REPORT & ACCOUNTS
FOR THE YEAR ENDED
31 JANUARY 2012

rugby estates plc

Company No 2548935

CONTENTS

rugby estates plc

CHAIRMAN'S REVIEW

RESULTS

The result for the year ended 31 January 2012 was a loss before tax of £3 2 million (2011 £2 4 million profit) Total comprehensive expense for the year, which includes taxation and changes in the fair value of our co-investments, was £3 4 million (2011 £0 5 million income)

In December 2008, following a strategic review, the Board announced its intention to realise the Group's direct property holdings and return the cash generated to shareholders As discussed below, in order to optimise shareholder value the Board is looking at various restructuring alternatives and at present considers it likely that shareholders' consent will be sought to put the Company into solvent liquidation within the next 12 months In accordance with current accounting regulations the financial statements for the year ended 31 January 2012 have therefore not been prepared on a going concern basis, although the only adjustments in the financial statements are to increase the depreciation charge by £0 2 million and to amend narrative disclosures

In previous years we have reported triple net assets per share ("NNNAPS") as a key performance indicator ("KPI") to enable shareholders to assess changes in underlying net assets at estimated market value This was based on the statements of financial position which were prepared on a going concern basis Accordingly, NNNAPS did not represent the amount that shareholders would receive on a liquidation of the Company as no allowance was made for costs such as asset disposal fees, termination of employment and other contracts, liquidators' fees and administration expenses during any winding up period The Directors now consider the most important KPI for shareholders to be an estimate of what value shareholders may expect to receive on a liquidation of the Company On the basis of current expectations this is between 440p and 480p per share, as compared to the range of 450p to 500p we reported in the Interim Management Statement in February 2012

During the year, the Group continued with its programme of disposals into an increasingly difficult market for secondary assets with the result that, in total, £4 8 million was realised from property sales In addition, cash realised from co-investments amounted to £2 0 million A further £4 7 million of property sales have been contracted since 31 January 2012, bringing total disposals since 31 January 2009 to £34 5 million

In August 2011, the Company returned a further £4 6 million of cash to shareholders, bringing total cash payments to shareholders over the past three years to £45 4 million

Since the Board's decision to return cash to shareholders in December 2008, the holder of one hundred ordinary shares in the Company at 31 January 2009, when their market value was £213, has received £270 in cash and now holds 14 new ordinary shares with a market value as at 31 January 2012 of £60, an increase of 55% over the three year period

RUGBY CAPITAL

During the year, appetite for investment properties which are outside of central London or not let on long leases to strong tenants weakened further and no improvement in this situation is in sight These are not the best of conditions in which to realise the Group's residual portfolio and we have found that prices achieved in a very thin market may be less than the last formal valuations The letting market is also very challenging and whilst tenant default and bad debts have not been a major problem, a number of tenants have exercised break clauses or not renewed their leases at expiry There is little reason to believe that market conditions will improve materially in the next 12 months and so, in order to restructure and return cash to shareholders as quickly as possible, the Directors continue to focus on realising the whole portfolio in the near term and certainly by the end of 2012

The principal properties sold during the year, realising £4 8 million, were

- Staines, Moor Lane
- Portsmouth, Gunstore Road
- London E15, Romford Road, Stratford
- Harlow, Printers Way - one further unit

In December 2011, we were pleased to announce that planning consent had been achieved for food retailing at our industrial holding in Surbiton, enabling a lease to be completed to Tesco for a "Tesco Metro" store, and that a resolution to grant planning consent had been received for the redevelopment of our industrial site at Chilton Trinity, Bridgwater, Somerset to provide 67 dwellings and 14 small business units

CHAIRMAN'S REVIEW
CONTINUED

Achieving these consents added significantly to the value and saleability of these properties Unfortunately, the additional value created has been more than outweighed by the deterioration in the values achieved in respect of the residual secondary properties which were sold during the period

The portfolio as at 31 January 2012 comprised

- London E1, Mansell Street (office) - sale completed 13 March 2012
- Surbiton, Hook Road (retail)
- Harlow, Printers Way (industrial) - one unit remaining
- Maidenhead, King Street (retail/residential) - sale completed 15 May 2012
- Bath, Alexander House (office) - sale completed 5 April 2012
- Bridgwater, Chilton Trinity (residential development land)
- Birmingham, Edgbaston, Highfield Road (office)
- Birmingham, Edgbaston, George Road Portfolio (offices)
    - 36/38 George Road - sale completed 19 March 2012
    - The Cloisters
    - Apex House

The Directors estimate the sale value of the portfolio as at 31 January 2012, before deducting selling expenses and other costs expected to be incurred prior to sale, to be £12 8 million, of which £4 7 million has subsequently been realised on sales All properties other than the development land at Chilton Trinity, Bridgwater were valued by CB Richard Ellis at £9 7 million as at 31 January 2012 The Directors have estimated the sale value of the Chilton Trinity site based on the sale agent's advice

The remaining properties have been or are currently being marketed A marketing process to housebuilders is in progress for the Chilton Trinity site The final industrial unit in Harlow is being marketed for sale with vacant possession on the expiry of the current lease in September 2012 The two remaining properties in Edgbaston are substantially vacant and are being marketed for sale Sales of the Surbiton property and Highfield Road, Edgbaston had been agreed but did not proceed These properties will now be remarketed Any properties which remain unsold after a reasonable marketing period may ultimately be offered for sale at auction in order to bring the portfolio realisation to a conclusion

Excluding income from subletting the Group's leased own offices, gross rental income for the year under review was £1 4 million and net income after direct expenses including empty rates and other void costs was £0 9 million The annual rental income before outgoings from the directly-owned portfolio as at 31 January 2012 was £0 9 million The estimated rental value ("ERV") was £1 3 million, reflecting the fact that a significant proportion of the remaining properties in the portfolio at that date were vacant and non-income producing Following the sales made since the year end, annualised net rental income, after deducting outgoings on vacant space, as at 16 May 2012 was £0 1 million

RUGBY ASSET MANAGEMENT ("RAM")

Fee income for the year arising from management of our co-investments was £1 3 million (2011 £2 6 million), of which £1 0 million was derived from O Twelve Estates Limited ("O Twelve") and £0 3 million from ING Covent Garden Limited Partnership ("CGLP") The previous year included £1 1 million in respect of Rugby Estates Investment Trust Plc which, following that company's acquisition by ING Real Estate Income Trust in May 2010, was non-recurring Fee income for the current 2012/13 financial year will further reduce significantly as fee income from CGLP will not be material O Twelve will also have an opportunity to review RAM's appointment in June 2012

Considerable effort has been put into trying to generate new asset management business This has been hampered by the sector being overcrowded, the Group not having the resources available to make a significant co-investment, our own transparency as a quoted company and potential investors' return expectations leaving little potential upside for the manager

CHAIRMAN'S REVIEW
CONTINUED

FINANCING

The Group had no borrowings during the year and is unlikely to have any reason to take on borrowings in the foreseeable future

DISTRIBUTIONS

Cash realised from disposals is being returned to shareholders on a periodic basis In order to comply with company law and to provide shareholders with some flexibility of taxation treatment, certain formal procedures are required Accordingly, returns of cash to shareholders are only made when economically viable amounts have accumulated

During the year, a total of £4 6 million was returned to shareholders, bringing the total cash returned to shareholders since 1 February 2009 to £45 4 million, equivalent to 270p for each share held on 1 February 2009 when the share price was 213p

OUTLOOK

As a result of property sales since 31 January 2012, the Group held free cash balances as at 16 May 2012 amounting to £7 7 million A further return of cash to shareholders of 250p per share, which will absorb £6 4 million, is being announced today

With the planned liquidation of the Group's portfolio now nearing completion and the consequent significant reduction in the Group's scale of operations, the Directors are considering how best to optimise shareholder value The Group will continue with the disposal of the remaining Rugby Capital properties and, in the absence of a preferable alternative arising within the next few months, the Directors consider it likely that they will seek shareholder approval to put the Company and its subsidiaries into Members Voluntary Liquidation within the next 12 months Prior to this, action is being taken to substantially reduce overhead costs As set out in more detail on page 18, the Executive Directors have agreed to reduce their salaries with effect from 1 June 2012 to one third of their present levels There will be a reduction in staffing levels with all of the Group's employees having been put on notice that their jobs are at risk of redundancy

The Directors consider the most important KPI for shareholders to be an estimate of what value shareholders may expect to receive on a liquidation of the Company On the basis of current expectations this is between 440p and 480p per share The calculation of this and the factors affecting the eventual out-turn are set out on page 9 Shareholders should be aware that despite the actions being taken it is not possible to predict accurately the final cash returns to shareholders as in the present economic climate the risks are principally on the downside and in the event of a liquidation of the Company and its subsidiaries it may take some years before a liquidator can complete the distribution process

It is with sadness that I sign off what is almost certainly my final annual Chairman's Review for Rugby Estates Plc as a public company, and I thank my colleagues both past and present for their efforts over the past three decades since I started Rugby Securities in 1980 Your Board is exploring alternatives but if none of these lead to a better outcome for shareholders we consider it likely that we will seek shareholders consent to a delisting of the Company's shares from trading on AIM within the next 12 months followed by a formal solvent liquidation within the next 12 months

A final statistic a shareholder subscribing for 1000 shares at 115p at our IPO in April 1994 and selling the remaining 144 shares at 450p in April 2012 would have achieved an internal rate of return from dividends and returns of cash on their investment of 10 2% per annum over the 18 year period An investment in the FTSE 100 index with income reinvested in the index would have produced an annualised return of 7 4% over the same period

DAVID TYE
CHAIRMAN

17 MAY 2012

OPERATING AND FINANCIAL REVIEW

GOING CONCERN

With the planned liquidation of the Group's portfolio now nearing completion and the consequent significant reduction in the Group's scale of operations, the Directors are considering how best to optimise shareholder value The Group will continue with the disposal of the remaining Rugby Capital properties and, in the absence of a preferable alternative arising within the next few months, the Directors consider it likely that they will seek shareholder approval to put the Company and its subsidiaries into Members Voluntary Liquidation ("MVL") within the next 12 months Prior to this, action is being taken to substantially reduce overhead costs

The Directors have been advised that, based on their current view that it is likely that the Company will enter into MVL within the next 12 months, the financial statements should not be prepared on a going concern basis This does not in any sense imply that the Directors believe that the Group will at any time be unable to meet its debts as they fall due The consequences for the financial statements are

- that the book value of Property, Plant and Equipment (relating to fitting out costs, furniture and office equipment at the Group's leasehold office premises) has been written down to its estimated short term recoverable amount rather than amortised over the remaining term of the lease The depreciation charge for the year increased by £0 2 million as a result,
- references to going concern throughout the financial statements have been amended from the usual form of words,
- shareholders should note that financial statements do not recognise any costs relating to winding down the business or the liquidation process as no firm decision had been made or any obligations crystallised as at 31 January 2012 The Directors' present estimate of such costs is taken into account in estimating shareholder value as set out more fully below

KEY PERFORMANCE INDICATORS

For measuring performance at Group level, the Group's principal financial key performance indicators ("KPI"s) are currently

- Profit or loss before tax, which was a loss for the year of £3 2 million, against a profit of £2 4 million last year,

  This comprised a loss from "net revenue items" (comprising rental income, fee income and finance income less administrative expenses) of £1 1 million (2011 £0 1 million) and losses on the property portfolio of £2 1 million (2011 £0 6 million) There was no material profit or loss on our co-investment vehicles (2011 £3 1 million profit) Administrative expenses include £0 2 million in respect of accelerated depreciation of property, plant and equipment as a result of not applying the going concern basis in preparing the financial statements

- Total comprehensive income or expense, which was an expense for the year of £3 4 million (2011 income of £0 5 million)

  Total comprehensive income is stated after tax and certain other gains and losses For the Group it takes into account the overall change in the value of co-investments

- Estimated shareholder value, which the directors estimate to be in the range 440p to 480p per share

In previous years we have reported triple net assets per share ("NNNAPS") as a KPI to enable shareholders to assess changes in underlying net assets at estimated market value This was based on the statements of financial position which were prepared on a going concern basis Accordingly, NNNAPS did not represent the amount that shareholders would receive on a liquidation of the Company as no allowance was made for costs such as asset disposal fees, termination of employment and other contracts, liquidators' fees and administration expenses during any winding up period In order to optimise shareholder value the Board is looking at various restructuring alternatives and at present considers it likely that shareholders' consent will be sought to put the Company into solvent liquidation within the next 12 months In accordance with current accounting regulations the financial statements for the year ended 31 January 2012 have therefore not been prepared on a going concern basis, although the only adjustments in the financial statements are to increase the depreciation charge by £0 2 million and to amend a number of sections of narrative The Directors now consider the most important KPI for shareholders to be an estimate of what value shareholders may expect to receive on a liquidation of the Company On the basis of current expectations this is between 440p and 480p per share The calculation of this and the factors affecting the eventual out-turn are set out on page 9

