

**Real Estate Investors PLC**  
**Interim Results for the six months ended 30 June 2006**

Real Estate Investors PLC (“REI” or “the Company”), the commercial property investment company, today announces its interim results for the six months ended 30 June 2006

**Highlights to date:**

- \* Net assets as at 30 June 2006 up 36.7 per cent. to £7.9 million
- \* Net asset value per share currently estimated at 12.2p
- \* Subsequent acquisitions of Rightforce Limited and retail investment in Paisley
- \* Portfolio currently estimated to be valued at £28 million (including subsequent acquisitions and increase in value of trading stock)
- \* Rental income increased over the period to £1.4 million per annum
- \* £2.175 million (gross) raised in June 2006 and £525,000 raised in August 2006 in placings with new investors
- \* Disposal of Newport investment
- \* Balance sheet cash as at 30 June 2006 of £2.6 million providing base for further expansion with current cash of approximately £2.8 million
- \* New appointments in June strengthen board

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**Chairman’s statement**

The Company announced to shareholders in June, details of the important events for REI, in particular a significant fundraising. Since the period end, further share subscriptions with investors have been completed. In aggregate, REI raised £2.7 million (gross) in cash from these subscriptions.

REI's acquisitions in the first half of 2006 have included a town centre office investment in West Bromwich for £1,100,000 and an industrial estate, Menin Works, Mitcham, was acquired for £2,400,000 in May through a 50/50 joint venture. Financed on a long, fixed interest rate mortgage, the estate offers opportunities for medium term improvement, leading to enhanced income.

The Company disposed of its Newport, South Wales investment, let to Barclays Bank. Originally acquired in 2005, as part of the KBR portfolio, the sale realised a cash surplus of £170,000 (after costs of disposal and repayment of borrowings).

The acquisition of Rightforce Limited, completed in July 2006, added an attractive office investment in Watford, Hertfordshire to the portfolio. Let to tenants including Zurich Insurance and Royal Mail, the high specification building also offers medium term redevelopment opportunities.

Another recent acquisition is a town centre retail investment in Paisley, Strathclyde. It is let to Stead and Simpson Limited at a current rent of £74,500 per annum and extends the Company's activities into Scotland.

The Company's gross property assets increased in the six months to 30 June 2006 by 10.6 per cent. from £19.8 million to £21.9 million with rental income at approximately £1.4 million per annum. The Company's net assets as at 30 June 2006 increased 36.7 per cent. to £7.9 million. Following the subsequent acquisitions and the estimated increase in value of the trading assets, the Company has assessed the gross property assets to be worth in excess of £28 million, with rental income increasing to £1.6 million per annum.

Net asset value per share, following the share placings, is currently estimated to be 12.2p.

Before 'one off' exceptional items, the Company remains in surplus and further progress will be made during 2006.

The commercial property markets are facing up to a shift in the UK interest rate environment, and a more cautious approach by lending banks and institutions is beginning to emerge. This changing market suits REI's business strategy and the Company's cash balances will enable it to take advantage of exciting opportunities.

In the two years following REI's admission to AIM, I believe we have created a stable and profitable platform for the Company that will facilitate the further growth and expansion of the business.

It has been your board's belief that REI would benefit from the combined network and expertise of an additional executive director, together with the support and guidance of a further non-executive director. We therefore welcomed Paul Bassi and Marcus Daly to the board in June. They not only bring with them the necessary skills, but access to additional markets, through their Bond Wolfe business in the West Midlands, that, to date, REI has not entered. As a result, we expect a significant increase in the Company's activity in the future.

The board now bids farewell to Malcolm Lewin, a founder director and Finance Director. We wish him well for the future and whilst we complete arrangements for the appointment of his replacement, Marcus Daly will assume the role of interim Finance Director.

This is the first occasion that I have written to you as Chairman of REI. My predecessor and fellow founder director, John Jack, has kindly agreed to continue serving the board as Deputy Chairman and I am glad that we will continue to be able to call upon him for his advice and support.

I shall look forward to writing to shareholders again shortly.

Peter Lewin  
Chairman

**INTERIM CONSOLIDATED RESULTS**  
for the six months ended 30 June 2006

	Six months to 30 June 2006 (Unaudited) £'000	Six months to 30 June 2005 (Unaudited) £'000	Year ended 31 December 2005 (Audited) £'000
<b>Turnover - group and share of joint ventures</b>	664	537	1,181
Less: Share of joint ventures' turnover	18	-	-
<b>Group turnover</b>	646	537	1,181
Other administrative expenses	(247)	(216)	(441)
Exceptional item (Note 1)	(282)	-	-
Total administrative expenses	(529)	(216)	(441)
Other operating income	-	-	35
<b>Group operating profit</b>	117	321	775
Share of operating profits of joint ventures	18	-	-
<b>Total operating profit</b>	135	321	775
Profit on sale of investment properties	45	47	45
<b>Profit on ordinary activities before interest</b>	180	368	820
Net interest payable - group	(439)	(366)	(800)
Net interest payable - joint ventures	(11)	-	-
<b>(Loss)/profit on ordinary activities before taxation</b>	(270)	2	20
Taxation	-	-	(6)
<b>Retained (loss)/profit for the period</b>	(270)	2	14
<b>(Loss)/earnings per share</b>	(0.51p)	0.01p	0.03p

