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

Half Year Results
For the six months ended 30 June 2018

Strongly positioned for opportunistic acquisitions and set for record contracted rents

Real Estate Investors Plc (AIM : RLE), the Midlands focused property group and listed UK Real Estate Investment Trust, today announced its unaudited half year results for the six-month period ended 30 June 2018.

Financial Highlights

- Gross property assets of £217.8 million (FY 2017: £213.1 million) up 2.2%
- Revenue of £7.4 million (H1 2017: £7.1 million) up 4.2%
- Underlying profit before tax* of £3.4 million (H1 2017: £3.1 million) up 9.7%
- Pre-tax profit of £5.3 million (H1 2017: £6.4 million) down 17.2%
- EPRA NAV** per share of 70.1p (FY 2017: 68.9p) up 1.7%
- EPRA EPS** of 1.8p (H1 2017: 1.6p) up 12.5%
- Q2 dividend of 0.875p, giving a fully covered dividend for H1 of 1.75p (H1 2017: 1.5p) up 16.7%
- Average cost of debt of 4.1% (H1 2017: 4.0%) and post Half Year end has been reduced to 3.7%
- New £10 million 5-year term facility with RBS at 1.95% above Libor
- Agreed a 5-year extension to the term of our £20 million Lloyds facility effective from October 2018

Operational Highlights

- Acquisitions of £7.6 million (net of costs) at a net initial yield of 7.66% and reversionary yield of 8.31%
- Post Half Year end acquisition of £4.8 million at a yield of 8.7%
- Disposal proceeds totalling £5.0 million – which produced a combined income of £439,094 p.a.
- Contracted rental income of £15.8 million (net of contracted sales) (FY 2017: £16.2 million)
- Active asset management across portfolio, 250 tenants across 56 assets
- Occupancy 92% (FY 2017: 94%) as a result of secured lease terminations to allow for refurbishment and reletting on superior terms
- £1.6 million potential ERV from void space within existing portfolio

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

"Our portfolio remains stable, secure and diverse across many sectors, without any material exposure to a single sector or occupier. We operate in a regional economy that is enjoying an outstanding period of economic activity and regeneration and which we believe is set to prosper further."

"Dividend payments of 1.75p during H1 are up 16.7%, and our main focus continues to be the growth of our dividends to our shareholders on a sustainable, fully covered and progressive basis. Our Half Year revenue of £7.4 million (up 4.2%) is set to grow further from acquisitions made in June 2018 with further available capital to invest. We anticipate record revenues and contracted rents over the next 12 months, and at the half year end, our gross property assets have grown to £217.8 million, up 2.2%, despite sales of £5 million during H1."

"In line with our strategy, the year to date has been a period of preparation for any market downturn that we may experience over the coming 12 months, given the ongoing political uncertainty. Accordingly, we have made strategic sales and secured £30 million of cash and agreed bank facilities to enable us to capture criteria compliant assets as opportunities arise. We are well placed to grow the portfolio further, achieve record contracted rental income over the next 12 months and grow our dividend payments, in line with our progressive dividend policy."

"Having secured vacant possession and completed refurbishments, we have £1.6 million potential rental revenue (ERV) from void space within our existing portfolio, that will enhance our capital values further and reduce our holding costs upon letting."

"Additionally, as announced earlier in the year, we have approximately 250,000 sq ft of potential for 'permitted development' conversion to residential. The conversion or sale of these properties will provide positive capital growth and valuation gain. Since the half year end, we have already agreed terms for the sale of an office scheme for permitted development at a premium to the existing office valuation."

Financial and Operational Results

	30 June 2018	**31 December 2017**	**Change**
Gross property assets	£217.8 million	£213.1 million	+2.2%
EPRA NAV per share**	70.1p	68.9p	+1.74%
EPRA NNNAV per share**	68.6p	67.1p	+2.24%
Net assets	£129.2 million	£127.1 million	+1.7%
Loan to value	41.6%	40.4%	
Loan to value net of cash	37.9%	38.3%	
Average cost of debt	4.1%	4.2%	
Contracted rental income	£15.8 million	£16.2 million	-2.5%
Like for like rental income	£15.2 million	£15.8 million	-3.8%
Like for like capital value per sq ft	£147 per sq ft	£145 per sq ft	+1.38%
Like for like valuation	£210.2 million	£208.0 million	+1.06%
Tenants	250	258	
WAULT***	4.33 years	4.53 years	

Definitions
** Underlying profit before tax excludes profit/loss on revaluation and sale of properties and interest rate swaps*
*** EPRA = European Public Real Estate Association*
**** WAULT = Weighted Average Unexpired Lease Term*

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About Real Estate Investors Plc

Real Estate Investors Plc is a publicly quoted, internally managed property investment company and REIT with a portfolio of 1.5 million sq ft of predominantly commercial property, managed by a highly-experienced property team with over 100 years of combined experience of operating in the Midlands property market across all sectors.

