Real Estate Investors PLC
("REI" or the "Company" or the "Group")
Half Year Results for the six months to 30 June 2014

Real Estate Investors plc (AIM:RLE) the West Midlands based property group, today announces its half year results for the six month period ending 30 June 2014.

Financial Highlights

- Pre-tax profit £2.6 million (H1 2013: £769,000) up 238%
  Includes loss on valuation of interest rate swaps of £68,000 (H1 2013: £1.2 million profit) and revaluation surplus of £2.4 million (H1 2013: £647,000 loss) both non-cash items
- Proposed interim dividend of 0.75p in respect of H1 2014, with an anticipated final dividend of 0.75p for 2014 proposed to be declared in March 2015; annual uplift of 50% on previous year 2013
- Profit before tax, revaluation and loss on valuation interest rate swaps of £384,000 (H1 2013: £205,000)
- £20 million equity fundraising in March 2014 at a price of 50p per share
- Rental income £2.7 million (H1 2013: £2.6m)
- Cash and cash equivalents of £18.5 million (H1 2013: £4.2 million)

	30 June 2014	31 December 2013	
Gross Property Assets	£86.2 million	£75.2 million	Up 15%
Investment Property Assets	£79.4 million	£70.0 million	Up 14%
EPRA NAV per share	57.8p	59.1p	Down 2.2%
EPRA NNNAV per share	57.0p	58.6p	Down 2.7%
Net Assets	£63.5 million	£41.9 million	Up 51.6%
Loan to Value	48.8%	58.6%	
Loan to Value (net of cash)	27.3%	47.3%	

Operational Highlights

- Acquisitions during the period of £9.1 million
- Sales of £347,000 (July 2014 Cathedral Place sold for £4.4 million)
- Total ownership of 695,713 sq ft (31 December 2013: 650,000 sq ft) with 160 tenants (31 December 2013: 150 tenants)
- Prime Birmingham City centre ownership 157,980 sq ft (31 December 2013: 143,408 sq ft) across 10 buildings (31 December 2013: 9 buildings) - 37.4% of portfolio by value (31 December 2013: 37.2%)
- Overall occupancy 79.4% and WAULT 3.7 years (to break)
- Advisers appointed to initiate conversion to Real Estate Investment Trust (REIT)

Dividend Time Table

Expected dividend date:	24 September 2014
Record date:	26 September 2014
Pay date:	24 October 2014

Paul Bassi, CEO of Real Estate Investors Plc commented; "An excellent first half of 2014. We are beginning to see the benefits of our strategy to focus on our region and asset management opportunities, which has resulted in improving valuations and allowed us to continue with our progressive dividend policy. We anticipate further profit enhancing sales and improving occupancy across our portfolio during 2014/2015."

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Chief Executive's Statement

I am delighted to announce an excellent set of results for H1 2014, together with the payment of an interim dividend of 0.75p, which is payable to all shareholders on the register on 26 September 2014. The Company has moved to payment of an interim dividend in October and a final dividend in April of each year.

We anticipate a further final dividend of 0.75p for the full year, which will result in an increase of 50% for 2014. This is in accordance with the board's intention to pursue a progressive dividend policy.

Furthermore we have instructed our advisors to proceed with converting our status to that of a Real Estate Investment Trust (REIT), which will provide a more favourable taxation status for the Company, supporting our dividend payment strategy.

Our gross property assets are now £86.2 million, an increase of 15%. Since the half year end we have acquired further property and land to the value of £7.7 million and, subject to potential sales and criteria opportunities, anticipate achieving record gross property assets of £100 million in the near future.

Our profitability has seen the early benefits of improving property values, as a result of significantly improved sentiment and appetite for regional real estate. However, these values do not truly reflect potential sales values, as demonstrated by the sale of Cathedral Place in Birmingham City centre, which was sold for 19% above our external valuers initial estimates. I believe that further planned sales will also provide an additional uplift to book valuations.

