Real Estate Investors Plc

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

Half year results for the six months to 30 June 2016

Record rental income, portfolio and dividend growth

Real Estate Investors Plc (AIM: RLE), the Birmingham based property group and UK listed Real Estate Investment Trust, today announces its unaudited half year results for the six-month period ending 30 June 2016.

Financial Highlights

- Gross property assets of £194.5 million, up 23.5% (FY 2015: £157.5 million)
- EPRA NAV per share of 63.1p, down 2.2% (FY 2015: 64.5p)
- Revenue of £6.0 million, up 58% (H1 2015: £3.8 million)
- EPRA EPS of 1.3p, up 160% (H1 2015: 0.5p)
- Profit before tax, revaluation and loss on valuation of interest rate swaps of £2.4 million, up 60% (H1 2015: £1.5 million)
- Pre-tax loss of £560,000 (H1 2015: profit £8.1 million) due to loss on revaluation of interest rate swaps of £1.2 million (H1 2015: £690,000 surplus) and property revaluation loss of £1.8 million (H1 2015: £5.9 million surplus), both non-cash items
- Second quarter dividend of 0.625p, making total dividend for the first half of 1.25p, up 25% (H1 2015: 1.0p)
- Average cost of debt reduced to 4.1% (FY 2015: 5.7%)
- Cash and available facilities of £14 million (FY 2015: £11 million)

Operational Highlights

- Annualised contracted rental income increased to £15.6 million, up 31% (FY 2015: £11.9 million)
- Total acquisitions of £37.3 million (inclusive of costs) were made during H1, with a combined income of £3.6 million and a potential reversion to £3.8 million, showing a 9.1% net initial yield and 10.2% reversionary yield (excluding land acquisition), with significant asset management potential
- Total ownership of 1.4 million sq ft (FY 2015: 1.1 million sq ft) up 27.4%
- Overall occupancy increased to 92.6% - (FY 2015: 89%)
- WAULT of 4.8 years (to break) (FY 2015: 5.2 years)
- Number of tenants 241 (FY 2015: 211) up 14.2%
- REI's portfolio benefitting from the active management programme:
    - Improved occupier demand, in particular the retail sector
    - Rental uplifts from rebased recessionary rents
    - Reducing incentives and increasing lease terms
    - Change of use planning approvals, capturing rising occupier demand
    - 19 new lettings and 3 lease renewals in H1 2016

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

"Notably the market place has been dominated by the European Referendum, and as anticipated, this uncertainty created a window of opportunity, during which we secured £37.3 million of new assets, increasing our contracted rental income to £15.6 million, up 31% since the year end. Our portfolio is now valued at £194.5 million, up 23.5% since the year end. Our profit before tax of £2.4 million, excluding non-cash items was up 60% (H1 2015: £1.5 million) and our EPRA EPS was 1.3p, up 160% (H1 2015: 0.5p).

Our portfolio has grown to almost £200 million and we remain well positioned to continue to grow our property portfolio, rental income and dividend payments, whilst maintaining prudent gearing levels and capitalising on the historically low interest rate environment. Additionally, the existing portfolio has significant capital growth potential from new lettings, planning approvals and rental growth, and is set to benefit from the £3.6 million of annualised new income secured in H1 2016.

There remains a positive appetite for quality income producing assets in our region, as demand continues to outstrip supply for investment property of most types and there is almost no sign of distressed vendors or discounted asset sales. We will consider sales at a surplus to existing valuations, subject to acquiring further property to maintain our income levels."

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CHIEF EXECUTIVE'S STATEMENT

The events in H1 have had a mixed impact on our business. On a positive note, the uncertainty around the European Referendum allowed us to secure a further £37.3 million of criteria compliant assets, increasing our contracted rental income to £15.6 million, up 31% since December 2015 year-end. We have not seen any material income benefit from these acquisitions during H1, but will benefit fully in H2. Our profit before tax of £2.4 million, excluding non-cash items was up 60% (H1 2015: £1.5 million) and our EPRA EPS was 1.3p, up 160% (H1 2015: 0.5p). Our dividend, which is fully covered by EPRA earnings, is now paid quarterly and is up 25% for H1. Our like for like portfolio valuation is up 0.35%, despite the £1.6 million valuation reduction on our BHS property block, which we anticipate recovering once the property is re-let.

However, the interest rate outlook has driven a non cash £1.2 million loss on our interest rate swap. Furthermore, our results have also been impacted by the change in Stamp Duty announced in the March 2016 Budget and the closure of the aforementioned BHS in Walsall.