The Company's strategy is to invest in well located, real estate assets in the established and proven markets across the Midlands, with income and capital growth potential, realisable through active portfolio management, refurbishment, change of use and lettings. The portfolio has no material reliance on a single asset or occupier.

On 1st January 2015, the Company converted to a REIT. Real Estate Investment Trusts are listed property investment companies or groups not liable to corporation tax on their rental income or capital gains from their qualifying activities.

The Company aims to deliver capital growth and income enhancement from its assets, supporting a progressive dividend policy. Further information on the Company can be found at www.reiplc.com.

Chief Executive's Statement

Overview – Period of preparation

The results are in line with management's expectations and have been achieved during a period of preparation for any market downturn that we may experience due to Brexit discussions. We have made strategic sales and built up cash and agreed bank facilities to provide £30 million of firepower to capitalise on market opportunities. We have added income to our rent roll, grown the portfolio and delivered on our commitment of a progressive dividend policy.

Our understanding of the property market place indicates that there is a strong likelihood that criteria compliant opportunities will become available during Q4 2018 and H1 2019, and that our market reputation and network, coupled with our financial resources will allow us to capture these at attractive entry points.

We continue to operate in an exceptionally vibrant regional economy that we believe is in a period of rebirth and has now established itself as a prosperous UK region. The benefit of the major relocations of HSBC and the Inland Revenue, combined with the arrival of HS2 and major future events such as the Birmingham 2022 Commonwealth Games and Coventry City of Culture 2021, will bring further positive economic benefit to our market place, through improved occupancy and rental growth.

H1 pre-tax profits are £5.3 million, after absorbing £385,000 of property acquisition costs, and our underlying profits of £3.4 million, up 9.7%, have been achieved despite the loss of income from sales in January 2018 and without the benefit of acquisitions that were made in late June 2018. The temporary fall in our occupancy and contracted rental income is as a result of lease terminations in space that we have now refurbished and made available to the market place and intend to let on superior terms with a total of £1.6 million of potential rental income that will enhance our revenues significantly and likely provide further positive revaluation uplift. The quality of our assets combined with the economic prosperity of our region gives us great confidence in capturing our ERV over the next 12 months.

We have an excellent, diverse portfolio with in-built asset management opportunities via lease re-gearing and renewals, lettings, change of use and refurbishments. Following valuations carried out by leading property consultants Cushman & Wakefield and JLL, we have seen an overall positive increase in our like for like valuations of 1.06%; this has been achieved via value-add events and hands on asset management. Our active approach to asset management enables us to absorb some negative market sentiment, whilst we take advantage of any downturn with our capital resources.

Our dividend payments of 1.75p during H1 are up 16.7%, and our main focus continues to be the growth of our dividends to our shareholders on a sustainable and progressive basis. Our revenue of £7.4 million (up 4.2%) is set to grow further from acquisitions made in late June 2018 and further still, once we invest our available capital. We anticipate record revenues and contracted rents over the next 12 months.

Demand for regional property investment remains strong, and is attracting diverse international investors, local authorities and HNW individuals, together with the UK funds, institutions and property companies, many of whom traditionally focus on London.

During H1 2018, we have not been prepared to pay the prices that assets are attracting nor have we seen the criteria compliant assets that could enhance our earnings and asset base further. However, our belief is that market sentiment and unrest over the next 12 months will provide us with the opportunity to make strategic and beneficial acquisitions.

Finance Review

The underlying profit for the six months to 30 June 2018 was £3.4 million (H1 2017: 3.1 million), an increase of 9.7% (underlying profit excludes the effect of property revaluations/sales and financial instrument valuations).

The statutory profit before tax for the period was £5.3 million (H1 2017: £6.4 million) due to property revaluation surplus and sales of £1.3 million (H1 2017: £2.9 million) and a surplus on revaluation of financial instruments of £565,000 (H1 2017: £465,000).

Revenue increased and was up 4.2% to £7.4 million (H1 2017: £7.1 million). Direct costs decreased during the period to £660,000 H1 (H1 2017: £964,000) reflecting the continuing management of the properties. Property acquisitions during the period were £8.2 million and the property revaluation surplus has absorbed the acquisition costs of £385,000 on these properties.

