

19 September 2012

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

**Half Year Results for the six months to 30 June 2012 - Maiden Dividend**

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 2012.

**FINANCIAL HIGHLIGHTS**

- Maiden dividend payment of 0.5 pence in respect of the 2012 financial year
- Rental income up 48% to £2.67 million (H1 2011: £1.81 million)
- Profit before tax, revaluations and loss on valuation of interest rate swaps of £363,000 (H1 2011: loss of £68,000)
- Pre- tax profit of £556,000 (H1 2011: loss of £1.88 million)
  - includes loss on valuation of interest rate swaps of £74,000 (H1 2011: loss of £71,000) and revaluation surplus of £267,000 (H1 2011: deficit of £1.74 million), both non cash items
- Gross property assets up 3% to £73.5 million (31 December 2011: £71.2 million)
  - Investment property assets up 4% to £65.8 million (31 December 2011: £63.4 million)
  - Net assets of £39.4 million (31 December 2011: £39 million)
  - NAV per share of 55p (31 December 2011: 54.6p)
  - NNNAV per share 55.6p (31 December 2011: 54.7p)
- Cash and cash equivalents of £6.0 million (H1 2011: £8.0 million)
- Loan to value of 52.5% (44.8% net of cash) (31 December 2011: 52.4% (46.2%))

**OPERATIONAL HIGHLIGHTS**

- Refinance of £10.4million with Aviva providing a 15 year financing on fixed terms at 5.16%
- £2.4 million of acquisitions in first half year
- Further selective acquisitions in the second half with a stable regional property market backdrop

**DIVIDEND TIMETABLE**

Ex Dividend Date	26 September 2012
Record Date	28 September 2012
Pay Date	26 October 2012

**Paul Bassi, CEO of Real Estate Investors, commented:** "We are pleased to report a positive first half of the year, and the announcement of our maiden dividend. We remain well positioned to capitalise on unstable market conditions while our existing portfolio remains stable and secure but with significant capital upside potential."

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**Chief Executive's Statement****RESULTS**

I am delighted to report excellent progress during the first half of 2012. Whilst the economic backdrop remains fragile, we are able to announce our inaugural dividend of 0.5p, payable to all shareholders on the register on 26 September 2012. The Board is committed to paying a dividend annually in October and will consider other payouts depending on activity.

The six month period to 30 June 2012 saw rental income increase by 48% to £2.67 million (H1 2011: £1.81 million) and gross property assets increase by 3% to £73.5 million from £71.2 million at the December 2011 year end.

Contracted rental income has risen to £6.3 million. Valuations across the property market remain under pressure. However, through careful asset management and improving rental income, we are able to combat these pressures and have seen a modest increase in the value of the portfolio, with further growth potential.

Commercial property activity in the West Midlands doubled in Q2 2012 to £317 million from £167 million in Q1 2012. This is due to improving lending conditions and growing appetite for regional assets that provide significantly better yields and capital growth potential than in London, which has been the focus of the market for some time.

The loss on financial liabilities held at fair value of £74,000 is a revaluation of interest rate swaps. This is a non-cash item, which we expect to improve in due course and the total provision of £5.1 million will be recovered from rising interest rates or on maturity of the financial instruments in 2018 and 2019.

#### PROPERTY PORTFOLIO

Purchases during the first half included 'Apex' in Edgbaston, for the sum of £1.7 million, let to Lombard North Central (Natwest) and Royal London Life, producing £353,000 per annum on leases expiring in December 2015 and producing an initial yield of 20%. The properties were acquired from the receivers acting for the mortgagees, Capital Asset Services (London) Ltd. The vendors acquired these properties in March 2005 for the sum of £4.5 million. Additionally, we acquired a part-vacant freehold property at High Street, West Bromwich (a former Allied Carpets retail store, with offices above) for £475,000. This property will be refurbished and re-let, with potential income of £150,000 per annum. The vendor paid £1.6 million in May 2006. During this period we also sold land in Birmingham, with planning consent, to Bromford Housing Association for £350,000, £53,000 above the book value.

Our portfolio remains stable and secure, with significant asset management opportunities that will enhance the income and capital values. New tenants include AFH Financial Group Plc at Avon House in Bromsgrove. The letting is for a term of 11 years, with a tenant break in September 2018, at a commencing rent of £173,000 per annum, rising to £202,000 per annum at the first review.

