



Real Estate Investors Plc

Real Estate Investors Plc
("REI" or the "Company" or the "Group")

Half Year Results
For the six months ended 30 June 2019

**Delivering increased returns and well
positioned to make opportunistic acquisitions**

Real Estate Investors Plc (AIM: RLE), the London Stock Exchange listed Real Estate Investment Trust (REIT) with a portfolio of 1.53 million sq ft of commercial property in the Midlands property market across all sectors, is pleased to report its unaudited half year results for the six-month period ended 30 June 2019.

Delivering good profit growth in a flat pre-Brexit market

- Contracted rental income of £17.0 million p.a. (net of sales) (H1 2018: £15.8 million p.a.) up 7.6%
- Grew underlying profit before tax* to £4.0 million (H1 2018: £3.4 million) up 17.9%
- Increased revenue by 8.4% to £8.1 million (H1 2018: £7.4 million)
- EPRA EPS** of 2.15p (H1 2018: 1.8p) up 19.4%

Generating increased and attractive returns for shareholders

- Q2 dividend of 0.9375p, giving an EPRA EPS covered dividend for H1 2019 of 1.875p (H1 2018: 1.75p) up 7.1%

Stable portfolio of diversified assets

- Portfolio consists of 268 tenants across 51 assets, with a WAULT of 4.04 years to break (H1 2018: 4.33 years to break) and 6.0 years to expiry (H1 2018: 6.38 years to expiry)
- Valuation of gross property assets broadly stable at £221.1 million (FY 2018: £224.8 million) reflecting the sale of Metro Court for £2.1 million and a mark down on retail values, largely offset by asset management activity and an uplift in our office portfolio values
- REI has no exposure to indoor shopping centres, out of town retail or department stores
- EPRA NAV per share of 68.8p (FY 2018: 69.3p) down 0.7%
- Completed 8 lease renewals and 14 new lettings covering 69,586 sq ft, occupancy now 96.2% (H1 2018: 91.7%) up 4.5%

Disposals

- REI completed the sale of Metro Court in March 2019 for the sum of £2.1 million
- During the period, we successfully secured residential planning consent for approximately 100 units in Coseley. We are currently in legals to sell this to a national housebuilder

Expecting acquisition opportunities to emerge

- £25m of cash and agreed bank facilities makes REI well positioned to make opportunistic acquisitions
- Average cost of debt of 3.7% (H1 2018: 4.1%) and LTV (net of cash) of 39.7% (FY 2018: 39.8%)

Post-Period Activity

- The Company expects to complete on the sale of City Gate House, Leicester on 29 September 2019, for £2.6 million to a residential developer
- We have a number of advanced discussions in respect of acquiring criteria compliant opportunities

Paul Bassi, CEO of Real Estate Investors Plc, commented:

"Our portfolio remains robust with inherent potential growth embedded within the portfolio for Permitted Development opportunities."

"Our occupancy is at 96.2% and contracted rents have increased to £17.0 million p.a, up 7.6% (H1 2018: £15.8 million p.a.). Underlying profits are £4.0 million, up 17.9% on H1 2018 and we have declared a H1 EPRA EPS covered dividend of 1.875p, up 7.1% on H1 2018."

“Transactional activity has been relatively low but there is pent-up requirement to trade and we have positioned ourselves with cash and agreed bank facilities of £25 million to capitalise on any suitable opportunities that arise.”

“The Midlands has begun the process of preparation for the 2022 Commonwealth Games and the Coventry City of Culture in 2021 and REI is well placed to benefit from the increased activity and opportunities that such major initiatives and events bring to an already vibrant region. The appeal of Birmingham continues to increase with a recent study showing that for people leaving London, Birmingham is the most popular city to move to. These trends are fuelling the region’s ongoing growth and we are confident in REI’s future prospects.”

