

**Real Estate Investors PLC**  
**("REI" or "the Group")**

**Interim Results for six months ended 30 June 2010**

Real Estate Investors PLC (AIM: RLE), the AIM listed property group, announces its unaudited results for the six months ended 30 June 2010.

**Key features:**

- Acquired 75-77 Colmore Row, Birmingham for £4.5 million in cash since 30 June 2010
- Profit before tax, revaluations and loss or gain on valuation of interest rate swaps of £50,000 (2009: £100,000)
- Cash and cash equivalents at 30 June 2010 of £19 million (2009: £14 million)
- Rental income down 5% to £1.66 million (2009 £1.74 million)
- Loss before tax £1.6 million (2009: profit £1.3 million) includes loss on valuation of interest rate swaps of £1.5 million (2009: gain £1.2 million)
- New share issue in February 2010 raising £9.8 million net of costs.

**Paul Bassi, Chief Executive of REI, commented:** "We continue to establish a business of substance that will benefit significantly when market valuations recover, and we will also benefit from new lettings achieved and trading properties that we have already acquired."

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**Notes to Editors**

1. REI is an AIM listed property investment and development company specialising in commercial property throughout the Midlands and Central England.
2. REI is focused on delivering shareholder value through returns generated from strong yields and capital enhancements. This is achieved by targeting investments in orphaned, distressed, part-let and underperforming commercial property assets.
3. REI's Board is led by respected property investor Paul Bassi CBE, who has over 25 years of property experience. Mr Bassi is also founder and chairman of Bond Wolfe and chairman of Bigwood Chartered Surveyors.
4. REI was admitted to trading on AIM in June 2004 and has subsequently raised a total of £35 million in further equity issues as well as debt financing to grow its property portfolio.
5. Further information on REI can be found at [www.reiplc.com](http://www.reiplc.com)

## **CHIEF EXECUTIVE'S STATEMENT**

### **Results for six months ended 30<sup>th</sup> June 2010**

Our results are in accordance with expectations at the half year. Our trading position is positive and should improve over the second half of 2010, benefitting from new rental income, which should correspondingly support upward valuations. The £1.5 million loss on the mark to market value of our hedge is an accounting provision and not a cash loss. This loss compares to a gain of £1.2 million in 2009. A number of new lettings are in legals which the Directors believe will result in the expected increase in new rental income by the year end.

The Group has contracted approximately £400,000 per annum of new rental income from new tenants including Tesco and Greenberg Traurig Maher. Prior to and after the general election, occupiers were reluctant to commit, however, we are seeing encouraging activity in new lettings, which gives us confidence in our year end rental income expectations. These new streams of rental income will more than compensate for the slight fall in rental income seen during the first half which was predominantly due to the timing differentials of the replacement leases. We have, however, suffered some lease expiries from our historic non-Midlands portfolio, where we have lost approximately £200,000 of rental income. The large proportion of this relates to a former JJB unit in Wakefield and Kelly Services in Crawley; both units are on the market and we already have letting interest in the Wakefield unit from a national multiple.

Additionally, whilst there is almost no bank debt available for residential development sites, our strategy of acquiring small development sites has been successful.

The Group acquired and sold its first residential development site for a gross profit of approximately £185,000, and it has acquired a number of other sites that the Directors are confident will deliver excellent returns.

Overall valuations remain broadly neutral with distressed sales continuing to drive the majority of market deals. We are confident however, that valuations will start to reflect both the high quality of our portfolio and the new letting income from our existing portfolio in our year end valuation. Generally, we believe that market valuations will remain volatile over the next few years though we remain focussed on building value from our rising rental income, asset management and property trading activities.

### **Post balance sheet activity**

Since the half year end we have acquired 75-77 Colmore Row, Birmingham for £4.5 million in cash. The building is a prime city centre office site, let to Price Waterhouse Coopers at a rent of approximately £400,000 per annum. We believe this investment provides excellent asset management opportunities and a first class yield, with a Grade A covenant. REI was the preferred buyer due to our cash purchaser status and our reputation for concluding transactions within very efficient timescales. This ability and reputation should serve us well in the months ahead.

