

REI

Real Estate Investors Plc

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

Half Year Results
For the six months ended 30 June 2022

STRONG ASSET SALES, REDUCED DEBT AND IMPROVING OCCUPANCY

Real Estate Investors Plc (AIM: RLE), the UK's only Midlands-focused Real Estate Investment Trust (REIT) with a portfolio of commercial property across all sectors, is pleased to report its unaudited half year results for the six-month period ended 30 June 2022 ("H1 2022").

FINANCIAL

- 11 assets sold totalling £5.7 million (before costs), an aggregate uplift of 27.9% above year end book value, plus post period disposals of £4.5 million (at near book value) - total disposals year to date £10.2 million. Additional significant pipeline sales in legals
- Profit before tax of £8.3 million (H1 2021: £9 million profit) includes £3.1 million gain on property revaluations (H1 2021: £3.3 million gain), £1 million profit on sale of investment property (H1 2021: £1.2 million profit) and £1.2 million surplus on hedge valuation (H1 2021: £716,000 surplus)
- EPRA** NTA per share of 61p (FY 2021: 58.8p)
- Revenue of £7.2 million (H1 2021: £7.8 million) predominantly reduced due to disposals
- Underlying profit before tax* of £2.9 million (H1 2021: £3.8 million)
- EPRA** EPS of 1.64p (H1 2021: 2.1p)
- The Company will make a fully covered quarterly dividend payment of 0.8125p per share in respect of Q2 2022

OPERATIONAL

- Strong rent collection for H1 2022 of 99.36% (adjusted for monthly and deferred agreements) (H1 2021: 98.53%)
- £190.2 million gross portfolio valuation (after asset disposals) (FY 2021: £190.8 million)
- On a like for like basis the portfolio valuation has improved by 2% on 31 December 2021 valuation to £187.9 million
- Completed 56 lease events (including 7 lease renewals)
- WAULT*** of 4.97 years to break/6.53 years to expiry (FY 2021: 5.03/6.76 years)
- Contracted rental income of £14 million p.a. (H1 2021: £14.7 million p.a.) with reduction due to known lease events and portfolio disposals in line with strategy
- Occupancy levels at 85.88% (FY 2021: 85.75%), increased to 86.47% post period, with the potential to rise further

BANKING

- Disposal proceeds used to pay down £5.7 million of debt in H1 2022 including AIB facility
- Total net debt now £75.5 million (FY 2021: £79.6 million)
- As at 30 June 2022, hedge facility has improved by £1.2 million for half year to 30 June 2022 and has improved by a further £600,000 as at 1 September 2022
- 95.2% of Company debt fixed with a weighted average fixed debt duration of 2.3 years
- Average cost of debt 3.5% (FY 2021: 3.5%)
- 40.2% Loan to Value (net of cash) (FY 2021: 42.2%) (management target LTV net of cash 40% or below)
- £8.3 million cash at bank

POST PERIOD ACTIVITY

- Total sales since period end of £4.5 million
- Additional significant pipeline sales in legals
- Contracted rental income now £13.7 million (allowing for sales)
- Completed further 28 lease events including 4 lease renewals, 6 break removals and 11 lettings in legals, which have the potential to improve occupancy to 89.70%
- Additional £2.5 million of debt repaid since period end

Paul Bassi, Chief Executive, commented:

"H1 2022 was a stable period after the challenging years of Brexit and Covid. Improving occupier demand and sales to a strong private investor market and overseas buyers will provide the foundation for rising valuations and improved rental income and allow us to execute our strategy, whilst remaining open to any sector consolidation opportunities.

We are mindful of current recessionary concerns, inflation and rising interest rates. Whilst we are not immune to the effects of economic downturns, we are well insulated with fixed and reduced debt, lower LTV, a diverse occupier base plus a healthy WAULT with growing levels of cash to capitalise on any market opportunities. Post period lettings will also add to our revenues going forward, plus the potential for further capital value appreciation.