In previous years Return on Net Assets was also reported as a KPI As a key component of this was NNNAPS the Directors no longer consider this KPI to be appropriate

OPERATING AND FINANCIAL REVIEW
CONTINUED

Shareholders should be aware that despite the actions being taken to substantially reduce overhead costs, it is not possible to predict accurately the final cash returns to shareholders In the present economic climate the risks are principally on the downside and in the event of a liquidation of the Company and its subsidiaries it may take some years before a liquidator can complete the distribution process

RUGBY CAPITAL

Rugby Capital is the division of the Group which deals with our directly-owned property portfolio

During the year, appetite for investment properties which are not in central London or let on long leases to strong tenants weakened further and no improvement in this situation is in sight This is not the best of conditions in which to realise the Group's residual portfolio and we have found that prices actually achievable in a very thin market may be less than the last formal valuations The letting market is also very challenging and whilst tenant default and bad debts have not been a major problem, a number of tenants have not renewed their leases on expiry There is little reason to believe that market conditions will improve materially in the next 12 months and so, in order to restructure and return cash to shareholders as quickly as possible, the Directors continue to focus on realising the whole portfolio in the near term and certainly by the end of 2012

The principal properties sold during the year, realising £4 8 million, were

- Staines, Moor Lane
- Portsmouth, Gunstore Road
- London E15, Romford Road, Stratford
- Harlow, Printers Way - one further unit

In December 2011, we were pleased to announce that planning consent had been achieved for food retailing at our industrial holding in Surbiton, Surrey enabling a lease to Tesco to be completed for a "Tesco Metro" store, and that a resolution to grant planning consent had been received for the redevelopment of our industrial site at Chilton Trinity, Bridgwater, Somerset to provide 67 dwellings and 14 small business units

Achieving these consents added significantly to the value and saleability of these properties Unfortunately, the additional value created has been more than outweighed by the deterioration in the values achieved in respect of the residual secondary properties which have been sold

The portfolio as at 31 January 2012 comprised

- London E1, Mansell Street (office) - sale completed 13 March 2012
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The Directors estimate the sale value of the portfolio as at 31 January 2012, before deducting selling expenses and other costs expected to be incurred prior to sale, to be £12 8 million, of which £4 7 million has subsequently been realised on sales All properties other than the development land at Chilton Trinity, Bridgwater were valued by CB Richard Ellis at £9 7 million as at 31 January 2012 The Directors have estimated the sale value of the Chilton Trinity site based on the sale agent's advice

The remaining properties have been or are currently being marketed A marketing process to housebuilders is in progress for the Chilton Trinity site The final industrial unit in Harlow is being marketed for sale with vacant possession on the expiry of the current lease in September 2012 The two remaining properties in Edgbaston are substantially vacant and are being marketed for sale Sales of the Surbiton property and Highfield Road

OPERATING AND FINANCIAL REVIEW
CONTINUED

Edgbaston had been agreed but did not proceed These properties will now be remarketed Any properties which remain unsold after a reasonable marketing period may ultimately be offered for sale at auction in order to bring the portfolio realisation to a conclusion

Excluding income from subletting the Group's own leased offices, gross rental income for the year under review was £1 4 million and net income after direct expenses including empty rates and other void costs was £0 9 million The annual rental income before outgoings from the directly-owned portfolio as at 31 January 2012 was £0 9 million The estimated rental value ("ERV") was £1 3 million, reflecting the fact that a significant proportion of the remaining properties in the portfolio at that date were vacant and non-income producing Following the sales made since the year end, annualised net rental income after deducting outgoings on vacant space as at 16 May 2012 was £0 1 million

RUGBY ASSET MANAGEMENT

Rugby Asset Management ("RAM") is the division of the Group which manages our co-investing asset management activities

Primarily as a result of cash distributions received from CGLP as its assets are realised and a fall in O Twelve's share price, the carrying value of co-investments in the statement of financial position decreased in the year by £2 4 million to £0 3 million (2011 £2 7 million)

RAM's principal appointments as Property Adviser during the year were

O Twelve Estates Limited ("O Twelve")

In 2005, the Directors 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 In January 2011, O Twelve raised £37 6 million, before expenses, of new equity RAM is Property Adviser to O Twelve, in which the Group currently holds 7,894,502 shares, representing a 1 64% equity interest

Following the acquisition programme implemented by RAM in 2006 and 2007, O Twelve has assembled a balanced portfolio of 20 properties across the retail, industrial, office and residential sectors in its target area At 30 September 2011, the latest date for which O Twelve has announced results, its portfolio was valued at £158 million and net asset value per share was 7 5p

Under RAM's property advisory agreement with O Twelve, which was last revised in 2009, O Twelve has the right to terminate RAM's appointment if certain performance targets have not been met The key performance target is net asset value per share of 58p or more as at 31 March 2012 Accordingly, O Twelve may wish to review the terms of RAM's appointment when O Twelve's results for the year ending 31 March 2012 are published, which is expected to be in June 2012

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

When it was established CGLP was intended to have a seven year life and accordingly CGLP is now being wound up In December 2009, CGLP sold its investment property portfolio in a single transaction for £119 5 million During the year, CGLP sold its remaining property and the Group received cash distributions of £2 1 million with the result that the carrying value of the Group's investment is now negligible

FEE INCOME

Fee income for the year was £1 3 million (2011 £2 6 million) of which £1 0 million was derived from O Twelve and £0 3 million from CGLP The previous year included £1 1 million in respect of Rugby Estates Investment Trust Plc which, following that company's acquisition by ING Real Estate Income Trust in May 2010, was non-recurring The fee currently receivable from O Twelve is 0 6% per annum of the property portfolio value, which was £158 million as at 30 September 2011 Fee income for the current 2012/13 financial year will further reduce significantly as any future fee income from CGLP will not be material O Twelve will also have an opportunity to review RAM's appointment in June 2012

OPERATING AND FINANCIAL REVIEW

CONTINUED

Considerable effort has been put into trying to generate new asset management business This has been hampered by the sector being overcrowded, the Group not having the resources available to make a significant co-investment, our own transparency as a quoted company and potential investors' return expectations leaving little potential upside for the manager

ADMINISTRATIVE EXPENSES

Administration expenses for the year, excluding charges in respect of the executive incentive schemes and the additional accelerated depreciation charge of £0 2 million arising as a result of disapplying the going concern basis, reduced by 7% to £2 7 million (2011 £2 9 million) Charges in respect of the Long Term Incentive Plan ("LTIP") and Property Realisation Incentive Plan ("PRIP") amounted to £0 3 million (2011 £1 9 million) There are no outstanding awards under the LTIP Assuming all performance conditions are met, the aggregate charge in respect of the PRIP in future years is not expected to exceed £0 7 million As noted below, action is being taken to reduce administration expenses in 2012/13

FINANCING

The Group had no borrowings during the year and is unlikely to have any reason to take on borrowings in the foreseeable future

PRINCIPAL RISKS AND UNCERTAINTIES

The Board considers the principal risks and uncertainties facing the Group to be the following

- the sale proceeds and timing of sales of the Group's residual property portfolio which may be achievable are difficult to predict with any degree of reliability and may not be in accordance with the Board's current expectations and intention to complete the portfolio realisation and return cash to shareholders during 2012,
- the costs and timing of a formal liquidation or other restructuring measures necessary to reduce or eliminate the Group's administration costs whilst optimising the return of cash to shareholders are difficult to predict with any degree of accuracy and may not be in accordance with the Board's current expectations,
- asset management appointments may be terminated and not renewed on viable terms,
- co-investment vehicles with 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

OUTLOOK

As a result of property sales since 31 January 2012, the Group held free cash balances as at 16 May 2012 amounting to £7 7 million A further return of cash to shareholders of 250p per share, which will absorb £6 4 million, is being announced today

With the planned liquidation of the Group's portfolio now nearing completion and the consequent significant reduction in the Group's scale of operations, the Directors are considering how best to optimise shareholder value The Group will continue with the disposal of the remaining Rugby Capital properties and, in the absence of a preferable alternative arising within the next few months, the Directors consider it likely that they will seek shareholder approval to put the Company and its subsidiaries into Members Voluntary Liquidation within the next 12 months Prior to this, action is being taken to substantially reduce overhead costs As set out in more detail on page 18, the executive directors have agreed to reduce their salaries with effect from 1 June 2012 to one third of the present levels There will be a reduction in staffing levels with all of the Group's employees having been put on notice that their jobs are at risk of redundancy

The Directors consider the most important KPI for shareholders to be an estimate of what value shareholders may expect to receive on a liquidation of the Company On the basis of current expectations this is between 440p and 480p per share The calculation of this and the factors affecting the eventual out-turn are set out on page 9 Shareholders should be aware that despite the actions being taken it is not possible to predict accurately the final cash returns to shareholders as in the present economic climate the risks are principally on the downside and in the event of a liquidation of the Company and its subsidiaries it may take some years before a liquidator can complete the distribution process, and the costs of that process cannot be predicted with accuracy

Your Board is exploring alternatives but if none of these lead to a better outcome for shareholders we consider it likely that we will seek shareholders consent to a delisting of the Company's shares from trading on AIM within the next few months, followed by a formal solvent liquidation within the next 12 months

ANDREW WILSON
CHIEF EXECUTIVE

STEPHEN JONES
FINANCE DIRECTOR

17 MAY 2012

ESTIMATED SHAREHOLDER VALUE

	31 JANUARY 2012 £m	31 JANUARY 2011 £m
Net assets per statement of financial position	**15 3**	23 2
Market value of property inventories	**12 8**	19 6
Less property pre-sale costs	**(0.3)**	–
Less book value of property inventories	**(11.4)**	(18 0)
Tax payable if property inventories are sold at market value	**–**	(0 4)
LTIP obligation	**–**	(0 7)
PRIP obligation 1	**(0 7)**	(1 0)
Triple net assets 2	**15 7**	22 7
Estimated further costs (range)		
Property sale costs	**(0 3) - (0 2)**	
Redundancy costs	**(1 5) - (1.4)**	
Other contractual termination costs	**(0 8) - (0.6)**	
Pre-liquidation trading losses	**(1 0) - (0 7)**	
Legal, restructuring and liquidators fees	**(0 9) - (0 6)**	
Estimated shareholder value (range) 3	**11 2 - 12 2**	
Number of Ordinary Shares		
At 31 January 2012	**2,548,728**	
Estimated Shareholder Value per share (range) 3	**440p - 480p**	

1 At the General Meeting held on 15 June 2009 shareholders approved two executive incentive schemes Under the Property Realisation Incentive Plan ("PRIP") the executive directors will receive up to 5% of distributions to shareholders arising from the realisation of the Group's property portfolio and capital returns from co-investments between 1 February 2009 and 31 January 2014 If the Group's properties were sold at market value and co-investments were realised at share of estimated net assets as at 31 January 2012, and the proceeds distributed to shareholders, the future cost to the Group would be approximately £0 7 million Under the Value Creation Plan ("VCP") employees may receive benefits if certain performance targets relating to the value of the asset management business are achieved by 31 January 2014 The Directors do not expect the VCP performance targets to be achieved

2 In previous years, triple net assets and triple net assets per share was calculated and reported as a key performance indicator to enable shareholders to assess changes in underlying net assets at estimated market value Triple net assets per share does not necessarily represent amounts which shareholders would receive on a liquidation as no allowance is made for costs such as asset disposal fees termination of employment and other contracts liquidators fees and administration expenses during any winding up period

3 Estimated Shareholder Value per share represents the directors' current best estimate of the amount which shareholders might expect to receive if the Company and its subsidiaries are put into Members' Voluntary Liquidation within the next 12 months Shareholders should be aware that

- The amounts which may be realised on disposal of the remaining properties may differ from current expectations and recent valuations
- The timing and extent of actions to reduce administration expenses will depend inter-alia on the timing of property sales the potential review by O Twelve Estates Ltd of RAM as property adviser, shareholder approval of delisting the Company's shares the proposed return of cash to shareholders and exploration of alternatives to liquidation Thus the extent of trading losses before any formal appointment of a liquidator cannot be predicted with accuracy
- The liquidator's fees and costs incurred during liquidation and the time scale for finally resolving the affairs of the Company and its subsidiaries cannot be predicted with accuracy
- There may be latent liabilities or claims against the Company or its subsidiaries of which the Directors are not aware