Whilst sentiment towards investment property values immediately after the EU result was negative, it has quickly become apparent that demand for income producing property remains strong from all sectors of the market, with excellent banking support available to investors. There is little sign of any distressed sales or 'bargains', though we have a pipeline of criteria compliant assets with asset management opportunities that only a cash buyer can capitalise upon.

We continue to have a strong and stable portfolio, which can withstand periods of uncertainty, during which we can make opportunistic acquisitions, with the benefit of our cash and banking facilities.

Market Overview

The uncertainty created by the European Referendum during H1, provided us with the opportunity to grow our portfolio and income. The unexpected result could potentially provide further opportunities to well connected, cash buyers like ourselves. However, we believe this will be a very short lived opportunity, as the signs are that calm is already returning to the market place, with sentiment and activity recovering, fund redemption pressure reducing and others becoming acquisitive. It is quite possible that the 'Brexit' window of opportunity has passed. Overseas buyers and private equity funds are actively looking to capitalise on the combination of a weak Sterling and expectations of discounts.

At this stage, we remain positive about regional investment values and note that regional occupier activity in the lead up to the referendum was 15% above average and, post-election, occupier demand in particular for retail space has remained buoyant. Our strategic decision to invest in value creation opportunities in the Midlands, where we add value through asset management initiatives, continues to provide some protection from any downward valuation pressure, whilst generating excellent investment returns and providing potential capital upside. This has been readily demonstrated with our like for like valuation up by 0.35%, despite the £1.6 million downward valuation on the Walsall BHS scheme and allowing for valuers amending their calculations to take account of the stamp duty change.

The Birmingham and wider Midlands economy remains healthy, as indicated in the regional review below. With the continuation of the HS2 project, the growth of the manufacturing base, which is benefitting from Sterling depreciation, the relocation of HSBC's UK Head Office and the continued growth of the tourism, digital media, creative industries and the service sector, the regional prospects remain positive and we anticipate the continued re-emergence of Birmingham and the West Midlands as an economic powerhouse.

In contrast with London, regional investment remains buoyant, with £4.4 billion worth of transactions in H1 2016 (up 17% on H1 2015 and 10% above the 5 year average). Regional volume accounts for 45% of the Q2 totals, its highest share over 5 years. There is a distinct possibility that there will be further increase in demand for regional investment property, as buyers 'look away' from London and the South East, where there remains a long overdue correction for property valuations and a potentially declining occupier market, which may reveal a reducing rental pattern.

Property Portfolio

We have enjoyed an active period, successfully executing property acquisitions of £37.3 million. We have seen our contracted rental income rise to a record £15.6 million p.a., up 31% since the year end. We are however disappointed not to have secured further additional assets, but this reflects the limited number of criteria compliant opportunities available and the desire by vendors to retain assets for income, unless they secure a premium sale price. We remain disciplined and well placed to acquire further criteria compliant properties in the region with longer term income and capital growth potential.

Property Investment

Total acquisitions of £37.3 million (inclusive of costs) were made during the period, with a combined income of £3.6 million and a potential reversion to £3.8 million, showing a 9.1% net initial yield and 10.2% reversionary yield (excluding land acquisition). New tenants from acquisitions include Grafton Group, C&J Clark, Iceland, Argos, B&M Ltd, Wilko Retail, Sainsburys, Bathstore, Hewlett Packard and Premier Inn.

New acquisitions include:

- **Market Square Shopping Centre, Crewe – June 2016** (Retail - £20 million, excluding acquisition costs), acquired from a major UK based fund, representing a net initial yield of 9%. The covered shopping centre incorporates 25 retail units with predominantly ground floor retail accommodation and first floor ancillary. In total, there is 154,130 square feet of retail and ancillary accommodation, with 294 external car parking spaces. Current tenants include River Island, Halifax, Superdrug, Brighthouse, Ernest Jones, Hutchinson 3G, Argos, Iceland, B&M, Peacocks and Poundworld. The retail space has 100% occupancy, with a weighted average annual unexpired lease term (WAULT) of 5.1 years to expiry and 4.4 years to break. The acquisition provides significant opportunities to 'add value' through rent reviews, lease renewals and the creation of additional units on the substantial external car parking facility to increase the retail footprint of the overall site which is attractive for retailers and consumers alike. There is also scope to restructure the scheme, which will provide potential for significant capital uplift. The location will further benefit from substantial and nearby developments of a new college and offices.

- **West Plaza, West Bromwich – May 2016** (Mixed Hotel and offices - £8 million, excluding acquisition costs). This investment comprises a ten storey building adjoining Metro Court – an existing REI building. 95,400 sq ft with a strong / diverse spread of tenants. The current rent reflects a low overall rental rate of £6.9 per square foot, with good scope for reversionary potential. Broadly 50% of the income is underpinned to Whitbread as Premier Inn at £310,000 p.a., which is reversionary following an outstanding rent review. The existing WAULT to expiry is 10.6 years and 4.7 years to break options. We are currently in discussions with Premier Inn to extend their lease. There is also a longer term opportunity for residential development, as the building lends itself to residential occupation, with significant capital upside potential.

