

Real Estate Investors Plc
(“REI” the “Company” or the “Group”)

Half Year Results
For the six months ended 30 June 2023

ROBUST OPERATIONAL PERFORMANCE, CONTINUED SALES & DEBT REDUCTION

Real Estate Investors Plc (AIM: RLE), the UK’s only Midlands-focused Real Estate Investment Trust (REIT) with a portfolio of commercial property across all sectors, is pleased to report its unaudited half year results for the six-month period ended 30 June 2023 (“H1 2023”).

FINANCIAL

- Disposals of £3.6 million, plus post-period disposals of £6.8 million - total disposals year to date of £10.4 million at an aggregate uplift of 8.7%, (pre-costs) to 31 December 2022 year end (FY 2022) book value (comprising of 18 retail units and a drive-thru pod development)
- Disposal proceeds used to pay down £8.4 million of debt year to date 2023
- Further pipeline of sales are in solicitors’ hands to generate receipts in order to reduce portfolio debt and execute stated strategy
- Underlying profit before tax* of £2.2 million (H1 2022: £2.9 million) due to sales
- Loss before tax of £779,000 (H1 2022: £8.3 million profit) includes £4.1 million loss on property revaluations (non-cash item) representing a 2.4% portfolio valuation decline (H1 2022: £3.1 million gain), £737,000 profit on sale of investment property (H1 2022: £1 million profit) and £388,000 surplus on hedge valuation (H1 2022: £1.2 million surplus)
- EPRA** Net Tangible Assets (“NTA”) per share of 60.3p (FY 2022: 62.2p)
- Revenue of £6.1 million (H1 2022: £7.2 million) reduction due to H2 2022 and H1 2023 sales
- EPRA** EPS of 1.26p (H1 2022: 1.64p)
- The Company will make a fully covered quarterly dividend payment of 0.625p per share in respect of Q2 2023 (Q2 2022: 0.8125p per share)
- £48.5 million total declared/paid to shareholders since dividend policy commenced in 2012

OPERATIONAL

- Strong rent collection for H1 2023 of 99.93% (H1 2022: 99.36%)
- £169.2 million gross portfolio valuation (after asset disposals) (FY 2022: £175.4 million)
- On a like for like basis the portfolio valuation has reduced by 2.4% on 31 December 2022 valuation to £166.8 million
- Completed 46 lease events, with new lettings generating £385,438 p.a. of new income
- WAULT*** of 4.81 years to break/5.99 years to expiry (FY 2022: 4.98 years /6.29 years)
- Contracted rental income of £12.5 million p.a. as at 30 June 2023 (H1 2022: £14 million p.a. / FY 2022: £12.6 million p.a.) due to portfolio disposals
- Occupancy levels marginally higher at 85.04% (FY 2022: 84.54%)

BANKING & DEBT RELATED

- Disposal proceeds used to pay down £8.4 million of debt in 2023 year to date
- Total drawn debt of £67.9 million (H1 2022: £75.5 million), post period reduced to £63 million
- Company’s debt is 100% fixed, with a blended debt profile term of 18 months
- Refinancing negotiations with our bankers commenced in early H2 2023
- Loan to Value (net of cash) of 35.9% (FY 2022: 36.8%) (management revised target LTV net of cash to 35% or below, previously 40% or below)
- £8 million cash at bank - the Company is maximising returns on cash reserves, with monies on deposit now earning 4.5% on instant access
- Average cost of debt maintained at 3.7% (FY 2022: 3.7%)
- Hedge facility has improved by £388,000 for half year to 30 June 2023

PAUL BASSI, CHIEF EXECUTIVE, COMMENTED:

“Throughout 2023 investment and sales activity has been at its lowest level since the 2008 financial crisis, with corporate and institutional investors remaining dormant. With a lack of available assets for purchase and against the backdrop of an inactive investment marketplace, the diverse nature of our portfolio has allowed us to break-up and sell individual units, taking advantage of the ongoing demand for smaller lot sizes from private investors and owner occupiers. We will continue with this approach until we see a normalised market. Since the start of 2021, we have operated a successful sales programme, with sales totalling £48.9 million and £38.3 million of debt repaid, with further pipeline sales in legals.

We are confident that normalised market conditions will return once the trajectory of interest rates settles, allowing us to sell further assets where asset management initiatives have been completed. It is our intention to accelerate our sales programme and we will consider the sale of assets either on an individual or collective basis, on terms that represent value for shareholders.