Financial and Operational Results

	30 Jun 2019	30 Jun 2018	Change
Revenue	£8.1 million	£7.4 million	+8.4%
Underlying profit before tax	£4.0 million	£3.4 million	+17.9%
Contracted rental income	£17.0 million	£15.8 million	+7.6%
EPRA EPS**	2.15p	1.8p	+19.4%
Pre-tax Profit	£1.7 million	£5.3 million	-67.9%
Dividend per share	1.875p	1.75p	+7.1%
Average cost of debt	3.7%	4.1%	-9.8%
Like for like rental income	£16.1 million	£15.7 million	+2.5%

	30 Jun 2019	31 December 2018	Change
Gross property assets	£221.1 million	£224.8 million	-0.95%
EPRA NAV per share	68.8p	69.3p	-0.7%
EPRA NNAV per share	67.4p	67.9p	-0.7%
Like for like capital value psf	£144.7 psf	£145.8 psf	-0.8%
Like for like valuation	£221.1 million	£222.8 million	-0.8%
Tenants	268	269	-
WAULT***	4.04 years	4.24 years	-4.7%
Total ownership (sq ft)	1.53 million sq ft	1.55 million sq ft	-
Net assets	£127.1 million	£128.7 million	-1.2%
Loan to value	45.3%	44.7%	+1.3%
Loan to value net of cash	39.7%	39.8%	+0.2%

Definitions

* Underlying profit before tax excludes profit/loss on revaluation and sale of properties and interest rate swaps

** EPRA = European Public Real Estate Association

*** WAULT = Weighted Average Unexpired Lease Term

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About Real Estate Investors Plc

Real Estate Investors Plc is a publicly quoted, internally managed property investment company and REIT with a portfolio of 1.53 million sq ft of predominantly commercial property, managed by a highly-experienced property team with over 100 years of combined experience of operating in the Midlands property market across all sectors. The Company’s strategy is to invest in well located, real estate assets in the established and proven markets across the Midlands, with income and capital growth potential, realisable through active portfolio management, refurbishment, change of use and lettings. The portfolio has no material reliance on a single asset or occupier. On 1st January 2015, the Company converted to a REIT. Real Estate Investment Trusts are listed property investment companies or groups not liable to corporation tax on their rental income or capital gains from their qualifying activities. The Company aims to deliver capital growth and income enhancement from its assets, supporting a progressive dividend policy. Further information on the Company can be found at www.reiplc.com.

Chairman's and Chief Executive's Statement

Overview

Well balanced portfolio with potential to expand

We continue to benefit from the positives of a multi-let and diverse portfolio, with asset management opportunities that allow us to improve capital values and grow income. Occupancy is at 96.2% and we generated underlying profits of £4.0 million, up 17.9% on H1 2018.

We anticipate growing further via new lettings, rent reviews and lease renewals from within the existing portfolio and by utilising our £25 million of cash and agreed banking facilities to secure criteria compliant acquisitions over the next six months.

REI does not have any exposure to out of town retail, indoor shopping centres or the troubled department store sector. Despite this, there has been downward valuation pressure on some of the retail assets in our portfolio, but pleasingly this was largely offset by asset management initiatives and our flourishing office, convenience and neighbourhood retail assets.

Significant Permitted Development opportunities for conversion to residential have been identified within the portfolio and we are focused on extracting these embedded and undervalued opportunities, against a strong regional housing market. While a number of our assets have been identified for permitted development, each asset is assessed on its own merits and if there is an opportunity to re-gear or let the space at a level that enhances income and capital value, we will pursue that avenue.

REI believes there is pent-up appetite on behalf of buyers and sellers to provide an active marketplace immediately upon a satisfactory outcome to the Brexit negotiations and we anticipate a positive investment market, further enhanced by overseas investors capitalising on the weak pound.

As the UK's only Midlands focused REIT, REI is well placed to capitalise on opportunities within the buoyant Midlands market with access to an unparalleled network combined with management's knowledge and regional expertise.

Financial Results

Trading in line with expectations

Contracted rental income grew by 7.6% to £17.0 million p.a. (H1 2018: £15.8 million), and revenue increased to £8.1 million, up 8.4% (H1 2018: £7.4 million). Underlying profits before tax increased by 17.9% to £4.0 million (H1 2018: £3.4 million).

Our pre-tax profit is £1.7 million (H1 2018: £5.3 million). This reduction relates entirely to non-cash items of property re-valuations along with hedge costs relating to our fixed debt.

