F Tweeddale-Tye

S D Jones

Director




Group Statement of Cash Flows

– for the year ended 31 January 2009

	Notes	2009 £'000	2008 £'000
Cash flows from operating activities before changes in working capital			
	27a	(7,612)	11,009
Decrease/(increase) in property inventories		9,998	(10,883)
Decrease/(increase) in receivables		16,842	(15,108)
Decrease in payables		(3,491)	(404)
Cash generated from/(used in) operations		15,737	(15,386)
Income from investments		179	136
Finance costs		(835)	(1,234)
Finance revenue		1,013	1,391
Tax paid		(1,734)	(3,468)
Cash flows from operating activities		14,360	(18,561)
Cash flows from investing activities			
Purchase of interests in financial assets		–	(5,991)
Loans to associates repaid		–	1,847
Dividends received from associates		–	141
Purchase of property, plant, equipment and motor vehicles		(37)	(98)
Sale of property, plant, equipment and motor vehicles		38	–
Cash flows from investing activities		1	(4,101)
Cash flows from financing activities			
Issue costs of borrowings paid		–	(4)
Borrowings repaid		(15,148)	(3,537)
Redemption of own shares		–	(407)
Purchase of own shares for treasury		(1,324)	(114)
Purchase of own shares by AESOP		(45)	(146)
Equity dividends paid		(2,111)	(1,710)
Cash flows from financing activities		(18,628)	(5,918)
Net decrease in cash and cash equivalents		(4,267)	(28,580)
Cash and cash equivalents at beginning of period	27b	15,129	43,709
Cash and cash equivalents at end of period	27b	10,862	15,129

Company Statement of Cash Flows

– for the year ended 31 January 2009

	Notes	2009 £'000	2008 £'000
Cash flows from operating activities before changes in working capital			
Decrease/(increase) in receivables	27a	(20,982)	(1,000)
(Decrease)/increase in payables		18,859	(20,675)
		3,667	(1,203)
Cash generated/(absorbed) by operations		1,544	(22,878)
Finance costs		(24)	(20)
Finance revenue		459	1,048
Tax paid		(633)	(420)
Cash flows from operating activities		1,346	(22,270)
Cash flows from investing activities			
Loans to associates repaid		–	1,847
Dividends received from associates		–	141
Purchase of property, plant, equipment and motor vehicles		(37)	(98)
Sale of property, plant, equipment and motor vehicles		38	–
Cash flows from investing activities		1	1,890
Cash flows from financing activities			
Redemption of own shares		–	(407)
Purchase of own shares for treasury		(1,324)	(114)
Purchase of own shares by AESOP		(45)	(146)
Equity dividends paid		(2,111)	(1,710)
Cash flows from financing activities		(3,480)	(2,377)
Net decrease in cash and cash equivalents		(2,133)	(22,757)
Cash and cash equivalents at beginning of period	27b	9,513	32,270
Cash and cash equivalents at end of period	27b	7,380	9,513

Notes to the Financial Statements

– at 31 January 2009

01 Authorisation of Financial Statements and Statement of Compliance with IFRS

The financial statements of Rugby Estates Plc and its subsidiaries (the “Group”) for the year ended 31 January 2009 were authorised for issue by the board of directors on 30 April 2009 and the balance sheet was signed on the board’s behalf by D M F Tweeddale-Tye and S D Jones. Rugby Estates Plc is a public limited company incorporated and domiciled in England and Wales. The Company’s ordinary shares are traded on the Alternative Investment Market.

The Group’s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 January 2009 and applied in accordance with the Companies Act 1985.

The Group’s financial statements are also consistent with International Financial Reporting Standards as issued by the IASB. The principal accounting policies adopted by the Group are set out in note 2.

02 Accounting Policies

Basis of Preparation

The financial statements are prepared using historical cost, except that investments and derivative financial instruments are stated at fair value.

The Group’s financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

No income statement is presented by the Company as permitted by Section 230 of the Companies Act 1985.

Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the following:

Share Based Payments

The estimation of share based payment costs, which requires the selection of an appropriate valuation model, consideration as to the inputs necessary for the valuation model chosen and the estimation of the number of awards that will ultimately vest, inputs for which arise from judgements relating to the probability of meeting non-market performance conditions and the continuing participation of employees.

The assumptions and models used are disclosed in note 25.

Investment in Property

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined as the Group’s proportionate share of the fair value of the underlying net assets, subject to adjustment if, in the opinion of the directors, market conditions and limited liquidity are expected to adversely affect the amount ultimately realisable from the investment.

The fair value of the underlying net assets in certain investments is influenced as they hold investment property accounted for under IAS 40. The fair value of the investment property is largely based on estimates using property appraisal techniques and other valuation methods as outlined below. Such estimates are inherently subjective and actual values can only be determined in a sales transaction.

The appraisers determine the fair value by applying the methodology and guidelines as set out in the Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors in the United Kingdom in accordance with IAS 40. This approach is based on discounting the future net income receivable from property to arrive at the net present value of the future income stream. Future net income comprises the rent secured under existing leases, less any known or expected non-recoverable costs and the current market rent attributable to future vacancy years. The consideration basis for this calculation excludes the effects of any taxes. The discount factors used to fair value are consistent with those used to value similar properties, with comparable leases in each of the respective markets.

Notes to the Financial Statements

– at 31 January 2009

02 Accounting Policies (continued)

The level of activity in the property investment market has been at a low level since the middle of 2007 primarily because of the reduced availability of credit and, where credit is available, the increased cost of borrowing. The lack of comparable market transactions has resulted in a greater level of professional judgement being relied on in arriving at valuations. Furthermore, the lack of liquidity in the capital markets means that it may be very difficult to achieve a sale of property assets in the short term.

All investment property held by co-investment vehicles is valued at least once a year by independent appraisers.

Basis of Consolidation

The Group financial statements consolidate the financial statements of Rugby Estates Plc and its subsidiary and associated undertakings drawn up to 31 January 2009.

Acquired companies have been included in the consolidated financial statements using the purchase method of accounting when, and only when the transaction can be identified as a business combination. When determining if an acquisition qualifies as a business combination or not, management consider if the transaction includes the acquisition of supporting infrastructure, employees, service provider agreements and major input and output processes, as well as active lease agreements. To date management have determined that these criteria have not been met and so no business combinations have been recorded.

When the transaction has not been identified as being a business combination, the transaction has been accounted for as an acquisition of individual assets and liabilities where the initial purchase consideration is allocated to the separable assets and liabilities acquired.

The cost of investment in a subsidiary is eliminated against the Group's share in the net assets at the date of the acquisition. All intercompany receivables, payables, income and expenses are eliminated. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Cash and Cash Equivalents

Cash and short term deposits in the balance sheets and cash flow statements comprises cash at banks and in hand, short term deposits and institutional cash funds with an original maturity of three months or less and UK Government securities maturing within an equivalent period.

Property, Plant, Equipment and Motor Vehicles

Property, Plant, Equipment and Motor Vehicles is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on property, plant, equipment and motor vehicles at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition, of each asset over its expected useful life as follows:

- Office equipment – over 3 years, on a reducing balance basis;
- Leasehold improvements – over the shorter of the term of the lease and 10 years, on a straight line basis;
- Furniture and fixtures – over the shorter of the term of the lease and 10 years, on a straight line basis;
- Motor vehicles – over 4 years on a straight line basis.

The carrying values of property, plant, equipment and motor vehicles are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

Notes to the Financial Statements

- at 31 January 2009

02 Accounting Policies (continued)

An item of property, plant, equipment and motor vehicles is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Associates

The Group's investment in associates is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associate. The income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share in the statement of recognised income and expense. The associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Financial Assets

Financial assets in the scope of IAS 39 are recognised when the Group becomes party to the contracts that give rise to them and are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or as available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The Group's investments in co-investment vehicles, other than associates, are designated as available-for-sale financial assets. Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit and loss, held to maturity investments or loans and receivables. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative loss previously reported in equity is included in the income statement. Reversals of fair value losses are not recognised in the income statement until they arise on disposal of the available-for-sale financial asset.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined as the group's proportionate share of the fair value of the underlying net assets, with an appropriate discount for market conditions and liquidity.