Subject to market conditions and our sales rate, the Company intends to repay bank debt and, in due course, consider a share buyback or other form of capital return. Management remains open to evaluating any corporate transaction that is in the best interests of shareholders and in the meantime, we will continue to pay a fully covered dividend.”

FINANCIAL & OPERATIONAL RESULTS

	30 June 2023	30 June 2022
Revenue	£6.1 million	£7.2 million
Underlying profit before tax*	£2.2 million	£2.9 million
Contracted rental income	£12.5 million	£14.0 million
EPRA EPS**	1.26p	1.64p
Pre-tax (loss)/profit	(£0.8 million)	£8.3 million
Dividend per share	1.25p	1.625p
Average cost of debt	3.7%	3.5%
Like for like rental income	£12.5 million	£12.4 million

	30 June 2023	31 December 2022
Gross property assets	£169.2 million	£175.4 million
EPRA NTA per share**	60.3p	62.2p
Like for like capital value psf	£122.44 psf	£125.42 psf
Like for like valuation	£166.8 million	£170.9 million
Tenants	209	201
WAULT to break***	4.81 years	4.98 years
Total ownership (sq ft)	1.36 million sq ft	1.37 million sq ft
Net assets	£106.4 million	£109 million
Loan to value	40.7%	42.2%
Loan to value (net of cash)	35.9%	36.8%

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

CHAIRMAN'S & CHIEF EXECUTIVE'S STATEMENT

Despite the backdrop of market uncertainty and the lowest level of activity since the financial crisis of 2008, the diversity and flexibility of our portfolio has allowed us to attract interest from private investors and owner occupiers, enabling us to progress our sales programme and reduce debt in line with our stated strategy. At the half year, we had disposed of £3.6 million of assets and repaid £3.6 million of debt. Since the period end, we have disposed of a further £6.8 million of assets and repaid a further £4.8 million of debt, resulting in total sales year to date of £10.4 million and total debt repayment of £8.4 million. These sales are at an aggregate uplift of 8.7%, (pre-costs) to December 2022 year end book value (comprising of 18 retail units and a drive-thru pod development).

Operationally, the REI portfolio remains stable with robust rent collection levels of 99.93% for H1 2023. Revenue as at 30 June 2023 was £6.1 million (H1 2022: £7.2 million) with the reduction due to H2 2022 and H1 2023 disposals. Underlying profit at the half year was £2.2 million (H1 2022: £2.9 million) with a loss before tax of £779,000, driven predominantly by a £4.1 million non-cash loss on property revaluations which is reflective of market sentiment towards the office sector and a lack of transactional evidence. Of the £4.1 million valuation reduction, 51.2% was across offices.

There remains a risk of downward pressure on future valuations due to rising interest rates and an inactive investment market, however, our active asset management approach and diversified portfolio offer some protection against this. Contracted rents at the half year were £12.5 million p.a. (H1 2022: £14 million p.a.) reflecting loss of rent from sales in H2 2022 and H1 2023. At the period end, WAULT was 4.81 years to break and 5.99 years to expiry, with occupancy sitting at 85.04%. Post period lettings that are expected to complete in H2 2023, will also add to our revenues and occupancy going forward, along with the potential to add further capital appreciation and further sales stock.

The business remains well insulated from rising rates with low gearing of 35.9% (net of cash) and 100% fixed debt at an average cost of 3.7%, with a blended debt maturity of 18 months at the half year. Management have engaged in refinancing discussions with lenders to ensure that sensible gearing levels are maintained in line with management's revised objective to operate gearing at sub 35%, as we are actively repaying debt from sales proceeds (previous gearing target 40%).

SALES STRATEGY

Presently, there is little or no demand from our normal buyer pool of property companies, REITs, UK funds, pension funds, overseas or private equity buyers and the only known investor demand is from private investors for smaller lot sizes, owner occupiers, government and public bodies, plus special purchasers.

Our diverse portfolio has no material reliance on any one sector, asset or occupier, and has enabled us to withstand significant headwinds of the financial crisis, a global pandemic and inflation, whilst enabling us to continue paying a covered dividend. It has also allowed us to identify properties that can be sold to a private investor market whilst most other investors remain inactive. However, attracting a buyer for the whole or large parts of the portfolio is more difficult as most buyers have a specialised strategic approach and therefore are not seeking assets of a diverse, regional nature which require focused asset management and local expertise. Management have therefore focused efforts on capitalising on private investor demand and reducing the portfolio size by disposing of assets individually, with sales year to date of £10.4 million.