Banking

REI is multi banked and 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.

We have fixed our £41 million facility with RBS at 2.75% and in September drew down our new £10 million facility with RBS at 1.95% above Libor. In August 2018, we closed out 50% of the hedge on our Lloyds facility, leaving £10 million hedged, and agreed terms to extend the £20 million facility for a 5-year term, effective from October 2018. As a result, our average cost of debt going forward is reduced to 3.7% and the average term of debt will be 5.25 years. This will give us total cash and available facilities of £30 million.

The new RBS facility demonstrates 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.

Currently, 86% of our facilities are on fixed terms in line with our commitment to convert some variable debt to fixed rates and capitalise on the low interest rate environment. This will provide protection against rates rising in the future and fix our outgoings to allow us to manage our dividend growth with confidence.

Dividend

From January 2016, the Company commenced quarterly dividend payments. For 2018, the first quarterly interim dividend of 0.875p was paid in July 2018 and the second quarterly interim dividend of 0.875p will be paid in October 2018. The third quarterly interim dividend will be paid in January 2019 and the final dividend will be announced with the results in March 2019 and paid in April 2019.

The dividend for the first half year is therefore 1.75p, an increase of 17% and fully covered by EPRA earnings. We have now seen 5 years of year on year growth.

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

The proposed timetable for the Q2 dividend, which will be a PID dividend, is as follows:

Dividend Timetable

Q2 Ex-dividend date:	27 September 2018
Q2 Record date:	28 September 2018
Q2 Dividend payment date:	26 October 2018

Outlook – Business as usual in a vibrant regional economy

Our dividend payments of 1.75p during H1 are up 16.7%, and our main focus continues to be the growth of our dividends to our shareholders on a sustainable and progressive basis. Our revenue of £7.4 million (up 4.2%) is set to grow further from acquisitions made in late June 2018 and further still, once we invest our available capital.

At the half year end, our gross property assets grew to £217.8 million up 2.2%, even after allowing for sales of £5 million during H1. We are positive about the quality of our existing income and assets, and believe that they will continue to deliver earnings and valuation gains through active asset management. Additionally, there is a potential gain from permitted development rights to residential, due to the strength of the Midlands regional housing market, with prices in Q2 2018 increasing by 7% year-on-year, ahead of all other English regions.

We believe expected short-term market uncertainty together with our knowledge and financial resources will allow us to secure record revenues and contracted rent, enabling us to provide dividend growth with confidence. In the medium to long term, management believe that major investments and relocations to our region will continue to provide rental and capital growth within our property market, supported by the economic vibrancy of a region in the early stages of an economic re-emergence.

The REI Portfolio – Stable and secure, with upside potential

Property Overview

The investment market place in the Midlands remains strong, with very healthy investor appetite from institutions, funds, overseas investors and high net worth individuals. We do not envisage a decline in demand for Midlands investments and will continue to source asset management opportunities, that we can improve and subsequently sell into investor demand or retain for rental income.

Management have operated this business model for over 35 years and we are well positioned and resourced to capitalise on any short-term downturn as we demonstrated during the financial crisis, General election and Brexit vote.

Much has been reported on the poor health of the retail sector, due to high profile CVAs and insolvencies. REI does not have any material exposure to the affected retail sector and continues to focus on convenience and neighbourhood retail and offices, this is a market place in which management have a long standing and proven track record. Our portfolio mix remains diverse and risk adverse.

Portfolio Mix – Diverse and Risk Adverse

Sector	£	30 June 2018 % by Income	31 Dec 2017 % by Income	Change
Office	6,155,963	39.05%	37.89%	+1.16%
Traditional Retail	3,623,982	22.99%	23.79%	-0.80%
Discount Retail	1,210,290	7.68%	7.46%	+0.22%
Food Stores	1,011,150	6.41%	6.45%	-0.04%
Medical and Pharmaceutical	991,040	6.29%	6.11%	+0.18%
Restaurant/Bar/Coffee	840,552	5.33%	6.32%	-0.99%
Financial/Licences/Agency	681,502	4.32%	4.40%	-0.08%
Hotel	511,000	3.24%	3.15%	+0.09%
Leisure	381,596	2.42%	2.43%	-0.01%
Car Park	284,323	1.80%	1.59%	+0.21%
Industrial	57,094	0.37%	0.35%	+0.02%
Assured Shorthold Tenancy	16,400	0.10%	0.06%	+0.04%
TOTAL	**15,764,892**	**100.00%**	**100.00%**	

Investment Market

Nationally investment volumes are down and are expected to remain subdued until later in 2019. According to Colliers International, all-property total returns for 2018 are down to 5.7%, markedly weaker than the 10.2% achieved in 2017 and below the post financial crisis average of 9.4% per annum. Looking ahead they suggest that performance is expected to slow further in 2019 to 3.8%, comprised of -1.0% capital growth and 4.9% income return. Investment trading volumes in H1 2018, are down around 14% compared to the same period last year. Far Eastern appetite for UK commercial property slowed this year, accounting for just 8% of all property transactions, down from 20% in 2017.