**CONSOLIDATED BALANCE SHEET**  
as at 30 June 2006

	30 June 2006 (Unaudited) £'000	30 June 2005 (Unaudited) £'000	31 December 2005 (Audited) £'000
<b>Fixed assets</b>			
Intangible assets - goodwill	114	121	117
- negative goodwill	(903)	(906)	(903)
	(789)	(785)	(786)
Tangible assets	10,950	9,251	10,216
Investments in joint ventures:			
Share of gross assets	1,275	-	-
Share of gross liabilities	(1,068)	-	-
	207	-	-
	10,368	8,466	9,430
<b>Current assets</b>			
Stock	9,703	9,704	9,703
Debtors	701	148	189
Investments	425	1,418	1,282
Cash at bank	2,573	624	1,065
	13,402	11,894	12,239
<b>Creditors - amounts falling due within one year</b>	(1,179)	(1,373)	(1,840)
<b>Net current assets</b>	12,223	10,521	10,399
<b>Total assets less current liabilities</b>	22,591	18,987	19,829
<b>Creditors - amounts falling due after more than one year</b>			
Convertible debt	(325)	(325)	(325)
Other	(14,326)	(14,643)	(13,695)
	(14,651)	(14,968)	(14,020)
<b>Net assets</b>	7,940	4,019	5,809
<b>Capital and reserves</b>			
Called up share capital	765	414	523
Share premium account	6,623	3,626	4,586
Capital redemption reserve	45	45	45
Other reserves	122	-	-
Revaluation reserve	708	-	708
Profit and loss account	(323)	(66)	(53)
<b>Shareholders' funds</b>	7,940	4,019	5,809

**GROUP CASH FLOW STATEMENT**  
for the six months ended 30 June 2006

	Six months to 30 June 2006 (Unaudited) £'000	Six months to 30 June 2005 (Unaudited) £'000	Year ended 31 December 2005 (Audited) £'000
<b>Net cash inflow from operating activities</b>	347	605	921
<b>Returns on investment and servicing of finance</b>			
Interest received	20	9	36
Interest paid	(464)	(216)	(658)
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>	(444)	(207)	(622)
<b>Taxation</b>	-	-	(186)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	(1,053)	(4,317)	(4,596)
Investment in joint venture	(199)	-	-
Sale of investment properties	-	1,184	1,170
<b>Net cash outflow from capital expenditure and financial investment</b>	(1,252)	(3,133)	(3,426)
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings	-	(2,254)	(2,254)
Payment of amounts owed by subsidiaries to vendors	-	(66)	(66)
<b>Net cash outflow from acquisitions and disposals</b>	-	(2,320)	(2,320)
<b>Financing</b>			
Proceeds from issue of shares	2,157	-	1,061
Expenses of issue of shares	(45)	-	(37)
Receipts from borrowing	825	11,218	11,207
Repayments of borrowing	(944)	(6,165)	(6,305)
Funds deposited with lenders	866	(1,409)	(1,263)
Finance lease	(2)	7	7
<b>Net cash inflow from financing</b>	2,857	3,651	4,670
<b>Increase/(decrease) in cash</b>	1,508	(1,404)	(963)

## STATEMENT OF CHANGES IN EQUITY

	Six months to 30 June 2006 (Unaudited) £'000	Six months to 30 June 2005 (Unaudited) £'000	Year ended 31 December 2005 (Audited) £'000
Profit/(loss) for the period	(270)	2	14
Issue of ordinary shares	242	94	203
Premium on the issue of ordinary shares	2,037	922	1,883
Shares issued on 7 January 2005	-	(600)	(600)
Surplus on revaluation of investment properties	-	-	708
Share warrants issued	122	-	-
Net increase in shareholders' funds	2,131	418	2,208
Opening shareholders' funds	5,809	3,601	3,601
Closing shareholders' funds	7,940	4,019	5,809

### NOTES:

#### 1. Exceptional item

The exceptional item relates to compensation and bonus payments of £160,000, and share warrants valued at £122,000 granted to directors in connection with the fundraising of £2.3 million, before costs, in June 2006.

#### 2. Basis of preparation

The financial information for the periods ended 30 June 2005 and 30 June 2006 is unaudited and does not constitute statutory accounts within the meaning of the Companies Act 1985. It has been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the period ended 31 December 2005. The figures for the period ended 31 December 2005 have been extracted from the statutory accounts which have been reported on by the Group's auditors and have been delivered to the Registrar of Companies. The auditors' report was unqualified and did not contain any statement under Section 237 (2), (3) or (4) of the Companies Act 1985.

#### 3. Earnings per share

Earnings per share have been calculated on the loss for the period of £270,000 (2005 profit £2,000) and on 53,204,277 (2005 38,974,107) ordinary shares of 1p each, which is the weighted average number of shares in issue during the period ended 30 June 2006.

#### 4. Copies of report

Copies of this report are available from the Company's business address at REI House, Bury Lane, Rickmansworth, Hertfordshire WD3 1ED.