The Company's Investments in Subsidiaries, Joint Ventures and Associates

In its separate financial statements the Company recognises its investments in subsidiaries, jointly controlled entities and associates at cost. Income is recognised from these investments only in respect of distributions received from post-acquisition profits. Distributions received in excess of post-acquisition profits are deducted from the cost of the investment.

Property Inventories

Trading and development properties and work in progress are included in stock at the lower of cost and net realisable value. Cost includes all fees relating to the purchase of the property and improvement expenses. Net realisable value is based on estimated selling price less future costs expected to be incurred to disposal. Property acquisitions are accounted for when legally binding contracts which are irrevocable and effectively unconditional are exchanged. The Group classifies the property portfolio as inventory because the assets are held for trading purposes.

The level of activity in the property investment market has been at a low level since the middle of 2007 primarily because of the reduced availability of credit and, where credit is available, the increased cost of borrowing. The lack of comparable market transactions has resulted in a greater level of professional judgement being relied on in arriving at valuations. Furthermore, the lack of liquidity in the capital markets means that it may be very difficult to achieve a sale of property assets in the short term. The carrying value of the property inventories are intended to be realised over the next 3 to 5 years. This has been taken into account in assessing net realisable value.

Notes to the Financial Statements

– at 31 January 2009

Shares held for Treasury and Employee Share Schemes

Rugby Estates Plc shares held by the company are classified in equity as treasury or share scheme shares and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to revenue reserves. No gain or loss is recognised in the performance statement on the purchase, sale, issue or cancellation of equity shares.

Revenue Recognition

Revenue is recognised to the extent that 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 revenue is recognised:

Sale of Properties

Revenue from the sale of properties is recognised when the significant risks and rewards of ownership of the properties have passed to the buyer, usually when legally binding contracts which are irrevocable and effectively unconditional are exchanged and where completion has taken place prior to the date on which the accounts are approved.

Asset Management Fees

Revenue from the provision of asset management services is recognised when fees are earned by the Group in accordance with the terms of the relevant agreements.

Investment Income

Revenue from dividends and distributions is recognised when the Group's right to receive payment is established.

Rental Income

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

Share Based Payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value of shares subject to conditions linked to the price of the shares of the company (market conditions) is determined using an appropriate pricing model. In valuing equity-settled transactions subject to market conditions, no account is taken of any other vesting conditions. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all the other performance conditions are satisfied. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, and consequently of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity.

Taxation

Current Taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount of current taxation and deferred taxation are those that are enacted or substantively enacted by the balance sheet date.

Notes to the Financial Statements

– at 31 January 2009

Deferred Tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Notes to the Financial Statements

– at 31 January 2009

02 Accounting Policies (continued)

New Standards and Interpretations Adopted

The following standards and interpretations issued by the IASB and IFRIC have been adopted and applied in these financial statements. The directors consider the effect of these standards on the financial statements to be immaterial.

Amendments to IAS 39 and IFRS 7, Reclassification of Financial Instruments

Amendments to IAS 39 and IFRS 7, Reclassification of Financial Instruments – Effective date and Transition.

IFRIC 11 and IFRS 2, Group and treasury share transactions

IFRIC 12, Service Concession Arrangements

New Standards and Interpretations Not Applied

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)	Effective date*
	Accounting periods
	Beginning on or after
Amendment to IAS 1, Presentation of Financial Statements	1 January 2009*
Amendment to IAS 23, Borrowing costs	1 January 2009*
Amendment to IAS 27, Consolidated and Separate Financial Statements	1 July 2009
Amendments to IAS 32 and IAS 1, Puttable Financial Instruments and Obligations	
Arising on Liquidation	1 January 2009*
Amendments to IFRS 1 and IAS 27, Cost of an Investment in a Subsidiary, Jointly Controlled	
Entity or Associate	1 January 2009*
Amendment to IAS 39, Financial Instruments: Recognition and Measurement	1 July 2009*
Amendment to IFRS 7, Improving Disclosures about Financial Instruments	1 January 2009*
IFRS 8, Operating Segments	1 January 2009*
Revised IFRS 1, First Time Adoption	1 January 2009
Revised IFRS 3, Business Combinations	1 July 2009
Amendment to IFRS 2, Share-based payments vesting conditions and cancellations	1 January 2009*
Improvements to IFRSs (2009)	1 January 2009*
Improvements to IFRSs (2010)	1 January 2010
 International Financial Reporting Interpretations Committee (IFRIC)	
IFRIC 15, Agreements for the Construction of Real Estate	1 January 2009
IFRIC 17, Distributions of Non-Cash Assets to Owners	1 July 2009
IFRIC 18, Transfer of Assets from Customers	1 July 2009
*Endorsed by the EU	

Notes to the Financial Statements

– at 31 January 2009

03 Segmental Analysis

The Group operates in two principal business segments. Rugby Capital deals with the Group's property trading and development activities including the Group's directly-owned portfolio and collaborative ventures substantially involving the Group's equity. Rugby Asset Management deals with the Group's co-investment and asset management activities. The Group does not operate outside the United Kingdom.

Year ended 31 January 2009	Rugby Capital £'000	Rugby Asset Management £'000	Unallocated items £'000	2009 £'000
Income Statement				
Sale of properties	2,400	–	–	2,400
Rental income	3,852	–	–	3,852
Fees receivable	–	4,213	–	4,213
Revenue	6,252	4,213	–	10,465
Profit on sales of properties	913	–	–	913
Net realisable value adjustment to inventory	(11,178)	–	–	(11,178)
Net rental income	3,437	–	–	3,437
Income from investments	–	163	–	163
Net fees receivable	–	4,189	–	4,189
Administrative expenses	–	–	(6,170)	(6,170)
Finance costs	(824)	(5)	–	(829)
Finance revenue	–	47	944	991
Unrealised impairment losses on financial assets	–	(7,320)	–	(7,320)
(Loss) before taxation	(7,652)	(2,926)	(5,226)	(15,804)
Balance Sheet				
Investment in associates	–	51	–	51
Financial assets	–	3,682	–	3,682
Property, plant, equipment and motor vehicles	–	–	363	363
Receivables – non current	1,194	–	–	1,194
Property inventories	44,108	–	–	44,108
Receivables – current	657	559	150	1,366
Current tax assets	–	–	1,114	1,114
Cash and short term deposits	–	–	10,862	10,862
Current liabilities	(2,236)	(10)	(511)	(2,757)
Non-current liabilities	–	–	(18)	(18)
Net assets	43,723	4,282	11,960	59,965
Other Segment information				
Additions to property, plant, equipment and motor vehicles			37	37
Depreciation			72	72

Notes to the Financial Statements

– at 31 January 2009

03 Segmental Analysis (continued)

Year ended 31 January 2008	Rugby Capital £'000	Rugby Asset Management £'000	Unallocated items £'000	2008 £'000
Income Statement				
Sale of properties	29,829	–	–	29,829
Rental income	3,622	–	–	3,622
Fees receivable	–	3,992	–	3,992
Revenue	33,451	3,992	–	37,443
Profit on sales of properties	11,194	–	–	11,194
Net realisable value adjustment to inventory	(1,355)	–	–	(1,355)
Net rental income	3,088	–	–	3,088
Income from investments	–	129	–	129
Net fees receivable	–	3,938	–	3,938
Share of post-tax results of associates	–	(283)	–	(283)
Administrative expenses	–	(29)	(6,899)	(6,928)
Finance costs	–	–	(1,322)	(1,322)
Finance revenue	–	–	1,314	1,314
Unrealised impairment losses on financial assets	–	(3,989)	–	(3,989)
Profit before taxation	12,927	(234)	(6,907)	5,786

Year ended 31 January 2008	Rugby Capital £'000	Rugby Asset Management £'000	Unallocated items £'000	2008 £'000
Balance Sheet				
Investment in associates	–	51	–	51
Financial assets	–	12,727	–	12,727
Property, plant, equipment and motor vehicles	–	–	443	443
Receivables – non current	1,147	–	–	1,147
Deferred tax assets	–	–	409	409
Property inventories	54,106	–	–	54,106
Receivables – current	17,150	751	392	18,293
Cash and short term deposits	–	–	15,129	15,129
Current liabilities	(3,807)	(201)	(17,746)	(21,754)
Non-current liabilities	–	–	(1,382)	(1,382)
Net assets	68,596	13,328	(2,755)	79,169

Other Segment information

Additions to property, plant, equipment and motor vehicles	98	98
Depreciation	85	85

Notes to the Financial Statements

– at 31 January 2009

04 Profit before taxation

Investment income

Investment income comprises distributions received from ING Covent Garden Limited Partnership of £129,000 (2008: £109,000) and dividends received from O Twelve Estates Limited of £34,000 (2008: £20,000).