We remain focused on delivering maximum value to our shareholders and subject to the ongoing success of the disposals programme and market conditions, in particular the impact of economic headwinds on the real estate sector and with due consideration being given to any downturn, the Board will consider how best to allocate surplus capital including a capital return to our shareholders. Alternatively, if the environment for acquisitions changes markedly by the year end and opportunities offering significant value start to arise, then we may look to make opportunistic acquisitions where there is scope to capture material upside through asset management.”

FINANCIAL & OPERATIONAL RESULTS

	30 June 2022	30 June 2021
Revenue	£7.2 million	£7.8 million
Underlying profit before tax*	£2.9 million	£3.8 million
Contracted rental income	£14.0 million	£14.7 million
EPRA EPS**	1.64p	2.13p
Pre-tax profit	£8.3 million	£9 million
Dividend per share	1.625p	1.5p
Average cost of debt	3.5%	3.4%
Like for like rental income	£14.0 million	£13.9 million

	30 June 2022	31 December 2021
Gross property assets	£190.2 million	£190.8 million
EPRA NTA per share**	61.0p	58.8p
Like for like capital value psf	£128.24 psf	£125.67 psf
Like for like valuation	£187.9 million	£184.1 million
Tenants	239	256
WAULT to break***	4.97 years	5.03 years
Total ownership (sq ft)	1.47 million sq ft	1.5 million sq ft
Net assets	£110.5 million	£105 million
Loan to value	44.6%	47.4%
Loan to value (net of cash)	40.2%	42.2%

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

Certain of the information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the UK version of the EU Market Abuse Regulation (2014/596) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended and supplemented from time to time.

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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 mixed-use 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 its covered dividend policy. Further information on the Company can be found at www.reiplc.com.

CHAIRMAN & CHIEF EXECUTIVE'S STATEMENT

In H1 2022, the Company has seen an increase in NTA per share of 3.7% and reports pre-tax profits of £8.3 million. The cash inflow has seen LTV reduce to 40.2% in line with management's objectives. The lettings and disposals pipelines are strong and the Board anticipates further increases in NAV by the year end should these events crystallise.

The portfolio continues to deliver strong rent collection levels with overall collection for the period standing at 99.36% (adjusted for monthly and deferred agreements). Current quarter (June - September) rent collection so far is 99.86%.

During H1 2022, we took advantage of a particularly strong private investor market, disposing of 11 assets totalling £5.7 million (an aggregate uplift of 27.9% on December 2021 valuations). Since the period end, we have disposed of a further £4.5 million of assets (at near book value) totalling £10.2 million for 2022 year to date and have a strong pipeline of disposals in legals which reflects the difference between market pricing and NAV valuations and demonstrating the underlying value of our diversified portfolio.

In line with management's intention to operate the portfolio with prudent gearing levels, disposal proceeds were used to pay down £5.7 million of debt in H1 2022. Subsequently, our LTV (net of cash) has reduced to 40.2%. Our average cost of debt has remained at 3.5% with 95.2% of the Company's debt now fixed (as at 30 June 2022) with a weighted average fixed debt term of 2.3 years. We are mindful of current recessionary concerns, inflation and rising interest rates. Whilst we are not immune to the effects of economic downturns, we are well insulated with fixed and reduced debt, improved LTV, diverse occupier base, a healthy WAULT and growing cash balances to capitalise on any market opportunities.

A more normalised marketplace paved the way for occupiers to make decisions and this confidence led to significantly increased leasing activity during the period. This activity has continued into H2 2022 and enquiries from occupiers is reflected in lettings on our void space totalling £90,701 p.a., plus pipeline lettings in solicitors' hands totalling £685,000 p.a. Subject to market conditions, this will potentially drive further portfolio capital values, contributing to a rise in our NAV and rental income, supporting our covered dividend policy and reducing our gearing further.

Reflecting the improved occupier activity, our asset management team completed 56 lease events, leading to a WAULT of 4.97 years to break and 6.53 years to expiry.

Occupancy as at 30 June 2022 was 85.88% (FY 2021: 85.75%) and is stable despite the sales of fully let assets. Since the period end, occupancy has risen to 86.47%. Contracted rental income sits at £14 million p.a. (FY 2021 £14.3 million p.a.).