- **Titan House, Euston Park, Telford – February 2016** – (offices - £2.8 million, excluding acquisition costs). Acquired from receivers, the building is situated on a modern business park, adjacent to Telford Central Station and Junction 5 of the M54. Titan House comprises 33,166 sq ft of modern office accommodation over four floors and 103 car parking spaces. The property is let to Hewlett Packard Enterprise Service UK Ltd with 4.5 years remaining and a current rental income of £270,000 p.a. The purchase price reflects a net initial yield of 9.9% and a low capital value rate of £83 per square foot. Whilst the property is fully occupied, the tenant currently benefits from a rent free period until lease expiry in October 2020 over the entire first floor, which offers good prospects for rental improvement.

- **Boundary House, 2 Wythall Green Way, Birmingham – February 2016** (offices - £2.5 million, excluding acquisition costs). This comprises a modern 2-storey office building, positioned in a good strategic location on the southern side of Birmingham. The property is fully let to Grafton Group (UK) Plc with an unexpired term of 6.5 years at a low rent equivalent to £11.4 per square foot, producing total rental income of £243,547 p.a. at a net initial yield of 9.4%. Grafton Group (UK) Plc, which has a Dun & Bradstreet rating of 5A 1, has historically expanded within the building as space has become available, taking the majority for its Selco subsidiary and the remainder for its group executive.

- **Commodore Court, Nuthall Road, Nottingham – April 2016** (Mixed Retail and Residential - £2.4 million, excluding acquisition costs), acquired in April 2016 from a private property company. The property comprises a prominent mixed use development, situated on a busy arterial route in Nottingham. The building incorporates three fully occupied retail units, occupied by Sainsbury's Supermarkets Limited, Barnardos and Bathstore Limited, with WAULT to expiry of 11.3 years and 5.3 years to break options. The property produces a rental income of £216,710 p.a. and the purchase price reflects a net initial yield of 8.5%.

- **Land at Bourne Street, Coseley – April 2016** (Land £1.1 million, excluding acquisition costs) which has been acquired with a view to securing planning approval for approximately 100 residential units for subsequent sale. The application has the support of the planning officers.

We anticipate our contracted rental income will continue to rise by the year end as we have a good pipeline of potential acquisitions and a healthy number of new lettings within our portfolio.

Asset management

As a consequence of our active management programme, our portfolio has continued to benefit from steady occupier demand. In terms of rental levels, new benchmarks set over the previous 12 months are still being achieved on lettings. We are also now seeing higher rental values starting to be reflected in our current property valuations. This combined activity will provide further revaluation surplus.

- **Gateway House, 50-53 High St, Birmingham** - The building comprises a mixed retail and office scheme of 27,071 sq. ft. extending over seven floors. In the ground floor retail unit, we have recently agreed a surrender from the previous tenant Arcadia, which has allowed a new 10 year lease to Holland and Barrett. Shelter has surrendered their lease, previously on a single floor and we have agreed a new overriding 10 year lease over two floors with Shelter, at higher rents and overall improved WAULT. The second floor offices have also been refurbished, with prospects to increase rental and capital values.

- **Acocks Green Shopping Centre, Acocks Green** – The property comprises a 60,457 sq ft retail scheme in Acocks Green on the outskirts of Solihull and Birmingham. The scheme is anchored by Wilkinson, Boots, Argos and Lloyds Bank, with a WAULT at purchase of 3.7 years. We have agreed dilapidations on two retail units, where the proceeds will support the cost of capital improvements. We have recently agreed a new lease to a national retailer on 10 year terms at levels in excess of our assumed rental tone. We have also agreed a new 20 year lease term to a national restaurant operator – the agreement incorporates three void units and eliminates a void unit which was otherwise difficult to let. We have re-geared a number of existing leases, which has extended the unexpired lease term. Since acquiring the property in 2015, our management initiatives have reduced voids and associated costs and we further future anticipate capital appreciation through current lease restricting and letting activity.

- **Peat House, 1 Waterloo Way, Leicester** - A prominent 43,437 sq. ft. office building located in the city's central office core and directly opposite Leicester railway station. We have increased the rental tone during the year, having recently completed the refurbishment of two floors, utilising dilapidations receipts. We have subsequently completed a new 10 year lease to Bellrock FM at £13.5 per square foot and the remainder of the space is either in legals or under offer.

