

**Real Estate Investors PLC**  
**("REI" or the "Company" or the "Group")**  
**Half Year Results for the six months to 30 June 2013**

Real Estate Investors PLC (AIM:RLE) the West Midlands based property group, today announces its half year results for the six month period ended 30 June 2013.

**FINANCIAL HIGHLIGHTS**

- Proposed dividend payment of 1.0 pence in respect of the 2013 financial year - increase of 100%
- Rental income £2.60 million (H1 2012: £2.67 million)
- Profit before tax, revaluations and profit on valuation of interest rate swaps of £205,000 (H1 2012: £363,000)
- Pre- tax profit of £769,000 (H1 2012: £556,000)
  - includes profit on valuation of interest rate swaps of £1.2 million (H1 2012: loss of £74,000) and revaluation deficits of £647,000 (H1 2012: Profit £267,000), both non-cash items
- Gross property assets £76.8 million (31 December 2012: £77.4 million)
  - Investment property assets £70.0 million (31 December 2012: £70.4 million)
  - Net assets of £39.6 million (31 December 2012: £39.0 million)
  - NAV per share of 55.4p (31 December 2012: 54.6p)
  - EPRA NNAV per share 55.4p (31 December 2012: 54.6p)
- Cash and cash equivalents of £4 million (H1 2012: £6 million)
- Loan to value of 52% (49% net of cash) (31 December 2012: 50% (49%))

**OPERATIONAL HIGHLIGHTS**

- Payment of dividend up 100%
- 13,848 sq ft of new lettings and 6,577 sq ft of lease renewals completed in the period
- Secured planning consent at Southgate Retail Park for a large food store
- Occupancy at 85.16%.

**DIVIDEND TIMETABLE**

Ex Dividend Date	25 September 2013
Record Date	27 September 2013
Pay Date	25 October 2013

**Paul Bassi, CEO of Real Estate Investors, commented:**"We are delighted to pay our second dividend, which has been increased by 100%. I anticipate improving values and occupier demand during 2013 and 2014, together with a series of sales and acquisitions."

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**Chief Executive's Statement**

**RESULTS**

I am pleased to announce the payment of a dividend of 1p, which is payable to all shareholders on the register on 27 September 2013. This is an increase of 100% and in accordance with the Board's intention to pursue a progressive dividend policy.

The half year has seen income of £2.6 million (H1 2012 - £2.67m) and gross property assets are now £76.8m, an increase of 4% from 30 June 2012.

As long term interest rates begin to normalise, we have benefited from a recovery in our fair value movement charge on our financial instrument of £1.2 million which is a non-cash item. Operational activity has seen a profit of £205,000 which is after providing for £345,000, as a result of one of our tenants, Challinors Solicitors, entering administration. This charge represents a provision against rental income of £280,000 as a result of the reversal of the rent free period debtor under IFRS, which is a non-cash item, and a provision of £65,000 for bad debts.

**OVERVIEW**

After five years of falling investment values, rents and market confidence, we have, during the first half of 2013, seen a real improvement in confidence and occupier activity. Investor appetite from traditional funds, specialist funds, public and private property companies has seen a sharp rise in sentiment and demand for regional assets, with some transactions having taken place that will positively impact on our property values by the year end. We have, in fact, seen

some uplifts in some of our prime city centre assets, and other assets that have benefited from successful asset management activity.

As investor demand improves, we will look to sell certain assets where we believe we have maximised value and have placed some properties for sale during the second quarter of 2013, including some of our historical non-core properties. The renewed investor confidence appears to be driven by the search for higher yields achieved in the regions, together with the prospect of capital growth.

Occupier demand, whilst erratic, has resulted in reducing incentives and the reduction in the available stock in our immediate market place. I anticipate a further reduction in incentives and some rental growth as demand exceeds supply, due to the lack of new developments and available stock.

#### **PROPERTY PORTFOLIO**

We have not acquired any new property in the first half of 2013, largely as we have been outbid on a number of assets that have met our criteria, and due to a constraint on our available capital.

Having established our reputation in the regional market place, we anticipate being offered criteria property from continuing disposals by banks and financial organisations that have assets placed with internal and external distressed asset managers during Q4 2013 and Q1 2014.

In the first half of 2013, eight new leases were completed, adding a further £150,000 to the contracted income. In addition to these, a number of lease re-gears were actioned, pushing the WAULT to over four years with occupancy across the portfolio now at 85.16%.