Taking into account the disposals in H1 2022, the portfolio's property assets have increased by 2% to £187.9 million (on a like for like basis) and we are therefore pleased to report an increase in our EPRA NTA per share to 61p (FY 2021: 58.8p) up 3.7%. These valuations do not reflect the post period lettings upside potential.

As a result of sales and known voids, our revenue has reduced in the short term to £7.2 million (H1 2021: £7.8 million) as we achieve debt reduction and cash generation with underlying profit before tax to £2.9 million (H1 2021: £3.8 million). As at 1 July 2022, the hedge facility has improved by £1.2 million and has improved by a further £600,000 as at 1 September 2022. The Board announces a fully covered quarterly dividend for Q2 2022 of 0.8125p per share (Q2 2021: 0.75p per share) to reflect the operational performance of the business in H1 2022.

The region enjoyed a very successful 2022 Commonwealth Games, which launched Birmingham onto the global stage and has positively driven investor and economic activity. The region has been further boosted by the Chancellor's Growth Plan announcement detailing the inclusion of the West Midlands in the 38 local combined authorities that will benefit from 'investment zones'. These zones promise to offer generous, targeted and time-limited tax cuts for businesses, backing them to increase productivity and create new jobs, liberalised planning rules and reforms to increase the speed of delivering development. This is expected to further encourage and improve demand from investors and occupiers.

REI continues to benefit from its locality and expects both investor and occupier demand to remain positive into the foreseeable future.

CORPORATE STRATEGY

Management continues to remain focused on delivering maximum value to our shareholders. As stated in our July trading update, private investor demand has remained high and we have taken advantage of this by disposing of assets at an aggregate value above NAV, and we will continue to make further opportunistic sales.

The disposal proceeds will be used to reduce debt and, subject to the ongoing success of the disposals programme and market conditions, in particular the impact of economic headwinds on the real estate sector and with due consideration being given to any downturn, the Board will consider how best to utilise excess capital, including a return of capital to shareholders. Alternatively, if the environment for acquisitions changes markedly by the year end and opportunities offering significant value start to arise, then we may look to make opportunistic acquisitions where there is scope to capture material upside through asset management. The Board evaluates the relative merits of these options on an ongoing basis. The quantum of any return of capital will be set to ensure that we maintain a prudent loan-to-value ratio and will be subject to market conditions.

In the meantime, we continue to be alert to market consolidation within the real estate sector. Management remains open to evaluating any corporate transaction that is in the best interests of shareholders.

STRONG PRIVATE INVESTOR MARKETPLACE

We have successfully disposed of £5.7 million of assets during the period at an aggregate uplift of 27.9% above the 31 December 2021 valuation. The income associated with these disposed assets is £424,900 per annum. Mindful of this demand, we have continued to make sales and can confirm post period disposals as follows:

- Completed sales of £4.5 million
- Significant pipeline of sales in legals

No acquisitions were made during H1 2022 due to the lack of suitably priced assets. Management will continue to monitor the market place for attractive acquisition opportunities.

FINANCE & BANKING

The business remains multi-banked with debt spread across 4 lenders.

Following the proactive decision in 2021 to take advantage of a low interest rate environment, 95.2% of the Company's debt is now fixed with an average weighted fixed debt term of 2.3 years and an average cost of debt of 3.5%.

Our hedge facility has improved by £1.2 million for the half year to 30 June 2022 and has recovered by a further £600,000 as at 1 September 2022. REI has seen a material fall in its swap liability position. As at 31 December 2021, the swap liability position was £2.1 million. The Company reports that as at 30 June 2022, the unaudited swap liability position had fallen to £0.9 million and that as at 31 August 2022, the unaudited liability had fallen further to £0.3 million.

During the period, £5.7 million of debt was repaid using the proceeds from portfolio disposals with a further £2.5 million repaid since 30 June 2022. Debt repayment from the proceeds of disposals, combined with a gain in the Company's like-for-like portfolio valuations had supported a reduction in the Company's loan to value to 40.2% (net of cash). This is in line with the Company's strategy and management's objective to operate the business with sensible gearing levels.