- **Dudley Street, Wolverhampton** - A distressed asset, acquired from NAMA for the sum of £2 million. The unit is currently occupied by River Island who are holding over and who we believe are in the process of moving into the nearby Mander centre, which is currently being refurbished. The unit is situated outside one of the main entrances to the Mander centre in one of the best trading locations within the town centre. Our intention at acquisition was to take the benefit of the passing income from River Island and simultaneously re-gear with a new tenant. We are in discussions with a number of national multiples who are interested in taking a new lease on terms yet to be agreed. All of these opportunities are expected to show a substantial capital uplift.

- **Park Street, Walsall** – A unit was previously occupied by BHS at a rent equivalent to £10.5 per square foot, which we feel is low and offers scope for further improvement through a potential change of use to leisure or reconfiguration of the unit to incorporate designated public realm. We are in discussions with a number of parties who are keen to be involved and remain confident of a positive outcome. However, the collapse of BHS has had a negative impact on our June 2016 valuation figures of £1.6 million, which we anticipate recovering.

New tenants to our existing portfolio include; Holland and Barrett, Viva Brazil, Footasylum and Poundworld.

Sales

We have not made any properties available for sale during H1, as we believe it has been a 'buyers' market. With lowering interest rates and limited supply, we expect demand for stock to pick up by the end of the year. We have identified a number of properties that are suitable for sale and will monitor this position over the coming months, and will only seek to make sales above existing book values.

Portfolio Overview

Further to recent acquisitions, the portfolio is split (by income) into the following sectors: Retail (59%); Offices (37%); and other (4%).

Our overall occupancy has improved, other than City centre, where we have undergone refurbishments at 75-77 Colmore Row (20,000 sq ft) and have sought to secure vacant possession of 6 Bennetts Hill (10,000 sq ft), with a view to selling this office property for residential value and make a capital gain.

Our objective for H2 is to grow the portfolio further, subject to making strategic sales, and to grow our rental income to allow us to continue with our objective of growing our quarterly dividend payments, in line with our progressive dividend policy. We expect property yields to remain stable with increasing demand and a shortage of investment stock at the end of the year. Our recent acquisitions have improved the tone of the portfolio and continue to provide us with a variety of opportunities to add value and increase rental income.

At 30 June 2016	Value £	%	Sq Ft	Contracted Rent £	ERV £	Net Initial Yield %	Equivalent Yield %	Reversionary Yield %	Occupancy %
Birmingham City Centre	36.2m	18.6%	156,618	1,944,354	2,773,333	5.04	6.74	7.19	75.56
Other Midlands	148.8m	76.5%	1,194,611	13,138,760	13,897,884	8.31	8.61	8.79	94.07
Total Core	**185.0m**	**95.1%**	**1,351,229**	**15,083,114**	**16,671,217**	**7.68**	**7.90**	**8.47**	**91.93**
Non Core Portfolio	9.5m	4.9%	50,491	538,716	646,626	8.52	9.26	10.23	92.60
Total Portfolio	**194.5m**	**100%**	**1,401,720**	**15,621,830**	**17,317,843**	**7.70**	**7.95**	**8.53**	**92.63**

Finance Review

The underlying profit for the six months to 30 June 2016 was £2.4 million (2015: 1.3 million), an increase of 60% (underlying profit excludes the effect of property revaluations, property sales and financial instrument valuations).

The statutory loss before tax for the period was £560,000 (2015: profit £8.1 million) due to property revaluation deficit of £1.8 million (2015: surplus £5.9 million) and a loss on revaluation of financial instruments of £1.2 million (2015: profit £700,000).

Rental income increased due to acquisition of properties and letting of void space and was up 58% to £6 million (2015: £3.8 million). The results for the half year have not benefitted from the £20 million acquisition of Crewe, which completed on 24 June 2016 and little benefit from the acquisition of West Plaza, which completed in May 2016.

Costs continue to be monitored closely – administrative expenses increased to £1.6 million (2015: £1.2 million) due to the provision for LTIPs of £300,000 (2015: £nil).

	30 June 2016	31 December 2015	Change
Gross Property Assets	£194.5m	£157.5m	+23.5%
EPRA NAV per share	63.1p	64.5p	-2.2%
EPRA NNNAV per share	60.7p	62.8p	-3.3%
Net Assets	£114.6m	£117.9m	-2.8%
Loan to Value	42.8%	28.4%	+50%
Loan to Value (net of cash)	37.9%	22.8%	+66%
Like for like growth in rental income	£12m	£11.9m	+0.8%
Like for like capital value per sq ft	£143.68/sq ft	£143.18/sq ft	+0.35%
Like for like valuation	£158.1m	£157.5m	+0.35%

The property revaluation deficit of £1.8 million in the main is as a consequence of bearing the cost of £1.3 million of SDLT paid on the acquisitions of West Plaza, West Bromwich and Crewe completed in May and June respectively as well as the £1.6 million deficit on our Park Street, Walsall property where BHS was a tenant.