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

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

RESULTS

The results for the year are set out in the Group Statement of Comprehensive Income on page 21

The loss for the year, after taxation, amounted to £3,134,000 (2011 profit £2,378,000)

RETURN OF CASH TO SHAREHOLDERS

On 11 December 2008, the Company announced its intention to concentrate on the asset management business and to return to shareholders the cash realised from disposal of the Group's directly-owned property portfolio During the year, a further £4,602,000 (2011 £26,236,000) was returned to shareholders, amounting to 125p for each share held at the start of the year In connection with this, an application was made to the Court for a reduction of capital and a reduction in the share premium account and this was sanctioned by the Court on 3 August 2011 Further details of the reduction of capital and return of cash to shareholders are in note 22 on page 47

SHARE CONSOLIDATION

In order to maintain comparability of share price following the return of cash to shareholders, the share capital of the Company was subject to a 9 for 13 share consolidation on 3 August 2011 Further details of changes in share capital are in notes 22 and 23 on pages 47 to 48

BUSINESS REVIEW

Accounts of the Group's progress during the year, 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 4 and the Operating and Financial Review on pages 5 to 8 Risk factors and environmental, employee and social matters are considered in the Corporate Governance Report on pages 15 to 18

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made charitable donations of £1,250 (2011 £2,050) during the year The principal charitable purpose was child welfare £1,000 (2011 medical research £1,750) The Group made no political contributions

PAYMENT POLICY

The Company and Group agree terms and conditions for its business transactions with its suppliers Payment is then made on these terms, subject to the terms and conditions being met by the supplier At 31 January 2012 there were nil days purchases (2011 nil) outstanding in respect of the Group's trade creditors

FINANCIAL RISK MANAGEMENT

The Group's policies for managing financial risk are described in note 27 on pages 51 to 54

GOING CONCERN

The Group's principal activity is property trading, management and investment The scale of activities is reducing and is expected to become very small or negligible within the next 12 months In the absence of a preferable alternative arising within the next few months, the Directors consider it likely that they will seek shareholder approval to put the Company and its subsidiaries into Members Voluntary Liquidation ("MVL") within the next 12 months Accordingly, they have not prepared the financial statements on a going concern basis The effect of this is explained in note 2

DIRECTORS' LIABILITIES

The Company has granted an indemnity to its Directors against liability in respect of proceedings brought by third parties to the limits set out in legislation The qualifying third party indemnity provision remains in force as at the date that this report was approved

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at The Lansdowne Club, 9 Fitzmaurice Place, Mayfair, London W1J 5JD on Wednesday 11 July 2012 at 10 30am The Directors will be available 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 58 to 61 Explanatory information regarding the proposed Resolutions is set out on pages 56 to 57

DIRECTORS' REPORT
CONTINUED

SUBSTANTIAL SHAREHOLDINGS

At 16 May 2012 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 13P	
Laxey Partners	679,456	26 66%
F&C Asset Management plc	291,469	11 44%
Prudential plc	201,025	7 88%
David Taglight	88,314	3 47%
Rugby Estates Plc Retirement Benefits Scheme	86,719	3 40%

The holdings reported have been adjusted for the five share capital consolidations between 9 July 2009 and 3 August 2011

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 each of the company as at the dates indicated

	16 MAY 2012 SHARES OF 13P	31 JANUARY 2012 SHARES OF 13P	31 JANUARY 2011 SHARES OF 12P
David M F Tweeddale-Tye	220,403	**220,403**	300,872
Andrew L Wilson	60,699	**60,699**	113,314
Stephen D Jones	36,909	**36,909**	42,943
John A Jackson (non-executive)	25,477	**25,477**	36,807
David J Lindop (non-executive)	–	–	–

The holdings reported at 31 January 2011 have not been adjusted for the 9 for 13 share consolidation on 3 August 2011

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 Benefits Scheme

INTERESTS OF THE DIRECTORS IN THE RUGBY ESTATES PLC ALL EMPLOYEE SHARE OWNERSHIP PLAN (THE "PLAN")

ORDINARY SHARES			D M F TWEEDDALE-TYE	A L WILSON	S D JONES
Share awards which became unconditional during the year					
Vesting date		MV(a)			
4 July 2011	F	430p	203	203	203
12 December 2011	M	427p	137	137	137
Market value at date of vesting			£1,558	£1,558	£1,558
Outstanding conditional awards					
Vesting date		MV(b)			
4 November 2012	F	247 5p	217	217	217
23 December 2012	M	176p	268	268	268
28 May 2013	F	319 5p	202	202	202
15 December 2013	M	347p	398	398	398
27 May 2014	F	399p	519	519	519
16 June 2014	M	401 5p	516	516	516
At 31 January 2012			**2,120**	**2,120**	**2,120**
At 31 January 2011			1,973	1,973	1,973

DIRECTORS' REPORT
CONTINUED

The awards reported at 31 January 2012 have been adjusted for the share capital consolidations between 9 July 2009 and 3 August 2011

(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

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 11

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	D M F TWEEDDALE-TYE	A L WILSON	S D JONES
Outstanding conditional awards of shares			
At 31 January 2012	**–**	**–**	**–**
At 31 January 2011	89,058	89,058	89,058
Shares vested during the year	**32,978**	**32,978**	**32,978**

Shares vested during the year on 21 May 2011, at which date the mid-market price was 418p

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 393p for awards vesting on 21 May 2011

Vesting of the awards is subject to the following performance conditions

(a) 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

(b) 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

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

DIRECTORS' REPORT
CONTINUED

INTERESTS OF THE DIRECTORS IN THE RUGBY ESTATES PLC 2009 VALUE CREATION PLAN (THE "VCP")

Directors were awarded units under the VCP on 16 July 2009 as follows

D M F Tweeddale-Tye	20,000
A L Wilson	20,000
S D Jones	10,000

A total of 100,000 units may be awarded under the VCP At 31 January 2011 a total of 70,000 units had been awarded Shortly after 31 January 2014, units will convert to Share Awards, in the form of nil cost options over Ordinary Shares, subject to continuous employment and achievement of the following corporate performance targets

- disposal of the Group's directly-owned property portfolio (save for residual assets not exceeding £2 million), and
- annual fee income from the asset management business greater than £5 million for the year ending 31 January 2014

The value of the Share Awards on conversion of the units will be between 10% and 20% of the amount by which the value of the Company at 31 January 2014 exceeds £5 million If the value of the Company is less than £10 million, no Share Awards will be made If the value of the Company is £10 million, Share Awards will be 10% of the increase in value, increasing on a straight line basis to a maximum 20% of the increase in value at £20 million and above

The value of the Company at 31 January 2014 will be the market capitalisation of the Company at that date less the fair value of co-investments and any residual properties

INTERESTS OF THE DIRECTORS IN THE RUGBY ESTATES PLC 2009 PROPERTY REALISATION INCENTIVE (THE "PRIP")

Directors were awarded units under the PRIP on 16 July 2009 as follows

D M F Tweeddale-Tye	40,000
A L Wilson	40,000
S D Jones	20,000

No units other than those shown above have been or will be awarded

An award under the PRIP gives a participant the right to receive a pre-determined cash payout from a bonus pool dependent on continuity of employment and the achievement of performance conditions Participants will receive, in aggregate, an amount in cash equivalent to 5% of any distributions made to Shareholders over the five years ending 31 January 2014, excluding the return of cash of 50p per share made in July 2009 The total bonus pool will not exceed 5% of the aggregate gross sale proceeds of the properties owned at 31 January 2009 and capital realisations of co-investments

50% of the bonus pool created will be paid out in respect of distributions made in each relevant financial year The remaining 50% will be deferred and paid out shortly after 31 January 2014, subject to

- disposal of the Group's directly-owned property portfolio (save for residual assets not exceeding £2 million), and
- the aggregate gross sale proceeds from the disposal of properties being at least £41 36 million

The Remuneration Committee retains the discretion to accelerate the release of the deferred sums in exceptional circumstances

Payments under the PRIP during the year are shown in note 6 on page 37

DIRECTORS' REPORT
CONTINUED

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

BDO 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

17 MAY 2012

CORPORATE GOVERNANCE

Whilst the UK Corporate Governance 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 Directors reviewed and updated the Company's corporate governance procedures in the previous financial year having regard to the Corporate Governance Guidelines for Smaller Quoted Companies published by the Quoted Companies Alliance in September 2010 ("QCA Guidelines")

THE BOARD

During the year, the Board consisted of three executive directors and two independent non-executive directors The Board held six scheduled board meetings during the year, at which all directors were present In addition, the Board held five ad hoc meetings at short notice to approve specific matters, at some of which not all directors were able to be present

The Board as a whole meets at least four 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

The Senior Independent Director is John Jackson

The QCA Guidelines recommend that the Board carries out formal performance evaluation Accordingly, the Board met during the year to perform an evaluation of its performance, primarily through a structured questionnaire and individual discussions between the Chairman and each director The Senior Independent Director evaluated the performance of the Chairman

NOMINATION COMMITTEE

The Nomination Committee comprises Mr Tweeddale-Tye as Chairman, Mr Jackson and Mr Lindop 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 Lindop as Chairman and Mr Jackson During the year, the Committee met on two occasions 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

The Committee reviews the objectivity and independence of the Auditor annually The Auditor does not provide any significant non-audit services to the Group

The Board carries out periodic audit review and re-tender exercises every five years, the last such exercise having been undertaken in 2008

CORPORATE GOVERNANCE
CONTINUED

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 faced by the Group which may be managed through internal control procedures 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 27 on pages 51 to 54
- 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
- Reputational risks, which include investor, community, personnel and business relationships With the growth of the asset management business in recent years, 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

The Group has a very small management team operating from a single location The Board meets at least four 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 2012 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

CORPORATE GOVERNANCE
CONTINUED

The principal risks and uncertainties currently faced by the Group are set out in the Operating and Financial Review on page 5

THE REMUNERATION COMMITTEE

The Remuneration Committee during the year comprised Mr Jackson as Chairman and Mr Lindop 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 twice 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 In previous years, longer term performance has been rewarded principally through the LTIP, whilst annual performance-related bonuses have been based principally on the profits realised in each financial year Since December 2008, the Group's strategy has been to concentrate on the asset management business and to return to shareholders the cash realised from the disposal of the Group's directly-owned properties Accordingly, in early 2009 the Remuneration Committee undertook a detailed review of its remuneration policy to ensure that the policy supports the new business strategy and continues to enable the Company to attract, motivate and retain executives of the calibre necessary to deliver the corporate strategy over the next three to four years A new incentive structure to support this strategy was approved by Shareholders at a General Meeting held on 15 June 2009 This consists of

- The Rugby Estates Plc 2009 Property Realisation Incentive Plan (the "PRIP") which gives the Executive Directors the opportunity to earn cash bonuses directly related to distributions to Shareholders generated from the realisation of the Group's property portfolio by 31 January 2014, and
- The Rugby Estates Plc 2009 Value Creation Plan (the "VCP"), the overriding principle of which is to allow Executives to be awarded equity with a value equivalent of up to 20% of the value created for Shareholders driven by the growth in value of the asset management business

No new awards under the LTIP have been or will be made following the approval of the PRIP and VCP on 15 June 2009

Details of Directors' remuneration for the year are set out in note 6 on page 37

Details of the Group's incentive plans, and the Directors' interests therein, are set out in the Directors' Report on pages 10 to 14

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 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

Save as set out below, 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,

CORPORATE GOVERNANCE

the Remuneration Committee considers the individual circumstances and determines any compensation payments accordingly

On 15 May 2012 the Executive Directors agreed with the Company certain changes to their contracts of employment for a period of 12 months commencing 1 June 2012

- basic salary and salary in lieu of pension contributions will be reduced to one third of the current level,
- their employment will automatically terminate on the Company entering into Members' Voluntary Liquidation,
- on termination of their employment, each Executive Director will receive a sum equal to 12 months salary and salary in lieu of pension contributions calculated at the current (unreduced) level This sum will not be varied by any salary paid during any period of notice, and
- each Executive Director will devote such time and attention to the Company's affairs as are reasonably necessary instead of his whole time during Business Hours

All Directors are required to submit themselves for re-election every three years At the 2012 AGM Mr Jones will retire and offers himself for re-election His biographical details are given on page 63

PERSONNEL

Maintenance of shareholder value depends critically on the recruitment, personal development and retention of suitably experienced, qualified and talented people The number of employees, including Executive Directors, during the year was 12 All of these employees are based at the Group's office at 4 Farm Street London W1 Six of the 12 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 have also received awards under the Long Term Incentive Plan ("LTIP") and the Value Creation Plan ("VCP") Further details of the AESOP, LTIP and VCP are given on pages 49 to 50 These share schemes, which include vesting periods of three years or more, 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 preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business As explained in note 2 to the financial statements, the Directors do not believe the going concern basis to be appropriate and these financial statements have not been prepared on that basis