Operating (loss)/profit is stated after charging:			2009 £'000	2008 £'000
Auditors' remuneration	– audit services	– BDO Stoy Hayward LLP – Group	60	–
		– Subsidiaries	20	–
		– Ernst & Young LLP – Group	40	110
		– Subsidiaries	–	30
	– non-audit services	– BDO Stoy Hayward LLP	10	–
		– Ernst & Young LLP	6	5
Depreciation of owned fixed assets			72	85
Operating lease rentals	– land and buildings	– occupied by the group	264	417
		– held as trading stock	8	8
	– office equipment		6	6
Cost of inventories recognised as an expense – including provision to bring inventories to net realisable value £11,178 (2008: £1,355)			12,665	19,990

Fees for non-audit services provided by BDO Stoy Hayward LLP relate to general tax advice given during the year.

Operating lease rentals of £264,000 are in respect of the following:- £12,000 (2008: £165,000) for the Group's former office premises at 14 Garrick Street, London WC2 under a lease which expired during the year and £252,000 (2008: £252,000) for the Group's office premises at 4 Farm Street, London W1 under a lease which expires in 2016.

05 Staff Costs (Group and Company)

	2009 £'000	2008 £'000
Wages and salaries (including directors)	2,870	3,660
Social security costs	328	453
Share based payments	1,118	978
Other pension costs	135	123
	4,451	5,214

The average monthly number of employees during the year was as follows:	2009 No.	2008 No.
Executive directors	5	5
Management	8	7
Administration	7	7
	20	19

Notes to the Financial Statements

– at 31 January 2009

06 Directors' Remuneration

	2009 £'000	2008 £'000
Directors' emoluments (excluding pension contributions)	2,008	2,678
Aggregate value of contributions made to money purchase pension schemes	67	78
Emoluments paid to the highest paid director (excluding pension contributions)	429	660
Pension contributions in respect of the highest paid director	–	8
Equity settled share based payment charge	941	781
Number of directors accruing benefits under money purchase pension schemes	5	5

The remuneration of each Director for the year is analysed as follows:

	D M F Tweeddale-Tye £'000	A L Wilson £'000	S D Jones £'000	N A Taylor £'000	A J F Wildman £'000	A Tyrie* £'000	J Jackson* £'000	Total 2009 £'000	Total 2008 £'000
Basic salary & fees	348	348	186	192	157	30	30	1,291	1,242
Performance related bonus	–	–	–	–	–	–	–	–	1,237
Benefits in kind – non cash	20	17	17	12	9	–	–	75	70
Pension contributions	–	–	–	37	30	–	–	67	78
Salary paid in lieu of pension	61	61	33	–	–	–	–	155	129
Total 2009	429	426	236	241	196	30	30	1,588	–
Total 2008	668	668	353	643	364	30	30	–	2,756

* Non executive-directors.

Non-cash benefits in kind comprise private health and death in service life insurance.

The Group's remuneration policy is set out in the Corporate Governance report on page 23.

In addition to the emoluments set out above, N A Taylor and A J F Wildman received £267,000 and £220,000 respectively as redundancy payments (2008: £nil).

07 Finance Costs

	2009 £'000	2008 £'000
Interest payable on bank loans and overdrafts	688	1,178
Other interest payable and similar charges	36	20
Finance arrangement costs	105	124
Total interest expense for financial liabilities not at fair value through profit or loss	829	1,322

All interest payable has been charged to the income statement. No interest has been capitalised in the current or any prior period.

Notes to the Financial Statements

– at 31 January 2009

08 Finance Income	2009 £'000	2008 £'000
Bank interest	839	1,198
Other interest receivable	152	71
Interest receivable from associate	–	45
Total interest income for financial assets not at fair value through profit or loss	991	1,314

09 Taxation	2009 £'000	2008 £'000
The taxation (credit)/charge is made up as follows:		
Based on (loss)/profit for the period:		
UK corporation tax	(1,096)	3,008
Adjustments in respect of previous years	(18)	53
	(1,114)	3,061
Deferred tax – origination and reversal of temporary differences	427	(50)
– impact of change in tax rate (30% to 28%)	–	29
	(687)	3,040

Factors affecting the current tax (credit)/charge

The tax assessed for the year is higher (2008: higher) than the standard rate of corporation tax in the UK (28%). The differences are explained below:

(Loss)/profit on ordinary activities before tax	(15,804)	5,786
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 30%)	(4,425)	1,736
Effect of:		
Expenses not deductible for current tax purposes	2,379	1,435
Losses carried forward	1,418	–
Other timing differences	327	–
Unrealised losses of associates	–	85
Vesting and exercise of share based payments	(368)	(298)
Increase in deferred taxes resulting from reduction in tax rate from 30% to 28%	–	29
Adjustments in respect of previous years	(18)	53
Tax (credit)/charge for year	(687)	3,040

Change in Corporation Tax Rate

The UK corporation tax rate decreased from 30% to 28% on 1 April 2008.

Notes to the Financial Statements

– at 31 January 2009

10 Deferred Taxation

	2009 £'000	2008 £'000
Balance at 1 February	409	389
(Charge)/credit to income statement	(427)	20
Deferred tax (liability)/asset at 31 January (note 20)	(18)	409

The deferred tax asset related to temporary differences in connection with the Group's employee share schemes. Deferred tax has been calculated at the rate of 28%.

Losses carried forward on which deferred taxation has not been provided amount to £5,064,000 (2008: £nil). Deferred tax has not been provided on losses carried forward as these are not expected to be reversed in the foreseeable future.

The temporary differences associated with investments in available for sale financial assets, for which a deferred tax asset has not been recognised aggregate to £3,643,000 (2008: £1,934,000). The deferred tax asset has not been recognised as the temporary difference is unlikely to be reversed in the foreseeable future.

11 Dividends Per Ordinary Share

	2009 £'000	2008 £'000
8.7p paid June 2008 (2008: 9.46p paid June 2007)	1,469	1,067
3.8p paid November 2008 (2008: 3.8p paid November 2007)	642	643
	2,111	1,710

12 (Loss)/earnings Per Ordinary Share

	2009	2008
(Loss)/earnings: profit after taxation and minority interests	(£15,117,000)	£2,746,000
Weighted average number of shares in issue – basic (excluding treasury shares)	16,854,448	16,835,784
– dilution in respect of employee share option schemes	–	36,268
Weighted average number of shares in issue – diluted	16,854,448	16,872,052
(Loss)/earnings per share – basic	(89.7p)	16.3p
– diluted	(89.7p)	16.3p

There is no dilutive effect in the current period in respect of the employee share option schemes as a result of the loss per share.

13 Loss Attributable to Members of the Parent Company

The loss after taxation dealt with in the accounts of the Parent Company was £6,452,000 (2008: Loss: £1,434,000).

Notes to the Financial Statements

– at 31 January 2009

14 Co-investments

The Group's co-investments represent investments in undertakings for which the Group is also the principal property adviser, through Rugby Asset Management Limited, the Group's dedicated asset management division. The Group has investments in, and is property adviser to, London Industrial Partnership Limited, ING Covent Garden Limited Partnership, O Twelve Estates Limited and Rugby Estates Investment Trust Plc.

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
<i>Investment in associates</i>				
London Industrial Partnership Limited (11.8% interest)				
At 31 January 2008	51	2,322	2	1,849
Share of results	–	(283)	–	–
Dividend received	–	(141)	–	–
Loan stock repaid	–	(1,847)	–	(1,847)
At 31 January 2009	51	51	2	2
<i>Available for sale financial assets</i>				
ING Covent Garden Limited Partnership (6.5% interest)				
At 31 January 2008	6,725	8,019	–	–
Fair value adjustment	(1,725)	(1,294)	–	–
Impairment charge	(3,000)	–	–	–
At 31 January 2009	2,000	6,725	–	–
O Twelve Estates Limited (5.5% interest)				
At 31 January 2008	2,946	4,170	–	–
Acquisition of ordinary shares	–	1,001	–	–
Fair value adjustment	–	(170)	–	–
Impairment charge	(2,611)	(2,055)	–	–
At 31 January 2009	335	2,946	–	–
Rugby Estates Investment Trust Plc (8.5% interest)				
At 31 January 2008	3,056	–	–	–
Subscription for ordinary shares	–	4,990	–	–
Impairment charge	(1,709)	(1,934)	–	–
At 31 January 2009	1,347	3,056	–	–
Total financial assets at 31 January 2009	3,682	12,727	–	–
Total co-investments	3,733	12,778	2	2

The Group's investments in ING Covent Garden Limited Partnership, O Twelve Estates Limited and Rugby Estates Investment Trust Plc are classified as "available-for-sale financial assets" in accordance with IAS 39.