Additionally, following positive discussions with planning consultants, we are submitting a planning application for a 45,000 sq ft food store in Southgate Retail Park, Derby. Planning consent will provide significant capital upside on this asset.

#### BANKING

We have noticed an improved level of credit available to the marketplace, some of which may be supporting the significantly improved activity from Q1 to Q2 as outlined above, as evidenced at auction sales, where volumes have increased substantially.

We continue to have excellent support, and further availability of debt, should we require it, from our longstanding banking relationships at Lloyds Banking Group, Handelsbanken and Aviva. In March, we completed a refinancing of £10.4 million with Aviva for a term of 15 years, fixed at 5.16% inclusive. This refinancing, with existing cash and agreed bank facilities, provides us with cash that can and will be invested when we identify assets that meet our investment criteria.

#### REGIONAL OVERVIEW

As our business has a very strong West Midlands and central England focus, I feel that I should comment on some of the regional economic influences that impact positively on our business and locality, particularly when so much of the national and global news is so negative.

- Doubling of commercial property activity from Q1 £167million to Q2 £317million
- £120 billion of exports
- Direct foreign investment increased by 206% (best performance of any UK region)
- West Midlands is the largest regional exporter to non-Euro countries
- Best performing High Street in the UK (PWC)
- Record residential rents in the West Midlands
- Jaguar Land Rover creating 1,000 supply chain jobs
- New £250 million investment by BMW
- Expansion of Birmingham International Airport
- Commencement of £640 million New Street Station project
- West Midlands rental growth is the largest in England
- Year-on-year house price growth

The above demonstrates the activity in the region, that will positively impact upon our portfolio, and why we are seeing improving demand and occupancy.

#### OUTLOOK AND OPPORTUNITIES FOR 2012-2013

We have now established REI as a highly respected regional property investment company that has a portfolio that will deliver strong cash flow and subsequent capital growth through asset management, improving market conditions, rising rental income and lending growth from the banks. We have already witnessed the doubling of property activity from Q1 to Q2 in the West Midlands, and improving interest from investors and occupiers in regional property assets.

The existing portfolio remains stable and we will seek to add to this, and take advantage of our market reputation, and preferred buyer status, but only when we identify opportunities that meet our criteria. We believe that these are most likely to be derived from institutional funds wishing to exit non criteria assets and distressed sales from banks and receivers.

Market conditions remain fragile and unpredictable, providing opportunities to the investor. We will continue to run our business prudently, with a view to growing income and enhancing capital values.

**PAUL BASSI**  
**CHIEF EXECUTIVE**  
**18 SEPTEMBER 2012**

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>				
<b>For the 6 months ended 30 June 2012</b>				



At 31 December 2010	4,960	37,654	45	121	(10,513)	32,267
Transactions with owners	-	-	-	-	-	-
Loss for the period	-	-	-	-	(1,373)	(1,373)
Other comprehensive income	-	-	-	-	-	-
At 30 June 2011	4,960	37,654	45	121	(11,886)	30,894
Transactions with owners						
Issue of new shares	2,182	-	-	-	-	2,182
Premium on issue of shares	-	9,818	-	-	-	9,818
Expenses of share issue	-	(257)	-	-	-	(257)
Reduction of share premium account	-	(47,154)	-	-	47,154	-
	2,182	(37,593)	-	-	47,154	11,743
Loss for the period	-	-	-	-	(3,656)	(3,656)
Other comprehensive income	-	-	-	-	-	-
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

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>			
<b>as at 30 June 2012</b>			
	<b>30 June 2012</b>	<b>30 June 2011</b>	<b>31 December 2011</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	65,775	51,938	63,434
Property, plant and equipment	23	35	28
Investment in joint venture	148	105	148
Deferred taxation	4,740	3,818	4,890
	70,857	56,067	68,671
<b>Current assets</b>			
Inventories	7,710	8,330	7,795
Trade and other receivables	1,992	1,474	2,469
Cash and cash equivalents	5,654	7,817	4,461
	15,356	17,621	14,725
<b>Total assets</b>	<b>86,213</b>	<b>73,688</b>	<b>83,396</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank loans and overdraft	649	21,775	2,930
Trade and other payables	3,149	1,985	2,070
	3,798	23,760	5,000
<b>Non-current liabilities</b>			
Bank loans	37,960	16,546	34,421
Liabilities at fair value	5,068	2,488	4,994
	43,028	19,034	39,415
<b>Total liabilities</b>	<b>46,826</b>	<b>42,794</b>	<b>44,415</b>
<b>Net assets</b>	<b>39,387</b>	<b>30,894</b>	<b>38,981</b>
<b>Equity</b>			
Share capital	7,142	4,960	7,142
Share premium account	61	37,654	61
Capital redemption reserve	45	45	45
Other reserves	121	121	121
Retained earnings	32,018	(11,886)	31,612
<b>Shareholders' funds</b>	<b>39,387</b>	<b>30,894</b>	<b>38,981</b>