Our portfolio valuation is £221.1 million (FY 2018: £224.8 million) down 0.95%, due to a £2.8 million reduction in our retail valuations, and the sale of Metro Court for £2.1 million in March 2019. The overall reduction was offset by asset management activity and an increase in valuation of £0.77 million to £92.42 million in our office portfolio, a rise of 0.8%. Offices remain our largest property class (39.2%), and here we have seen consistent renewals and strong occupier demand, coupled with gradual rising rents and valuations.

We expect the value of our retail assets will recover, once the marketplace acknowledges the differentials between our convenience and neighbourhood retail ownership (prime secondary) and the troubled shopping centres/out of town retail which we do not own.

Finance and Banking

Reduced cost of debt

REI is multi-banked and we continue to receive excellent support across these relationships with options available to increase our facilities. Banks have remained 'open for business', with healthy competition to secure new lending to experienced management teams with diversified portfolios and prudently geared balance sheets. REI comfortably meets these criteria.

Total drawn debt at 30 June 2019 was £99 million (FY 2018: £99 million), with an average cost of debt of 3.7% (H1 2018: 4.2%). The loan to value was 45.3% (FY 2018: 44.7%) and the LTV net of cash was 39.7% (FY 2018: 39.8%).

Currently, 67% of our facilities are on fixed terms in line with our commitment to convert some variable debt to fixed rates and capitalise on the low interest rate environment. This will provide protection against rates rising in the future and fix our outgoings to allow us to manage our dividend growth with confidence.

We have agreed terms with Barclays Bank PLC for a new facility at 1.90% above LIBOR which continues to demonstrate our ongoing ability to secure debt, with a number of other banks prepared to lend on similar terms. We are capitalising on the low interest rate environment and it is our intention to grow the portfolio further, whilst maintaining prudent levels of gearing.

Dividend

6 years of continued dividend growth

From January 2016, the Company commenced quarterly dividend payments. For 2019, the first quarterly interim dividend of 0.9375p was paid in July 2019 and the second quarterly interim dividend of 0.9375p will be paid in October 2019. The third quarterly interim dividend will be paid in January 2020 and the final dividend will be announced with the full year results in March 2020 and paid in April 2020.

The dividend for the first half year is therefore 1.875p, an increase of 7% on H1 2018, and covered by EPRA earnings. We have now seen 6 years of year-on-year dividend growth.

The Board's intention is to continue to deliver a covered and progressive dividend.

The proposed timetable for the Q2 dividend, which will be a Property Income Distribution (PID), is as follows:

Dividend Timetable

Ex-dividend date:	26 September 2019
Record date:	27 September 2019
Dividend payment date:	31 October 2019

Outlook

Opportunistic growth from a stable portfolio

Uncertain times have historically provided opportunities for those that have prepared themselves to capitalise on such opportunities.

REI is well prepared to make acquisitions that will provide value and income to grow our portfolio and to deliver on our commitment of a progressive dividend policy, whilst managing a risk averse portfolio in a strong regional economy.

Brexit discussions and the outcome of any general election will no doubt absorb the headlines, but with strong occupier and investor demand, coupled with a low interest rate environment, we anticipate that real estate in the Midlands will continue to be resilient and prosper further.

The REI Portfolio

Property Overview

The extension of the Brexit deadline to October has clearly reduced the transactional appetite in the sector. The fundamentals of investing in UK real estate remain sound, but uncertainty over the Brexit outcome and a lack of distress in the current market is stifling activity. As a result, volumes are set to remain subdued until clarity emerges over Brexit, after which we can expect a significant release of pent-up demand and a potential rebound in volumes in Q4.

Much has been reported on the poor health of the retail sector, due to high profile CVAs and insolvencies. We have experienced no material impact from the highly publicised UK CVAs although two Bathstore units are in administration in Nottingham and Newcastle-under-Lyme which represent just 0.58% of our total contracted rental income. We are confident that these two units will either be part of the administrator's sale or re-let at market rents. We can also confirm that we have no exposure to the recently announced William Hill store closures.

In the meantime, we continue to seek sites where we can apply our asset management capabilities to add value. Each asset within the portfolio is dispassionately assessed for either retention for long-term income generation, or sold to enable capital to be re-cycled into higher value generating opportunities. Management have operated this business model for over 35 years, and we are well positioned and resourced to capitalise on any short-term downturn as we demonstrated during the financial crisis, general elections, Scottish Referendum and Brexit vote.