The Group has total drawn down debt of £83.8 million (FY 2021: £89.4 million) and all banking covenants (which are a combination of both the measurement of LTV against asset value and interest cover against rental income) continue to be met with headroom available and the ability to correct through substitute security or cash deposits and reduction. The Group has £8.3 million cash at bank.

Management remains committed to a covered dividend policy.

LETTINGS/ASSET MANAGEMENT UPDATE

As renewed occupier confidence gathered pace in 2022, demand increased leading to 56 lease events being completed, including 7 lease renewals, generating £365,000 p.a. of new rental income, recovering the majority of income lost due to sales during the period. In particular, we have seen office demand improving, the sector had previously dominated our voids during and since Covid.

As a result of asset management activity in H1 2022 our WAULT was 4.97 years to break and 6.53 years to expiry (FY 2021: 5.03 years to break and 6.76 years to expiry).

Hotel Income Update

Our hotel in West Bromwich, previously let to Premier Inn, was re-let to Vine Hotels on a new 15-year lease at £300,000 p.a. (above external valuer ERV level at time of letting), with the intention of operating a Best Western hotel. No rent-free incentives were given, but the first 3 years are a profit share. We are pleased to say that Vine secured a rolling annual letting at 100% occupancy that has provided REI with an income in excess of £300,000 p.a.

Post Period Activity

Since the period end, we have:

- Completed a further 3 lettings, generating £90,701 p.a. income
- We also have approximately £685,000 p.a. of lettings in pipeline legals, which if completed would translate into improved occupancy to 89.70% and enhanced contracted rental income to £14.3 million p.a.

We anticipate further occupancy improvement in the next few months which will potentially lead to further capital value improvement as we secure lettings in line with our ERVs with improved lease lengths.

These new lettings and the related valuation gain is not accounted for in our H1 valuation.

During 2022 to date, new tenants within the portfolio include; Cityfibre Holdings and King & Moffat UK Ltd.

Portfolio Mix

The current sector weightings are:

Sector	£ per annum	% by income
Office	5,039,442	36.03
Traditional Retail	2,457,794	17.57
Discount Retail - Poundland/B&M etc	1,895,350	13.55
Other - Hotels (Travelodge), Leisure (The Gym Group, Luda Bingo), Car parking, AST	1,641,784	11.74
Medical and Pharmaceutical - Boots/Holland & Barrett etc	1,066,599	7.63
Restaurant/Bar/Coffee - Costa Coffee, Loungers etc	793,250	5.67
Food Stores - M&S, Aldi, Co-op, Iceland etc	585,690	4.19
Financial/Licences/Agency - Lloyds TSB, Santander UK Plc, Bank of Scotland etc	507,000	3.62
Total	13,986,909	100.00

Portfolio Summary

	Value (£m)	Area (sq ft)	Contracted Rent (£)	ERV (£)	NIY (%)	RY (%)	Occupancy (%)
Central Birmingham	£24,935,000	101,477	£1,406,702	£1,824,650	5.29%	6.87%	80.17%
Other Birmingham	£24,215,000	172,483	£2,012,186	£1,994,005	7.80%	7.73%	89.63%
West Midlands	£72,935,000	636,671	£5,407,474	£6,473,460	6.96%	8.33%	82.68%
Other Midlands	£65,790,000	554,379	£5,160,547	£5,880,040	7.36%	8.39%	89.42%
Other Locations	-	-	-	-	-	-	-
Land*	£2,387,320	-	-	-	-	-	-
Total	£190,262,320	1,465,010	£13,986,909	£16,172,155	6.90%	7.98%	85.88%

* Our land holdings are excluded from the yield calculations.

ENVIRONMENTAL SOCIAL AND GOVERNANCE

We remain committed to acting responsibly and operating a sustainable business. Our EPC programme across the portfolio is progressing in line with the Company's ESG strategy to ensure that the business is compliant with regulations in April 2023 when all assets require an EPC rating of 'E' or above. Currently only 0.24% of the portfolio is below an 'E' (previously reported figure in March 2022 was 0.84%). Some of our previously non-compliant assets have been/are being sold.