We have seen a negative movement in the fair value of our financial instruments, which results in a loss to our income statement of £68,000; this is a non-cash item. The balance sheet contains a provision of £3.3 million which, with probable rising interest rates and the maturing of our interest rate term, should be released in full in due course.

Market Overview

Market conditions have dramatically improved over the last six months and in the first half of 2014 we have witnessed demand for investment property outstrip supply. There is now institutional, private equity, overseas and public company capital chasing regional assets with significantly more vigour than in the last 5 years and particularly evidenced in the last six months in our core market.

We have experienced significant yield compression for prime Birmingham City centre business district assets, where REI has over 37% of its portfolio. Additionally, all the evidence reveals that secondary real estate in the town centres around the Midlands is well positioned to see an improvement in valuations.

Our external valuers have recognised the improving market conditions and we have seen uplifts in our valuations. These have made a positive contribution to our results, however it is evident and perfectly normal that these will trail actual sales values. A number of our properties are nearing their asset management potential and, where we see a strong sales opportunity, it is our intention to sell and capture the gain. I believe these gains will be noticeably above existing valuations, and a number of sales are planned for Q4 2014.

Our decision to convert our status to a 'Real Estate Investment Trust' will allow us to make these sales in a tax efficient manner and will support our objective of growing the dividend payments.

As we move through the economic cycle and against a backdrop of an improved banking environment, we anticipate a robust property investment market, which we do not believe will be derailed by modest and gradual rises in interest rates. Regional assets offer investors diversification away from London and the South East, improved yields, into a West Midlands economy that is enjoying a strong, robust and I believe sustainable recovery. Overseas investors from Singapore, China, Israel, Europe, are active and view our region as 'value for money', with all the 'safe haven' characteristics of London and the South East.

The occupier recovery has not been as dramatic as the investment market, but occupier demand has continued to improve, incentives are much reduced, and rent levels are flat or rising. Generally, the view within the marketplace is that the occupier market will continue to gather momentum and rising rents will be achieved due to lack of new supply and the continuing take up of existing stock. There is no doubt that we have begun to move out of a ‘tenants market’ and towards a ‘landlords market’.

Property Portfolio

During H1 we have acquired property matching our criteria in Northfield, Birmingham, Leicester, Birmingham City centre, Smethwick, Sandwell, Bromsgrove, Worcester and Wolverhampton, and additionally, since the half year end, in Warwickshire. Our new tenants include: HSBC, West Bromwich Building Society, Lunn Poly, First Secretary of State, Royal College of Surgeons, WH Smith, WH Ireland, Thomas Cook, Thomson Travel, Sharps Bedrooms, Boots UK Limited, Marks and Spencer Simply Foods Limited and NHS Property Services.

Rental income has risen, even after allowing for sales in late 2013 and the existing portfolio continues to perform in line with our expectations, and a number of assets are nearing their asset management maturity and are planned sales for Q4.

Our total spend to date in 2014 is £13.7 million (including acquisitions post the half year end).

All of these new additions provide opportunity to add value through rent reviews, lease renewal, new lettings, change of use, planning and refurbishment.

Our total ownership is now 695,713 sq ft compared to 650,000 sq ft at the year end and we now have 160 tenants.

Our prime Birmingham City centre ownership has reached 157,980 sq ft, up 14,572 sq ft from the year end across 10 buildings. The Birmingham City centre portfolio represents 37.4% of the value of the portfolio.

Overall occupancy at the half year was 79.4% and WAULT 3.7 years to the next break. Occupancy is reduced due to our purchases of part vacant and vacant properties and will recover during H2. Much of our void is under offer or in legals.

We have also gained residential planning approval at York House, Birmingham City centre; a 22,495 sq ft office building. At Gateway House we have also secured an open A1/A2/A3 & A5 retail consent.