Investment Market

There is still a significant weight of capital targeting commercial property in the wider Midlands region. Investors appear to want to see prices fall before they commit but, with vendors not motivated to sell at below recent valuations, this caution is contributing to low investment volumes.

The UK property investment volumes have slowed to a six-year low of £8.8 billion in Q2, down 22% on Q1 and 40% below the five-year quarterly average (Source LSH). It is therefore likely we are nearing the bottom of the cycle and the outlook is more positive.

Investor interest both domestic and foreign is largely confined to more defensive, longer dated assets. However, for those investors seeking value and enhanced returns, acute shortages of quality supply in the region's other key markets make a compelling case for asset management plays. REI has a number of properties where asset management has been completed and these assets can be readily sold at strong values in a normalised marketplace, but only when we secure new assets to replace income loss from sales.

Investment Objective

We did not acquire any investment properties during H1 2019. We have seen a plentiful supply of available opportunities, but vendors' aspirations have been unrealistic and we have not been prepared to transact at those levels.

We anticipate that economic uncertainty from Brexit will provide opportunities for acquisitions throughout the coming months and we are well placed to react when such potential acquisitions become available. We remain confident that we will secure properties that meet the Company's investment requirements and further improve the portfolio mix.

REI completed the sale of Metro Court in March 2019 for the sum of £2.1 million. On 29 September 2019, the Company expects to complete on the sale of City Gate House, Leicester for £2.6 million to a residential developer. We can readily sell additional assets, however, we have been reluctant to do so until we can identify criteria compliant acquisitions to support our revenues and dividend policy. With a low interest rate environment and limited supply, we expect demand for regional investment property to continue and we have identified a number of properties that are suitable for sale and will monitor this position over the coming months, and anticipate securing sales at or above existing book values.

We will recycle the cash receipts from these disposals into value-add opportunities over the next 6-12 months.

Occupational Market

Research has been published by economic development body the West Midlands Growth Company (WMGC) based on data from the Office for National Statistics (ONS). The report states that Birmingham can lay claim to attracting more people away from the capital than any other UK city. In the year to June 2018, fuelled by the lower cost of living and a change in how the City is perceived by outsiders, Birmingham welcomed 7,771 individuals who had decided life outside the capital was preferable.

Offices

One of the most high-profile entrants into Birmingham has been HSBC, opening their UK head office in the city's Arena Central development. Although its launch last year falls outside the scope of these ONS figures, the new HQ has welcomed thousands of staff previously based at Canary Wharf.

Regional office markets have continued to perform well throughout the period. Performance is led mainly by a lack of supply, combined with strength in regional economies that has driven this growth and the pipeline of new development continues to look restricted, exacerbated by extensive conversion of secondary offices to residential. Birmingham's city centre and out of town markets have continued to perform well in 2019 to date. Underpinned by a flurry of larger deals, the city centre saw its second highest take-up for a first quarter on record, while out of town take-up was the highest in nearly four years.

In June 2019, the Government announced its intention to invest £778 million in Birmingham and the West Midlands in advance of staging the 2022 Commonwealth Games. This, combined with other major events and initiatives such as Coventry City of Culture 2021 have further boosted an already vibrant economy.

Retail

The retail sector is in a period of major restructure and we are pleased to report that we have not been affected by the well-publicised Company Voluntary Arrangements (CVAs) and administrations filed by over leveraged retailers and restaurant operators, and the collapse of department store business models.

REI's exposure remains deliberately focused on convenience and neighbourhood shopping which remains a growing sub-sector that is essential for customers in providing convenience shopping. Retail Parks and centres dominated by these occupiers tend to experience lower online penetration, lower exposure to CVA activity and, more often than not, a sustainable source of footfall.

In terms of convenience retail, asset management remains a fundamental element in extending unexpired leases and maintaining high levels of return. We remain committed to this sector and confident that it offers strong and sustainable prospects for future rental and capital growth.

We also remain confident that our diversified portfolio, underpinned by affordable and therefore sustainable rents, with a focus on convenience, value and services, alongside our identified growth strategies, will position us well to weather the current challenges and pursue value-creating opportunities.