We intend to expand on our ESG reporting in our full year results and commit to doing so annually.

DIVIDEND

The Board remains committed to paying a covered dividend, throughout the period of our sales programme, subject to business performance. In line with this commitment and to recognise the operational stability of the business, the Board is pleased to announce a Q2 2022 fully covered dividend of 0.8125p reflecting a yield of 9.7% based on a mid-market opening price of 33.50p on 28 September 2022.

The proposed timetable for the dividend, which will be paid as an ordinary dividend, is as follows:

Ex-dividend date:	6 October 2022
Record date:	7 October 2022
Dividend payment date:	28 October 2022

OUTLOOK

With a strong investor and occupier market evidenced by £10.2 million disposals year to date and current pipeline lettings of £685,000 p.a. the second half of 2022 has started on a promising note. We will continue to capitalise on market conditions and dispose of assets on an opportunistic basis and will utilise proceeds from disposals to pay down debt and execute our stated strategy. We have the potential to secure valuation gains, through new lettings on our void space and further improve the NAV.

The business is well insulated from rising rates due to 95.2% fixed debt with a weighted average fixed debt term of 2.3 years, sensible gearing levels and healthy WAULT and our portfolio has the resilience to withstand economic pressure as demonstrated by our ability to cope with Brexit, Covid and the financial crisis.

Subject to further disposals in H2 2022 and ongoing market conditions, in particular the impact of economic headwinds on the real estate sector and with due consideration being given to any downturn, the Board will consider how best to allocate surplus capital including a capital return to our shareholders. Alternatively, if the environment for acquisitions changes markedly by the year end and opportunities offering significant value start to arise, then we may look to make opportunistic acquisitions where there is scope to capture material upside through asset management.

In the meantime, we continue to be alert to market consolidation within the real estate sector. Management remains open to evaluating any corporate transaction that is in the best interests of shareholders.

OUR STAKEHOLDERS

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

William Wyatt
Chairman
28 September 2022

Paul Bassi CBE D.UNIV
Chief Executive
28 September 2022

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**
For the 6 months ended 30 June 2022

	Six months to 30 June 2022 (Unaudited) £'000	Six months to 30 June 2021 (Unaudited) £'000	Year ended 31 December 2021 (Audited) £'000
Revenue	7,165	7,782	15,971
Cost of sales	(1,170)	(836)	(3,329)
Gross profit	5,995	6,946	12,642
Administrative expenses	(1,483)	(1,488)	(3,045)
Surplus on sale of investment properties	1,001	1,157	1,177
Change in fair value of investment properties	3,149	3,331	4,951
Profit from operations	8,662	9,946	15,725
Finance income	26	1	46
Finance costs	(1,600)	(1,634)	(3,235)
Profit on financial liabilities held at fair value	1,238	716	1,388
Profit on ordinary activities before taxation	8,326	9,029	13,924
Income tax charge	-	-	-
Net profit after taxation and total comprehensive income	8,326	9,029	13,924
Basic earnings per share	6 4.64p	5.0p	7.76p
Diluted earnings per share	6 4.56p	4.9p	7.64p
EPRA earnings per share	6 1.64p	2.1p	3.67p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 6 months ended 30 June 2022