We have identified a further 20% of our portfolio that can satisfy this known demand, some of which is already under offer and in legals. This will provide us with a reduced portfolio, which assuming a more normalised marketplace, may attract a corporate or portfolio buyer. Ongoing sales will allow us to reduce our debt further and, subject to market conditions, consider a share buyback or other form of capital return, all whilst continuing to pay a covered dividend.

BANKING & FINANCING

In March 2023, the Group extended the £20 million facility with Lloyds Banking Group Plc for 6 months to 31 May 2024 and the £31 million facility with National Westminster Bank Plc for 3 months to June 2024, with a view to formalising new facilities when long-term rates have stabilised.

As at 30 June 2023, 100% of the Company's debt was fixed, with a blended debt profile term of 18 months and an average cost of debt of 3.7% (FY 2022: 3.7%).

Management are mindful of the ongoing inflationary pressures on interest rates and proactively entered refinancing negotiations with our bankers in early H2 2023 in relation to banking facilities that are due for renewal in 2024. These discussions are ongoing and management are confident of securing competitive banking facilities for the business but, notwithstanding the continuing repayment of debt from sales, interest costs will increase next year.

The business remains multi-banked with debt spread across 4 lenders and all banking covenants (a combination of interest cover against rental income and LTV against asset value measurements) continue to be met with headroom available and cure facilities if necessary:

As at 30 June 2023			
Lender	Debt Facility	Debt Maturity	Hedging
Lloyds Bank	£20.0m	May 2024	100%
National Westminster Bank	£32.5m	June 2024	100%
Barclays	£7.6m	December 2024	100%
Aviva	£8.2m	2027 & 2030	100%

Following a successful period of sales in H1 2023 and with management firmly focused on reducing gearing levels via debt repayment, £3.6 million of debt was repaid using disposal proceeds during the first half of the year. Since the period end, a further sum of £4.8 million has been repaid, reducing total drawn debt to £63.4 million (H1 2022: £75.5 million).

	2021	2022	2023 to date	Total
Sales	£17.6m	£20.9m	£10.4m	£48.9m
Debt Repaid	£11.9m	£18m	£8.4m	£38.3m
Total Drawn Debt	£89.4m	£71.4m	£63m	£63m

Loan to value (net of cash) at the half year was 35.9% (FY 2022: 36.8%). Our hedge facility improved by £388,000 for the half year to 30 June 2023. Whilst management focuses on debt repayment, it is prudent to keep cash reserves at a healthy level, should the business be required to provide bank security in the form of cash. The Company continues to maximise its returns on cash reserves, with £8 million cash at bank at the half year with the majority on deposit earning 4.5% on an instant access basis.

COST SAVINGS & EMPLOYEE LTIPS

Identified savings of £300,000 per annum and cost cutting remain on track for the year end 2023 and further savings of up to £500,000 have been identified for 2024. The sales of some vacant and part-vacant assets will also reduce void holding costs going forward, such was the case with the sale of part-vacant York House in July 2023 which was sold to a college and provided us with significant savings in void costs.

Management and employee LTIPs are the subject of a comprehensive review and, upon a conclusion of the review, a further announcement will be made. Any changes will be directly aligned to the stated strategy and it is anticipated that a new LTIP scheme will be adopted for the new financial year.

DIVIDEND

Subject to the acceleration of our ongoing sales programme, along with the businesses' operational performance, the Board remains committed to paying a covered dividend. The Board is pleased to announce a Q2 2023 fully covered dividend of 0.625p reflecting a yield of 9.1% based on a mid-market opening price of 27.50p on 22 September 2023. A total of £48.5 million has been declared/paid to shareholders since the Company's dividend policy commenced in 2012. The proposed timetable for the dividend, which will be paid as an ordinary dividend, is as follows:

Ex-dividend date:	5 October 2023
Record date:	6 October 2023
Dividend payment date:	27 October 2023

ASSET MANAGEMENT & OCCUPANCY

The portfolio remains operationally robust with strong rent collection levels during H1 2023 of 99.93%. Q1 2023 saw a strong start to the year with occupier interest and demand for space continuing from the previous year. The occupational market in the retail sector (neighbourhood and convenience) has remained resilient. We have disposed of all our Central Business District assets, with the exception of our own Head Office in Birmingham. Our non-city centre occupier demand is stable and we are achieving our ERV levels. However, there is a notable slowing down of decision making and completions in H2 2023.