We have secured other small development sites and, a number of lettings have been made. This activity will prove beneficial for our full year results, both in the form of income and capital growth.

We have sold a property in Maidstone, Kent from our historic portfolio for £725,000, which was above our book valuation, and we are in discussion to sell other non-Midlands assets from our historic portfolio as and when we see good value for REI.

### **Future strategy**

As demonstrated with our recent Colmore Row purchase, we have been identified as a preferred buyer by distressed vendors and bank recovery departments due to our cash resource, established banking facilities and market reputation. A number of investment acquisition discussions are advanced, with vendors likely to make disposal decisions in the last quarter of 2010, and we further anticipate a very active 2011, now that the election and banking concerns are receding. We continue to establish a business of substance that will benefit significantly when market valuations recover, and we will also benefit from new lettings achieved and trading properties that we have already acquired.

### **Economic backdrop**

The economic and property climate during the first half of 2010 continued to be fragile. The election, the continued turmoil in world financial markets and the persistent talk of a 'double dip' have provided a backdrop of concern. Bank finance for the general market place is almost non-existent and the only vendors in the marketplace tend to be insolvency practitioners or bank recovery departments.

This environment provides REI, with our intense market knowledge, close working relationships with property professionals, Bond Wolfe and Bigwood Chartered Surveyors, significant opportunities. Although these have been limited, in the first half of 2010 against an uncertain political and economic backdrop, we anticipate healthy deal flow in the last quarter of 2010 and throughout 2011/2012. We remain cash positive, with excellent banking relationships, a first class reputation and an existing portfolio that has numerous asset management opportunities.

Finally, I would like to take this opportunity to welcome our new Chairman, John Crabtree and our new Non-Executive Director, William Wyatt, both whom I have no doubt will make very valuable contributions to REI.

Paul Bassi  
Chief Executive  
14 September 2010

## **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the 6 months ended 30 June 2010**

	<b>Six months to</b>	<b>Six months to</b>	<b>Year ended</b>
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	30 June 2010 (Unaudited) £'000	30 June 2009 (Unaudited) £'000	31 December 2009 £'000
<b>Revenue</b>	1,655	1,738	3,244
Cost of sales	(203)	(191)	544
<b>Gross profit</b>	1,452	1,547	3,788
Administrative expenses	(647)	(510)	(1,185)
Share of operating loss of joint venture	(9)	(11)	(8)
Profit on sale of investment property	188	-	-
Net valuation (losses)/gains	(126)	-	2,659
Profit on ordinary activities before interest	858	1,026	5,254
Finance income	259	254	570
Finance costs	(1,193)	(1,180)	(2,311)
(Loss)/gain on financial liabilities held at fair value	(1,547)	1,184	832
<b>(Loss)/profit on ordinary activities before taxation</b>	(1,623)	1,284	4,345
Income tax credit/(expense)	468	(331)	(1,224)
<b>Retained (loss)/profit for the period</b>	(1,155)	953	3,121
<b>Basic (loss)/earnings per share</b>	6	(0.34)p	0.28p
<b>Diluted (loss)/earnings per share</b>	6	(0.34)p	0.26p

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the 6 months ended 30 June 2010

	Share capital £'000	Share premium account £'000	Capital Redemption Reserve £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
At 31 December 2008	3,407	29,472	45	121	(8,846)	24,199
Transactions with owners	-	-	-	-	-	-
Profit for the period	-	-	-	-	953	953
Other comprehensive income	-	-	-	-	-	-
At 30 June 2009	3,407	29,472	45	121	(7,893)	25,152
Transactions with owners	-	-	-	-	-	-
Profit for the period	-	-	-	-	2,168	2,168
Other comprehensive income	-	-	-	-	-	-
At 31 December 2009	3,407	29,472	45	121	(5,725)	27,320
Transactions with owners:						
Issue of new shares	1,553	-	-	-	-	1,553
Premium on issue of shares	-	8,542	-	-	-	8,542
Expenses of share issue	-	(316)	-	-	-	(316)
	1,553	8,226	-	-	-	9,779
Loss for the period	-	-	-	-	(1,155)	(1,155)
Other comprehensive income	-	-	-	-	-	-
At 30 June 2010	4,960	37,698	45	121	(6,880)	35,944