	£m	%	NIY %	RY %
Core Portfolio				
Offices/Retail				
Birmingham	32.2	37.4	4.91	8.4
Other West Midlands	24.5	28.4	8.25	10.37
Total Offices/Retail	**56.7**	**65.8**	**6.35**	**9.26**
Total Retail (not incl. Birmingham City Centre)	**18.9**	**21.9**	**8.34**	**9.12**
Total Core Portfolio	**75.6**	**87.7**	**6.85**	**9.22**
Non Core Portfolio	**10.6**	**12.3**	**6.24**	**9.11**
Total Portfolio	**86.2**	**100.0**	**6.77**	**9.21**

Fundraising

Over the last few years we have established REI Plc as a well respected and active property investor in the Midlands marketplace. We have remained loyal to our asset management, value-add approach, and we are beginning to see the benefits of this strategy, as we deliver valuation and dividend growth.

However, in order to benefit from our established market reputation and the assembled management team, and take advantage of the opportunities that are made available to us, the Board decided to raise a further £20 million through a placing in March 2014. This additional capital has provided the additional resource that the Company required to allow it to continue to grow and capitalise on market opportunities and reputation.

We have invested £13.7 million already in 2014 and I anticipate further acquisitions during 2014/15 that meet our criteria, allowing us to add value through expert asset management, which will also benefit from rising regional demand and valuations.

Banking

We continue to receive excellent support from our banking relationships. Our £20 million facility with Lloyds Bank plc is due for renewal in October – we have had detailed discussions and whilst the bank is happy to extend the facility at a similar level for a period of three to five years, we are considering rolling over the facility for 12 months due to the likelihood of property sales in the near future.

Regional News – Demonstrating Significant Economic Momentum

- Prime regional office yields down 90 bps on last year and regions account for 59% of investment volume in 2014
- West Midlands unemployment falls to lowest since recession began, now at 7.8%
- HS2 creates 1,500 jobs in new Birmingham Headquarters, to manage the £50 billion project
- House sales in the West Midlands have hit a 4 year high (RICS)
- West Midlands export more than London for the first time, shipping £7 billion in Q2 compared to £6.8 billion export from London
- West Midlands consumer confidence at the highest for 2 years (Deloitte)
- Birmingham voted best place in the UK for businesses to invest and second best place in Western Europe to Barcelona
- Midlands residential land values see 30% hike (CBRE)
- West Midlands achieve highest export growth in the UK, with overseas sales of £27.8 billion at 19% higher than last year
- East and West Midlands see commercial property investment rise from £333 million in Q1 2013 to £1.2 billion in Q1 2014
- West Midlands pay rises faster than national average of 1.6% ,West Midlands is at 4.2%
- Jaguar Land Rover achieve record breaking sales H1 2014 up 14% on H1 2013
- Record 34 million visitors to the region, boosting the local economy by £5 billion.
- Office occupier demand bounces back with 250,000 sq ft let in Q2
- Birmingham Airport has recorded the busiest month in its 75 year history

Outlook – 2014/2015

With our market reputation and an experienced management team, combined with our strong capital base, plus the new £20 million raise and excellent banking support, we have the ability to capitalise on market opportunities that will be made available to us.

I now believe that we have the foundations in place to continue to establish ourselves as a highly respected Regional Plc, with REIT status and continue to deliver capital growth and a growing dividend.

Marcus Daly, our Finance Director and I, were appointed in 2007 and immediately endured the financial crisis and a depressed property market, which in fact has provided an unprecedented acquisition 'opportunity' which we have embraced to our full advantage.

This 'opportunity' combined with the support of our shareholders, banks, tenants, advisors, staff and Board, will provide us with a portfolio valuation of £100 million, unless of course we make substantial sales which will deliver exceptional value to REI and our shareholders. In either case, we will deliver on our commitment to provide capital growth and a progressive dividend policy.