	Share Capital	Share Premium Account	Capital Redemption Reserve	Other Reserves	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2020	17,938	51,721	749	609	26,657	97,674
Share based payment	-	-	-	75	-	75
Dividends - final 2020	-	-	-	-	(2,500)	(2,500)
Dividends - interim 2021	-	-	-	-	(1,250)	(1,250)
Transactions with owners	-	-	-	75	(3,750)	(3,675)
Profit for the period and total comprehensive income	-	-	-	-	9,029	9,029
At 30 June 2021	17,938	51,721	749	684	31,936	103,028
Share based payment	-	-	-	75	-	75
Dividends - interim 2021	-	-	-	-	(2,976)	(2,976)
Transactions with owners	-	-	-	75	(2,976)	(2,901)
Profit for the period and total comprehensive income	-	-	-	-	4,895	4,895
At 31 December 2021	17,938	51,721	749	759	33,855	105,022
Share based payment	-	-	-	75	-	75
Dividends - final 2021	-	-	-	-	(1,457)	(1,457)
Dividends - interim 2022	-	-	-	-	(1,458)	(1,458)
Transactions with owners	-	-	-	75	(2,915)	(2,840)
Profit for the period and total comprehensive income	-	-	-	-	8,326	8,326
At 30 June 2022	17,938	51,721	749	834	39,266	110,508

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2022

	30 June 2022 (Unaudited) £'000	30 June 2021 (Unaudited) £'000	31 December 2021 (Audited) £'000
Assets			
Non-current assets			
Investment properties	5 187,875	192,813	188,485
Property, plant and equipment	4 4	3	4
	<hr/> 187,879	<hr/> 192,816	<hr/> 188,489
Current assets			
Inventories	2,387	2,380	2,384
Trade and other receivables	3,757	4,798	3,588
Cash and cash equivalents	8,268	9,085	9,836
	<hr/> 14,412	<hr/> 16,263	<hr/> 15,808
Total assets	<hr/> <hr/> 202,291	<hr/> <hr/> 209,079	<hr/> <hr/> 204,297
Liabilities			
Current liabilities			
Bank loans	379	3,979	2,479
Trade and other payables	7,078	7,183	7,685
	<hr/> 7,457	<hr/> 11,162	<hr/> 10,164
Non-current liabilities			
Bank loans	83,418	92,071	86,965
Derivative financial liabilities	908	2,818	2,146
	<hr/> 84,326	<hr/> 94,889	<hr/> 89,111
Total liabilities	<hr/> <hr/> 91,783	<hr/> <hr/> 106,051	<hr/> <hr/> 99,275
Net assets	<hr/> <hr/> 110,508	<hr/> <hr/> 103,028	<hr/> <hr/> 105,022
Equity			
Ordinary share capital	17,938	17,938	17,938
Share premium account	51,721	51,721	51,721
Capital redemption reserve	749	749	749
Other reserves	834	684	759
Retained earnings	39,266	31,936	33,855
Total equity	<hr/> 110,508	<hr/> 103,028	<hr/> 105,022

CONSOLIDATED STATEMENT OF CASHFLOWS
for the 6 months ended 30 June 2022

	Six months to 30 June 2022 (Unaudited) £'000	Six months to 30 June 2021 (Unaudited) £'000	Year ended 31 December 2021 (Audited) £'000
Cashflows from operating activities			
Profit after taxation	8,326	9,029	13,924
Adjustments for:			
Depreciation	1	2	2
Surplus on sale of investment property	(1,001)	(1,157)	(1,177)
Net valuation surplus	(3,149)	(3,331)	(4,951)
Share based payment	75	75	150
Finance income	(27)	(1)	(46)
Finance costs	1,600	1,634	3,235
Surplus on financial liabilities held at fair value	(1,238)	(716)	(1,388)
(Increase)/decrease in inventories	(3)	1,416	1,412
(Increase)/decrease in trade and other receivables	(169)	(458)	752
Decrease in trade and other payables	(618)	(506)	(100)
	<u>3,797</u>	<u>5,987</u>	<u>11,813</u>
Cash flows from investing activities			
Purchase of investment properties	(723)	(228)	(955)
Purchase of property, plant and equipment	(1)	-	(2)
Proceeds from sale of property, plant and equipment	5,483	9,423	16,119
Interest received	27	1	46
	<u>4,786</u>	<u>9,196</u>	<u>15,208</u>
Cash flow from financing activities			
Interest paid	(1,600)	(1,634)	(3,235)
Equity dividends paid	(2,904)	(3,398)	(6,278)
Repayment of bank loans	(5,647)	(5,304)	(11,910)
	<u>(10,151)</u>	<u>(10,336)</u>	<u>(21,423)</u>
Net (decrease)/increase in cash and cash equivalents	(1,568)	4,847	5,598
Cash and cash equivalents at beginning of period	9,836	4,238	4,238
Cash and cash equivalents at end of period	<u>8,268</u>	<u>9,085</u>	<u>9,836</u>

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the 6 months ended 30 June 2022**

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 2022 (including the comparatives for the year ended 31 December 2021 and the period ended 30 June 2021) was approved by the board of directors on 28 September 2022.