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2010

	30 June 2010 (Unaudited) £'000	30 June 2009 (Unaudited) £'000	31 December 2009 £'000
<b>Assets</b>			
<b>Non current assets</b>			
Intangible assets	171	171	171
Investment properties	47,953	43,405	48,054
Property, plant and equipment	43	6	3
Investment in joint venture	87	25	55
Deferred taxation	2,977	3,402	2,509
	<u>51,231</u>	<u>47,009</u>	<u>50,792</u>
<b>Current assets</b>			
Inventories	6,754	5,879	6,754
Trade and other receivables	3,734	2,399	2,671
Cash and cash equivalents	18,861	13,837	10,831
	<u>29,349</u>	<u>22,115</u>	<u>20,256</u>
<b>Total assets</b>	<u><u>80,580</u></u>	<u><u>69,124</u></u>	<u><u>71,048</u></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank loans	23,195	497	3,195
Provision for current taxation	137	149	149
Trade and other payables	1,711	2,222	1,942
	<u>25,043</u>	<u>2,868</u>	<u>5,286</u>
<b>Non-current liabilities</b>			
Bank loans	16,807	40,217	37,203
Liabilities at fair value	2,786	887	1,239
	<u>19,593</u>	<u>41,104</u>	<u>38,442</u>
<b>Total liabilities</b>	<u><u>44,636</u></u>	<u><u>43,972</u></u>	<u><u>43,728</u></u>
<b>Net assets</b>	<u><u>35,944</u></u>	<u><u>25,152</u></u>	<u><u>27,320</u></u>
<b>Equity</b>			
Share capital	4,960	3,407	3,407
Share premium account	37,698	29,472	29,472
Capital redemption reserve	45	45	45
Other reserves	121	121	121
Profit and loss account	(6,880)	(7,893)	(5,725)
<b>Shareholders' funds</b>	<u><u>35,944</u></u>	<u><u>25,152</u></u>	<u><u>27,320</u></u>

**CONSOLIDATED STATEMENT OF CASHFLOWS**  
for the 6 months ended 30 June 2010

	Six months to 30 June 2010 (Unaudited) £'000	Six months to 30 June 2009 (Unaudited) £'000	Year ended 31 December 2009 £'000
<b>Cashflows from operating activities</b>			
(Loss)/profit after taxation	(1,155)	953	3,121
Adjustments for:			
Depreciation	-	5	8
Surplus on sale of investment property	(188)		
Net valuation losses/(gains)	126	-	(2,659)
Share of loss of joint venture	9	11	8
Finance income	(259)	(254)	(570)
Finance costs	1,193	1,180	2,311
Loss/(gain) on financial liabilities held at fair value	1,547	(1,184)	(832)
Taxation (credit)/expense recognised in profit and loss	(468)	331	1,224
Decrease in inventories	-	-	(875)
Increase in trade and other receivables	(1,063)	(1,053)	(1,325)
Decrease in trade and other payables	(231)	(104)	(384)
	(489)	(115)	27
Interest paid	(1,193)	(1,180)	(2,311)
Income taxes paid	(12)	-	-
Net cash from operating activities	(1,694)	(1,295)	(2,284)
<b>Cash flows from investing activities</b>			
Purchase of investment properties	(210)	(797)	(2,787)
Purchase of property, plant and equipment	(40)	-	-
Proceeds from sale of investment properties	373	-	-
Investment in joint venture	(41)	(11)	(38)
Interest received	259	254	570
	341	(554)	(2,255)
<b>Cash flow from financing activities</b>			
Proceeds from share issue	9,779	-	-
Proceeds from bank loans	-	5,021	4,980
Payment of bank loans	(396)	(379)	(654)
Payment of convertible debt	-	(325)	(325)
	9,383	4,317	4,001
Net increase in cash and cash equivalents	8,030	2,468	(538)
Cash and cash equivalents at beginning of period	10,831	11,369	11,369

Cash and cash equivalents at end of period	18,861	13,837	10,831
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**NOTES TO THE INTERIM REPORT  
for the 6 months ended 30 June 2010**

**1. BASIS OF PREPARATION**

Real Estate Investors PLC, a Public Limited Company, is incorporated and domiciled in the United Kingdom.