PAUL BASSI
CHIEF EXECUTIVE
16 SEPTEMBER 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 30 June 2014

		Note	Six months to 30 June 2014 (Unaudited) £'000	Six months to 30 June 2013 (Unaudited) £'000	Year ended 31 December 2013 £'000
Revenue			2,940	2,604	6,638
Cost of sales	- Void costs		(366)	(288)	(718)
	- Cost of property		-	-	(1,051)
	- Loss on valuation of inventory property		(40)	(180)	(300)
Gross profit			2,534	2,136	4,569
Administrative expenses			(857)	(866)	(1,675)
Share of operating profit of joint venture			-	11	19
(Loss)/surplus on sale of investment property			(36)	-	459
Net valuation surpluses/(losses)			2,371	(467)	2,096
Profit on ordinary activities before interest			4,012	814	5,468
Finance income			32	10	21
Finance costs			(1,329)	(1,266)	(2,595)
(Loss)/surplus on financial liabilities held at fair value			(68)	1,211	2,062
Profit on ordinary activities before taxation			2,647	769	4,956
Income tax charge			(530)	(177)	(1,355)
Retained profit for the period			2,117	592	3,601
Basic profit per share		6	2.39p	0.83p	5.04p
Diluted profit per share		6	2.39p	0.83p	5.04p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 6 months ended 30 June 2014

	Share capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
At 31 December 2012	7,142	61	45	121	31,622	38,991
Profit for the period and total comprehensive income	-	-	-	-	592	592
At 30 June 2013	7,142	61	45	121	32,214	39,583
Dividends	-	-	-	-	(714)	(714)
Transfer to retained earnings	-	-	-	(121)	121	-
Profit for the period and total comprehensive income	-	-	-	-	3,009	3,009
At 31 December 2013	7,142	61	45	-	34,630	41,878
Issue of new shares	4,000	-	-	-	-	4,000
Premium on issue of shares	-	16,000	-	-	-	16,000
Expenses of share issue	-	(528)	-	-	-	(528)
Transactions with owners	4,000	15,472	-	-	-	19,472
Profit for the period and total comprehensive income	-	-	-	-	2,117	2,117
At 30 June 2014	11,142	15,533	45	-	36,747	63,467

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2014

	Note	30 June 2014 (Unaudited) £'000	30 June 2013 (Unaudited) £'000	31 December 2013 £'000
Assets				
Non current assets				
Intangible assets		171	171	171
Investment properties	5	79,419	70,022	69,551
Property, plant and equipment		10	12	7
Investment in joint venture		843	797	816
Deferred taxation		2,370	4,078	2,900
		82,813	75,080	73,445
Current assets				
Inventories		6,802	6,755	5,601
Trade and other receivables		2,917	1,958	4,392
Cash and cash equivalents		18,547	4,206	8,482
		28,266	12,919	18,475
Total assets		111,079	87,999	91,920
Liabilities				
Current liabilities				
Bank loans and overdraft		23,349	2,446	25,006
Trade and other payables		2,186	2,627	2,734
		25,535	5,073	27,740
Non-current liabilities				
Bank loans		18,755	39,240	19,050
Liabilities at fair value		3,322	4,103	3,252
		22,077	43,343	22,302
Total liabilities		47,612	48,416	50,042
Net assets		63,467	39,583	41,878
Equity				
Share capital		11,142	7,142	7,142
Share premium account		15,533	61	61
Capital redemption reserve		45	45	45
Other reserves		-	121	-
Retained earnings		36,747	32,214	34,630
Shareholders' funds		63,467	39,583	41,878