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 2021 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 2021 financial statements approved by the Board on 21 March 2022.

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

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 2020	197,520
Additions	228
Disposals	(8,266)
Revaluation	<u>3,331</u>
Carrying amount at 30 June 2021	192,813
Additions	727
Disposals	(6,675)
Revaluation	<u>1,620</u>
Carrying amount at 31 December 2021	188,485
Additions	723
Disposals	(4,482)
Revaluation	3,149
Carrying amount at 30 June 2022	<u><u>187,875</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 2022			30 June 2021		
	Earnings	Shares	Earnings per share	Earnings	Shares	Earnings per share
	£'000	No	P	£'000	No	P
Basic earnings per share	8,326	179,377,898	4.64	9,029	179,377,898	5.03
Fair value of investment properties	(3,149)			(3,331)		
Profit on disposal of investment properties	(1,001)			(1,157)		
Change in fair value of derivatives	(1,238)			(716)		
EPRA Earnings	2,938	179,377,898	1.64	3,825	179,377,898	2.13

NET ASSET VALUE PER SHARE

The Group has adopted the new EPRA NAV measures which came into effect for accounting periods starting 1 January 2020. EPRA issued new best practice recommendations (BPR) for financial guidelines on its definitions of NAV measures. The new NAV measures as outlined in the BPR are EPRA net tangible assets (NTA), EPRA net reinvestment value (NRV) and EPRA net disposal value (NDV).

The Group considered EPRA Net Tangible Assets (NTA) to be the most relevant NAV measure for the Group and we are now reporting this as our primary NAV measure, replacing our previously reported EPRA NAV and EPRA NNNAV per share metrics. EPRA NTA excludes the intangible assets and the cumulative fair value adjustments for debt-related derivatives which are unlikely to be realised.

	30 June 2022		
	EPRA NTA	EPRA NRV	EPRA NDV
	£'000	£'000	£'000
Net assets	110,508	110,508	110,508
Fair value of derivatives	908	908	-
Real estate transfer tax	-	13,676	-
EPRA NAV	111,416	125,092	110,508
Number of ordinary shares issued for diluted and EPRA net assets per share	182,502,063	182,502,063	182,502,063
EPRA NAV per share	61.0p	68.5p	60.5p

The adjustments made to get to the EPRA NAV measures above are as follows:

- Real estate transfer tax: Gross value of property portfolio as provided in the Valuation Certificate (i.e. the value prior to any deduction of purchasers’ costs).
- Fair value of derivatives: Exclude fair value financial instruments that are used for hedging purposes where the company has the intention of keeping the hedge position until the end of the contractual duration.

31 December 2021

	EPRA NTA	EPRA NRV	EPRA NDV
	£'000	£'000	£'000
Net assets	105,022	105,022	105,022
Fair value of derivatives	2,146	2,146	-
Real estate transfer tax	-	13,127	-
EPRA NAV	107,168	120,295	105,022
Number of ordinary shares issued for diluted and EPRA net assets per share	182,261,263	182,261,263	182,261,263
EPRA NAV per share	58.8p	66.0p	57.6p

	30 JUNE 2022 No of Shares	31 DECEMBER 2021 No of Shares
Number of ordinary shares issued at end of period	179,377,898	179,377,898
Dilutive impact of options	3,124,705	2,883,365
Number of ordinary shares issued for diluted and EPRA net assets per share	182,502,063	182,261,263
Net assets per ordinary share		
Basic	61.6p	58.5p
Diluted	60.5p	57.6p
EPRA NTA	61.0p	58.8p