London Industrial Partnership Limited ("LIP")

The Company holds an 11.76% interest in the share capital of LIP, a Company incorporated in England and Wales. The Company is able to appoint one third of the directors of LIP; accordingly LIP is treated as an associate. LIP was formed in 2003 to acquire industrial properties in the London area. During the previous financial year LIP sold its only investment property and LIP commenced winding-up in 2008. The directors consider the fair value of the investment in LIP to be the same as the carrying amount of the Group's investment. The share of results and net assets is based on management accounts as at 31 January 2009.

Notes to the Financial Statements

– at 31 January 2009

14 Co-investments (continued)

ING Covent Garden Limited Partnership ("CGLP")

At 31 January 2009, the Group held a 6.46% interest (2008: 6.46% interest) in CGLP, a Limited Partnership established in Guernsey, which invests in property in the Covent Garden area of central London. The Group invested £5,000,000 in CGLP at its formation in 2002.

Under its initial constitution, it was intended that CGLP would dispose of its properties and commence winding up in 2009. Due to the adverse property market conditions, an extension to the term of the partnership is under consideration. The Group's share of the underlying net assets of CGLP at fair value, according to its audited accounts as at 31 December 2008, was £3,070,000. Adjusting this figure for the adverse movement in the IPD Monthly All Property Capital Growth Index for January 2009 indicates a value for the Group's share of the underlying net assets of CGLP at 31 January 2009 of approximately £2,844,000. There is no active market in which the Group can sell its interest in CGLP. Accordingly, the Group's investment can only be realised on the ultimate winding up of CGLP. The Directors consider the fair value of the Group's investment in CGLP to be £2,000,000 (2008: £6,725,000) based on a discount of 33% (2008: nil) to its share of the underlying net assets to reflect their assessment of market conditions and lack of liquidity.

During the year, the Group received fee income of £535,000 (2008: £511,000) and distributions of £129,000 (2008: £109,000) from CGLP, a related party. At 31 January 2009 the Group had amounts receivable of £1,220,000 (2008: £1,242,000) including £1,194,000 (2008: £1,147,000) relating to non-current receivables (note 19).

O Twelve Estates Limited ("O Twelve")

At 31 January 2009, the Group held a 5.46% interest in O Twelve, an AIM quoted closed-ended investment company registered in Guernsey. O Twelve was formed in 2006 to establish a substantial property investment portfolio in the Thames Gateway and the adjacent areas of east London, Essex, south Hertfordshire and north Kent. The Group holds 6,694,502 shares in O Twelve, for which the mid-market price at 31 January 2009 was 5 pence per share. The Group subscribed for 4,000,002 shares in O Twelve at its formation in 2006, and purchased a further 2,694,500 on 14 January 2008.

During the year, the Group received fee income of £2,721,000 (2008: £2,201,000) and dividends of £34,000 (2008: £20,000) from O Twelve, a related party. At 31 January 2009 the Group had amounts receivable of £198,000 (2008: £309,000).

Rugby Asset Management Limited, as property adviser to O Twelve, receives a management fee at the rate of 1% per annum of the gross property asset value of O Twelve's portfolio. The management fee will be 0.6% per annum with effect from 1 April 2009. A performance fee may also be receivable conditional upon certain performance benchmarks being met.

Rugby Estates Investment Trust ("REIT Plc")

At 31 January 2009, the Group held an 8.47% interest in REIT Plc, a public limited company established to take advantage of the recently introduced real estate investment trust regime in the UK. REIT Plc raised £50 million of new equity and its shares commenced trading on the London Stock Exchange on 15 May 2007. The Group subscribed for 4,990,200 shares in REIT Plc at its formation, for which the mid-market price at 31 January 2009 was 27 pence per share.

During the year, the Group received fee income of £957,000 (2008: £883,000) from REIT Plc, a related party. At 31 January 2009 the Group had amounts receivable of £299,000 (2008: £281,000).

Rugby Asset Management Limited, as property advisor to REIT Plc, receives a management fee at the rate of 1% per annum of the gross property asset value of REIT Plc's portfolio. An annual performance fee may also be receivable conditional upon certain performance benchmarks being met.

Rugby Asset Management Limited also provides administration and secretarial services to REIT Plc, for which it receives a fee at the rate of 0.1% per annum of its net asset value, together with an amount equal to 0.1% per annum of its long term borrowings, subject to a minimum annual fee of £100,000.

Notes to the Financial Statements

- at 31 January 2009

15 Property, Plant, Equipment and Motor Vehicles

Group and Company	Leasehold improvements £'000	Furniture, fixtures and equipment £'000	Motor vehicles £'000	Total £'000
Cost:				
At 1 February 2007	526	278	—	804
Additions	—	37	61	98
Disposals	(6)	(21)	—	(27)
At 31 January 2008 and 1 February 2008	520	294	61	875
Additions	5	32	—	37
Disposals	(278)	(13)	(61)	(352)
At 31 January 2009	247	313	—	560
Depreciation:				
At 1 February 2007	290	75	—	365
Provided during the year	32	40	13	85
Disposals	—	(18)	—	(18)
At 31 January 2008 and 1 February 2008	322	97	13	432
Provided during the year	25	41	6	72
Disposals	(278)	(10)	(19)	(307)
At 31 January 2009	69	128	—	197
Net book value at 31 January 2009	178	185	—	363
Net book value at 31 January 2008	198	197	48	443
Net book value at 1 February 2007	236	203	—	439

Notes to the Financial Statements

– at 31 January 2009

16 Investments in Subsidiary Undertakings

Company	2009 £	2008 £
Cost		
At 1 February	2,067	2,060
Additions	5	7
At 31 January	2,072	2,067

Details of the investments in the principal subsidiary undertakings held by the Company at 31 January 2009 are as follows:

Name of Company	Nature of Activities
Rugby Asset Management Limited	Asset management
Giltrange Limited	Property investment and trading
Evanmanor Limited	Property trading
M4 Estates Limited	Property development and trading
Clerkenwell Properties Limited	Property trading
Clerkenwell Estates Limited	Property trading
Crimpoint Properties Limited	Property trading
REGP Limited	Holding company
Rugby CGLP Limited	Holding company
Madiworth Limited	Holding company
Darowell Properties Limited	Property trading
Fildwood Limited	Property development
Portenstar Limited	Property trading
Portenway Limited	Property trading
Arianwell Limited	Property development
Demrabell Limited	Property trading
Menadorm Limited	Property trading
Fildmoor Limited	Property development and trading
WC2 Estates Limited	Property development and trading
Cherabrook Limited	Property development
Delseen Limited	Property development and trading
Sprint 1179 Limited	Property trading
Demramoor Limited	Property trading
WC2 Properties Limited	Property trading
Chessmar Limited	Property trading
Allerwell Limited	Property trading

The Company owns 100% of the voting rights and issued ordinary shares of all of the above subsidiary undertakings.

ICP Properties Limited (wholly owned by M4 Estates Limited)	Property development
Rugby BVI (Holdings) Limited (wholly owned by Rugby CGLP Limited)	Holding company
Rugby BVI (LP) Limited (wholly owned by Rugby BVI (Holdings) Limited)	Property investment
Ovalbrick (wholly owned by Madiworth Limited)	Property investment

Rugby BVI (Holdings) Limited and Rugby BVI (LP) Limited are incorporated in the British Virgin Islands and are managed in Guernsey. All other companies noted above are incorporated and operate in the UK.

Ovalbrick is an unlimited company.

The directors consider that all companies within the Group are not individual operating businesses, except for Rugby Asset Management Limited, Rugby BVI (Holdings) Limited and Rugby BVI (LP) Limited.