The Chancellor announced a change in Stamp Duty in the March budget. This 1% impact on the basis of valuation has also been included in our property revaluations.

Banking

We continue to receive excellent support from our bankers, who are open to us increasing our facilities. Banks have remained 'open for business', with healthy competition amongst banks to secure new lending to experienced management teams with diversified portfolios and prudently geared balance sheets. REI comfortably meets these criteria.

As at 30 June 2016, we have cash and undrawn facilities of £14 million. Our current average cost of debt has reduced to 4.1% (2015: 5.7%) and the average term of debt is 5 years (2015: 5.8 years), with our £20 million facility with Lloyds Banking Group to be renewed next month.

The RBS facilities at 1.75% above Libor demonstrate our ability to secure debt going forward, 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

As announced the Company has moved to quarterly dividend payments in 2016. The first quarterly interim dividend of 0.625p was paid in July 2016 and further payments at this level will be made in October 2016 and January 2017. The final dividend will be announced with the results in March 2017 and paid in April 2017.

The dividend for the first half year is therefore 1.25p (2015: 1.0p) an increase of 25%.

The Board's intention is to continue with a sustained, covered and progressive dividend.

Dividend Timetable

Q2 Ex-dividend date:	29 September 2016
Q2 Record date:	30 September 2016
Q2 Dividend payment date:	28 October 2016

Outlook

The EU referendum vote has provided us with opportunities that we have capitalised upon, but these opportunities will likely diminish as investment demand remains strong and there is little evidence of distressed vendors, or sales at discounts.

Demand for investment property continues to outstrip supply. A variety of investors from institutions, funds and overseas investors who are seeking to capitalise on the fall in value of Sterling. We are also seeing competition for assets from private property companies and HNW individuals who have banking support and confidence to invest in property as an asset class, as it provides significantly higher yields than many alternative opportunities. This investment demand is enhanced by investors looking outside the traditionally safer market of London.

The regional economy remains robust with many sectors reporting positively about future growth in the Midlands, with exporters also capitalising on a weak Sterling.

The REI portfolio remains stable and secure, with significant opportunity to deliver further growth from asset management activity, with a strong and growing rental income and improving occupancy. We will continue to make criteria compliant acquisitions and consider sales where we have completed our asset management objectives at a premium to existing valuations.

Our progressive dividend policy is secure and looking forward, we expect to deliver another year of positive results across all aspects of our business, with the growth of our rental income, portfolio and dividend payment to shareholders.

REI's Regional Review

Our region continues to re-establish itself as a major economic powerhouse and the early signs 'post Brexit' is that the West Midlands economy is benefitting significantly from rising output and export activity.

Sir Michael Bear, chairman of the UKTI Regeneration Investment Organisation, said: "The Midlands Engine has grown at record levels over the past decade, and its offer to investors is among the most desirable in the world. Home to major investors including Jaguar Land Rover, HSBC, Deutsche Bank, Toyota UK and Boots, the Midlands is the largest economic area outside of London, and is worth £222 billion to the British economy.

Nigel Hinshelwood of HSBC, said- "We see Birmingham as the centre of a £110 billion regional economy," "It has the largest concentration of businesses outside of London, home to 37,000 companies and it really gives us an opportunity to contribute to regional growth."