We remain cash positive and will secure new facilities against our unencumbered assets, once they are income producing and with the benefit of some sales and trading profits, we anticipate adding criteria properties to our existing portfolio over the next six months.

Our planning application at Southgate Retail Park has been successful, resulting in a 45,000 sq. ft. food store consent and we have commenced discussions regarding a sale, and anticipate a sale at a significantly higher valuation than our existing book value.

We have a number of other surrender discussions and assets sales that we anticipate completing by the year end 2013.

Our valuations have been impacted by the downward valuation at Guardian House, in West Bromwich, as a result of the principal tenant, Challinors Solicitors, a long standing Midlands law firm, entering administration, and the likely vacating of the offices. This is excellent office space, and we already have interest from potential new occupiers. We expect to re-let and recover the valuation loss. We also have personal guarantees from some of the partners, whom we intend to pursue.

#### **BANKING**

The banks are at last effectively 'Open for Business'. We have noticed a significant change in the availability of debt to all sectors, other than speculative development funding. In particular, we have noticed a preference to lend to borrowers acquiring income producing investment property, both residential and commercial.

We continue to receive excellent support from our banking relationships and we are also in early discussions with Lloyds Banking Group to extend our existing £20 million facility into a new five year facility on similar or improved terms. Presently, this expires in October 2014.

All other facilities remain secure, and we now find ourselves regularly encouraged by the lending community, both banks and insurance companies to transact new lending against our unencumbered assets and any new potential purchases.

#### **REGIONAL OVERVIEW - ALL GOOD NEWS!**

The economy locally has gained in confidence in all sectors, with the motor trade in particular seeing improved activity:

- Jaguar Land Rover is to create 1,700 new jobs, with a £1.5 billion investment in Solihull, West Midlands.
- Automotive strength will see West Midlands outstrip Germany in export growth with exports from the West Midlands set to grow three times faster than Germany's.
- Deutsche Bank Birmingham is taking on a further 134,000 sq ft at Five Brindleyplace for a new operation moving out of London.
- The West Midlands Six Local Enterprise Partnerships have attracted a further £730 million of European funding.
- UK Trade and Invest (UKTI) has identified The Greater Birmingham & Solihull region as being the most successful in the UK at attracting jobs from foreign businesses, topping the national league for new job creation.
- House prices in the West Midlands saw the biggest annual increase of the English regions after London, with a 3.1 % rise there topping the 2.9 % increase in the South East.
- West Midlands region has outstripped the rest of the UK in job-boosting investment from foreign investors. After London, Birmingham is the biggest city for foreign direct investment.
- The latest export statistics produced by HM Revenue and Customs reveal that the West Midlands is the top performing region for international trade. Exports from the region reached more than £6.5 billion between 1 April

and 30 June 2013. Compared to the last quarter, exports from the West Midlands increased by 6.5%, the highest growth of all English regions. Compared with the same quarter in 2012, the growth is an impressive 18% - equating to more than £1 billion more exports from the region.

#### OUTLOOK 2013-2014

The demand for regional assets has significantly improved and, as this demand is converted to real deals, we anticipate favourable comparable evidence that should see our investment property valuations improve. However, we remain unreliant on this market activity and continue with asset management activity through refurbishment, lettings, lease renewals and planning consents, to add value to our portfolio. As assets reach their valuation target, we will place them for sale and reinvest the capital into further criteria opportunities.

We remain well positioned to access opportunities in our market place and we are considering further options to grow the business, and remain open to the prospect of converting to a Real Estate Investment Trust.

**PAUL BASSI**  
**CHIEF EXECUTIVE**  
**13 SEPTEMBER 2013**

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>				
<b>For the 6 months ended 30 June 2013</b>				
		<b>Six months to 30 June 2013 (Unaudited)</b>	<b>Six months to 30 June 2012 (Unaudited)</b>	<b>Year ended 31 December 2012</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>		2,604	2,668	6,122
Cost of sales	- Void costs	(288)	(410)	(574)
	- Loss on valuation of inventory property	(180)	-	(860)
<b>Gross profit</b>		2,136	2,258	4,688
Administrative expenses		(866)	(825)	(1,874)
Share of operating profit of joint venture		11	-	-
Surplus on sale of investment property		-	53	64
Net valuation (losses)/surpluses		(467)	267	822
Profit on ordinary activities before interest		814	1,753	3,700
Finance income		10	13	26
Finance costs		(1,266)	(1,136)	(2,404)
Surplus/(loss) on financial liabilities held at fair value		1,211	(74)	(320)
<b>Profit on ordinary activities before taxation</b>		769	556	1,002
Income tax charge		(177)	(150)	(635)
<b>Retained profit for the period</b>		592	406	367
<b>Basic profit per share</b>	6	0.83p	0.56p	0.51p
<b>Diluted profit per share</b>	6	0.83p	0.56p	0.51p