More relevant to our region, The Birmingham Office Market Forum (BOMF) reported that Birmingham's office market enjoyed a steady H1 2018, ahead of the same period in 2017, with deals reaching 169,929 sq ft, with the half-year total of 318,412 sq ft was nearly 70,000 sq ft ahead of 2017. The largest deal was the purchase of 55 Colmore Row, for £98m (NIY of 4.88%) by TH Real Estate, which completed in January.

Overall, values and equivalent yields have proved fairly stable during the first half of 2018. However, with political uncertainty, we expect to see weakness in sentiment and sales expectations during the latter part of 2018 and we believe that there will be opportunities during this period.

The regional investment market remains competitive and we have not been prepared to pay elevated prices, though we have made some positive sales. However, we anticipate that economic uncertainty from Brexit will provide opportunities for acquisitions throughout the coming months and we are well placed to react when such potential acquisitions become available. We remain confident that we will secure properties that meet the Company's investment requirements and improve the portfolio mix further.

Occupational market

Birmingham and the wider market place continue to attract significant occupier interest as a result of the continued growth of the automobile sector, the arrival of HSBC and HS2, particularly from companies in the rail and construction sectors and further government department relocations. Birmingham has also been confirmed as one of three cities in the running to be Channel 4's new national headquarters. Meanwhile, a shortage of modern, vacant office space across the wider region is leading to rental growth in the sector, especially in M42 corridor offices where we anticipate good rental growth as tenant demand competes for limited supply. This sector remains a key target for acquisitions, and we remain focused on both the underlying vacant possession value and the prospects for alternative uses.

The retail sector is in a period of major restructure, we have noted the well publicised Company Voluntary Arrangements (CVA's) and administrations filed by over leveraged retailers and restaurant operators, and the collapse of department store business models. However, REI's exposure remains deliberately focused on convenience and neighbourhood shopping which remain a growing sub-sector that are essential for customers in providing convenience shopping. We remain committed to this sector and confident that it offers strong and sustainable prospects for future rental and capital growth.

Acquisitions

Total acquisitions of £7.6 million (net of acquisition costs) were made in late H1, with a combined income of £618,364 per annum and a potential reversion to £671,202 per annum, which reflects a 7.66% net initial yield and 8.31% reversionary yield. New tenants from acquisitions include secretary of State, QS Finance, MV Kelly, Handelsbanken, Fuelsoft, Toshiba and Instinctive Technologies. We have a number of acquisition discussions ongoing, and remain confident that we will secure record assets and contracted rental income over the next 12 months.

- **Topaz Business Park, Topaz Way, Bromsgrove, Worcestershire** – Acquired 15 June 2018 (Office Business Park, £4.0 million, excluding acquisition costs). Acquired in an off-market transaction from a private investor, at a net initial yield of 6.9% with a reversionary yield of 8.14%. The investment comprises a prominent high-quality office business park of 10 self-contained office buildings. The property is multi-let with tenants including QS Finance, MV Kelly, Handelsbanken, Fuelsoft, Toshiba and Instinctive Technologies. The Company believes that office rents in the asset are below local market levels and therefore anticipate positive rental and capital growth. There is also additional land that could accommodate further offices and drive through, subject to planning.

- **Molineux, Wolverhampton** – Acquired 22 June 2018 (Office, £3.582 million, excluding acquisition costs). A city centre office which is let to the Secretary of State, Department for Communities and Local Government on a recently re-geared 10-year full repairing and insuring lease with a tenant break at the fifth year. The investment was acquired with a current rental of £324,370 per annum and a net initial yield of 8.50%. The property provides an excellent yield together with a Government-backed covenant and has strong potential for residential conversion should the asset ever become vacant.