Property

- Birmingham registered the highest office H1 take up amongst the UK's major cities according to Knight Frank, with 501,000 sq ft of office space consumed, a 42& increase on the 10 year average for an H1 period
- Country Garden, the fifth largest property developer in China in terms of sales, has signed an agreement to invest in Birmingham in a deal that could be worth up to £2 billion to the city's economy.
- HSBC is committed to its Birmingham move after the Brexit vote, with the 2017 relocation of its UK Head Office to bring 1,200 jobs to the city.
- Birmingham's City centre and out of town office markets are ahead of the 5 year quarterly average despite uncertainty caused ahead of the European referendum. The market has remained buoyant with the quarterly figures 15% above the average. Birmingham recorded its best ever figures for the period, with the figures (covering city centre and out-of-town activity in the UK's nine largest regional cities) showing that the Birmingham city centre market recorded the largest take-up of any regional English city, a 52.6% increase on the 5 year quarterly average.
- Birmingham celebrates Network Rail's 83,000 sq ft letting at Baskerville House, Birmingham – it is the largest letting to have taken place in any of the nine regional cities.
- Brexit fails to dampen Birmingham's office market according to Lambert Smith Hampton, with statistics showing that lettings totalling 216,000 sq ft were made in the city in the months between March and June, the third highest recorded for the second quarter since 2007.
- M&G Real Estate to fund £200 million construction of Ballymore's Three Snowhill, an office development in Birmingham city centre that will comprise 420,000 sq ft of office and retail space and will be home to 4,000 workers. It is the largest speculative scheme of its kind outside of London.
- Plans revealed for £500 million Birmingham Markets Quarter, aimed to deliver 300,000 sq metres of floor space, 2,000 new homes and 3,000 new jobs to Birmingham city centre. The 10 year Birmingham Smithfield plan is one of the largest city centre developments in the country and aims to add £470 million GVA to the local economy and boost visitors to the region.
- UK institutions have been the most prominent investors in the Birmingham office market, accounting for over 58% of the value of transactions in 2015, according to a new report, with £992 million transacted across both office and retail sectors during 2015.
- More than 5.5 million sq ft of industrial and logistics space was let in the Midlands in the first half of 2016 according to new research from real estate agency CBRE.

- Auction property sales in the Midlands surge according to a study by Essential Information Group which found £169.5 million was spent at auction between January and March 2016, up by 8.6% on the same period last year. The number of lots sold at auctions also increased by 15%.
- The West Midlands generated a record amount of foreign direct investment (FDI) last year, according to new figures from EY, with the region labelled as the "driving force" behind the Midlands Engine.

Travel & Tourism/Entertainment & Shopping

- Birmingham airport saw passenger numbers rise by 9% in January 2016 compared to January 2015, with 55,000 more passengers, representing the eleventh consecutive month of record breaking passenger figures.
- Birmingham International Airport has seen its 17th consecutive month of record growth, with 1.2 million people travelling through the airport in July 2016, up 14% on the same month last year.
- Birmingham's hotels have recorded their best spring occupancy results to date with 75% occupancy in March and May 2016, up from 74% in 2015 and 71% in 2014, according to data from Marketing Birmingham's Regional Observatory.

- Birmingham has been named as one of the most popular places to move to across every demographic, according to the latest findings from Urban.co.uk. In the over 30 age category, Birmingham topped the popularity table, with 12,500 people making the move to the city across the last 12 months.
- The British Ambassador to Qatar has welcomed the new Birmingham Airport route to Qatar and expects it to lead to a surge in investment in Birmingham as the airport officially becomes Qatar Airway's fourth UK gateway, connecting the Midlands to over 150 destinations worldwide.
- Birmingham welcomed 1 million international visitors for the first time in 2015 and is confirmed as the fourth most visited place in the UK by global guests, with a 17% increase in visitors from overseas and a 29% increase in their spending.

Manufacturing

- Jaguar Land Rover has enjoyed a record August, up 26% on the corresponding month last year. Sales in the United States were especially strong.
- The Society of Motor Manufacturers and Traders (SMMT) revealed that output rose by 7.6% in July compared to the same month last year, to 126,566, amid double digit growth for home and export markets. Exports were up by 6% in July 2016, with a 14% rise in output for the domestic market.
- Orders for British manufacturing exports hit a 2 year peak in August 2016, following a Brexit-induced fall in Sterling, as the weaker pound also pushed up price expectations to their highest in over a year, a survey showed.
- Jaguar Land Rover's £500 million expansion plans in the West Midlands have been signed off by central Government, with the project expected to inject £200 million into the local economy.
- Jaguar Land Rover also confirmed record car sales in July 2016, after Referendum decision.

Employment

- A bid to attract £14.4 billion investment to the Midlands could bring 178,000 jobs to the region. The 33 investment opportunities include the HS2 project, a range of prospects adjacent to the Rolls-Royce global civil aerospace and plans to expand the existing Jaguar Land Rover facilities to create a designated technology campus in Coventry.

Business

- The Midlands has ranked as the most confident region in the future, with three quarters of all businesses expecting growth in 2016, according to the latest Attitudes in Business Investment Survey
- The Midlands bucks the national trend with the number of profit warnings among quoted companies in the Midlands dropping during the second quarter of 2016, amid uncertainty created in the run up to the EU referendum.
- The West Midlands has been named among the top three places in the UK to own a business, according to research by BusinessesForSale.com, with London, Devon and the West Midlands being the top three regions in which business buyers are seeking to invest in the UK.