Notes to the Financial Statements

– at 31 January 2009

17 Property Inventories

Group	2009 £'000	2008 £'000
Properties held for trading and development work in progress	44,108	54,106

Properties held for trading and development work in progress ("WIP") are shown at the lower of cost and net realisable value.

The carrying value of the property inventories are intended to be realised over the next 3 to 5 years. This has been taken into account in assessing net realisable value.

The aggregate value of these properties on an open market basis as at 31 January 2009 was:

	Market value 2009 £'000	Book value 2009 £'000	Market value 2008 £'000	Book value 2008 £'000
Valued by CB Richard Ellis Limited	45,004	43,169	57,120	52,701
Valued by the directors	953	939	1,427	1,405
	45,957	44,108	58,547	54,106

All properties held as trading stock, with the exception of those valued by the directors, were externally valued as at 31 January 2009 by CB Richard Ellis in accordance with the Appraisal and Valuation Standards of RICS on the basis of market value. Market value represents the figure that would appear in a hypothetical contract of sale between a willing buyer and a willing seller. Market value is estimated without regard to costs of sale. In assessing net realisable value, sale costs of 1.5% of market value have been assumed. Where CB Richard Ellis have made the assumption that there is an annual rent top-up in place until the next rent review, an adjustment to the valuation has been made to reflect the additional income to the purchaser.

Properties valued by the directors comprise development projects which are valued by the directors at their estimated net realisable value.

If all properties were realised or deemed to be realised at market value there would be additional liabilities as follows:

	2009 £'000	2008 £'000
Taxation	518	1,332

18 Trade and Other Receivables

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Amounts due from subsidiary undertakings	–	–	48,835	67,497
Trade debtors	723	17,317	–	–
Other debtors	337	400	112	117
Prepayments and accrued income	306	576	121	329
	1,366	18,293	49,068	67,943

Trade receivables included proceeds from property sales of £nil (2008: £16,295,000).

Notes to the Financial Statements

– at 31 January 2009

18 Trade and Other Receivables (continued)

Trade Debtors	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Up to 30 days	278	374	–	–
31 to 60 days	150	11	–	–
61 to 90 days	–	6	–	–
Over 90 days	13	1	–	–
Total overdue	441	392	–	–
Amounts not yet due	282	16,925	–	–
Closing balance	723	17,317	–	–

19 Receivables – Non Current

These relate to sales of properties and comprise: £1,194,000 (2008: £1,147,000) being the present value of £1,241,500 which is receivable in 2010.

20 Deferred Tax

	2009 £'000	2008 £'000
Deferred tax assets		
Long-term incentive plan	–	420
Deferred tax liabilities		
Accelerated capital allowances	(18)	(11)
At 31 January	(18)	409

21 Trade and Other Payables

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Amounts due to subsidiary undertakings	–	–	5,776	15,844
Trade creditors	26	478	–	–
Social security, payroll and other taxes	392	400	392	400
Other creditors	621	637	492	501
Accruals and deferred income	1,718	4,837	469	2,097
	2,757	6,352	7,129	18,842

22 Financial Liabilities and Interest Bearing Borrowings

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Loans – Current	–	13,668	–	–
– Non-current	–	1,382	–	–
	–	15,050	–	–

Notes to the Financial Statements

– at 31 January 2009

23 Group Borrowings

	2009 £'000	2008 £'000
Loans:		
Wholly repayable within five years – bank loans	–	15,148
	–	15,148
Unamortised loan issue costs	–	(98)
	–	15,050
Undiscounted amounts falling due:		
In one year or less	–	14,482
Between one and two years	–	1,573
	–	16,055

The bank loans from Bank of Scotland and Barclays Bank were repaid during the year.

Market rate sensitivity analysis

Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments. The analysis below shows the sensitivity of the income statement and net assets to a 0.5% change in interest rates on the Group's financial instruments.

The sensitivity analysis is based on the following assumptions:

- the balance sheet is not sensitive to interest rates as debt and deposits are carried at amortised cost and so their carrying value does not change as interest rates move; and
- the sensitivity of accrued interest to movements in interest rates is calculated on net floating rate exposures on debt and deposits.

	0.5% decrease in interest rates		0.5% increase in interest rates	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Impact on net interest payable – gain/(loss)	–	53	–	(53)
Impact on net interest receivable – gain/(loss)	(54)	(53)	54	53
Total impact on pre tax profit	(54)	–	54	–

Notes to the Financial Statements

– at 31 January 2009

24 Authorised and Issued Share Capital

	2009 £'000	2008 £'000
Authorised: Ordinary shares of 20p each	5,100	5,100

Allotted, called up and fully paid

	2009 thousands	2008 thousands	2009 £'000	2008 £'000
Ordinary shares of 20p each				
At 1 February 2008 and at 31 January 2009	17,138	17,138	3,427	3,427

	2009 No.	2008 No.
Analysis of issued share capital		
Number of ordinary shares in issue	17,137,489	17,137,489
Less: treasury shares	(249,869)	(249,869)
shares held by AESOP* – unawarded	(4,112)	(4,060)
Number of ordinary shares for calculating cost of dividends payable	16,883,508	16,883,560
Shares held by AESOP* – conditionally awarded but not yet earned by employees	(29,305)	(30,970)
Number of ordinary shares for calculating basic earnings per share and net assets per share		
– at period end	16,854,203	16,852,590
– weighted average during the period	16,854,448	16,835,784
Weighted average number of ordinary shares for calculating diluted earnings per share	16,854,448	16,872,052

* AESOP – the Group's All Employee Share Ownership Plan.

At the Annual General Meeting held on 25 June 2008 the Company's authority to purchase ordinary shares was renewed. This authority will expire at the next Annual General Meeting to be held on 24 June 2009, at which a resolution proposing a renewal of such authority will be put before the members. Purchases may be made if the directors are satisfied that such a purchase would be in the best interests of shareholders. Shares purchased may be held as treasury shares or cancelled.

On 4 June 2008, the Group purchased 258,058 ordinary shares, representing 1.5% of issued share capital, at 393p per share. These shares are held as treasury shares.

On 4 June 2008, 334,286 treasury shares were used on the vesting of an award granted under the Long Term Incentive Plan on 20 May 2005.

On 9 June 2008, the Group purchased 76,228 ordinary shares, representing 0.4% of issued share capital, at 397p per share. These shares are held as treasury shares.

On 9 June 2008, AESOP purchased 23,772 ordinary shares, representing 0.14% of issued share capital, at 397p per share.

On 12 December 2008, AESOP purchased 21,825 ordinary shares, representing 0.13% of issued share capital, at 189p per share.

At the mid-market price of 212.5p per share (2008: 403p) at 31 January 2009, the value of the treasury shares held was £531,000 (2008: £1,007,000).

Notes to the Financial Statements

– at 31 January 2009

25 Share Based Payments

Share option schemes

Options over ordinary shares of 20p each were as follows:

	2009 No.	2008 No.
Approved executive scheme		
At 31 January 2008	72,870	72,870
Lapsed during the year	(24,290)	–
At 31 January 2009	48,580	72,870

Scheme Details	Date of grant	Exercise price	Exercise date earliest	Exercise date latest	Performance criteria
1994 Approved Executive Scheme	1 November 2001	247p	1 November 2004	1 November 2011	See below

The exercise of share options under the executive scheme is subject to the satisfaction of the criterion that the increase in the adjusted net asset value per ordinary share over a continuous period of three financial years of the Company (commencing no earlier than one year prior to the date of grant) exceeds the growth in the All Properties Capital Growth Index published by Investment Property Databank Limited over the same period by at least 3 per cent per annum.

The mid-market price of each ordinary share at 31 January 2009 was 212.5p (2008: 403p) and the range during the year was 212.5p to 403p (2008: 393p to 659p).

All Employee Share Ownership Plan ("AESOP")

The Company's AESOP enables all employees to acquire shares in the Company in a tax efficient manner. 'Free' shares may be awarded up to a maximum value of £3,000 per employee per annum. If Partnership shares are offered, eligible employees are entitled to save up to £125 per month for a 12-month accumulation period, and then to purchase shares in the Company at the lower of the price at the beginning and the end of the accumulation period. At the end of the accumulation period 'Matching' shares may be awarded up to a maximum of 2 shares for each Partnership share purchased. Free shares and Matching shares become unconditionally vested in the employee at the expiry of a three year holding period. The cost to the Company of these awards is charged directly to the income statement over the three year holding period.