<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>						
<b>for the 6 months ended 30 June 2013</b>						
	<b>Share capital</b>	<b>Share Premium Account</b>	<b>Capital Redemption Reserve</b>	<b>Other Reserves</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 31 December 2011	7,142	61	45	121	31,612	38,981
Transactions with owners	-	-	-	-	-	-
Profit for the period	-	-	-	-	406	406

Other comprehensive income	-	-	-	-	-	-
At 30 June 2012	7,142	61	45	121	32,018	39,387
Dividends	-	-	-	-	(357)	(357)
Transactions with owners	-	-	-	-	(357)	(357)
Loss for the period	-	-	-	-	(39)	(39)
Other comprehensive income	-	-	-	-	-	-
At 31 December 2012	7,142	61	45	121	31,622	38,991
Transactions with owners	-	-	-	-	-	-
Profit for the period	-	-	-	-	592	592
Other comprehensive income	-	-	-	-	-	-
At 30 June 2013	7,142	61	45	121	32,214	39,583

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>			
<b>as at 30 June 2013</b>			
	<b>30 June 2013</b>	<b>30 June 2012</b>	<b>31 December 2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Assets</b>			
<b>Non current assets</b>			
Intangible assets	171	171	171
Investment properties	70,022	65,775	70,441
Property, plant and equipment	12	23	18
Investment in joint venture	797	148	236
Deferred taxation	4,078	4,740	4,255
	75,080	70,857	75,121
<b>Current assets</b>			
Inventories	6,755	7,710	6,935
Trade and other receivables	1,958	1,992	3,151
Cash and cash equivalents	4,206	5,654	2,685
	12,919	15,356	12,771
<b>Total assets</b>	<b>87,999</b>	<b>86,213</b>	<b>87,892</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank loans and overdraft	2,446	649	3,106
Trade and other payables	2,627	3,149	2,956
	5,073	3,798	6,062
<b>Non-current liabilities</b>			
Bank loans	39,240	37,960	37,525
Liabilities at fair value	4,103	5,068	5,314
	43,343	43,028	42,839
<b>Total liabilities</b>	<b>48,416</b>	<b>46,826</b>	<b>48,901</b>
<b>Net assets</b>	<b>39,583</b>	<b>39,387</b>	<b>38,991</b>
<b>Equity</b>			
Share capital	7,142	7,142	7,142
Share premium account	61	61	61
Capital redemption reserve	45	45	45
Other reserves	121	121	121

Retained earnings	32,214	32,018	31,622
<b>Shareholders' funds</b>	<b>39,583</b>	<b>39,387</b>	<b>38,991</b>

<b>CONSOLIDATED STATEMENT OF CASHFLOWS</b>			
<b>for the 6 months ended 30 June 2013</b>			
	<b>Six months to</b>	<b>Six months to</b>	<b>Year ended</b>
	<b>30 June 2013</b>	<b>30 June 2012</b>	<b>31 December 2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cashflows from operating activities</b>			
Profit after taxation	592	406	367
Adjustments for:			
Depreciation	6	5	11
Surplus on sale of investment property	-	(53)	(64)
Net valuation losses/(surpluses)	467	(267)	(822)
Share of profit of joint venture	11	-	-
Finance income	(10)	(13)	(26)
Finance costs	1,266	1,136	2,404
(Surplus)/loss on financial liabilities held at fair value	(1,211)	74	320
Taxation charge recognised in profit and loss	177	150	635
Decrease in inventories	180	85	860
Decrease/(increase) in trade and other receivables	1,193	477	(682)
(Decrease)/increase in trade and other payables	(329)	1,079	886
	2,342	3,079	3,889
Interest paid	(1,266)	(1,136)	(2,404)
<b>Net cash from operating activities</b>	<b>1,076</b>	<b>1,943</b>	<b>1,485</b>
<b>Cash flows from investing activities</b>			
Purchase of investment properties	(48)	(2,361)	(6,471)
Purchase of property, plant and equipment	-	-	(1)
Proceeds from sale of property, plant and equipment	-	340	350
Investment in joint venture	(572)	-	(88)
Interest received	10	13	26
	(610)	(2,008)	(6,184)
<b>Cash flow from financing activities</b>			
Equity dividends paid	-	-	(357)
Proceeds from bank loans	1,500	10,400	10,303
Payment of bank loans	(244)	(6,928)	(6,807)
	1,256	3,472	3,139
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,722</b>	<b>3,407</b>	<b>(1,560)</b>
Cash and cash equivalents at beginning of period	687	2,247	2,247
Cash and cash equivalents at end of period	2,409	5,654	687