- **Post Half Year End Acquisition – Kings Heath, Birmingham** - Since the half year end, we have also acquired a prime neighbourhood retail scheme from a pension fund, for the sum of £4.8 million, representing a net initial yield of 8.7%, and producing £445,860 rent per annum, with a WAULT of 4.25 years to expiry and 4.00 years to a potential break, and our occupiers include Wilko Retail, Scrivens Opticians, Burton, Lloyds Pharmacy, Specsavers, Greggs and Bon Marche.

Sales

Capitalising on strong investor appetite for regional real estate, REI has completed the sales of 24 Bennett's Hill in Birmingham City Centre for £4.0 million on 10 January 2018, representing a net initial yield of 7.14% and ahead of 31 December 2016 valuation, a parade of shops on High Street, West Bromwich for £1.04 million and vacant offices at Metro Court, High Street, West Bromwich (with completion in December 2018). More recently, we exchanged contracts to sell 158 Marlowes, Hemel Hempstead for £710,000, with completion on 20th August 2018. During the period we have disposed of £5 million of assets which provided a combined income of £439,094 per annum and a running yield of 5.25%.

The Company will recycle the cash receipts from these into criteria compliant value-add opportunities over the next 6-12 months.

In view of the low interest environment and limited supply, we expect demand for Midlands investment property to continue and have identified a number of properties that are suitable for sale and will monitor this position over the coming months, and anticipate securing sales above existing book values.

Asset Management

Adding value via active asset management initiatives of rent reviews, lease renewals and change of use, coupled with letting void space, remain the core objective of our business model. We are active asset managers, as we do not believe that a passive strategy can provide the income yields and capital growth that we seek to secure. Our void provides significant opportunity to add further income and capital value to our portfolio, as it currently represents income potential of c. £1.6 million. With £340,000 annual rental in our legal pipeline and a number of rent reviews where we anticipate rental growth, plus planning gains from undeveloped land, the portfolio has significant potential to grow income and capital values. Our occupancy has reduced slightly from 94% at December 2017 to 92% at the half year to June 2018, as a result of secured lease terminations to allow for refurbishment and reletting. These have been marketed and are now under offer, hence we anticipate an improvement in our occupancy by the year end. Management believe that 5% void on an ongoing basis provides value add asset management opportunity within the portfolio.

Location	Value (£m)	Area ('000 sf)	ERV (£m pa)	CRI (£m pa)	NIY (%)	RY (%)	EY (%)	Occupancy (%)
Birmingham – central	30.3	114	2.0	1.3	2.91	6.26	6.04	82.9
Birmingham – other	31.4	178	2.5	2.3	6.10	7.56	7.43	92.0
West Midlands	82.4	664	7.4	6.1	6.60	8.03	7.92	89.2
Other Midlands	66.1	511	5.9	5.7	7.63	8.05	7.76	96.3
Other Locations	3.8	33	0.4	0.4	8.87	8.45	7.94	100.0
Land	3.8	-	-	-	-	-	-	-
Totals	**217.8**	**1,500**	**18.2**	**15.8**	**6.36**	**7.68**	**7.55**	**91.7**

Permitted Development/Untapped Residential Value

REI's acquisition criteria remain strict and non-negotiable and part of which is the 'change of use' potential. Based on the Company's analysis to date, it is believed that approximately 250,000 sq ft of the portfolio has potential for 'permitted development' conversion to residential.

Management believe the implementation of this element of the Company's strategy will provide significant capital uplift that is not presently recognised in the existing use of certain assets as office buildings.

REI has monitored for some time the rising value of Midlands residential property, which has outperformed most other UK regions on a number of key measures, with further growth expected:

- House prices in the West Midlands rose the fastest in the UK, with annual growth in property values in the region at 5.8% by June 2018, according to ONS. The biggest fall was in London where prices dropped by 0.7% year-on-year

- According to Knight Frank's 2018-2022 UK Residential Market Forecast the West Midlands looks set to enjoy 14.8% overall house price growth over the period, compared to predicted growth of 14.2% across the UK as a whole

REI is well positioned to gradually target vacant possession of certain assets, with a view to converting them for residential use, for resale or retention for rental income. Since the half year end, we have already agreed terms for the sale of an office scheme for permitted development at a premium to existing office valuation.