Portfolio Mix

Diverse with Low Risk and High Demand

Over the years, REI has assembled a portfolio that, by design, is of a diverse nature. Our approach has led to the assets/portfolio (£221.1 million at 30 June 2019) having no material reliance on any one sector, asset or occupier. Not only does this protect the business from the variances in the markets, but the strategy provides opportunities for continued growth; either by setting and then implementing active asset management strategies or via opportunistic acquisitions of primary and secondary assets; both approaches combine to continue to enhance the capital value and income of the portfolio.

Portfolio mix:

Sector	Rent £	30 Jun 2019 % by Income	31 Dec 2018 % by Income
Office	6,649,961	39.20%	37.86%
Traditional Retail	3,195,866	18.84%	19.60%
Discount Retail - Poundland/B&M etc	1,650,902	9.73%	10.07%
Medical and Pharmaceutical - Boots etc	1,137,540	6.70%	6.69%
Food Stores - Sainsburys, Lidl etc	1,011,150	5.96%	5.94%
Restaurant/Bar/Coffee - Costa Coffee etc	1,007,802	5.94%	6.12%
Financial/Licences/Agency - Ladbrokes etc	766,002	4.51%	4.62%
Leisure - The Gym Group etc	537,596	3.17%	3.16%
Hotel	511,000	3.01%	3.00%
Car Park	424,613	2.50%	2.50%
Industrial	57,094	0.34%	0.34%
Assured Shorthold Tenancy	16,520	0.10%	0.10%
TOTAL	16,966,046	100%	100%

Asset management

Active & Positive

The first half of 2019 has seen a number of asset management initiatives including: rent reviews, lease renewals, change of use and the letting of void space, all of which have added value throughout our portfolio and remain the core objective of our business model. We have been extremely active in our approach and have secured capital growth on a number of our assets.

Key asset management initiatives undertaken during the period include:

- Westgate House, Warwick - Lease renewal at levels above ERV, to NHS Property Services for 27,215 sq ft over two floors for an additional 5-year lease from July 2019. The Contracted Rental income has increased by £40,823 per annum leading to an increase in value of £300,000 to £9,400,000.
- Kingston House, West Bromwich - Lease renewal agreed to NHS Property Services over four floors for an additional 5-year term. Refurbishment works to the M&E systems completed ahead of the new lease.
- Topaz Business Park, Bromsgrove - Various initiatives including Open Market Lettings set a new record rental tone for the Business Park. The Park is fully let, and we have completed a Reversionary Lease to Instinctive Technologies, with effect from March 2020 for an additional 5 years to 2025, as well as a Lease Renewal to Park Place Technologies for a further 5 years to 2024. The overall annual rent for the Park has increased by 18.6% to £340,402.
- Virginia House, Worcester - Conversion from offices to student accommodation underway - Benefitted from the lack of availability of student accommodation within the centre of Worcester. Leased for 125 years to an established student accommodation operator. Valuation has increased by 7.14% from December 2018.

30 Jun 2019	Value (£m)	Area Sq Ft	Contracted Rent (£)	ERV £	NIY %	RY %	EQY %	Occupancy %
Central Birmingham	30.61	113,616	1,632,308	1,990,676	5.33%	5.99%	6.50%	86.26%
Other Birmingham	35.86	193,462	2,666,082	2,854,131	7.43%	7.15%	7.96%	94.07%
West Midlands	81.33	680,034	6,778,459	7,482,333	8.01%	7.80%	8.80%	95.73%
Other Midlands	66.67	511,769	5,600,200	5,897,990	8.79%	7.58%	9.33%	99.74%
Other Locations	2.87	28,779	288,997	310,326	10.05%	8.26%	10.79%	96.15%
Land	3.78							
Total	221.12	1,527,660	16,966,046	18,535,456	7.67%	7.38%	8.38%	96.17%

*Our land holdings are excluded from the yield calculations

REI's Regional Review

Economy/Business/Employment

- Birmingham and the West Midlands region will benefit from a £778 million investment to stage the 2022 Commonwealth Games, the government has confirmed, with the region expected to benefit from the event via job creation, business and trade opportunities and tourism.
- The region saw an 81% increase in equity investment for smaller businesses, with a record £6.7bn of equity finance invested into UK SMEs last year according to the British Business Bank's Small Business Tracker.
- Revenue has surged by £7bn over the last three years at a group of more than 2,000 SMEs in the Midlands, according to new figures from BGF. Overall combined turnover growth was consistent across the region, with both East and West Midlands companies growing by 15%.
- The West Midlands is the most confident region in the UK, despite confidence falling four points during August to 15%, according to the Business Barometer from Lloyds Bank Commercial Banking.