Long Term Incentive Plan ("LTIP")

Under the LTIP, executive directors and other senior employees may be granted conditional awards over shares worth up to 100% of basic salary per annum. The vesting conditions of the LTIP awards are set out in the Directors' Report on pages 20 and 21.

Fair value of share based payments

In 2009 and 2008, share based payments were awarded under the above schemes, and fair values calculated as follows:

	2009 Grant date	2009 Fair value of award	2008 Grant date	2008 Fair value of award
LTIP (TSR)	21 May 2008	189p	23 May 2007	274p
LTIP (ANAPS)	21 May 2008	373p	23 May 2007	624p
AESOP Free shares	4 July 2008	305p	24 July 2007	592p
AESOP Matching shares	12 December 2008	185p	12 December 2007	415p

Notes to the Financial Statements

– at 31 January 2009

25 Share Based Payments (continued)

For the AESOP shares and the 50% of the LTIP subject to Adjusted Net Assets Per Share ("ANAPS") the fair value is equal to the market value on the date of the award. For the 50% of the LTIP subject to Total Shareholder Return ("TSR") the Company uses the Monte Carlo valuation model to estimate fair values of share based payments granted during the year. Inputs to the model are summarised in the table below:

	2009	2008
Share price at grant (pence)	393	647.50
Exercise price (pence)	–	–
Expected share price volatility	11.64%	11.10%
Average expected life (years)	3	3
Risk free rate of interest	4.88%	5.70%
Expected dividend yield	3.45%	1.20%

Expected volatility was determined by calculating the historical volatility of the Company's shares from the date of flotation to the date of grant. Risk free rate is the yield to maturity on the date of grant of a UK Gilt Strip, with term to maturity equal to the expected life of the conditional share award.

	Awards	2009 Weighted average award value (pence)	Awards	2008 Weighted average award value (pence)
Outstanding at the beginning of the year	801,508	462	913,908	348
Awards granted during the year	400,250	393	227,024	647
Awards vested and exercised during the year	(334,286)	314	(169,712)	279
Awards lapsed during the year	–	–	(169,712)	279
Outstanding at the end of the year	867,472	488	801,508	462

The LTIP awards outstanding at 31 January 2009 had a weighted average remaining contractual life of 18 months.

The Group and Company recognised total expenses of £1,118,000 (2008: £978,000) in relation to equity-settled share-based payment transactions during the year, which included a charge of £57,000 (2008: £84,000) in relation to AESOP share awards.

Notes to the Financial Statements

– at 31 January 2009

26 Equity

Group	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Unrealised gains and losses £'000	LTIP reserve £'000	Own shares held for treasury £'000	Own shares held for AESOP* £'000	Total share-holders' equity £'000
At 1 February 2007	3,427	39,370	1,504	31,613	3,189	1,215	(860)	(172)	79,286
Retained profit for the year	–	–	–	2,746	–	–	–	–	2,746
Dividend distribution	–	–	–	(1,710)	–	–	–	–	(1,710)
Treasury shares purchased	–	–	–	–	–	–	(114)	–	(114)
AESOP* shares purchased	–	–	–	–	–	–	–	(146)	(146)
AESOP* shares charged to income statement	–	–	–	–	–	–	–	84	84
LTIP** charged to income statement	–	–	–	–	–	894	–	–	894
LTIP** grant vested	–	–	–	32	–	(704)	265	–	(407)
Net unrealised losses on available - for-sale financial assets	–	–	–	–	(1,464)	–	–	–	(1,464)
At 1 February 2008	3,427	39,370	1,504	32,681	1,725	1,405	(709)	(234)	79,169
Retained loss for the year	–	–	–	(15,117)	–	–	–	–	(15,117)
Dividend distribution	–	–	–	(2,111)	–	–	–	–	(2,111)
Treasury shares purchased	–	–	–	–	–	–	(1,324)	–	(1,324)
AESOP* shares purchased	–	–	–	–	–	–	–	(45)	(45)
AESOP* shares charged to income statement	–	–	–	–	–	–	–	57	57
LTIP** charged to income statement	–	–	–	–	–	1,061	–	–	1,061
LTIP** grant vested	–	–	–	(541)	–	(783)	1,324	–	–
Net unrealised losses on available - for-sale financial assets	–	–	–	–	(1,725)	–	–	–	(1,725)
At 31 January 2009	3,427	39,370	1,504	14,912	–	1,683	(709)	(222)	59,965

* AESOP – the Group's All Employee Share Ownership Plan.

** LTIP – the Group's Long Term Incentive Plan, further details of which are given in the Directors' Report on pages 20 to 21.

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value, less any costs directly attributable to the issue of new shares.
Capital redemption	The nominal value of shares purchased by the Group for cancellation.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.
Unrealised gains and losses	Cumulative fair value changes on available-for-sale investments (see note 14)
LTIP	Cumulative charges to the income statement arising from the Group's Long Term Incentive Plan.
Own shares held for treasury	Value of shares available for use by the LTIP
Own shares held for AESOP	Value of shares held for the Group's All Employee Share Ownership Plan.

Notes to the Financial Statements

– at 31 January 2009

26 Equity (continued)

Company	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Unrealised gains and losses £'000	LTIP reserve £'000	Own shares held for treasury £'000	Own shares held for AESOP* £'000	Total share-holders' equity £'000
At 1 February 2007	3,427	39,370	1,504	17,819	–	1,215	(860)	(172)	62,303
Retained loss for the year	–	–	–	(1,434)	–	–	–	–	(1,434)
Dividend distribution	–	–	–	(1,710)	–	–	–	–	(1,710)
Treasury shares purchased	–	–	–	–	–	–	(114)	–	(114)
AESOP* shares purchased	–	–	–	–	–	–	–	(146)	(146)
AESOP* shares charged to income statement	–	–	–	–	–	–	–	84	84
LTIP** charged to income statement	–	–	–	–	–	894	–	–	894
LTIP** grant vested	–	–	–	32	–	(704)	265	–	(407)
At 1 February 2008	3,427	39,370	1,504	14,707	–	1,405	(709)	(234)	59,470
Retained loss for the year	–	–	–	(6,452)	–	–	–	–	(6,452)
Dividend distribution	–	–	–	(2,111)	–	–	–	–	(2,111)
Treasury shares purchased	–	–	–	–	–	–	(1,324)	–	(1,324)
AESOP* shares purchased	–	–	–	–	–	–	–	(45)	(45)
AESOP* shares charged to income statement	–	–	–	–	–	–	–	57	57
LTIP** charged to income statement	–	–	–	–	–	1,061	–	–	1,061
LTIP** grant vested	–	–	–	(541)	–	(783)	1,324	–	–
At 31 January 2009	3,427	39,370	1,504	5,603	–	1,683	(709)	(222)	50,656

27 Notes to Statement of Cash Flows

Group	2009 £'000	2008 £'000
a) Reconciliation of cash flows from operating activities		
(Loss)/profit before taxation	(15,804)	5,786
Income from investments	(163)	(129)
Finance costs	829	1,322
Finance revenue	(991)	(1,314)
Share of results of associates	–	283
Share based payment charge – LTIP	1,061	894
Share based payment charge – AESOP	57	84
Depreciation	72	85
Loss on disposal of property, plant, equipment and motor vehicles	7	9
Unrealised impairment losses on financial assets	7,320	3,989
Cash flows from operating activities before changes in working capital	(7,612)	11,009

Notes to the Financial Statements

– at 31 January 2009

27 Notes to Statement of Cash Flows (continued)

b) Analysis of net cash	At 1 February 2008 £'000	Cash flow £'000	Non-cash items £'000	At 31 January 2009 £'000
Cash	1,657	899	–	2,556
Short term deposits	9,802	(8,015)	–	1,787
Institutional cash funds	3,670	(3,670)	–	–
UK Government securities	–	6,519	–	6,519
	15,129	(4,267)	–	10,862
Borrowings (net of issue costs – note 23)	(15,050)	15,148	(98)	–
	79	10,881	(98)	10,862

Included within short term deposits is a sum of £482,000 (2008: £460,000) being held as security against unforeseen liabilities as a result of a corporate transaction in 2005.