In H1 2023, we effected 46 lease events, to include 6 lease renewals, 5 breaks removals and 19 new lettings with new lettings generating £385,438 p.a. of new income to the portfolio, more than offsetting the £184,500 p.a. of lost income associated with sales. Contracted rental income was £12.5 million per annum as at 30 June 2023, due to disposals (FY 2022: £12.6m).

The portfolio occupancy at the period end was 85.04% (FY 2022: 84.54%) and the WAULT was 4.81 years to break and 5.99 years to expiry. There are a significant number of lettings in the pipeline that, once completed, will continue to improve the WAULT and occupancy across the portfolio (subject to sales and other unforeseen lease events). The lettings will also reduce the associated void costs across the portfolio and support the Company's underlying profit and covered dividend payments.

Example key lease events year to date include:

- AFH Financial Group Limited took out a new lease for 11.5 years at the passing rent of £396,077 per annum (at ERV) with no break, now occupying all 25,000 sq ft at Avon House, Bromsgrove
- Walsall - Luxury Leisure took 9,500 sq ft on a 10-year lease at £60,000 per annum at ERV, removing a void unit and associated costs
- Walsall - Superdrug renewed on a 5-year lease at £110,900 per annum, therefore retaining a national retailer in the unit at ERV and ensuring no void costs whilst maintaining rental income to a strong covenant
- Wolverhampton - SGS UK Limited took 5,500 sq ft at £90,500 per annum on a 10-year lease at Venture Court at ERV, maximising occupancy at the property
- Bromsgrove - detailed planning consent secured for letting to Costa Coffee on a new straight 15-year lease at £85,000 per annum, without the usual Costa terms of a break at 10 years
- Nuneaton - Poundland, new 5-year lease in their existing unit at a rent of £90,000 per annum
- Acocks Green - Poundstretcher, new 10-year lease at £60,000 per annum

Following the recent publicity relating to Wilkos closures, we can confirm that we only have one unit in Crewe which is already the subject of discussions with other operators, representing 2% of our rental income.

PORTFOLIO MIX TABLE

	Sector	£ per annum	% by income
Office	Office	5,398,868	43.17%
TR	Traditional Retail	2,027,790	16.22%
DR	Discount Retail - Poundland/B&M/Poundstretcher etc	1,472,350	11.77%
M&P	Medical and Pharmaceutical - Boots/Holland & Barrett etc	759,049	6.07%
RBC	Restaurant/Bar/Coffee - Costa Coffee	531,251	4.25%
FIN	Financial/Licences/Agency - Bank of Scotland	346,125	2.77%
FS	Food Stores - Lidl, Co-op, Iceland etc	406,545	3.25%
Other	Other - Hotels (Travelodge), Leisure (The Gym Group), Car parking, AST, (Education) School/College	1,563,606	12.50%
	Total	12,505,584	100%

PORTFOLIO SUMMARY TABLE

	Value (£)	Area (sq ft)	Contracted Rent (£)	ERV (£)	NIY (%)	EQY (%)	RY (%)	Occupancy (%)
Portfolio	166,800,000	1,373,631	12,505,584	15,066,920	7.02%	8.38%	8.46%	85.04%
Land*	2,393,390	-	-	-	-	-	-	-
Total	169,193,390	1,373,631	12,505,584	15,066,920	7.02%	8.38%	8.46%	85.04%

*Our land holdings are excluded from the yield calculations

ENVIRONMENTAL & SOCIAL GOVERNANCE (“ESG”)

REI continues to work with leading professionals to collect, track and report carbon emissions data across landlord-controlled areas. The reduction of the portfolio’s carbon footprint is an ongoing priority for the business.

In accordance with government guidelines, REI also continues to ensure our assets meet the UK statutory regulations and timeframes for Energy Performance Certificates (“EPCs”). An overview of the asset EPC ratings across the portfolio is noted below, showing the progress since 31 December 2022 to date:

EPC Rating	% of portfolio (by sq ft)							Total
	A	B	C	D	E	F	G	
31 Dec 2022	1.36	22.99	31.18	37.49	6.98	0	0	100.00
22 Sep 2023	2.08	37.19	22.96	34.52	3.25	0	0	100.00

ONGOING STRATEGY & OUTLOOK

In the absence of any consolidation opportunities within the real estate sector that align with the best interests of shareholders and the backdrop of poor market conditions, management have focused efforts on an opportunistic and targeted sales programme with a view to significantly reducing debt and leverage and returning capital to shareholders.