Property

- House prices in the UK have risen by an average of £11 a day since the start of the year, according to the Zoopla property index. The West Midlands was named as Britain's best-performing region, where the average property has increased by £36.58 a day, or £6,695 in total, since the start of 2019.
- The region's real estate sector has been boosted by the sale of listed property investor A&J Mucklow for £415 million to LondonMetric. The REIT was founded 86 years ago with interests focused in the region.
- Birmingham is set to be at the forefront of the flexible office sector due to the high proportion of start-ups and entrepreneurs, as it looks to grow to 1.2m sq ft by 2023, with WeWork currently standing as the most significant entrant in the city, taking 229,042 sq ft of space.

Manufacturing/Engineering/Technology

- Jaguar Land Rover has been boosted by a £500 million government guarantee to sell the next generation of electric cars around the world, from UK Export Finance for a planned £625 million loan facility from commercial lenders.
- Vodafone has turned on its high-speed 5G network across 7 UK cities including Birmingham, providing a fast speed network for consumers and transforming the way businesses operate.

Culture/Travel/Transport/Tourism/Education

- A £2 billion package of improvements to transform east-west connections on the Midlands' rail network has been submitted to the government which can be completed in phases between 2024 and 2033, backed by 47 regional partner organisations, including the West Midlands Combined Authority, Birmingham International Airport and Birmingham Chamber of Commerce.
- A total of £449 million funding for major plans to "revolutionise" public transport in the Midlands by extending the Metro network has been agreed which will trigger billions of pounds of investment.
- Birmingham Airport has published its final Master Plan for expansion, with a view to increasing annual passenger numbers to 18 million by 2033, with £500 million expected to be invested to generate more than £2 billion in regional economic benefit.
- Birmingham's hotel sector has shown growth as it prepares to welcome a boost in tourism numbers ahead of the region hosting Coventry City of Culture 2021 and Commonwealth Games 2022, with Birmingham seeing one the UK's highest increases in Revenue Per Available Room (RevPAR) of 5%.

Our Stakeholders

Our thanks to our shareholders, advisors, occupiers and staff for their continued support and assistance.

John Crabtree OBE D. Univ
Chairman
13 September 2019

Paul Bassi CBE D. Univ
Chief Executive
13 September 2019

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**
For the 6 months ended 30 June 2019

	Six months to 30 June 2019 (Unaudited) £'000	Six months to 30 June 2018 (Unaudited) £'000	Year ended 31 December 2018 (Audited) £'000
Revenue	8,071	7,446	15,642
Cost of sales	(851)	(659)	(1,478)
Gross profit	7,220	6,787	14,164
Administrative expenses	(1,463)	(1,543)	(3,322)
Surplus/(loss) on sale of investment properties	8	(169)	(42)
Change in fair value of investment properties	(2,078)	1,536	578
Profit from operations	3,687	6,611	11,378
Finance income	23	12	31
Finance costs	(1,773)	(1,857)	(3,713)
(Loss)/profit on financial liabilities held at fair value	(212)	565	706
Profit on ordinary activities before taxation	1,725	5,331	8,402
Income tax charge	-	(107)	(113)
Net profit after taxation and total comprehensive income	1,725	5,224	8,289
Basic earnings per share	6	2.8p	4.4p
Diluted earnings per share	6	2.8p	4.4p
EPRA earnings per share	6	1.8p	3.8p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 6 months ended 30 June 2019