REI's Regional Review

Economy/Trade/Business/Employment

- Exports of goods from West Midlands companies rose to more than £33 million in the year to March 2018, according to HMRC with growth of 7.6%, outstripping the UK average of 6.5% growth
- West Midlands region leads the way in growth of foreign investment and jobs boost, being the only UK region to have increased the number of projects and jobs created, according to the Department for International Trade
- West Midlands business confidences edges to a 2-year high according to Lloyds Bank survey on businesses expected sales, orders and profits over next six months
- Plans to create more than 2.8 million sq ft of industrial space in Birmingham as part of a £350 million scheme, which could create up to 10,000 jobs, have taken a major step forward
- HS2 contracts have been won by 400 Midlands companies, with around 50% being SME's
- Secure Trust Bank's asset-based lending division has doubled its funding of Midlands SMEs in the last year, providing more than £60 million, the second consecutive year of doubled lending
- Birmingham is in the top 10 cities for employment growth, according to Irwin Mitchell's UK Powerhouse Report, boosted by the high share of manufacturing jobs

Property

- Birmingham is stealing the hearts of Chinese property investors as it emerges as an affordable alternative to London and is seeing a surge in interest from Hong Kong and mainland Chinese investors whose traditional go-to market has been London, accordingly to Chinese newspapers
- Birmingham's top office rents to reach £34 psf by year end as prime Grade A availability has continued to fall and now stands at only 153,000 sq ft according to Savills forecasts following a 14% rise in Q1 take up against the 10-year average
- Solihull and Birmingham have been named in a list of the UK's top performing high streets by Cushman & Wakefield in a report that ranks the viability and performance of 250 high streets outside Central London, in which Solihull is ranked 17 and Birmingham 37
- Growing employment has contributed to competition for industrial space, higher property prices and more construction projects across the West Midlands, according to local property specialists Bulleys
- Birmingham's office market enjoyed a steady H1 2018, ahead of the same period in 2017, with deals reaching 169,929 sq ft. The half-year total of 318,412 sq ft was nearly 70,000 sq ft ahead of 2017, according to the Birmingham Office Market Forum (BOMF)

Manufacturing/Technology

- The West Midlands has been selected as the UK's first 'test bed' for 5G wireless technology, a move that is expected to attract companies to the region, with up to £75 million funding to be given to the region to assist in transforming them into 5G hubs
- Coventry is to become the home for the UK's largest independent vehicle battery manufacturer, creating around 90 jobs at a high-tech facility, that will produce batteries for hybrid and electric vehicles
- JLR reports Q1 2018/2019 retail sales up 5.9% on the previous year with 145,510 vehicles sold
- Chancellor Philip Hammond has announced £780 million of additional funding for 'catapult centres' for new technology across the UK, with the West Midlands awarded £270.9 million
- Aston Martin is gearing up to float on the London Stock Exchange having reported a record set of half-year results which saw sales rise 14% in the first six months of 2018 to £444.9 million
- Birmingham hosted 'world-first' zero emission vehicle summit, backed by the Government that showcased the expertise and opportunities in the Midlands and the UK

Culture/Travel/Tourism/Education

- The West Midlands will get a £1.5 billion "Games Gift" from the 2022 Commonwealth Games in economic benefits of hosting the games, according to new analysis by the former Treasury senior economist and is due to add 1.3% to the region's GVA in addition to a further £500 million one-off benefit from construction projects now taking place
- Birmingham is shortlisted in final 3 for Channel 4's new national headquarters, with the decision to be finalised in Autumn
- Birmingham's tourism sector recorded its most successful year in history last year, with hotel revenue, visitor numbers and visitor spend, all reaching record highs, according to the West Midlands Growth Company with subsequent visitor spend reaching £7.1 billion, a 9% increase on last year
- The West Midlands attracted more international visitors than ever before, according to ONS, with 2.3 million visitors to the region last year, a 6% rise on the previous year, with 39% business visits
- Birmingham is at the heart of HS2 according to HS2 minister Nusrat Ghani who declared the project will support 100,000 new jobs in the region and 2,000 new apprenticeships
- Birmingham is the most attractive mid-sized city in Europe, according to the latest report by global real estate advisor Colliers, listing as 5th most attractive city overall out of 50 European cities, based on indicators including quality of life and economic output
- A 20-year strategy to create a 'Midlands Rail Hub' will boost the Midlands' economy by £649 million per year and shift £22 billion of freight from the roads to the railways according to a report by Midlands Connect and the Secretary of State for Transport Chris Grayling
- Birmingham has seen a 15% rise in hotel demand by international visitors in 2018 which was amongst the highest in the UK, according to data from Expedia findings
- Midlands MIPIM pavilion attracted 50% more visitors, with more than 4,700 visitors attending events hosted by the Midlands at the world's leading global property event with events including the launch of a £10 billion Investment Prospectus by the West Midlands combined authority, and an update on the Midlands Engine Investment Portfolio

Our Stakeholders

Our ongoing thanks to our hardworking staff, advisers, shareholders and occupiers, whose support and dedication allows the business to go from strength to strength. We look forward to a prosperous period of growth.