Maximum flexibility will be maintained when considering all future options, including share buybacks or another form of capital return, with the view to maximising shareholder returns.

The Company will consider sales of assets either on an individual or collective basis, subject to market conditions that represent value for shareholders. Management remain open to evaluating any corporate transaction that is in the best interests of shareholders.

OUR STAKEHOLDERS

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

CHANGE OF NAME OF NOMINATED ADVISER

The Company also announces that its nominated adviser has changed its name to Cavendish Securities plc (formerly Cenkos Securities plc) following completion of its own corporate merger.

William Wyatt
Chairman
22 September 2023

Paul Bassi CBE D.UNIV
Chief Executive
22 September 2023

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**
For the 6 months ended 30 June 2023

	Six months to 30 June 2023 (Unaudited) £'000	Six months to 30 June 2022 (Unaudited) £'000	Year ended 31 December 2022 (Audited) £'000
Revenue	6,056	7,165	13,293
Cost of sales	(1,285)	(1,170)	(2,489)
Gross profit	4,771	5,995	10,804
Administrative expenses	(1,359)	(1,483)	(3,252)
Gain on sale of investment properties	737	1,001	948
(Loss)/gain in fair value of investment properties	(4,073)	3,149	3,152
Profit from operations	76	8,662	11,652
Finance income	51	26	49
Finance costs	(1,294)	(1,600)	(2,981)
Gain on financial liabilities held at fair value	388	1,238	2,214
(Loss)/profit on ordinary activities before taxation	(779)	8,326	10,934
Income tax charge	-	-	-
Net (loss)/profit after taxation and total comprehensive income	(779)	8,326	10,934
Basic earnings per share	6 Nil	4.64p	6.33p
Diluted earnings per share	6 Nil	4.56p	6.25p
EPRA earnings per share	6 1.26p	1.64p	2.68p

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 6 months ended 30 June 2023

	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
At 31 December 2021	17,938	51,721	749	759	33,855	105,022
Share based payment	-	-	-	75	-	75
Dividends - final 2021	-	-	-	-	(1,457)	(1,457)
Dividends - interim 2022	-	-	-	-	(1,458)	(1,458)
Transactions with owners	-	-	-	75	(2,915)	(2,840)
Profit for the period and total comprehensive income	-	-	-	-	8,326	8,326
At 30 June 2022	17,938	51,721	749	834	39,266	110,508
Share based payment	-	-	-	75	-	75
Share buyback	(714)	-	-	-	(1,296)	(2,010)
Transfer re capital	-	-	714	-	(714)	-
Share issue	42	108	-	(150)	-	-
Dividends - interim 2022	-	-	-	-	(2,216)	(2,216)
Transactions with owners	(672)	108	714	(75)	(4,226)	(4,151)
Profit for the period and total comprehensive income	-	-	-	-	2,608	2,608
At 31 December 2022	17,266	51,829	1,463	759	37,648	108,965
Share based payment	-	-	-	75	-	75
Dividends - final 2022	-	-	-	-	(755)	(755)
Dividends - interim 2023	-	-	-	-	(1,079)	(1,079)
Transactions with owners	-	-	-	75	(1,834)	(1,759)
Loss for the period and total comprehensive income	-	-	-	-	(779)	(779)
At 30 June 2023	17,266	51,829	1,463	834	35,035	106,427

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2023

	Note	30 June 2023 (Unaudited) £'000	30 June 2022 (Unaudited) £'000	31 December 2022 (Audited) £'000
Assets				
Non-current assets				
Investment properties	5	166,800	187,875	173,030
Property, plant and equipment		2	4	3
		<u>166,802</u>	<u>187,879</u>	<u>173,033</u>
Current assets				
Inventories		2,393	2,387	2,389
Trade and other receivables		2,882	3,757	3,110
Derivative financial asset		456	-	68
Cash and cash equivalents		8,010	8,268	7,818
		<u>13,741</u>	<u>14,412</u>	<u>13,385</u>
Total assets		<u><u>180,543</u></u>	<u><u>202,291</u></u>	<u><u>186,418</u></u>
Liabilities				
Current liabilities				
Bank loans		(52,915)	(379)	(20,325)
Trade and other payables		(6,205)	(7,078)	(5,982)
		<u>(59,120)</u>	<u>(7,457)</u>	<u>(26,307)</u>
Non-current liabilities				
Bank loans		(14,996)	(83,418)	(51,146)
Derivative financial liabilities		-	(908)	-
		<u>(14,996)</u>	<u>(84,326)</u>	<u>(51,146)</u>
Total liabilities		<u><u>(74,116)</u></u>	<u><u>(91,783)</u></u>	<u><u>(77,453)</u></u>
Net assets		<u><u>106,427</u></u>	<u><u>110,508</u></u>	<u><u>108,965</u></u>
Equity				
Ordinary share capital		17,266	17,938	17,266
Share premium account		51,829	51,721	51,829
Capital redemption reserve		1,463	749	1,463
Other reserves		834	834	759
Retained earnings		35,035	39,266	37,648
Total equity		<u><u>106,427</u></u>	<u><u>110,508</u></u>	<u><u>108,965</u></u>