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

WEBSITE PUBLICATION

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website Financial statements are published on the Company'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 Company's website is the responsibility of the Directors The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein

AL WILSON
DIRECTOR

S D JONES
DIRECTOR

17 MAY 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUGBY ESTATES PLC

We have audited the financial statements of Rugby Estates Plc for the year ended 31 January 2012 which compnse the group statement of comprehensive income, the group and company statement of financial position, the group and company statement of changes in equity, the group and company statement of cash flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A descnption of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/pnvate cfm

OPINION ON FINANCIAL STATEMENTS

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 January 2012 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

EMPHASIS OF MATTER - FINANCIAL STATEMENTS PREPARED OTHER THAN ON A GOING CONCERN BASIS

In forming our opinion on the financial statements, which is not modified, we draw attention to the disclosures made in Note 2 to the financial statements concerning the planned disposal of the group's property portfolio and the consequent significant reduction in the group's scale of operations In the absence of a preferable alternative ansing within the next few months, the directors consider it likely that they will seek shareholder approval to put the company and its subsidiaries into Members Voluntary Liquidation within the next 12 months Accordingly, the directors have prepared the financial statements on the basis that the group is no longer a going concern

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

RICHARD LEVY (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF BDO LLP, STATUTORY AUDITOR
LONDON, UNITED KINGDOM

17 MAY 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 January 2012

	NOTES	2012 £'000	2011 £'000
Sales of properties		**4,767**	18,148
Rental income		**1,406**	2,368
Fees receivable		**1,309**	2,586
Revenue		7,482	23,102
Direct costs of			
Sales of properties		**(3,967)**	(18,391)
Net realisable value adjustment to inventory		**(3,114)**	(311)
Rental income		**(551)**	(367)
Fees receivable		**(10)**	(17)
Direct costs		**(7,642)**	(19,086)
Administrative expenses		**(3,231)**	(4,816)
Other operating income	4	**240**	-
Gains and losses on financial assets			
- distributions received	14	**2,084**	1,277
- unrealised impairment losses	14	**(2,130)**	(2)
- gains previously recognised in other comprehensive income	14	**-**	1,797
Finance costs	7	**-**	(2)
Finance revenue	8	**28**	160
Share of post-tax results of associates	14	**-**	11
(Loss)/profit before taxation	4	**(3,169)**	2,441
Income tax credit/(charge)	9	**35**	(63)
(Loss)/profit for the year attributable to equity holders of the parent		**(3,134)**	2,378
Other comprehensive income			
Fair value losses on financial assets	14	**(259)**	(69)
Gains realised on disposal	14	**-**	(1,797)
Other comprehensive expense for the year (net of tax)		**(259)**	(1,866)
Total comprehensive (expense)/income for the year attributable to equity holders of the parent		**(3,393)**	512
Basic and diluted (loss)/earnings per share (2011 restated)	12	**(124 9)p**	96 7p

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 January 2012 **Company Number 2548935**

	NOTES	2012 £'000	2011 £'000
Non-current assets			
Financial assets	14	**328**	2,717
Total co-investments		**328**	2,717
Property, plant and equipment	15	**36**	259
Total non-current assets		**364**	2,976
Current assets			
Property inventories	17	**11,436**	18,018
Trade and other receivables	18	**1,610**	942
Current tax assets		**11**	26
Cash and short term deposits	26	**4,580**	4,894
Total current assets		**17,637**	23,880
Total assets		**18,001**	26,856
Current liabilities			
Trade and other payables	20	**2,666**	3,649
Provisions	21	**68**	–
Total current liabilities		**2,734**	3,649
Non-current liabilities			
Deferred taxation	19	**–**	10
Total non-current liabilities		**–**	10
Total liabilities		**2,734**	3,659
Net assets		**15,267**	23,197
Equity			
Called up share capital	23	**331**	428
Own shares – held for AESOP	25	**(140)**	(121)
Share premium account	25	**6,094**	8,189
Capital redemption reserve	25	**4,402**	4,402
Unrealised gains and losses	25	**–**	259
Retained earnings	25	**4,580**	9,384
LTIP reserve	25	**–**	656
Shareholders' equity		**15,267**	23,197

The financial statements on pages 21 to 55 were approved and authorised for issue on 17 May 2012 by the Board of Directors and were signed on its behalf by

A L WILSON
DIRECTOR

S D JONES
DIRECTOR

COMPANY STATEMENT OF FINANCIAL POSITION

At 31 January 2012 Company Number 2548935

	NOTES	2012 £'000	2011 £'000
Non-current assets			
Investment in subsidiary undertakings	16	**2**	2
Property, plant and equipment	15	**36**	259
Total non-current assets		**38**	261
Current assets			
Trade and other receivables	18	**17,554**	23,815
Current tax assets		**543**	431
Cash and short term deposits	26	**2,927**	2,544
Total current assets		**21,024**	26,790
Total assets		**21,062**	27,051
Current liabilities			
Trade and other payables	20	**9,179**	7,654
Total current liabilities		**9,179**	7,654
Non-current liabilities			
Financial liabilities – deferred taxation	19	**–**	10
Total non-current liabilities		**–**	**10**
Total liabilities		**9,179**	7,664
Net assets		**11,883**	19,387
Equity			
Called up share capital	23	331	428
Own shares– held for AESOP	25	**(140)**	(121)
Share premium account	25	**6,094**	8,189
Capital redemption reserve	25	**4,402**	4,402
Retained earnings	25	**1,196**	5,833
LTIP reserve	25	**–**	656
Shareholders' equity		**11,883**	19,387

The financial statements on pages 21 to 55 were approved and authorised for issue on 17 May 2012 by the Board of Directors and were signed on its behalf by

A L WILSON
DIRECTOR

S D JONES
DIRECTOR

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 January 2012

GROUP	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	CAPITAL RE-DEMPTION RESERVE £'000	RETAINED EARNINGS £'000	UNREALISED GAINS AND LOSSES £'000	LTIP RESERVES £'000	OWN SHARES HELD FOR AESOP* £'000	TOTAL SHARE-HOLDERS EQUITY £'000
At 1 February 2010	1,714	19,735	4,402	19,600	2,125	1 324	(150)	48,750
Total comprehensive income for the year	–	–	–	2,378	(1,866)	–	–	512
AESOP* shares purchased	–	–	–	–	–	–	(58)	(58)
AESOP* shares charged to income statement	–	–	–	–	–	–	87	87
Share options exercised	7	113	–	–	–	–	–	120
LTIP** charged to income statement	–	–	–	–	–	346	–	346
LTIP** grant vested	–	–	–	690	–	(1 014)	–	(324)
Reduction of capital	(1,293)	–	–	1,293	–	–	–	–
Reduction of share premium	–	(11,659)	–	11 659	–	–	–	–
Return of cash 2 September 2010	–	–	–	(20 079)	–	–	–	(20,079)
Return of cash 31 January 2011	–	–	–	(6,157)	–	–	–	(6 157)
At 31 January 2011	**428**	**8,189**	**4,402**	**9,384**	**259**	**656**	**(121)**	**23,197**
Total comprehensive expense for the year	–	–	–	(3,134)	(259)	–	–	(3,393)
AESOP* shares purchased	–	–	–	–	–	–	(72)	(72)
AESOP* shares charged to income statement	–	–	–	–	–	–	53	53
LTIP** charged to income statement	–	–	–	–	–	71	–	71
LTIP** grant vested	13	–	–	727	–	(727)	–	13
Reduction of capital	(110)	–	–	110	–	–	–	–
Reduction of share premium	–	(2,095)	–	2 095	–	–	–	–
Return of cash 18 August 2011	–	–	–	(4 602)	–	–	–	(4,602)
At 31 January 2012	**331**	**6,094**	**4,402**	**4,580**	**–**	**–**	**(140)**	**15,267**

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

** LTIP – the Groups Long Term Incentive Plan

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 January 2012

COMPANY	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	CAPITAL RE-DEMPTION RESERVE £'000	RETAINED EARNINGS £'000	UNREALISED GAINS AND LOSSES £'000	LTIP RESERVES £'000	OWN SHARES HELD FOR AESOP* £'000	TOTAL SHARE-HOLDERS EQUITY £'000
At 1 February 2010	1,714	19,735	4,402	14,631	–	1 324	(150)	41,656
Total comprehensive income for the year	–	–	–	3,796	–	–	–	3,796
AESOP* shares purchased	–	–	–	–	–	–	(58)	(58)
AESOP* shares charged to income statement	–	–	–	–	–	–	87	87
Share options exercised	7	113	–	–	–	–	–	120
LTIP** charged to income statement	–	–	–	–	–	346	–	346
LTIP** grant vested	–	–	–	690	–	(1,014)	–	(324)
Reduction of capital	(1,293)	–	–	1,293	–	–	–	–
Reduction of share premium	–	(11,659)	–	11,659	–	–	–	–
Return of cash 2 September 2010	–	–	–	(20 079)	–	–	–	(20 079)
Return of cash 31 January 2011	–	–	–	(6,157)	–	–	–	(6 157)
At 31 January 2011	**428**	**8 189**	**4,402**	**5,833**	**–**	**656**	**(121)**	**19,387**
Total comprehensive expense for the year	–	–	–	(2,967)	–	–	–	(2,967)
AESOP* shares purchased	–	–	–	–	–	–	(72)	(72)
AESOP* shares charged to income statement	–	–	–	–	–	–	53	53
LTIP** charged to income statement	–	–	–	–	–	71	–	71
LTIP** grant vested	13	–	–	727	–	(727)	–	13
Reduction of capital	(110)	–	–	110	–	–	–	–
Reduction of share premium	–	(2,095)	–	2,095	–	–	–	–
Return of cash 18 August 2011	–	–	–	(4 602)	–	–	–	(4,602)
At 31 January 2012	**331**	**6,094**	**4,402**	**1,196**	**–**	**–**	**(140)**	**11,883**

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

** LTIP – the Group s Long Term Incentive Plan

GROUP STATEMENT OF CASH FLOWS

For the year ended 31 January 2012

	NOTES	2012 £'000	2011 £'000
Cash flows from operating activities before changes in working capital		**(2,801)**	(307)
Decrease in property inventories		**6,582**	17,827
(Increase)/decrease in receivables		**(662)**	1,180
(Decrease)/increase in payables		**(915)**	875
Cash generated from operations		**2,204**	19,575
Finance costs		**-**	(2)
Finance revenue		**22**	157
Tax received		**40**	1,448
Cash flows from operating activities		**2,266**	21,178
Cash flows from investing activities			
Dividends received from associates		**-**	13
Proceeds from sale of financial assets		**-**	3,144
Distributions received from financial assets		**2,084**	1,277
Purchase of interests in financial assets		**-**	(126)
Purchase of property, plant, equipment		**(3)**	(4)
Cash flows from investing activities		**2,081**	4,304
Cash flows from financing activities			
LTIP grant vested		**-**	(324)
Shares issued		**13**	120
Purchase of own shares by AESOP		**(72)**	(58)
Return of capital to shareholders		**(4,602)**	(26,236)
Cash flows from financing activities		**(4,661)**	(26,498)
Net decrease in cash and cash equivalents		**(314)**	(1,016)
Cash and cash equivalents at start of period	26	**4,894**	5,910
Cash and cash equivalents at end of period	26	**4,580**	4,894

	2012 £'000	2011 £'000
Reconciliation of cash flows from operating activities		
(Loss)/profit before taxation	**(3,169)**	2,441
Gains realised on financial assets	**-**	(1,797)
Income from investments	**(2,084)**	(1,277)
Share of results of Associate	**-**	(11)
Finance costs	**-**	2
Finance revenue	**(28)**	(160)
Share based payment charge – LTIP	**71**	346
Share based payment charge – AESOP	**53**	87
Depreciation	**223**	59
Loss on disposal of property, plant and equipment	**3**	1
Unrealised impairment losses on financial assets	**2,130**	2
Cash flows from operating activities before changes in working capital	**(2,801)**	(307)