The interim financial statements for the period ended 30 June 2010 (including the comparatives for the year ended 31 December 2009 and the period ended 30 June 2009) were approved by the board of directors on 14 September 2010. Under the Security Regulations Act of the EU, amendments to the financial statements are not permitted after they have been approved.

It should be noted that accounting estimates and assumptions are used in preparation of the interim financial information. Although these estimates are based on management's best knowledge and judgement of current events and action, actual results may ultimately differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim financial information are set out in note 3 to the interim financial information.

The interim financial information contained within this report does not constitute statutory accounts within the meaning of section 498 of the Companies Act 2006. The full accounts for the year ended 31 December 2009 received an unqualified report from the auditors and did not contain a statement under Section 498 of the Companies Act 2006.

**2. ACCOUNTING POLICIES**

The interim financial report has been prepared under the historical cost convention.

The principal accounting policies and methods of computation adopted to prepare the interim financial information are consistent with those detailed in the 2009 financial statements published by the Company on 1 March 2010.

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

**Critical accounting estimates and assumptions**

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

**Investment property revaluation**

The Group uses the valuations performed by its independent valuers or the directors as the fair value of its investment properties. The valuation is based upon assumptions including future rental income, anticipated maintenance costs, anticipated purchaser costs and the appropriate discount rate. The valuer and the directors also make reference to market evidence of transaction prices for similar properties.

**Interest rate swap valuation**

The Group carries the interest rate swap as a liability at fair value through profit or loss at valuation. This valuation has been provided by the Group's bankers.

**Critical judgements in applying The Group's accounting policies**

The Group makes judgements in applying the accounting policies. The critical judgement that has been made is as follows:



## Categorisation of trading properties

Properties held by the subsidiary 3147398 Limited are classified as inventories, being properties held for resale. These properties generate rental income but are actively marketed for sale and are therefore categorised as properties held for resale and carried at the lower of cost and net realisable value.

## 4. SEGMENTAL REPORTING

### Primary reporting - business segment

The only material business that the Group has is that of investment in and trading of commercial properties. Turnover relates entirely to rental income from investment properties and sale of trading properties within the UK.

### Secondary reporting format - geographical segment

The only material segment that the Group operates in is the UK.

## 5. INVESTMENT PROPERTIES

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

	<b>£'000</b>
<b>Carrying amount at 31 December 2008</b>	42,608
Additions	797
Revaluation	<u>-</u>
<b>Carrying amount at 30 June 2009</b>	43,405
Additions	1,990
Revaluation	<u>2,659</u>
<b>Carrying amount at 31 December 2009</b>	48,054
Additions	210
Revaluation	(126)
Disposals	(185)
<b>Carrying amount at 30 June 2010</b>	<u><u>47,953</u></u>

## 6. (LOSS)/EARNINGS PER SHARE

The calculation of the (loss)/earnings per share is based on the (loss)/earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period. The calculation of the diluted earnings per share is based on the basic earnings per share adjusted to allow for all dilutive potential ordinary shares.

(Loss)/earnings per share have been calculated on the loss for the period of £1,155,000 (year ended 31 December 2009: profit of £3,121,000 and six months ended 30 June 2009: profit of £953,000) and on 343,096,162 (2009: 340,714,327) ordinary shares, being the weighted average number of shares in issue during the period.

The impact of the exercise of the share warrants for the six months ended 30 June 2010 is anti-dilutive.

The diluted earnings per share for the six months ended 30 June 2009 has been calculated on the profit for the period of £953,000 and on 363,693,372 ordinary shares being the weighted average number of shares in issue during period, adjusted for the dilutive effect of the conversion of the convertible loan notes and the exercise of the share warrants.

The diluted earnings per share for the year ended 31 December 2009 has been calculated on the profit for the year of £3,121,000 and on 368,042,564 ordinary shares being the weighted average number of shares in issue during the year, adjusted for the dilutive effect of the conversion of the convertible loan notes and the exercise of the share warrants.