58	Company	2009	2008
	a) Reconciliation of cash flows from operating activities	£'000	£'000
	Loss before taxation	(6,380)	(1,113)
	Finance costs	24	20
	Finance revenue	(443)	(979)
	Share based payment charge – LTIP	1,061	894
	Share based payment charge – AESOP	57	84
	Depreciation	72	85
	Loss on disposal of property, plant, equipment and motor vehicles	7	9
	Intra-Group dividends	(15,380)	–
	Cash flows from operating activities before changes in working capital	(20,982)	(1,000)

b) Analysis of net cash	At 1 February 2008 £'000	Cash flow £'000	Non-cash items £'000	At 31 January 2009 £'000
Cash	226	964	–	1,190
Short term deposits	5,617	(3,948)	–	1,669
Institutional cash funds	3,670	(3,670)	–	–
UK Government securities	–	4,521	–	4,521
	9,513	(2,133)	–	7,380

Included within short term deposits is a sum of £482,000 (2008: £460,000) being held as security against unforeseen liabilities as a result of a corporate transaction in 2005.

Notes to the Financial Statements

– at 31 January 2009

28 Treasury Policies and Financial Instruments

Treasury Policies

The objective of the Group's treasury policies is to manage the Group's financial risk, secure cost effective funding for the Group's operations and to minimise the adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on the cash flows of the Group.

The Group finances its activities with a combination of bank loans, cash and short term deposits. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Group's operating activities. The Group may also enter into derivative transactions, principally interest rate caps and swaps, to manage the interest rate risk arising from the Group's operations and its sources of finance. The Group does not trade in financial instruments. The main risks associated with the Group's financial assets and liabilities are set out below, together with the policies currently applied by the board for their management. Derivative instruments may be used to change the economic characteristics of financial instruments in accordance with the Group's treasury policies.

The Group had no borrowings and no derivative financial instruments at 31 January 2009. The directors do not expect the Group to take on any material borrowings or enter into any derivative transactions in the foreseeable future.

Capital management

The primary objectives of the Group's capital management are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders; and
- to enable the Group to respond quickly to changes in market conditions and to take advantage of opportunities.

Capital comprises adjusted equity plus net borrowings. The Group monitors capital using a gearing ratio, which is net borrowings divided by adjusted equity. Net borrowings comprises total borrowings less cash and cash equivalents. Adjusted equity comprises shareholders' equity, excluding the LTIP reserve, plus the surplus of market value over book value of property inventories less the tax which would be payable if property inventories were sold at market value.

The Group's policy is that the gearing ratio should not exceed 150% at any time, and should not exceed 120% for a period in excess of one year. To maintain or adjust the capital structure the Group may acquire or dispose of assets, adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

	2009 £'000	2008 £'000
Borrowings	–	(15,148)
Cash balances	10,862	15,129
Net cash/(borrowings)	10,862	(19)
Shareholders' equity	59,296	79,169
LTIP reserve	(1,683)	(1,405)
Market value of property inventories	45,957	58,547
Book value of property inventories	(44,108)	(54,106)
Tax payable if property inventories were sold at market value	(518)	(1,332)
Adjusted equity	58,944	80,873
Gearing ratio	0%	0%

Rugby Asset Management Limited is regulated by the Financial Services Authority and therefore has certain capital adequacy requirements. These requirements, which were complied with during the period, do not have any material implications for the Group's capital management.

Notes to the Financial Statements

– at 31 January 2009

28 Treasury Policies and Financial Instruments (continued)

Interest Rate Risk

The Group's policy is to manage its cost of borrowing using a mix of fixed and variable rate debt. Whilst fixed rate interest bearing debt is not exposed to cash flow interest rate risk, there is no opportunity for the Group to enjoy a reduction in borrowing costs in markets where rates are falling. In addition, the fair value risk in fixed rate borrowing means that the Group is exposed to unplanned costs should debt be restructured or repaid early. In contrast, whilst floating rate borrowings are not exposed to changes in fair value, the Group is exposed to cash flow risk as costs increase if market rates rise.

The Group's policy is to increase the proportion of borrowings at fixed rates of interest as the level of gearing rises. Gearing for this purpose is measured as the ratio of net borrowings to adjusted equity. If gearing is less than 50%, up to 100% of borrowings may be at variable rates of interest; for gearing between 50% and 100%, at least 25% of borrowings will be at fixed rates; and with gearing over 100%, at least 50% of borrowings will be at fixed rates. At the year end gearing was nil%.

Credit Risk

The risk of financial loss due to a counterparty's failure to honour its obligations arises principally in connection with property leases, the investment of surplus cash and transactions where the Group sells properties with an element of deferred consideration.

Credit risk has increased substantially during the period as a result of the economic recession in the UK and the banking crisis. In order to mitigate this risk, the Group has invested in short maturity UK Government Securities. The maximum exposure to credit risk at the reporting date is the book value of cash and receivables.

Tenant rent payments are monitored regularly and appropriate action is taken to recover monies owed or if necessary to terminate the lease. Deferred consideration terms are only agreed with counterparties approved by the board or where some additional security is available. Funds may be invested and derivative transactions contracted only with banks and financial institutions with a high credit rating.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans secured on the Group's properties. At times when the Group's gearing is in excess of 50% the Group's policy is that not more than 30% of its borrowings should mature within one year and not more than 60% of borrowings should mature within the next three years. At the year end gearing was nil%.

Price Risk

The Group's exposure to changing market prices on the value of financial instruments may have an impact on the carrying value of financial instruments and would arise principally as a result of entering into swaps or similar transactions to fix interest rates on the Group's borrowings. The Group's policies for managing this risk are to control the levels of fixed rate debt as set out under interest rate risk above.

As the Group's assets and liabilities are all denominated in Pounds Sterling there is currently no exposure to currency risk.

The disclosures below exclude short term debtors and creditors.

The interest rate profile of the Group's financial liabilities was as follows:

	2009 £'000	2008 £'000
Floating rate borrowings	–	15,148
Less: cash balances	(10,862)	(15,129)
Net (cash)/borrowings	(10,862)	19

Notes to the Financial Statements

– at 31 January 2009

28 Treasury Policies and Financial Instruments (continued)

The interest rate profile of financial assets was as follows:

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Receivables – fixed rate	1,194	1,147	–	–
Cash and short term deposits – floating rate	10,862	15,129	7,380	9,513
Co-investments	3,682	12,727	–	–
Trade and other receivables	1,060	265	48,947	67,614
Financial assets	16,798	29,268	56,327	77,127
Non-financial assets	45,942	73,037	1,476	1,185
Total assets	62,740	102,305	57,803	78,312

Floating rate financial assets comprise cash and short term deposits at call and money market rates for up to 3 months, institutional cash funds and UK Government securities maturing within an equivalent period.

The interest rate profile of financial liabilities was as follows:

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Trade and other payables	2,064	6,352	6,725	18,419
Group borrowings – floating rate	–	15,148	–	–
Financial liabilities	2,064	21,500	6,725	18,419
Non-financial liabilities	711	1,636	422	423
Total liabilities	2,775	23,136	7,147	18,842

Unless otherwise stated, all financial assets and liabilities are interest free.

The maturity profile of financial liabilities was as follows:

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
In one year or less	2,064	20,081	6,725	18,419
In more than one year but not more than two	–	1,419	–	–
	2,064	21,500	6,725	18,419

All amounts due to and from subsidiary undertakings are interest free and payable on demand. The Company has made provisions for impairment of amounts due from subsidiary undertakings of £17,843,000 (2008: £2,273,000). The only movement in both the current and prior year is the charge to the income statement of £15,570,000 (2008: £2,273,000). The provision is based upon the fall in value of the underlying property inventories and available for sale financial assets of the subsidiaries.

Comparison of book values and fair values

There is no material difference between the book value and the fair value of the Group's financial assets and liabilities.

Categories of financial assets and financial liabilities

All financial assets are classified as loans and receivables except for the available-for-sale financial assets (see note 14).

All financial liabilities are classified as other financial liabilities.

Notes to the Financial Statements

– at 31 January 2009

29 Pension Commitments

The Company participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds.