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 January 2012

	NOTES	2012 £'000	2011 £'000
Cash flows from operating activities before changes in working capital		(4,341)	376
Decrease in receivables		6,267	20,151
Increase in payables		2,942	5,851
Cash generated from operations		4,868	26,378
Finance costs		–	(2)
Finance revenue		14	42
Tax received		165	346
Cash flows from operating activities		5,047	26,764
Cash flows from investing activities			
Dividends received from associates		–	2
Purchase of property, plant and equipment		(3)	(4)
Cash flows from investing activities		(3)	(2)
Cash flows from financing activities			
LTIP grant vested		–	(324)
Shares issued		13	120
Purchase of own shares by AESOP		(72)	(58)
Return of capital to shareholders		(4,602)	(26,236)
Cash flows from financing activities		(4,661)	(26,498)
Net increase in cash and cash equivalents		383	264
Cash and cash equivalents at beginning of period	26	2,544	2,280
Cash and cash equivalents at end of period	26	2,927	2,544

	2012 £'000	2011 £'000
Reconciliation of cash flows from operating activities		
(Loss)/profit before taxation	(3,254)	4,088
Finance costs	–	2
Finance revenue	(20)	(45)
Share based payment charge – LTIP	71	346
Share based payment charge – AESOP	53	87
Depreciation	223	59
Loss on disposal of property, plant and equipment	3	1
Intra-Group dividends	(1,417)	(4,162)
Cash flows from operating activities before changes in working capital	(4,341)	376

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

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 2012 were authorised for issue by the board of directors on 17 May 2012 and the statement of financial position was signed on the board's behalf by A L Wilson 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 Finance 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 2012 and applied in accordance with the Companies Act 2006

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 certain financial instruments are stated at fair value as described below

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

With the planned disposal of the Group's property portfolio now nearing completion and the consequent significant reduction in the Group's scale of operations, the Directors are considering how best to optimise shareholder value In the absence of a preferable alternative arising within the next few months, the Directors consider it likely that they will seek shareholder approval to put the Company and its subsidiaries into Members Voluntary Liquidation within the next 12 months Accordingly, as required by IAS 1 25 and as permitted by SI 2008/420 Schedule 1 (10)(2), the Directors have prepared the financial statements on the basis that the Company is no longer a going concern

The Directors have reviewed the Group's assets and accordingly have written the carrying value of Property, Plant Equipment down to its short term recoverable amount The Directors consider the value of all the other assets disclosed in the financial statements to be equal to their net realisable value

The financial statements do not include any provision for costs relating to the potential Members Voluntary Liquidation as no firm decision had been made at 31 January 2012

No income statement is presented by the Company as permitted by Section 408 of the Companies Act 2006

Basis of Consolidation

The Group accounts consolidate the financial statements of Rugby Estates Plc and its subsidiary undertakings drawn up to 31 January 2012

Acquired companies have been included in the consolidated financial statements using the purchase method of accounting when the transaction can be identified as a business combination When determining if an acquisition qualifies as a business 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 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 statements of financial position 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

NOTES TO THE FINANCIAL STATEMENTS
At 31 January 2012

02 ACCOUNTING POLICIES CONTINUED

Property, Plant and Equipment

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

Depreciation is provided on Property, Plant and Equipment 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 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,

The carrying values of Property, Plant and Equipment 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

An item of Property, Plant and Equipment 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 statement of financial position 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 comprehensive income 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 and loss, directly attributable transaction costs The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates the 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 statement of financial position 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

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

02 ACCOUNTING POLICIES CONTINUED

Financial liabilities

The Group classifies all of its financial liabilities as other financial liabilities

Other financial liabilities include trade and other payables and provisions which are initially recognised at fair value and subsequently carried at amortised cost

Provisions

The Group has recognised provisions for liabilities of uncertain timing and amount which include profit share payments to third parties which may result from the future sale of property inventories The provision is measured at the best estimate of the expenditure required to settle profit share obligations at the reporting date Given the expected short term nature of these provisions as they are expected to be settled within 12 months, no discounting has been applied

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

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

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 retained earnings No gain or loss is recognised in the income 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 This is 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 services are provided 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 comprise head rents payable, irrecoverable service charge costs and other property outgoings

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

02 ACCOUNTING POLICIES CONTINUED

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 other performance conditions are satisfied At each statement of financial position 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 statement of financial position date is recognised in the income statement, 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 statement of financial position date

Deferred Tax

Deferred income tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial 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 interest 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 difference 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 statement of financial position 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 statement of financial position 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 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 statement of financial position date

Tax relating to items recognised directly in equity is recognised in equity and not 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

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

02 ACCOUNTING POLICIES CONTINUED

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leases 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

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 Revision to accounting estimates are recognised prospectively in the accounting period to which they relate

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 24

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 statement of financial position 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

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

NOTES TO THE FINANCIAL STATEMENTS
At 31 January 2012

02 ACCOUNTING POLICIES CONTINUED

Changes in Accounting Policies

New standards, interpretations and amendments effective for the current period

The following new standards, interpretations and amendments, applied for the first time during the current year but have not had a material impact on the financial statements

- Amendments to IAS 12 Deferred Tax Recovery of Underlying Assets
- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets
- Improvements to IFRSs (2010)
- Revised IAS 24 Related Party Disclosures

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

	MANDATORY EFFECTIVE DATE
• Amendments to IAS 1 Disclosures – Presentation of items of Other Comprehensive Income	01-Jul-12
• IFRS 10 Consolidated Financial Statements	01-Jan-13
• IFRS 11 Joint Arrangements	01-Jan-13
• IFRS 12 Disclosure of interests in Other Entities	01-Jan-13
• IFRS 13 Fair Value Measurement	01-Jan-13
• IAS 27 Separate Financial Statements	01-Jan-13
• IAS 28 Investments in Associates and Joint Ventures	01-Jan-13
• IAS 19 Employee Benefits	01-Jan-13
• Amendments to IFRS 7 Disclosures – Offsetting Financial Assets & Liabilities	01-Jan-13
• Amendments to IAS 32 (clarification) – Offsetting Financial Assets & Liabilities	01-Jan-14
• IFRS 9 Financial Instruments	01-Jan-15

Other than IFRS 9, the new standards and interpretations not applied are not expected to have a material impact on the financial statements

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 2012	RUGBY CAPITAL £'000	RUGBY ASSET MANAGEMENT £'000	UNALLOCATED ITEMS £'000	2012 £'000
Group Statement of Comprehensive Income				
Sale of properties	4,767	–	–	4,767
Rental income	1,406	–	–	1,406
Fees receivable	–	1,309	–	1,309
Revenue	6,173	1,309	–	7,482
Profit on sales of properties	800	–	–	800
Net realisable value adjustment to inventory	(3,114)	–	–	(3,114)
Net rental income	855	–	–	855
Net fees receivable	–	1,299	–	1,299
Administrative expenses	–	–	(3,231)	(3,231)
Other operating income	240	–	–	240
Gains and losses on financial assets	–	(46)	–	(46)
Finance revenue	–	–	28	28
Profit/(loss) before taxation	(1,219)	1,253	(3,203)	(3,169)

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

03 SEGMENTAL ANALYSIS CONTINUED

YEAR ENDED 31 JANUARY 2012	RUGBY CAPITAL £'000	RUGBY ASSET MANAGEMENT £'000	UNALLOCATED ITEMS £'000	2012 £'000
Group Statement of Financial Position				
Financial assets	–	328	–	328
Property, plant and equipment	–	–	36	36
Property inventories	11,436	–	–	11,436
Receivables – current	1,338	91	181	1,610
Current tax assets	–	–	11	11
Cash and short term deposits	–	–	4,580	4,580
Current liabilities	(1,162)	(20)	(1,552)	(2,734)
Non-current liabilities	–	–	–	–
Net assets	11,612	399	3,256	15,267

Other Segment information

Additions to property, plant and equipment			3	3
Depreciation			223	223

All non-current assets are UK based

29% of Revenue was generated from one customer in respect of the sale of one property

YEAR ENDED 31 JANUARY 2011	RUGBY CAPITAL £'000	RUGBY ASSET MANAGEMENT £'000	UNALLOCATED ITEMS £'000	2011 £'000
Group Statement of Comprehensive Income				
Sale of properties	18,148	–	–	18,148
Rental income	2,368	–	–	2,368
Fees receivable	–	2,586	–	2,586
Revenue	20,516	2,586	–	23,102
(Loss) on sales of properties	(243)	–	–	(243)
Net realisable value adjustment to inventory	(311)	–	–	(311)
Net rental income	2,001	–	–	2,001
Net fees receivable	–	2,569	–	2,569
Administrative expenses	–	–	(4,816)	(4,816)
Share of results of associate	–	11	–	11
Gains and losses on financial assets	–	3,072	–	3,072
Finance costs	–	–	(2)	(2)
Finance revenue	–	–	160	160
Profit/(loss) before taxation	1,447	5,652	(4,658)	2,441

NOTES TO THE FINANCIAL STATEMENTS
At 31 January 2012

03 SEGMENTAL ANALYSIS CONTINUED

YEAR ENDED 31 JANUARY 2011	RUGBY CAPITAL £'000	RUGBY ASSET MANAGEMENT £'000	UNALLOCATED ITEMS £'000	2011 £'000
Group Statement of Financial Position				
Financial assets	–	2,717	–	2,717
Property, plant and equipment	–	–	259	259
Property inventories	18,018	–	–	18,018
Receivables – current	667	138	137	942
Current tax assets	–	–	26	26
Cash and short term deposits	–	–	4,894	4,894
Current liabilities	(1,522)	(21)	(2,106)	(3,649)
Non-current liabilities	–	–	(10)	(10)
Net assets	17,163	2,834	3,200	23,197
Other Segment information				
Additions to property, plant and equipment			4	4
Depreciation			59	59

All non-current assets are UK based

31% of Revenue was generated from one customer in respect of the sale of one property

04 PROFIT BEFORE TAXATION

OPERATING PROFIT/(LOSS) IS STATED AFTER CHARGING:	2012 £'000	2011 £'000
Auditor's remuneration – audit services – BDO LLP		
– Group	**47**	47
– Subsidiaries	**20**	20
– non-audit services – BDO LLP	**3**	6
Depreciation of owned property, plant and equipment	**223**	59
Operating lease rentals – land and buildings		
– occupied by the group	**260**	252
– held as trading stock	**8**	8
– office equipment	**12**	10
Cost of inventories recognised as an expense – including provision to bring inventories to net realisable value £3,114,000 (2011 £311,000)	**7,081**	18,702

Fees for non-audit services provided by BDO LLP relate to general tax and accounting advice given during the year

Operating lease rentals of £260,000 (2011 £252,000) are in respect of the Group's office premises at 4 Farm Street, London W1 under a lease which expires in 2016

Other Operating Income of £240,000 (2011 £nil) represents a dilapidations settlement from a tenant of a property

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

05 STAFF COSTS (GROUP AND COMPANY)

	2012 £'000	2011 £'000
Wages and salaries (including directors)	**1,722**	2,915
Social security costs	**197**	325
Share based payments	**124**	433
Other pension costs	**57**	48
	2,100	3,721

The average monthly number of employees during the year was as follows

	2012 NO.	2011 NO
Executive directors	**3**	3
Management	**5**	6
Administration	**4**	4
	12	13

The maximum numbers of shares which the Company may be required to issue or purchase to satisfy obligations under employee share schemes are as follows

	2012 NO.	2011 NO
Long Term Incentive Plan ("LTIP")	–	400,250
2009 Value Creation Plan ("VCP")	*	*

* There is no maximum number of shares which may ultimately be issued under the VCP, further details of which are set out in note 24

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

08 DIRECTOR'S REMUNERATION

	2012 £'000	2011 £'000
Directors' emoluments (excluding share based payment charge	1,083	1,625
Aggregate value of contributions made to money purchase pension schemes	–	–
Emoluments paid to the highest paid director (excluding share based payment charge)	394	610
Pension contributions in respect of highest paid director	–	–
Number of directors accruing benefits under money purchase pension schemes	3	3

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

	D M F TWEEDALE-TYE £'000	A L WILSON £'000	S D JONES £'000	A TYRIE* £'000	J JACKSON* £'000	D LINDOP* £'000	TOTAL 2012 £'000
Basic salary & fees	280	280	165	–	30	30	785
PRIP payment	46	46	23	–	–	–	115
Benefits in kind – non cash	18	19	19	–	–	–	56
Pension contribution	–	–	–	–	–	–	–
Salary paid in lieu of pension	49	49	29	–	–	–	127
Share based payment charge	27	27	17	–	–	–	71
Total 2012	420	421	253	–	30	30	1,154

	D M F TWEEDALE-TYE £'000	A L WILSON £'000	S D JONES £'000	A TYRIE* £'000	J JACKSON* £'000	D LINDOP* £'000	TOTAL 2011 £'000
Basic salary & fees	280	280	165	28	30	5	788
PRIP payment	262	262	131	–	–	–	655
Benefits in kind – non cash	17	19	19	–	–	–	55
Pension contribution	–	–	–	–	–	–	–
Salary paid in lieu of pension	49	49	29	–	–	–	127
Share based payment charge	109	109	60	–	–	–	278
Total 2011	717	719	404	28	30	5	1,903