John Crabtree OBE D.Univ	**Paul Bassi CBE D.Univ**
Chairman	**Chief Executive**
14 September 2018	**14 September 2018**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 30 June 2018

	Note	Six months to 30 June 2018 (Unaudited) £'000	Six months to 30 June 2017 (Unaudited) £'000	Year ended 31 December 2017 £'000
Revenue		7,446	7,142	14,880
Cost of sales		(659)	(964)	(1,727)
Gross profit		6,787	6,178	13,153
Administrative expenses		(1,543)	(1,464)	(3,548)
(Loss)/surplus on sale of investment properties		(169)	-	176
Change in fair value of investment properties		1,536	2,899	4,212
Profit from operations		6,611	7,613	13,993
Finance income		12	13	19
Finance costs		(1,857)	(1,674)	(3,457)
Profit on financial liabilities held at fair value		565	465	725
Profit on ordinary activities before taxation		5,331	6,417	11,280
Income tax charge		(107)	(93)	(145)
Net profit after taxation and total comprehensive income		5,224	6,324	11,135
Basic earnings per share	6	2.8p	3.4p	6.0p
Diluted earnings per share	6	2.8p	3.3p	5.9p
EPRA Earnings per share	6	1.8p	1.6p	3.3p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 6 months ended 30 June 2018

	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
At 31 December 2016	18,642	51,721	45	800	49,953	121,161
Share based payment	-	-	-	300	-	300
Dividends – final 2016	-	-	-	-	(1,398)	(1,398)
Dividends – interim 2017	-	-	-	-	(1,398)	(1,398)
Transactions with owners	-	-	-	300	(2,796)	(2,496)
Profit for the period and total comprehensive income	-	-	-	-	6,324	6,324
At 30 June 2017	18,642	51,721	45	1,100	53,481	124,989
Share based payment	-	-	-	50	-	50
Dividends – interim 2017	-	-	-	-	(2,796)	(2,796)
Transactions with owners	-	-	-	50	(2,796)	(2,746)
Profit for the period and total comprehensive income	-	-	-	-	4,811	4,811
At 31 December 2017	18,642	51,721	45	1,150	55,496	127,054
Share based payment	-	-	-	152	-	152
Dividends – final 2017	-	-	-	-	(1,631)	(1,631)
Dividends – interim 2018	-	-	-	-	(1,631)	(1,631)
Transactions with owners	-	-	-	152	(3,262)	(3,110)
Profit for the period and total comprehensive income	-	-	-	-	5,224	5,224
At 30 June 2018	18,642	51,721	45	1,302	57,458	129,168

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

	Note	30 June 2018 (Unaudited) £'000	30 June 2017 (Unaudited) £'000	31 December 2017 £'000
Assets				
Non current assets				
Investment properties	5	214,040	205,681	209,421
Property, plant and equipment		14	15	12
Deferred taxation		433	592	540
		214,487	206,288	209,973
Current assets				
Inventories		3,738	3,742	3,708
Trade and other receivables		2,754	2,824	3,663
Cash and cash equivalents		7,900	7,437	4,339
		14,392	14,003	11,710
Total assets		228,879	220,291	221,683
Liabilities				
Current liabilities				
Bank loans		20,499	20,456	20,378
Trade and other payables		7,390	5,880	6,169
		27,889	26,336	26,547
Non-current liabilities				
Bank loans		68,518	64,836	64,213
Financial liabilities		3,304	4,130	3,869
		71,822	68,966	68,082
Total liabilities		99,711	95,302	94,629
Net assets		129,168	124,989	127,054
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		1,302	1,100	1,150
Retained earnings		57,458	53,481	55,496
Total equity		129,168	124,989	127,054