Economy & Trade

- The West Midlands shows return to growth in August with the fastest rate of business activity growth in three months during August. Lloyds Bank Regional PMI registered a rate of 5.24 in August, up from 47.4 in July following Brexit
- The West Midlands has experienced the largest quarter-on-quarter increase in export orders this quarter, according to the Trade Confidence Index and revealed that the West Midlands surpassed the national average with a 7.4% increase in trade documentation issued in Q1 2016.
- The West Midlands bucks the national trend on exports, with the value of goods exported by companies in the West Midlands rising in the first quarter of 2016 according to latest official figures - bucking the national trend which saw the value of UK exports decline. The value of exports from businesses in the West Midlands rose to £7.6 billion in Q1, up by 3% from the same quarter of 2015.
- HSBC commits a £1 billion lending fund to support West Midlands SMEs as part of a commitment to 'make banking cheaper and simpler for customers' and includes a £500 million package in Birmingham alone.

PAUL BASSI
CHIEF EXECUTIVE
16 SEPTEMBER 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 30 June 2016

	Note	Six months to 30 June 2016 (Unaudited) £'000	Six months to 30 June 2015 (Unaudited) £'000	Year ended 31 December 2015 £'000
Revenue		5,957	3,832	8,381
Cost of sales		(600)	(600)	(1,477)
Gross profit		5,357	3,232	6,904
Administrative expenses		(1,598)	(1,161)	(3,072)
Surplus on sale of investment property		-	711	1,687
Change in fair value of investment properties		(1,776)	5,860	8,552
Profit from operations		1,983	8,642	14,071
Finance income		26	48	113
Finance costs		(1,351)	(1,311)	(2,609)
(Loss)/profit on financial liabilities held at fair value		(1,218)	690	669
(Loss)/profit on ordinary activities before taxation		(560)	8,069	12,244
Income tax charge		(5)	(138)	(157)
Net (loss)/profit after taxation and total comprehensive income		(565)	7,931	12,087
Basic earnings per share	6	(0.31p)	4.93p	7.46p
Diluted earnings per share	6	(0.30p)	4.93p	7.46p
EPRA Earnings per share	6	1.31p	0.50p	0.84p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 6 months ended 30 June 2016

	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Other Reserve £'000	Retained Earnings £'000	Total £'000
At 31 December 2014	11,142	15,533	45	-	37,843	64,563
Issue of new shares	7,500	-	-	-	-	7,500
Premium on issue of shares	-	37,500	-	-	-	37,500
Expenses of share issue	-	(1,312)	-	-	-	(1,312)
Dividends	-	-	-	-	(836)	(836)
Transactions with owners	7,500	36,188	-	-	(836)	42,852
Profit for the period and total comprehensive income	-	-	-	-	7,931	7,931
At 30 June 2015	18,642	51,721	45	-	44,938	115,346
Share based payment	-	-	-	300	-	300
Dividends – interim 2015	-	-	-		(1,864)	(1,864)
Transactions with owners	-	-	-	300	(1,864)	(1,564)
Profit for the period and total comprehensive income	-	-	-	-	4,156	4,156
At 31 December 2015	18,642	51,721	45	300	47,230	117,938
Share based payment	-	-	-	300	-	300
Dividends – final 2015	-	-	-	-	(1,864)	(1,864)
Dividends – interim 2016	-	-	-	-	(1,165)	(1,165)
Transactions with owners	-	-	-	300	(3,029)	(2,729)
Loss for the period and total comprehensive income	-	-	-	-	(565)	(565)
At 30 June 2016	18,642	51,721	45	600	43,636	114,644

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	Note	30 June 2016 (Unaudited) £'000	30 June 2015 (Unaudited) £'000	31 December 2015 £'000
Assets				
Non current assets				
Intangible assets		171	171	171
Investment properties	5	190,872	128,046	155,092
Property, plant and equipment		15	13	16
Deferred taxation		806	802	806
		191,864	129,032	156,085
Current assets				
Inventories		3,599	2,366	2,380
Trade and other receivables		3,576	10,809	3,385
Cash and cash equivalents		9,413	23,790	8,777
		16,588	36,965	14,542
Total assets		208,452	165,997	170,627
Liabilities				
Current liabilities				
Bank loans		20,499	23,248	20,499
Trade and other payables		6,887	3,977	4,577
		27,386	27,225	25,076
Non-current liabilities				
Bank loans		61,177	19,418	23,585
Financial liabilities		5,245	4,008	4,028
		66,422	23,426	27,613
Total liabilities		93,808	50,651	52,689
Net assets		114,644	115,346	117,938
Equity				
Ordinary share capital		18,642	18,642	18,642
Share premium account		51,721	51,721	51,721
Capital redemption reserve		45	45	45
Other reserves		600	-	300
Retained earnings		43,636	44,938	47,230
Total equity		114,644	115,346	117,938