* Non Executive Directors

PRIP payment is in respect of the Property Realisation Incentive Plan, details of which are set out on page 13 The amounts shown represent the amounts paid in February 2012 representing 50% of the potential payment arising from cash returned to shareholders during the year The remaining 50% will, subject to achieving certain sales proceeds, become payable in 2014, or earlier in certain circumstances, and has been provided for in trade and other payables (note 20)

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

The Group's remuneration policy is set out in the Corporate Governance report on page 17

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

06 DIRECTOR'S REMUNERATION CONTINUED

Amounts charged in the year for the cost of key management personnel were

	2012 £'000	2011 £'000
Short term employee benefits	**1,083**	1,625
Other long term benefits	**115**	655
Share based payments	**71**	278
	1,269	2,558

Key management personnel are considered to be the directors

Other long term benefits comprise the conditional, deferred amounts due under the PRIP

07 FINANCE COSTS

	2012 £'000	2011 £'000
Other interest payable and similar charges	–	2
Total interest expense for financial liabilities not at fair value through profit or loss	–	2

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

08 FINANCE INCOME

	2012 £'000	2011 £'000
Bank interest	**20**	40
Other interest receivable	8	120
Total interest income for financial assets not at fair value through profit or loss	28	160

09 TAXATION

	2012 £'000	2011 £'000
The taxation (credit)/charge is made up as follows		
Based on profit for the period		
UK corporation tax	–	20
Adjustments in respect of previous years	(25)	45
	(25)	65
Deferred tax – origination and reversal of temporary differences	(10)	(2)
	(35)	63

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

09 TAXATION CONTINUED

Factors affecting the current tax credit

The tax credit for the year differs from the standard rate of corporation tax in the UK (26 33%) The differences are explained below

	2012 £'000	2011 £'000
(Loss)/profit before tax	(3,169)	2,441
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 26 33% (2011 28%)	(834)	683
Effect of		
Expenses not deductible for current tax purposes	54	299
Income not subject to current tax	–	(860)
Utilisation of tax losses	(9)	(50)
Losses carried forward	812	–
Other timing differences	81	46
Vesting and exercise of share based payments	(114)	(100)
Adjustments in respect of previous years	(25)	45
Tax (credit)/charge for the year	**(35)**	**63**

10 DEFERRED TAXATION

	2012 £'000	2011 £'000
Balance at 1 February	(10)	(12)
Credit to income statement	10	2
Deferred tax liability at 31 January (note 19)	–	(10)

Deferred tax has been calculated at the rate of 25% (2011 28%)

Losses carried forward on which deferred taxation has not been provided amount to £7,642,000 (2011 £4,390,000) Deferred tax has not been provided on losses carried forward as these are not expected to be reversed in the foreseeable future

11 CASH PAYMENTS TO SHAREHOLDERS

	PAYMENT DATE	PER SHARE (PENCE)	AMOUNT ABSORBED £'000
Year ended 31 January 2012 (note 22)	18 August 2011	125p	**4,602**
Year ended 31 January 2011	2 September 2010	175p	20,079
	31 January 2011	115p	6,157
			26,236

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

12 (LOSS)/EARNINGS PER ORDINARY SHARE

		2012	2011
Earnings (loss)/profit after taxation		£(3,134,000)	£2,378,000
Weighted average number of shares in issue (note 23)	– basic and diluted (2011 restated)	2,508,800	2,458,128
(Loss)/earnings per share	– basic and diluted (2011 restated)	(124 9)p	96 7p

The weighted average number of shares in issue for 2011 has been adjusted for the 9 for 13 share capital consolidation on 3 August 2011

There are no dilutive shares in issue

13 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss after taxation dealt with in the accounts of the Parent Company was £2,967,000 (2011 profit £3,796,000)

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

14 CO-INVESTMENTS

The Group's co-investments represent investments in undertakings for which the Group is also the principal property adviser The Group has investments in, and is property adviser to, ING Covent Garden Limited Partnership and O Twelve Estates Limited The Group's interest in Rugby Estates Investment Trust Plc was sold on 14 May 2010 London Industrial Partnership Limited was dissolved on 6 April 2011

	Group		Company	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Investment in associates				
London Industrial Partnership Limited (0% interest (2011 11 76%)				
At 31 January 2011	–	2	–	2
Share of results	–	11	–	–
Dividend received	–	(13)	–	(2)
At 31 January 2012	–	–	–	–
Available for sale financial assets				
ING Covent Garden Limited Partnership (6 46% interest)				
At 31 January 2011	1,997	2,768	–	–
Impairment charge	(1,977)	(771)	–	–
At 31 January 2012	20	1,997	–	–
O Twelve Estates Limited (1 64% interest)				
At 31 January 2011	720	518	–	–
Acquisition of ordinary shares	–	126	–	–
Fair value adjustment	(259)	76	–	–
Impairment charge	(153)	–	–	–
At 31 January 2012	308	720	–	–
Rugby Estates Investment Trust Plc (0% interest)				
At 31 January 2011	–	2,520	–	–
Sale proceeds	–	(3,144)	–	–
Gain realised on disposal	–	624	–	–
At 31 January 2012	–	–	–	–
Total financial assets at 31 January 2012	328	2,717	–	–
Total co-investments	328	2,717	–	–

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

London Industrial Partnership Limited ("LIP")

LIP was dissolved on 6 April 2011 The Group held an 11 76% interest in the share capital of LIP, a Company incorporated in England and Wales The Group was able to appoint one third of the directors on LIP, accordingly LIP has been treated as an associate LIP was formed in 2003 to acquire industrial properties in the London area LIP sold its only investment property in 2007 and commenced winding-up in 2008 The share of results represents final distribution payments made by the liquidation agent during the period No further distributions were made by the liquidation agent between 1 February 2011 and the dissolution of LIP

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

14 CO-INVESTMENTS CONTINUED

ING Covent Garden Limited Partnership ("CGLP")

At 31 January 2012, the Group held a 6 46% interest (2011 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 In December 2009 the entire investment property portfolio was sold During the year, CGLP completed the disposal of its remaining development property and the cash realised was distributed to investors The Group's share of the underlying net assets of CGLP, according to its audited accounts at 31 December 2011, was £20,250, which the Directors consider to be the fair value of the Group's investment in CGLP at 31 January 2012

During the year, the Group received fee income of £265,388 (2011 £128,607) from CGLP, a related party At 31 January 2012, the Group had amounts receivable of £8,446 (2011 £45,840)

The Group received cash distributions from CGLP during the year totalling £2,083,808 (2011 £1,276,614) which have been credited to the income statement and the resulting reduction in carrying value has been charged to unrealised impairment losses under gains and losses on financial assets

O Twelve Estates Limited ("O Twelve")

At 31 January 2012, the Group held a 1 64% 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

On 14 December 2010, O Twelve announced the raising of £37 6 million of new equity by the issue of 357 7 million new shares through a placing and open offer Pursuant to that offer the Company acquired 1 2 million new shares in O Twelve at a price of 10 5p per share The Group holds 7,894,502 (2011 7,894,502) shares in O Twelve, for which the mid-market price at 31 January 2012 was 3 9p per share The reduction in the share price during the year has resulted in a negative fair value adjustment of £259,000 (2011 positive £76,000) and an impairment charge of £153,000 (2011 £nil)

During the year, the Group received fee income of £959,620 (2011 £1,376,665) from O Twelve, a related party At 31 January 2012 the Group had amounts receivable of £79,755 (2011 £85,000)

Rugby Asset Management Limited, as property advisor to O Twelve, receives a management fee at a rate of 0 6% per annum of the gross property asset value of O Twelve's portfolio

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

15 PROPERTY, PLANT AND EQUIPMENT

GROUP AND COMPANY	LEASEHOLD IMPROVEMENTS £'000	FURNITURE, FIXTURES AND EQUIPMENT £'000	TOTAL £'000
Cost:			
At 1 February 2010	262	312	574
Additions	–	4	4
Disposals	–	(2)	(2)
At 31 January 2011 and 1 February 2011	262	314	576
Additions	–	3	3
Disposals	–	(29)	(29)
At 31 January 2012	**262**	**288**	**550**
Depreciation:			
A 1 February 2010	96	163	259
Provided during the year	27	32	59
Disposals	–	(1)	(1)
At 31 January 2011 and 1 February 2011	123	194	317
Provided during the year	120	103	223
Disposals	–	(26)	(26)
At 31 January 2012	**243**	**271**	**514**
Net book value at 31 January 2012	**19**	**17**	**36**
Net book value at 31 January 2011	139	120	259
Net book value at 31 January 2010	166	149	315

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

16 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

COMPANY	2012 £'000	2011 £'000
Cost		
At 1 February	**2,073**	2,073
Disposals	**(47)**	-
At 31 January	**2,026**	2,073

Disposals represent the share capital of dormant and non-trading subsidiary undertakings formally struck off during the year

Details of the investments in the principal subsidiary undertakings held by the Company at 31 January 2012 are as follows

Name of Company	Nature of Activities
Rugby Asset Management Limited	Asset Management
M4 Estates Limited	Property development and trading
Rugby CGLP Limited	Holding company
Madiworth Limited	Holding company
Darowell Properties Limited	Property trading
Portenstar Limited	Property trading
Portenway Limited	Property trading
Menadorm Limited	Property trading
Cherabrook Limited	Property development
Sprint 1179 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

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 2012

17 PROPERTY INVENTORIES

GROUP	2012 £'000	2011 £'000
Properties held for trading and development work in progress	**11,436**	18,018

Properties held for trading and development work in progress are shown at the lower of cost and net realisable value

The aggregate value of these properties on an open market basis as at 31 January 2012 was

	MARKET VALUE 2012 £'000	BOOK VALUE 2012 £'000	MARKET VALUE 2011 £'000	BOOK VALUE 2011 £'000
Valued by CB Richard Ellis Limited ("CBRE")	**9,690**	**9,343**	18,592	16,979
Valued by the directors	**3,155**	**2,093**	1,055	1,039
	12,845	**11,436**	19,647	18,018

Net realisable values of properties held for trading and development work in progress as at 31 January 2012 were estimated by the Directors, taking into account the valuations of certain properties by CBRE

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 Net realisable value, takes into account costs expected to be incurred prior to sale and sale costs of 1 5% of market value

18 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Amounts due from subsidiary undertakings	**-**	–	**17,271**	23,609
Trade receivables	**991**	138	**9**	9
Other receivables	**351**	572	**156**	116
Prepayments and accrued income	**268**	232	**118**	81
	1,610	942	**17,554**	23,815

	GROUP		COMPANY	
TRADE RECEIVABLES	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
Up to 30 days	**9**	47	**-**	–
31 to 60 days	**21**	30	**9**	9
61 to 90 days	**-**	–	**-**	–
Over 90 days	**8**	13	**-**	–
Total overdue and not impaired	**38**	90	**9**	9
Amounts not yet due	**953**	48	**-**	–
Closing balance	**991**	138	**9**	9

18 TRADE AND OTHER RECEIVABLES CONTINUED

Movements on the provision for impairment of trade receivables are as follows

	GROUP		COMPANY	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
At 1 February	**24**	22	**–**	–
Provided during the year	**19**	4	**–**	–
Receivables written off during the year as uncollectable	**(23)**	(2)	**–**	–
Unused amounts reversed	**(1)**	–	**–**	–
At 31 January	**19**	24	**–**	–

The movement on the provision for impaired receivables has been included in the direct costs of rental income line in the Group statement of comprehensive income

Other classes of financial assets included within trade and other receivables do not contain impaired assets

Given the short term nature of trade receivables, no discounting has been applied

Book values approximate to fair value at 31 January 2012 and 2011

19 DEFERRED TAX

	GROUP AND COMPANY	
	2012 £'000	2011 £'000
Deferred tax liabilities		
Accelerated Capital allowances	**–**	(10)
At 31 January	**–**	(10)

20 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Amounts due to subsidiary undertakings	**–**	–	**7,021**	4,758
Trade payables	**25**	18	**–**	–
Social security, payroll and other taxes	**108**	196	**108**	196
Other payables	**663**	634	**532**	531
Accruals and deferred income	**1,870**	2,801	**1,518**	2,169
	2,666	3,649	**9,179**	7,654

Trade and other payables classified as financial liabilities are measured at amortised cost

Book values approximate to fair value at 31 January 2012 and 2011

The maturity analysis of the financial liabilities is as follows (the amounts shown are undiscounted and represent the contractual cash-flows)