CONSOLIDATED STATEMENT OF CASHFLOWS
for the 6 months ended 30 June 2014

	Six months to 30 June 2014 (Unaudited) £'000	Six months to 30 June 2013 (Unaudited) £'000	Year ended 31 December 2013 £'000
Cashflows from operating activities			
Profit after taxation	2,117	592	3,601
Adjustments for:			
Depreciation	4	6	11
Loss/(surplus) on sale of investment property	36	-	(459)
Net valuation (surpluses)/losses	(2,371)	467	(2,096)
Share of profit of joint venture	-	(11)	(19)
Finance income	(32)	(10)	(21)
Finance costs	1,329	1,266	2,595
Loss/(surplus) on financial liabilities held at fair value	68	(1,211)	(2,062)
Taxation charge recognised in profit and loss	530	177	1,355
(Increase)/decrease in inventories	(1,201)	180	1,334
Decrease/(increase) in trade and other receivables	1,475	1,193	(744)
Decrease in trade and other payables	(548)	(329)	(222)
	1,407	2,320	3,273
Interest paid	(1,329)	(1,266)	(2,595)
Net cash from operating activities	78	1,054	678
Cash flows from investing activities			
Purchase of investment properties	(7,880)	(48)	(2,552)
Purchase of property, plant and equipment	(7)	-	-
Proceeds from sale of property, plant and equipment	347	-	5,500
Investment in joint venture	(27)	(550)	(561)
Interest received	32	10	21
	(7,535)	(588)	2,408
Cash flow from financing activities			
Proceeds from issue of share capital net of expenses	19,472	-	-
Equity dividends paid	-	-	(714)
Proceeds from bank loans	-	1,500	4,200
Payment of bank loans	(248)	(244)	(479)
	19,224	1,256	3.007
Net increase in cash and cash equivalents	11,767	1,722	6,093
Cash and cash equivalents at beginning of period	6,780	687	687
Cash and cash equivalents at end of period	18,547	2,409	6,780

NOTES TO THE INTERIM REPORT
for the 6 months ended 30 June 2014

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 2014 (including the comparatives for the year ended 31 December 2013 and the period ended 30 June 2013) were approved by the board of directors on 16 September 2014. 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 2013 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 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 2013 financial statements approved by the Company on 14 March 2014.

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
Carrying amount at 31 December 2012	70,441
Additions	48
Revaluation	(467)
Disposals	-
Carrying amount at 30 June 2013	70,022
Additions	2,504
Disposals	(5,538)
Revaluation	2,563
Carrying amount at 31 December 2013	69,551
Additions	7,880
Disposals	(383)
Revaluation	2,371
Carrying amount at 30 June 2014	79,419

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 £2,117,000 (31 December 2013: £3,601,000 and 30 June 2013: £592,000) and on 88,437,172 ordinary shares (31 December 2013 and 30 June 2013: 71,420,598) 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 2014			31 December 2013		
	Earnings	**Shares**	**Earnings per share p**	**Earnings**	**Shares**	**Earnings per share p**
	£'000			£'000		
Basic earnings per share	**2,117**	**88,437,172**	**2.39**	**3,601**	**71,420,598**	**5.04**
Fair value of investment properties	(2,371)			(2,096)		
Loss/(profit) on disposal of investment properties	36			(459)		
Tax on disposal of investment properties	(7)			92		
Fair value of trading properties	40			300		
Change in fair value of derivatives	68			(2,061)		
Deferred tax in respect of EPRA adjustments	452			887		
EPRA Earnings	**335**	**88,437,172**	**0.38**	**264**	**71,420,598**	**0.37**

EPRA NAV per share

	30 June 2014			31 December 2013		
	Net Assets £'000	**Shares £'000**	**Net asset value per share p**	**Net Assets £'000**	**Shares £'000**	**Net asset value per share p**
Basic	**63,467**	**111,420,598**	**57.0**	**41,878**	**71,420,598**	**58.6**
Dilutive impact of share options and warrants	-	-		-	-	
Diluted	**63,467**	**111,420,598**	**57.0**	**41,878**	**71,420,598**	**58.6**
Adjustment to fair value of derivatives	3,322	-		3,252	-	
Deferred tax	(2,370)	-		(2,900)	-	
EPRA NAV	**64,419**	**111,420,598**	**57.8**	**42,230**	**71,420,598**	**59.1**
Adjustment to fair value of derivatives	(3,322)	-		(3,252)	-	
Deferred tax	2,370	-		2,900	-	

EPRA NNNAV	**63,467**	**111,420,598**	**57.0**	**41,878**	**71,420,598**	**58.6**