	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
At 31 December 2017	18,642	51,721	45	1,150	55,496	127,054
Share based payment	-	-	-	152	-	152
Dividends - final 2017	-	-	-	-	(1,631)	(1,631)
Dividends - interim 2018	-	-	-	-	(1,631)	(1,631)
				152		
Transactions with owners	-	-	-		(3,262)	(3,110)
Profit for the period and total comprehensive income	-	-	-	-	5,224	5,224
At 30 June 2018	18,642	51,721	45	1,302	57,458	129,168
Share based payment	-	-	-	(300)	-	(300)
Dividends - interim 2018	-	-	-	-	(3,262)	(3,262)
Transactions with owners	-	-	-	(300)	(3,262)	(3,562)
Profit for the period and total comprehensive income	-	-	-	-	3,065	3,065
At 31 December 2018	18,642	51,721	45	1,002	57,261	128,671
Share based payment	-	-	-	150	-	150
Dividends - final 2018	-	-	-	-	(1,747)	(1,747)
Dividends - interim 2019	-	-	-	-	(1,748)	(1,748)
Transactions with owners	-	-	-	150	(3,495)	(3,345)
Profit for the period and total comprehensive income	-	-	-	-	1,725	1,725
At 30 June 2019	18,642	51,721	45	1,152	55,491	127,051

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2019

	30 June 2019 (Unaudited) £'000	30 June 2018 (Unaudited) £'000	31 December 2018 (Audited) £'000
Note			
Assets			
Non current assets			
Investment properties	5	217,345	214,040
Property, plant and equipment		10	11
Deferred taxation		405	405
		<u>217,760</u>	<u>214,487</u>
			<u>221,456</u>
Current assets			
Inventories		3,780	3,738
Trade and other receivables		2,194	2,754
Cash and cash equivalents		12,153	7,900
		<u>18,127</u>	<u>14,392</u>
			<u>16,884</u>
Total assets		<u><u>235,887</u></u>	<u><u>228,879</u></u>
			<u><u>238,340</u></u>
Liabilities			
Current liabilities			
Bank loans		378	20,499
Trade and other payables		7,086	7,390
		<u>7,464</u>	<u>27,889</u>
			<u>8,248</u>
Non-current liabilities			
Bank loans		98,150	68,518
Financial liabilities		3,222	3,304
		<u>101,372</u>	<u>71,822</u>
			<u>101,421</u>
Total liabilities		<u><u>108,836</u></u>	<u><u>99,711</u></u>
			<u><u>109,669</u></u>
Net assets		<u><u>127,051</u></u>	<u><u>129,168</u></u>
			<u><u>128,671</u></u>
Equity			
Ordinary share capital		18,642	18,642
Share premium account		51,721	51,721
Capital redemption reserve		45	45
Other reserves		1,152	1,302
Retained earnings		55,491	57,458
Total equity		<u><u>127,051</u></u>	<u><u>129,168</u></u>
			<u><u>128,671</u></u>

CONSOLIDATED STATEMENT OF CASHFLOWS
for the 6 months ended 30 June 2019

	Six months to 30 June 2019 (Unaudited) £'000	Six months to 30 June 2018 (Unaudited) £'000	Year ended 31 December 2018 (Audited) £'000
Cashflows from operating activities			
Profit after taxation	1,725	5,224	8,289
Adjustments for:			
Depreciation	3	3	6
(Surplus)/loss on sale of investment property	(8)	169	42
Net valuation deficits/(surpluses)	2,078	(1,536)	(578)
Share based payment	150	152	(148)
Finance income	(23)	(12)	(31)
Finance costs	1,773	1,857	3,713
Deficit/(surplus) on financial liabilities held at fair value	212	(565)	(706)
Taxation charge recognised in profit and loss	-	107	113
Increase in inventories	(16)	(30)	(56)
Decrease in trade and other receivables	83	909	1,386
(Decrease)/increase in trade and other payables	(915)	1,011	1,504
	<u>5,062</u>	<u>7,289</u>	<u>13,534</u>
Interest paid	(1,773)	(1,857)	(3,713)
Net cash from operating activities	<u><u>3,289</u></u>	<u><u>5,432</u></u>	<u><u>9,821</u></u>
Cash flows from investing activities			
Purchase of investment properties	(383)	(8,233)	(16,744)
Purchase of property, plant and equipment	(1)	(5)	(5)
Proceeds from sale of property, plant and equipment	2,008	4,981	5,661
Interest received	23	12	31
	<u>1,647</u>	<u>(3,245)</u>	<u>(11,057)</u>
Cash flow from financing activities			
Equity dividends paid	(3,379)	(3,029)	(6,291)
Hedge payment	-	-	(153)
Proceeds from bank loans	-	4,570	14,570
Repayment of bank loans	(247)	(167)	(386)
	<u>(3,626)</u>	<u>1,374</u>	<u>7,740</u>
Net increase in cash and cash equivalents	1,310	3,561	6,504
Cash and cash equivalents at beginning of period	10,843	4,339	4,339
Cash and cash equivalents at end of period	<u><u>12,153</u></u>	<u><u>7,900</u></u>	<u><u>10,843</u></u>