	GROUP		COMPANY	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Up to 3 months	**959**	1,968	**7,514**	6,031
3 and 6 months	**–**	–	**–**	–
6 and 12 months	**1,538**	1,402	**1,538**	1,402
	2,497	3,370	**9,052**	7,433

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

21 PROVISIONS

GROUP	PROFIT SHARE AGREEMENTS £'000
At 1 February 2011	–
Provisions made during the year	68
At 31 January 2012	**68**

Profit share agreements may result in payments being made to third parties on the sale of property inventories The inherent uncertainty in measuring the provision relate to estimates of future sale values

An obligation has arisen as a result of an increased valuation of a property inventory upon which a profit share agreement is in place It is deemed highly probable that a profit share will be payable and therefore a provision has been recognised

The intended realisation period for the disposal of the property inventories is 12 months

The obligation is recognised as a cost to the property inventory

22 REDUCTION OF CAPITAL AND RETURN OF CASH TO SHAREHOLDERS

Payment of 125p per share on 18 August 2011

On 30 June 2011 the Company published a circular to shareholders convening a General Meeting to enable a return of cash to shareholders of 125p per share The necessary resolutions were passed at the General Meeting on 18 July 2011 As part of this process, application was made to the Court for a reduction of capital and this was confirmed by the Court on 3 August 2011

In connection with this the following actions took place with respect to the Company's share capital

On 30 July 2011, five ordinary shares were issued for 410p each in cash, thus increasing the number of Ordinary Shares of 12p in issue to 3,681,496 in order to facilitate the share capital consolidation

On 3 August 2011

i the 3,681,496 Ordinary Shares of 12p each were subdivided into 3,681,496 Ordinary Shares of 9p, 1,717,140 B shares of 3p each and 1,964,356 C shares of 3p each Shareholders had elected whether to take B shares or C shares,

ii the B shares were redeemed by the Company for 125p per share, which was paid to shareholders on 18 August 2011, and cancelled,

iii a dividend was declared of 125p per C share, which was paid to shareholders on 18 August 2011, and the C shares were cancelled, and

iv the 3,681,496 Ordinary Shares of 9p were consolidated on a nine for thirteen basis into 2,548,728 Ordinary Shares of 13p each

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

23 AUTHORISED AND ISSUED SHARE CAPITAL

		2012 £'000	2011 £'000
Allotted, called up and fully paid			
At 1 February 2011	Ordinary Shares of 12p each	–	428
At 31 January 2012	**Ordinary Shares of 13p each**	**331**	–

		2012 NO.	2011 NO
Number of Ordinary Shares in issue			
At 31 January 2011 (shares of 12p)		**3,569,558**	11,424,993
Issued in period		**111,938**	48,584
Share capital consolidation	18 August 2010 (into shares of 15p)	–	(6,119,240)
	20 January 2011 (into shares of 12p)	–	(1,784,779)
	3 August 2011 (into shares of 13p)	**(1,132,768)**	–
At 31 January 2012 (shares of 13p)		**2,548,728**	3,569,558
Shares held by AESOP* - unawarded		**(5,655)**	(1,719)
Shares held by AESOP* - conditionally awarded but not yet earned by employees		**(13,337)**	(15,630)
Number of Ordinary Shares for calculating basic earnings per share and net assets per share			
at period end		**2,529,736**	3,552,209
(restated)		–	2,459,222
weighted average during the period		**2,508,800**	3,550,630
(restated)		–	2,458,128

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

At the Annual General Meeting held on 29 June 2011 the Company's authority to purchase Ordinary Shares was renewed This authority will expire at the next Annual General Meeting to be held on 11 July 2012, 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 27 May 2011, 111,933 ordinary shares were issued at par to satisfy vestings under the Company's Long Term Incentive Plan ("LTIP")

On 27 May 2011, AESOP purchased 20,000 Ordinary Shares, representing 0 54% of the issued share capital at 398p per share

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

24 SHARE BASED PAYMENTS

Share option schemes

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 purchase shares up to a maximum value of £1,500 per annum 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 page 12 Following the introduction of the Property Realisation Incentive Plan and the Value Creation Plan in 2009, no new awards have been or will be made under the LTIP after 21 May 2008

Value Creation Plan ("VCP")

A total 100,000 units may be awarded under the VCP At 31 January 2012 a total of 70,000 units had been awarded (2011 70,000) Shortly after 31 January 2014, units will convert to Share Awards, in the form of nil cost options over Ordinary Shares, subject to continuous employment and achievement of the following corporate performance targets

- disposal of the Group's directly-owned property portfolio (save for residual assets not exceeding £2 million), and
- annual fee income from the asset management business greater than £5 million for the year ending 31 January 2014

The value of the Share Awards on conversion of the units will be between 10% and 20% of the amount by which the value of the Company at 31 January 2014 exceeds £5 million If the value of the Company is less than £10 million, no Share Awards will be made If the value of the Company is £10 million Share Awards will be 10% of the increase in value, increasing on a straight line basis to a maximum 20% of the increase in value at £20 million and above

Fair value of share based payment

In 2012 and 2011 share based payments were awarded under the above schemes, and fair values calculated as follows

	2012 GRANT DATE	**2012 FAIR VALUE OF AWARD**	2011 GRANT DATE	2011 FAIR VALUE OF AWARD
AESOP Free shares	**27 May 2011**	**399 0p**	28 May 2010	319 5p
AESOP Matching shares	**16 June 2011**	**401 5p**	15 December 2010	347 0p

Awards under the VCP comprise units which may convert into shares at a future date It is not possible to calculate with any reliability the number of shares which may vest, nor the fair value per share at the date of award The fair value of the VCP as a whole at the date of grant (16 July 2009) was £20,856

For the AESOP shares the fair value is equal to the market value on the date of the award

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

24 SHARE BASED PAYMENTS CONTINUED

LTIP	AWARDS	2012 WEIGHTED AVERAGE AWARD VALUE (PENCE)	AWARDS	2011 WEIGHTED AVERAGE AWARD VALUE (PENCE)
Outstanding at the beginning of the year	**302,286**	**393**	473,094	485
Awards granted during the year	**–**	**–**	–	–
Awards vested and exercised during the year	**(111,933)**	**393**	(100,734)	648
Awards lapsed during the year	**(190,353)**	**393**	(70,074)	648
Outstanding at the end of the year	**–**	**–**	302,286	393

The Group and Company recognised total expenses of £124,000 (2011 £433,000) in relation to equity-settled share-based payment transactions during the year, which included a charge of £53,000 (2011 £87,000) in relation to AESOP share awards and £71 000 (2011 £346,000) in relation to the LTIP

25 EQUITY

The following describes the nature and purpose of each reserve within shareholders' equity

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 and less amounts approved by the Court in connection with reductions of capital
Capital redemption	The nominal value of shares purchased by the Company for cancellation
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement plus amounts approved by the Court in connection with reductions of capital
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 AESOP	Cost of shares held for the Group's All Employee Share Ownership Plan

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

26 NOTES TO THE STATEMENT OF CASH FLOWS

GROUP ANALYSIS OF NET CASH	AT 1 FEBRUARY 2011 £'000	CASH FLOW £'000	NON-CASH ITEMS £'000	AT 31 JANUARY 2012 £'000
Cash	2,511	(2,111)	–	**400**
Short term deposits	2,383	1,797	–	**4,180**
	4,894	(314)	–	**4,580**

COMPANY ANALYSIS OF NET CASH	AT 1 FEBRUARY 2011 £'000	CASH FLOW £'000	NON-CASH ITEMS £'000	AT 31 JANUARY 2012 £'000
Cash	183	(12)	–	**171**
Short term deposits	2,361	395	–	**2,756**
	2,544	383	–	**2,927**

Included within cash and cash equivalents for both the Group and the Company are £486,000 (2011 £484,000) being held on a restricted account as security against unforeseen liabilities as a result of a corporate transaction in 2005, and £1,270,000 (2011 £1,877,000) being held on a restricted account to protect creditors' interests in accordance with a Court Order in connection with the reduction of capital in August 2011 (note 22) Amounts are released from the restricted account as the specific liabilities are discharged

27 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 cash and short term deposits Other financial assets and liabilities, such as trade receivables and trade payables, arise directly from the Group's operating activities The Group may also enter in 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 2012 The directors do not expect the Group to take on any material borrowings or enter into any derivative transactions in the foreseeable future

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

27 TREASURY POLICIES AND FINANCIAL INSTRUMENTS CONTINUED

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 borrowing comprises total borrowings less cash and cash equivalents Adjusted equity comprises shareholder's equity, excluding 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

	2012 £'000	2011 £'000
Cash balances	**4,580**	4,894
Shareholders' equity	**15,267**	23,197
LTIP reserve	**–**	(656)
Market value of property inventories	**12,845**	19,647
Book value of property inventories	**(11,436)**	(18,018)
Tax payable if property inventories were sold at market value	**(232)**	(370)
Adjusted equity	**16,444**	23,800
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

Interest Rate Risk

The Group has no borrowings and does not expect to take on borrowings in the foreseeable future Interest earned on cash balances is not material to the Group's operations or results Accordingly, the Group has no material direct exposure to interest rate risk The Group has indirect exposure to the extent that Co-investment vehicles may have borrowings, but these are not within the Group's control

Market Risk

The Group is exposed to market risk relating to changes in the market value of its property inventory and co-investments All material investments and property acquisitions and disposals are subject to board approval

NOTES TO THE FINANCIAL STATEMENTS

At 31 January 2012

27 TREASURY POLICIES AND FINANCIAL INSTRUMENTS CONTINUED

Credit Risk

The risk of financial loss due to 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 increased substantially during 2008 and 2009 as a result of the economic recession in the UK and the banking crisis Although the worst of the banking crisis appears to be past, potential tenant default continues to be a material risk for 2012 Tenant rent payments are monitored regularly and appropriate action is taken to recover monies owed or if necessary to restructure the lease terms 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 The maximum exposure to credit risk at the reporting date is the book value of cash and receivables

Liquidity Risk

The Group has no borrowings and does not expect to take on borrowings in the foreseeable future The Group retains sufficient cash for foreseeable requirements before returning cash to shareholders Accordingly, the Group has no material exposure to liquidity risk

Price Risk

The Group's exposure to changing market prices in 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 swap or similar transactions to fix interest rates on the Group's borrowings The Group has no borrowings or derivative financial instruments and does not expect to have any in the foreseeable future Accordingly, the Group has no current exposure to price risk

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

The Company's policies for managing financial risk are identical to those of the Group

The disclosures below exclude short term receivables and payables

The interest rate profile of financial assets was as follows

	GROUP		COMPANY	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Receivables – fixed rate	–	–	–	–
Cash and short term deposits – floating rate	**4,580**	4,894	**2,927**	2,544
Co-investments	**328**	2,717	–	–
Trade and other receivables	**1,342**	711	**17,437**	23,736
Financial assets	**6,250**	8,322	**20,264**	26,280
Non-financial assets	**11,751**	18,534	**698**	771
Total assets	**18,001**	26,856	**21,062**	27,051

Floating rate financial assets comprise cash and short term deposits at call and money market rates for up to 3 months

NOTES TO THE FINANCIAL STATEMENTS
At 31 January 2012

27 TREASURY POLICIES AND FINANCIAL INSTRUMENTS CONTINUED

The interest rate profile of financial liabilities was as follows

	GROUP		COMPANY	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Trade and other payables	**2,497**	3,370	**9,052**	7,433
Provisions	**68**	–	**–**	–
Financial liabilities	**2,565**	3,370	**9,052**	7,433
Non-financial liabilities	**169**	289	**127**	231
Total liabilities	**2,734**	3,659	**9,179**	7,664

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

The maturity profile of financial liabilities was as follows

	GROUP		COMPANY	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
In one year or less	**2,565**	3,370	**9,052**	7,433
In more than one year but not more than two	**–**	–	**–**	–
	2,565	3,370	**9,052**	7,433

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 £17,252,000 (2011 £14,629,000) The only movement in the year is the charge to the income statement of £2,623,000 (2011 credit £3,060,000) The provision is based upon the movement in value of the underlying property inventories and available for sale financial assets of the subsidiaries

Financial instruments measured at fair value

	FAIR VALUE MEASUREMENTS USING	
	LEVEL 1 £'000	**LEVEL 3 £'000**
Financial asset		
Available for sale financial assets - at 31 January 2012	**308**	**20**
- at 31 January 2011	720	1,997

Level 1 – Fair value measured using quoted prices (unadjusted) in active markets

Level 3 – Fair value measured using the Group's share of underlying net assets according to published audited accounts

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 available-for-sale financial assets (note 14) All financial liabilities are classified as other financial liabilities