CONSOLIDATED STATEMENT OF CASHFLOWS
for the 6 months ended 30 June 2016

	Six months to 30 June 2016 (Unaudited) £'000	Six months to 30 June 2015 (Unaudited) £'000	Year ended 31 December 2015 £'000
Cashflows from operating activities			
Profit after taxation	(565)	7,931	12,087
Adjustments for:			
Depreciation	2	1	3
Surplus on sale of investment property	-	(711)	(1,687)
Net valuation deficits/(surpluses)	1,776	(5,860)	(8,552)
Share based payment	300	-	300
Finance income	(26)	(48)	(113)
Finance costs	1,351	1,311	2,609
Loss/(surplus) on financial liabilities held at fair value	1,218	(690)	(669)
Taxation charge recognised in profit and loss	5	138	157
Increase in inventories	(1,219)	-	(14)
(Increase)/decrease in trade and other receivables	(191)	310	360
Increase in trade and other payables	1,140	714	1,291
	3,791	3,096	5,772
Interest paid	(1,351)	(1,311)	(2,609)
Net cash from operating activities	2,440	1,785	3,163
Cash flows from investing activities			
Purchase of investment properties	(37,556)	(28,343)	(58,175)
Purchase of property, plant and equipment	(2)	(8)	(13)
Proceeds from sale of property, plant and equipment	-	1,512	15,339
Interest received	26	48	113
	(37,532)	(26,791)	(42,736)
Cash flow from financing activities			
Proceeds from issue of share capital net of expenses	-	43,688	43,688
Equity dividends paid	(1,864)	(836)	(2,700)
Proceeds from bank loans	38,000	2,000	7,000
Payment of bank loans	(408)	(2,330)	(5,912)
	35,728	42,522	42,076
Net increase in cash and cash equivalents	636	17,516	2,503
Cash and cash equivalents at beginning of period	8,777	6,274	6,274
Cash and cash equivalents at end of period	9,413	23,790	8,777

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 2016 (including the comparatives for the year ended 31 December 2015 and the period ended 30 June 2015) was approved by the board of directors on 16 September 2016. 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 announcement does not constitute statutory accounts within the meaning of the Companies Act 2006. The full accounts for the year ended 31 December 2015 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 2015 financial statements approved by the Company on 11 March 2016.

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 2014	102,017
Additions	28,343
Disposals	(8,174)
Revaluation	5,860
Carrying amount at 30 June 2015	128,046
Additions	29,832
Disposals	(5,478)
Revaluation	2,692
Carrying amount at 31 December 2015	155,092
Additions	37,556
Revaluation	(1,776)
Carrying amount at 30 June 2016	190,872

6. EARNINGS PER SHARE

The calculation of the 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 basic earnings per share has been calculated on the loss for the period of £565,000 (31 December 2015: £12,087,000 profit and 30 June 2015: £7,931,000 profit) and on 186,420,598 ordinary shares (31 December 2015: 161,968,543 and 30 June 2015: 160,729,990) being the weighted average number of shares in issue during the period.

The European Public Real Estate Association ("EPRA") earnings and asset value 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 2016			31 December 2015		
	Earnings	**Shares**	**Earnings per share p**	**Earnings**	**Shares**	**Earnings per share p**
	£'000			£'000		
Basic earnings per share	**(565)**	**186,420,598**	**(0.3)**	**12,087**	**161,968,543**	**7.4**
Fair value of investment properties	1,776			(8,552)		
Profit on disposal of investment properties	-			(1,687)		
Change in fair value of derivatives	1,218			(669)		
Deferred tax in respect of EPRA adjustments	-			134		
EPRA Earnings	**2,429**	**186,420,598**	**1.3**	**1,313**	**161,968,543**	**0.8**

EPRA NAV per share

	30 June 2016			31 December 2015		
	Net Assets £'000	**Shares £'000**	**Net asset value per share p**	**Net Assets £'000**	**Shares £'000**	**Net asset value per share p**
Basic	**114,644**	**186,420,598**	**61.5**	**117,938**	**186,420,598**	**63.3**
Dilutive impact of share options and warrants	-	**2,406,745**		-	**1,375,000**	
Diluted	**114,644**	**188,827,343**	**60.7**	**117,938**	**187,795,598**	**62.8**
Adjustment to fair value of derivatives	5,245			4,028	-	
Deferred tax	(806)			(806)	-	
EPRA NAV	**119,083**	**188,827,343**	**63.1**	**121,160**	**187,795,598**	**64.5**
Adjustment to fair value of derivatives	(5,245)			(4,028)	-	
Deferred tax	806			806	-	
EPRA NNNAV	**114,644**	**188,827,343**	**60.7**	**117,938**	**187,795,598**	**62.8**