30 Other Financial Commitments

Operating lease agreements where the Group is lessor

The Group holds properties as trading stock, as disclosed in note 17, which are let to third parties. These non-cancellable leases have remaining terms of variable length.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2009 £'000	2008 £'000
Not later than one year	3,691	3,367
After one year but not more than five years	9,621	9,605
After five years	14,135	13,742
	27,447	26,714

Operating lease agreements where the Group is lessee

The Group has entered into commercial leases on certain properties which include a number of long leasehold interests and items of office equipment.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2009 £'000	2008 £'000
Not later than one year	233	244
After one year but not more than five years	1,115	1,055
After five years	1,919	2,213
	3,267	3,512

31 Related Party Transactions

ING Covent Garden Limited Partnership, London Industrial Partnership Limited, O Twelve Estates Limited and Rugby Estates Investment Trust Plc are related parties. The disclosures required are given in note 14.

The key management of the Group are considered to be the Board of Directors. See note 6 for details of management remuneration.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Rugby Estates Plc will be held at 4 Farm Street, London W1J 5RD on Wednesday 24 June 2009 at 10.30 am. The following business is proposed:

Ordinary Business

1. To receive and adopt the Directors' Report and Accounts together with the Auditors' Report on the Accounts for the period ended 31 January 2009.
2. To re-elect Andrew Tyrie as a Director of the Company.
3. To re-elect Stephen Jones as a Director of the Company.
4. To re-appoint BDO Stoy Hayward LLP as Auditors of the Company.
5. To authorise the Directors to determine the Auditors' remuneration.

Special Business

As special business to consider, and if thought fit, to pass the following Resolutions. Resolution 6 will be proposed as an Ordinary Resolution. Resolutions 7 and 8 will be proposed as Special Resolutions.

Resolution 6 – Authority to Allot Shares

Subject to no resolution having been passed at a general meeting of the Company between 30 April 2009 and the proposal of this resolution at this meeting (or any adjournment of it) authorising the Directors to allot securities pursuant to section 80 of the Companies Act 1985 (the "Act"), that the Directors be and they are hereby generally and unconditionally authorised in substitution for all existing authorities:

- 6.1 to exercise all the powers of the Company to allot relevant securities (as defined in section 80 of the Act) up to an aggregate nominal amount of £1,125,000; and
- 6.2 to exercise all the powers of the Company to allot equity securities (as defined in section 94 of the Act) up to an additional aggregate nominal amount of £1,125,000 provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all the ordinary shareholders on the register of members at such record dates as the Directors may determine and other persons entitled to participate therein are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,

provided that the authorities in 6.1 and 6.2 shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution or if earlier on the date which is 15 months after the date of the Annual General Meeting, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities or equity securities as the case may be to be allotted after such expiry and the Directors may allot relevant securities or equity securities in pursuance of any such offer or agreement as if the authority in question had not expired.

Resolution 7 – Disapplication of Statutory Pre-Emption Rights

Subject to no resolution having been passed at a general meeting of the Company between 30 April 2009 and the proposal of this resolution at this meeting (or any adjournment of it) empowering the Directors to allot securities for cash as if section 89(1) of the Act did not apply to any such allotment, that the Directors be and they are hereby empowered, pursuant to section 95(1) of the Act, to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred by Resolution 7 or by way of a sale of treasury shares as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- 7.1 the allotment of equity securities in connection with a rights issue or other pro-rata offer (but, in the case of the authority granted conferred by paragraph 7.2, by way of a rights issue only) in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all the ordinary shareholders on the register of members at such record dates as the Directors may determine and other persons entitled to participate therein are proportionate (as nearly as may be) to the respective numbers of

Notice of Annual General Meeting

equity securities held or deemed to be held by them subject in each case to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever; and

7.2 the allotment (otherwise than pursuant to paragraph 7.1 above) of equity securities up to an aggregate nominal amount of £168,000,

and shall expire upon the expiry of the general authority conferred by Resolution 6 above, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the Directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

Resolution 8 – Authority for the Company to Purchase its Own Shares

Subject to no resolution having been passed at a general meeting of the Company between 30 April 2009 and the proposal of this resolution at this meeting (or any adjournment of it) authorising the Company to make market purchases of its own shares, that the Company be and is hereby generally and unconditionally authorised, in accordance with the Company's Articles of Association and section 166 of the Act, to make market purchases (within the meaning of section 163 of the Act) of ordinary shares of 20p each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the Directors may from time to time determine provided that:

- 8.1 the maximum aggregate number of Ordinary Shares authorised to be purchased is 2,500,000 (representing approximately 14.9% of the Company's issued share capital at the date of the notice convening the Annual General Meeting at which this Resolution is to be proposed) or such lesser number representing 14.9% of the Company's issued share capital at the date of the Annual General Meeting;
- 8.2 the minimum price which may be paid for an Ordinary Share is 20p (exclusive of expenses payable by the Company);
- 8.3 the maximum price which may be paid for an Ordinary Share (exclusive of expenses payable by the Company) cannot be more than 105% of the average market value of an Ordinary Share for the five business days prior to the day on which the Ordinary Share is to be purchased; and
- 8.4 the authority conferred shall expire at the conclusion of the next Annual General Meeting of the Company except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry.

By order of the Board



Stephen Jones Company Secretary
30 April 2009

Registered Office:
4 Farm Street
London W1J 5RD

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to exercise all or any of his rights to attend, speak and vote at the meeting. A member can appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attaching to different shares held by the member. A proxy need not be a member of the Company.
2. A form of proxy is provided with this notice and instructions for use are shown on the form. To be valid, completed proxies must be received (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) by Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZL not less than 48 hours before the time fixed for the meeting. Deposit of a completed form of proxy does not preclude a member from subsequently attending or voting at such meeting.
3. Copies of the non-executive directors' letters of appointment will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.
4. The Company specifies, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, that only those shareholders whose names are entered in the register of members of the Company as at 10.30 a.m. on 22 June 2009 (or, if the meeting is adjourned, at 6.00 p.m. on the date which is two days prior to the adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting or adjourned meeting.
5. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.
6. You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.
7. As at 29 April 2009, the Company's total issued share capital comprised 17,137,489 ordinary shares of 20 pence each. The Company holds 249,869 shares in treasury. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 27 April 2009 is 16,887,620.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual.

In order for a proxy appointment or instruction made using a CREST service to be valid, the appropriate CREST message (a **"CREST Proxy Instruction"**) must be properly authenticated in accordance with Euroclear UK and Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointment specified in the notice of the meeting.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal systems timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member of sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting services provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Directors

David M F Tweeddale-Tye
BSc, FRICS
Executive Chairman

Aged 56,
Formerly with Norwich Union
and Rugby Securities.
Founded the group in 1990.

Andrew Tyrie MP
Non-Executive Director

Aged 52,
Appointed to the board in 2002.
Member of Parliament for Chichester.
An economist formerly with
HM Treasury and European Bank for
Reconstruction and Development.

Andrew L Wilson
BSc, FRICS
Chief Executive

Aged 54,
Formerly with Richard Ellis,
Royal Insurance and Rugby
Securities.
A founder director of Rugby Estates
Plc and a non-executive director of
UK Commercial Property Trust Ltd.

Stephen D Jones
BSc, MSc, FCA
Finance Director

Aged 54,
Formerly with BTR, Wiggins Group
and Rugby Securities.
A founder director.

John A Jackson
BSc, ARCS, FCA
Non-Executive Director

Aged 59,
Appointed to the board on 1 February
2005. Formerly finance director and
executive deputy chairman of
Hillsdown Holdings PLC. Founder
chairman of Big Bear Group Ltd and a
non-executive director of a number of
private companies.

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55 Baker Street
London W1U 7EU

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Aspect House
Spencer Road
Lancing
West Sussex BN99 6QQ
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London EC3P 3BH

Principal Bankers
Royal Bank of Scotland
280 Bishopsgate
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Financial Calendar

24 June 2009

Annual General Meeting

October 2009

Announcement of 2009 interim results

April 2010

Announcement of 2010 final results

Report and Accounts

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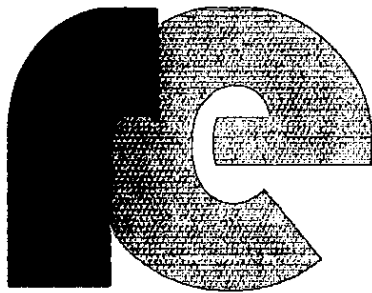
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