NOTES TO THE FINANCIAL STATEMENTS
At 31 January 2012

28 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

29 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 The non-cancellable leases have remaining terms of variable length

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

	GROUP		COMPANY	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Not later than one year	**699**	1,366	**148**	144
After one year but not more than five years	**1,252**	2,241	**199**	200
After five years	**949**	1,454	**–**	–
	2,900	5,061	**347**	344

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 leases are as follows

	GROUP		COMPANY	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Not later than one year	**312**	301	**309**	292
After one year but not more than five years	**934**	1,195	**920**	1,160
After five years	**820**	1,332	**–**	9
	2,066	2,828	**1,229**	1,461

30 NON-ADJUSTING POST BALANCE SHEET EVENTS

With the planned disposal of the Group's property portfolio now nearing completion and the consequent significant reduction in the Group's scale of operations, the Directors are considering how best to optimise shareholder value In the absence of a preferable alternative arising within the next few months, the Directors consider it likely that they will seek shareholder approval to put the Company and its subsidiaries into Members Voluntary Liquidation within the next 12 months Accordingly the Directors have not prepared the financial statements on a going concern basis The effect of this is explained in note 2

31 RELATED PARTY TRANSACTIONS

ING Covent Garden Limited Partnership, London Industrial Partnership Limited and O Twelve Estates Limited were related parties of the Group and the Company during the year The disclosures required are given in note 14

The key management of the Group and Company is considered to be the Board of Directors Details of management remuneration are set out in note 6

RUGBY ESTATES PLC

(Incorporated in England and Wales under Company registration number 02548935)

ANNUAL GENERAL MEETING

The Annual General Meeting of Rugby Estates plc (the "Company") will be held at The Lansdowne Club, 9 Fitzmaurice Place, Mayfair, London W1J 5JD on 11 July 2012 at 10 30 a m The formal notice of AGM is set out on page 58 of this document The directors of the Company (the "Directors") will be available to meet shareholders and answer any questions Explanatory information regarding the proposed resolutions is set out below

If you would like to vote on the resolutions but cannot come to the AGM, you can appoint a proxy to exercise all or any of your rights to attend, vote and speak at the AGM by using one of the methods set out in the notes to the notice of AGM Appointing a proxy will not prevent you from attending and voting in person at the AGM

If you have a question you wish to ask at the AGM please either write to the Company Secretary at Rugby Estates Plc, 4 Farm Street, London W1J 5RD or e-mail Steve Jones@rugbyestates plc uk The Chairman will deal with the issues most frequently raised at the meeting

Resolution 1 – To receive the Annual Report and Accounts

The Chairman will present the Directors' Report and Accounts together with the Auditors' Report on the Accounts for the period ended 31 January 2012 to the meeting

Resolution 2 – Reappointment of Directors

Resolution 2 deals with the reappointment of Stephen Jones as a Director His biography can be found on the inside back cover of the Annual Report The Board has confirmed, following a performance review, that Stephen Jones continues to perform effectively and demonstrates commitment to his role

Resolutions 3 and 4 – Reappointment and remuneration of auditors

Resolution 3 relates to the reappointment of BDO LLP as the Company's auditors to hold office until the next AGM of the Company and Resolution 4 authorises the Directors to set their remuneration

Resolution 5 – Authority to allot shares

Resolution 5 is conditional upon the Reduction of Capital (as defined in the circular to the Company's shareholders dated 17 May 2012 (the "Circular")) becoming effective This resolution gives the Company authority to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £50,974 (representing approximately 33 3 per cent of the Company's issued ordinary share capital immediately following the implementation of the Share Capital Consolidation (as defined in the Circular)) during the period up to the conclusion of the next AGM in 2013

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 Your Board considers it appropriate to seek this additional allotment authority at this year's AGM in order to take advantage of the flexibility it offers However, the Board has no present intention of exercising either authority

As at the date of this document the Company does not hold any ordinary shares in the capital of the Company in treasury

Resolution 6 – Disapplication of statutory pre-emption rights

Resolution 6 is conditional upon the Reduction of Capital becoming effective This resolution will empower the Directors to allot ordinary shares in the capital of the Company for cash on a non-pre-emptive basis

1 In connection with a rights issue or other pro-rata offer to existing shareholders

2 (Otherwise than in connection with a rights issue) up to a maximum nominal value of £15,292 representing approximately 10 per cent of the issued ordinary share capital of the Company immediately following the implementation of the Share Capital Consolidation

RUGBY ESTATES PLC

Resolution 7 – Authority to purchase own shares

Resolution 7 is conditional upon the Reduction of Capital becoming effective This resolution gives the Company authority to buy back its own ordinary shares in the market as permitted by the Companies Act 2006 (the "2006 Act") The authority limits the number of shares that could be purchased to a maximum of 163,846 (representing approximately 14 99 per cent of the Company's issued ordinary share capital immediately following the implementation of the Share Capital Consolidation) and sets minimum and maximum prices This authority will expire at the conclusion of the next AGM in 2013

The Directors have no present intention of exercising the authority to purchase the Company's ordinary shares but will keep the matter under review, taking into account the financial resources of the Company, the Company's share price and future funding opportunities The authority will be exercised only if the Directors believe that to do so would be in the interests of shareholders generally

AIM companies purchasing their own shares are allowed to hold them in treasury as an alternative to cancelling them No dividends are paid on shares whilst held in treasury and no voting rights attach to treasury shares Consideration will be given to holding any shares purchased in treasury The Company currently holds no shares in treasury

NOTICE OF ANNUAL GENERAL MEETING

RUGBY ESTATES PLC

Notice is hereby given that the annual general meeting of Rugby Estates plc (the "Company") will be held at The Lansdowne Club, 9 Fitzmaurice Place, Mayfair, London W1J 5JD on 11 July 2012 at 10 30 a m to transact the following business Resolutions 1 to 5 inclusive will be proposed as ordinary resolutions Resolutions 6 and 7 will be proposed as special resolutions

1 To receive and adopt the Directors' Report and Accounts together with the Auditors' Report on the Accounts for the period ended 31 January 2012

2 To re-elect Mr Jones as a Director of the Company

3 To re-appoint BDO LLP as Auditors of the Company

4 To authorise the Directors to determine the Auditors' remuneration

5 That, conditional upon the Reduction of Capital (as defined in the circular to the Company's shareholders dated 17 May 2012 (the "Circular")) becoming effective, the Directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "2006 Act") in substitution for all existing authorities

5 1 to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together "Relevant Securities") up to an aggregate nominal amount of £50,974, and

5 2 to exercise all the powers of the Company to allot equity securities (within the meaning of section 560 of the 2006 Act) up to an additional aggregate nominal amount of £50,974 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 those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities 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 5 1 and 5 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

6 That, conditional upon the Reduction of Capital becoming effective, the Directors be and are empowered, in accordance with section 570 of the 2006 Act, to allot equity securities (as defined in section 560(1) of the 2006 Act) for cash pursuant to the authority conferred by resolution number 5 or by way of a sale of treasury shares as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to

6 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 5 2 above, 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 those persons at such record dates as the Directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities 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

NOTICE OF ANNUAL GENERAL MEETING

6 2 the allotment of equity securities (otherwise than pursuant to paragraph 6 1 above) up to an aggregate nominal amount of £15,292,

and shall expire upon the expiry of the general authority conferred by resolution 5 above, except that the Company may make an offer or agreement before this power expires 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

7 That, conditional upon the Reduction of Capital becoming effective, the Company be and is hereby generally and unconditionally authorised, in accordance with section 701 of the 2006 Act, to make market purchases (within the meaning of section 693(4) of the 2006 Act) of ordinary shares of 14 pence each in the capital of the Company ("Ordinary Shares") (representing the new nominal value of the ordinary shares in the capital of the Company immediately following the implementation of the Share Capital Consolidation (as defined in the Circular) on such terms and in such manner as the Directors may from time to time determine provided that

7 1 the maximum number of Ordinary Shares authorised to be purchased is 163,846 (representing approximately 14 99 per cent of the Company's issued share capital immediately following the implementation of the Share Capital Consolidation) or such lesser number representing 14 99 per cent of the Company's issued share capital immediately following the implementation of the Share Capital Consolidation,

7 2 the minimum price which may be paid for an Ordinary Share is 14 pence (exclusive of expenses payable by the Company),

7 3 the maximum price which may be paid for an Ordinary Share (exclusive of expenses payable by the Company) cannot be more than the higher of

7 3 1 105 per cent of the average market value of an Ordinary Share for the five business days prior to the day on which the Ordinary Share is contracted to be purchased, and

7 3 2 the value of an Ordinary Share calculated on the basis of the higher of

(a) the last independent trade of, or

(b) the highest current independent bid for,

any number of Ordinary Shares on the trading venue where the market purchase by the Company will be carried out, and

7 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

STEPHEN JONES, SECRETARY

17 MAY 2012

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

1 A member entitled to attend and vote at the meeting is entitled to appoint another person(s) (who need not be a member of the Company) 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

2 Your proxy could be the Chairman, another Director of the Company or another person who has agreed to attend to represent you Your proxy will vote as you instruct and must attend the meeting for your vote to be counted Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form Appointing a proxy does not preclude you from attending the meeting and voting in person

3 An appointment of proxy is provided with this notice and instructions for use are shown on the form In order to be valid, a completed appointment of proxy must be returned to the Company by one of the following methods

3 1 in hard copy form by post, by courier or by hand to the Company's Registrar at the address shown on the form of proxy, or

3 2 in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below,

and in each case must be received by the Company by 10 30 a m on 9 July 2012

Please note that any electronic communication sent to us/our registrars in respect of the appointment of a proxy that is found to contain a computer virus will not be accepted

4 To change your proxy instructions you may return a new proxy appointment using the methods set out above Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others

5 CREST

5 1 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual, which can be viewed at www euroclear com/CREST CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf

5 2 In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's 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 instruction 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 appointments specified in the notice of meeting For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST

5 3 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001

5 4 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages Normal system 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

NOTICE OF ANNUAL GENERAL MEETING

CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service 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

6 Only those shareholders registered in the Register of Members of the Company as at 6 00 p m on 9 July 2012 (or, if the meeting is adjourned, 6 00 p m on the date which is two days before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting in respect of the number of shares registered in their respective names at that time Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting or adjourned meeting

7 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares

8 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

9 Any member attending the meeting has the right to ask questions The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if

9 1 to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information,

9 2 the answer has already been given on a website in the form of an answer to a question, or

9 3 it is undesirable in the interests of the Company or the good order of the meeting that the question be answered

10 A copy of this notice can be found at http //www rugbyestates plc uk

11 Under sections 338 and 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting

A resolution may properly be moved or a matter may properly be included in the business unless

11 1 it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the company's constitution or otherwise),

11 2 it is defamatory of any person, or

11 3 it is frivolous or vexatious

Such a request may be in hard copy form or electronic form, must identify the resolution of which notice is to be given, must be authorised by the person or persons making it, must be received by the Company not later than 29 May 2012, being the date six clear weeks before the meeting

12 Copies of the following documents are available for inspection at the registered office of the Company during normal business hours on each weekday (public holidays excluded) and at the place of the annual general meeting for 15 minutes prior to and during the meeting,

12 1 the Executive Directors' service contracts with the Company, and

12 2 letters of appointment of Non-Executive Directors

13 The Company's issued share capital is currently 2,548,728 ordinary shares of 13 pence each However, if the Reduction of Capital becomes effective, it is expected that immediately following the implementation of the Share Capital Consolidation, the Company's issued share capital will be 1,092,312 ordinary shares of 14 pence each The Company does not hold any ordinary shares in treasury The total voting rights which members are entitled to exercise at the annual general meeting are 2,548,728 in the event that the Reduction of Capital does not become effective and 1,092,312 in the event that the Reduction of Capital becomes effective and immediately following the Share Capital Consolidation

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DIRECTORS

David M F Tweeddale-Tye
BSc, FRICS Executive Chairman
Aged 59
Formerly with Norwich Union and Rugby Securities
Founded the Group in 1990

Andrew L Wilson BSc, FRICS Chief Executive
Aged 57
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

John A Jackson BSc, ARCS, FCA
Non-Executive Director
Aged 62
Appointed to the Board in 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

David Lindop BAACA
Non-Executive Director
Aged 51
Appointed to the Board on 1 December 2010 Currently Executive Director of Operations Wood Wharf (General Partner) Ltd
Formerly finance director of Speciality Shops Plc, Regalian Plc and a number of private property companies

Stephen D Jones BSc, MSc, FCA
Finance Director
Aged 57
Formerly with BTR, Wiggins Group and Rugby Securities
A founder Director

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