**NOTES TO THE INTERIM REPORT**  
**for the 6 months ended 30 June 2013**

**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 2013 (including the comparatives for the year ended 31 December 2012 and the period ended 30 June 2012) were approved by the board of directors on 13 September 2013. 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 the Companies Act 2006. The full accounts for the year ended 31 December 2012 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 2012 financial statements published by the Company on 27 March 2013.

## 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 the profit or loss at a 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. Revenue relates entirely to rental income from investment properties and sale of trading properties within the UK.

## 5. INVESTMENT PROPERTIES

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

	£'000
<b>Carrying amount at 31 December 2011</b>	63,434
Additions	2,361
Revaluation	267
Disposals	(287)
<b>Carrying amount at 30 June 2012</b>	65,775
Additions	4,111
Revaluation	555
<b>Carrying amount at 31 December 2012</b>	70,441
Additions	48
Revaluation	(467)

Carrying amount at 30 June 2013	70,022
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## 6. PROFIT PER SHARE

The calculation of the profit per share is based on the profit 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.

The basic profit per share has been calculated on the profit for the period of £592,000 (31 December 2012: £367,000 and 30 June 2012: £406,000) and on 71,420,598 ordinary shares, being the weighted average number of shares in issue during the period.

The impact of share warrants and options on the results for the period is antidilutive.

### EPRA EPS per share

	30 June 2013			31 December 2012		
	Earnings £'000	Shares	Earnings per share p	Earnings £'000	Shares	Earnings per share p
<b>Basic earnings per share</b>	<b>592</b>	<b>71,420,598</b>	<b>0.83</b>	<b>367</b>	<b>71,420,598</b>	<b>0.51</b>
Fair value of investment properties	467			(822)		
Profit on disposal of investment properties	-			(64)		
Tax on disposal of investment properties	-			15		
Fair value of trading properties	180			860		
Change in fair value of derivatives	(1,211)			320		
Deferred tax in respect of EPRA adjustments	130			(82)		
<b>EPRA Earnings</b>	<b>158</b>	<b>71,420,598</b>	<b>0.22</b>	<b>594</b>	<b>71,420,598</b>	<b>0.83</b>

### EPRA NAV per share

	30 June 2013			31 December 2012		
	Net Assets £'000	Shares £'000	Net asset value per share p	Net Assets £'000	Shares £'000	Net asset value per share p
<b>Basic</b>	<b>39,583</b>	<b>71,420,598</b>	<b>55.4</b>	<b>38,991</b>	<b>71,420,598</b>	<b>54.6</b>
Dilutive impact of share options and warrants	-	-		-	-	
<b>Diluted</b>	<b>38,583</b>	<b>71,420,598</b>	<b>55.4</b>	<b>38,991</b>	<b>71,420,598</b>	<b>54.6</b>
Adjustment to fair value of derivatives	4,103	-		5,314	-	
Deferred tax	(4,078)	-		(4,255)	-	
<b>EPRA NAV</b>	<b>39,608</b>	<b>71,420,598</b>	<b>55.4</b>	<b>40,050</b>	<b>71,420,598</b>	<b>56.1</b>
Adjustment to fair value of derivatives	(4,103)	-		(5,314)	-	
Deferred tax	4,078	-		4,255	-	
<b>EPRA NNAV</b>	<b>39,583</b>	<b>71,420,598</b>	<b>55.4</b>	<b>38,991</b>	<b>71,420,598</b>	<b>54.6</b>