<b>CONSOLIDATED STATEMENT OF CASHFLOWS</b>			
<b>for the 6 months ended 30 June 2012</b>			
	<b>Six months to</b>	<b>Six months to</b>	<b>Year ended</b>
	<b>30 June 2012</b>	<b>30 June 2011</b>	<b>31 December</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>2011</b>

	£'000	£'000	£'000
<b>Cashflows from operating activities</b>			
Profit/(loss) after taxation	406	(1,373)	(5,029)
Adjustments for:			
Depreciation	5	6	12
Surplus on sale of investment property	(53)	(21)	(22)
Net valuation (surpluses)/losses	(267)	1,742	4,230
Share of loss of joint venture	-	-	2
Finance income	(13)	(117)	(197)
Finance costs	1,136	1,261	2,337
Loss on financial liabilities held at fair value	74	71	2,577
Taxation charge/(credit) recognised in profit and loss	150	(508)	(1,663)
(Increase)/decrease in inventories	85	(2,277)	(1,742)
Decrease in trade and other receivables	477	2,233	1,238
Increase in trade and other payables	1,079	44	111
	3,079	1,061	1,854
Interest paid	(1,136)	(1,261)	(2,337)
Income taxes paid	-	-	(17)
Net cash from operating activities	1,943	(200)	(500)
<b>Cash flows from investing activities</b>			
Purchase of investment properties	(2,361)	(3,335)	(17,321)
Purchase of property, plant and equipment	-	(1)	-
Proceeds from sale of property, plant and equipment	340	154	157
Investment in joint venture	-	(2)	(47)
Interest received	13	117	197
	(2,008)	(3,067)	(17,014)
<b>Cash flow from financing activities</b>			
Proceeds from share issue	-	-	11,743
Proceeds from bank loans	10,400	-	-
Payment of bank loans	(6,928)	(738)	(3,804)
	3,472	(738)	7,939
Net increase/(decrease) in cash and cash equivalents	3,407	(4,005)	(9,575)
Cash and cash equivalents at beginning of period	2,247	11,822	11,822
Cash and cash equivalents at end of period	5,654	7,817	2,247

**NOTES TO THE INTERIM REPORT  
for the 6 months ended 30 June 2012**

**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 2012 (including the comparatives for the year ended 31 December 2011 and the period ended 30 June 2011) were approved by the board of directors on 18 September 2012. 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 2011 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 2011 financial statements published by the Company on 23 March 2012.

## 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 2010</b>	50,478
Additions	3,335
Revaluation	(1,742)
Disposals	(133)
<b>Carrying amount at 30 June 2011</b>	51,938

Additions	13,986
Revaluation	(2,490)
<b>Carrying amount at 31 December 2011</b>	<b>63,434</b>
Additions	2,361
Revaluation	267
Disposals	(287)
<b>Carrying amount at 30 June 2012</b>	<b>65,775</b>

#### 6. PROFIT/(LOSS) PER SHARE

The calculation of the profit/(loss) per share is based on the profit/(loss) 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/(loss) per share has been calculated on the profit for the period of £406,000 (31 December 2011: loss of £5,029,000 and 30 June 2011: loss of £1,373,000) and on 71,420,598 (31 December 2011: 59,525,206 and 30 June 2011: 49,602,416) ordinary shares, being the weighted average number of shares in issue during the period.

The diluted profit/(loss) or share has been calculated on the profit for the period of £406,000 and on 72,721,848 ordinary shares, to include the effect on the ordinary shares of the exercise of the share warrants. The impact of the share warrants for the six months ended 30 June 2011 and the year ended 31 December 2011 is anti-dilutive.