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the 6 months ended 30 June 2019

1. BASIS OF PREPARATION

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

The interim financial report for the period ended 30 June 2019 (including the comparatives for the year ended 31 December 2018 and the period ended 30 June 2018) was approved by the board of directors on 13 September 2019.

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 announcement does not constitute statutory accounts within the meaning of the Companies Act 2006. The full accounts for the year ended 31 December 2018 received an unqualified report from the auditor and did not contain a statement under Section 498 of the Companies Act 2006.

2. ACCOUNTING POLICIES

The interim financial information 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 2018 financial statements approved by the Company on 18 March 2019, except for the effects of applying IFRS 15 and IFRS 9.

The principal accounting policies and methods of computation adopted to prepare the interim financial information are consistent with those detailed in the 2018 financial statements approved by the Company on 18 March 2019, except for the effects of applying IFRS 16. IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The impact of applying this new standard is not material to the Group.

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

REIT Status

The Group elected for REIT status with effect from 1 January 2015. As a result, providing certain conditions are met, the Group's profit from property investment and gains are exempt from UK corporation tax. In the Directors' opinion the Group have met these conditions.

4. SEGMENTAL REPORTING

Primary reporting - business segment

The only material business that the Group has is that of investment in commercial properties. Revenue relates entirely to rental income from investment properties.

5. INVESTMENT PROPERTIES

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

	£'000
Carrying amount at 31 December 2017	209,421
Additions	8,233
Disposals	(5,150)
Revaluation	<u>1,536</u>
Carrying amount at 30 June 2018	214,040
Additions	8,511
Disposals	(553)
Revaluation	<u>(958)</u>
Carrying amount at 31 December 2018	221,040
Additions	383
Disposals	(2,000)
Revaluation	(2,078)
Carrying amount at 30 June 2019	<u><u>217,345</u></u>

6. EARNINGS AND NAV PER SHARE

The calculation of the basic earnings 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 calculation of the basic NAV per share is based on the balance sheet net asset value divided by the weighted average number of shares in issue during the period. The calculation of the diluted NAV per share is based on the basic NAV per share adjusted to allow for all dilutive potential ordinary shares.

The European Public Real Estate Association (“EPRA”) earnings and NAV figures have been included to allow more effective comparisons to be drawn between the Group and other businesses in the real estate sector.

EPRA EPS per share

	30 June 2019			30 June 2018		
	Earnings	Shares	Earnings per share	Earnings	Shares	Earnings per share
	£'000	No	P	£'000	No	P
Basic earnings per share	1,725	186,420,598	0.93	5,224	186,420,598	2.8
Fair value of investment properties (Profit)/loss on disposal of investment properties	2,078			(1,536)		
Change in fair value of derivatives	(8)			169		
Deferred tax in respect of EPRA adjustments	212			(565)		
	-			107		
EPRA Earnings	4,007	186,420,598	2.15	3,399	186,420,598	1.82

EPRA NAV per share

	30 June 2019			31 December 2018		
	Net Assets	Shares	Net asset value per share	Net Assets	Shares	Net asset value per share
	£'000	No	p	£'000	No	p
Basic	127,051	186,420,598	68.2	128,671	186,420,598	69.0
Dilutive impact of share options and warrants	-	2,214,669		-	3,131,949	
Diluted	127,051	188,635,267	67.4	128,671	189,552,547	67.9
Adjustment to fair value of derivatives	3,222	-		3,010	-	
Deferred tax	(405)	-		(405)	-	
EPRA NAV	129,868	188,635,267	68.8	131,276	189,552,547	69.3
Adjustment to fair value of derivatives	(3,222)	-		(3,010)	-	
Deferred tax	405	-		405	-	
EPRA NNNNAV	127,051	188,635,267	67.4	128,671	189,552,547	67.9