CONSOLIDATED STATEMENT OF CASHFLOWS
for the 6 months ended 30 June 2018

	Six months to 30 June 2018 (Unaudited) £'000	Six months to 30 June 2017 (Unaudited) £'000	Year ended 31 December 2017 £'000
Cashflows from operating activities			
Profit after taxation	5,224	6,324	11,135
Adjustments for:			
Depreciation	3	2	5
Loss/(surplus) on sale of investment property	169	-	(176)
Net valuation surpluses	(1,536)	(2,899)	(4,212)
Share based payment	152	300	350
Finance income	(12)	(13)	(19)
Finance costs	1,857	1,674	3,457
Surplus on financial liabilities held at fair value	(565)	(465)	(725)
Taxation charge recognised in profit and loss	107	93	145
Increase in inventories	(30)	(47)	(13)
Decrease/(increase) in trade and other receivables	909	101	(738)
Increase/(decrease) in trade and other payables	1,011	(376)	(87)
	7,289	4,694	9,122
Interest paid	(1,857)	(1,674)	(3,457)
Net cash from operating activities	5,432	3,020	5,665
Cash flows from investing activities			
Purchase of investment properties	(8,233)	(9,729)	(20,353)
Purchase of property, plant and equipment	(5)	(2)	(3)
Proceeds from sale of property, plant and equipment	4,981	5,149	13,522
Interest received	12	13	19
	(3,245)	(4,569)	(6,815)
Cash flow from financing activities			
Equity dividends paid	(3,029)	(2,563)	(5,359)
Proceeds from bank loans	4,570	-	-
Payment of bank loans	(167)	(226)	(927)
	1,374	(2,789)	(6,286)
Net increase/(decrease) in cash and cash equivalents	3,561	(4,338)	(7,436)
Cash and cash equivalents at beginning of period	4,339	11,775	11,775
Cash and cash equivalents at end of period	7,900	7,437	4,339

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the 6 months ended 30 June 2018

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 2018 (including the comparatives for the year ended 31 December 2017 and the period ended 30 June 2017) was approved by the board of directors on 14 September 2018.

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 2017 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 2017 financial statements approved by the Company on 19 March 2018, except for the effects of applying IFRS 15 and IFRS 9.

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

The impact of applying these new standards is not material to the Group.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are as follows:

Investment property revaluation

The Group uses the valuations performed by its independent valuers or the directors as the fair value of its investment properties. The valuation is based upon assumptions including future rental income, anticipated maintenance costs, anticipated purchaser costs and the appropriate discount rate. The valuer and the directors also make reference to market evidence of transaction prices for similar properties.

Interest rate swap valuation

The Group carries the interest rate swap as a liability at fair value through the profit or loss at a valuation. This valuation has been provided by the Group's bankers.

Critical judgements in applying the Group's accounting policies

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

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

4. SEGMENTAL REPORTING

Primary reporting - business segment

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

5. INVESTMENT PROPERTIES

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

	£'000
Carrying amount at 31 December 2016	198,202
Additions	9,729
Disposals	(5,149)
Revaluation	2,899
Carrying amount at 30 June 2017	205,681
Additions	10,624
Disposals	(8,197)
Revaluation	1,313
Carrying amount at 31 December 2017	209,421
Additions	8,233
Disposals	(5,150)
Revaluation	1,536
Carrying amount at 30 June 2018	214,040

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 profit for the period of £5,224,000 (31 December 2017: £11,135,000) and on 186,420,598 ordinary shares being the weighted average number of shares in issue during the period and at 31 December 2017.

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 2018			31 December 2017
	Earnings	**Shares**	**Earnings per share**	**Earnings**	**Shares**	**Earnings per share**
	£'000	**No**	**P**	**£'000**	No	**p**
Basic earnings per share	**5,224**	**186,420,598**	**2.8**	**11,135**	**186,420,598**	**6.0**
Fair value of investment properties	(1,536)			(4,212)		
Loss/(profit) on disposal of investment properties	169			(176)		
Change in fair value of derivatives	(565)			(725)		
Deferred tax in respect of EPRA adjustments	107			145		
EPRA Earnings	**3,399**	**186,420,598**	**1.8**	**6,167**	**186,420,598**	**3.3**

EPRA NAV per share

		30 June 2018			31 December 2017	
	Net Assets	**Shares**	**Net asset value per share**	**Net Assets**	**Shares**	**Net asset value per share**
	£'000	**No**	**p**	**£'000**	**No**	**p**
Basic	**129,168**	**186,420,598**	**69.3**	**127,054**	**186,420,598**	**68.2**
Dilutive impact of share options and warrants	-	**1,978,643**		-	**2,886,349**	
Diluted	**129,168**	**188,399,241**	**68.6**	**127,054**	**189,306,947**	**67.1**
Adjustment to fair value of derivatives	3,304	-		3,869	-	
Deferred tax	(433)	-		(540)	-	
EPRA NAV	**132,039**	**188,399,241**	**70.1**	**130,383**	**189,306,947**	**68.9**
Adjustment to fair value of derivatives	(3,304)	-		(3,869)	-	
Deferred tax	433	-		540	-	
EPRA NNNAV	**129,168**	**188,399,241**	**68.6**	**127,054**	**189,306,947**	**67.1**