CONSOLIDATED STATEMENT OF CASHFLOWS
for the 6 months ended 30 June 2023

	Six months to 30 June 2023 (Unaudited) £'000	Six months to 30 June 2022 (Unaudited) £'000	Year ended 31 December 2022 (Audited) £'000
Cashflows from operating activities			
(Loss)/profit after taxation	(779)	8,326	10,934
Adjustments for:			
Depreciation	-	1	2
Gain on sale of investment property	(737)	(1,001)	(948)
Net valuation loss/(gain)	4,073	(3,149)	(3,152)
Share based payment	75	75	150
Finance income	(51)	(27)	(49)
Finance costs	1,294	1,600	2,981
Gain on financial liabilities held at fair value	(388)	(1,238)	(2,214)
Increase in inventories	(4)	(3)	(5)
(Increase)/decrease in trade and other receivables	231	(169)	478
Decrease in trade and other payables	(164)	(618)	(1,051)
	<u>3,550</u>	<u>3,797</u>	<u>7,126</u>
Cash flows from investing activities			
Expenditure on investment properties	(425)	(723)	(609)
Purchase of property, plant and equipment	(-)	(1)	(1)
Proceeds from sale of property, plant and equipment	3,318	5,483	20,164
Interest received	51	27	49
	<u>2,944</u>	<u>4,786</u>	<u>19,603</u>
Cash flow from financing activities			
Interest paid	(1,294)	(1,600)	(2,981)
Share buyback	-	-	(2,010)
Equity dividends paid	(1,448)	(2,904)	(5,783)
Repayment of bank loans	(3,560)	(5,647)	(17,973)
	<u>(6,302)</u>	<u>(10,151)</u>	<u>(28,747)</u>
Net increase/(decrease) in cash and cash equivalents	192	(1,568)	(2,018)
Cash and cash equivalents at beginning of period	7,818	9,836	9,836
Cash and cash equivalents at end of period	<u>8,010</u>	<u>8,268</u>	<u>7,818</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION for the 6 months ended 30 June 2023

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 2023 (including the comparatives for the year ended 31 December 2022 and the period ended 30 June 2022) was approved by the board of directors on 22 September 2023.

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 2022 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 2022 financial statements approved by the Board on 27 March 2023.

Some accounting pronouncements which have become effective from 1 January 2023 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and assumptions

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

Investment property revaluation

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

Interest rate swap valuation

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

Critical judgements in applying the Group's accounting policies

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

REIT Status

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

4. SEGMENTAL REPORTING

Primary reporting - business segment

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

5. INVESTMENT PROPERTIES

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

	£'000
Carrying amount at 31 December 2021	188,485
Additions	723
Disposals	(4,482)
Revaluation	<u>3,149</u>
Carrying amount at 30 June 2022	187,875
Additions	(114)
Disposals	(14,734)
Revaluation	<u>3</u>
Carrying amount at 31 December 2022	173,030
Additions	425
Disposals	(2,582)
Revaluation	(4,073)
Carrying amount at 30 June 2023	<u><u>166,800</u></u>

6. EARNINGS AND NAV PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period. The calculation of the diluted earnings per share is based on the basic earnings per share adjusted to allow for all dilutive potential ordinary shares.

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

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

EPRA EPS per share

	30 June 2023			30 June 2022		
	Earnings	Shares	Earnings per share	Earnings	Shares	Earnings per share
	£'000	No	P	£'000	No	P
Basic (loss)/earnings per share	(779)	172,651,577	Nil	8,326	179,377,898	4.64
Fair value of investment properties	4,073			(3,149)		
Gain on disposal of investment properties	(737)			(1,001)		
Change in fair value of derivatives	(388)			(1,238)		
EPRA Earnings	2,169	172,651,577	1.26	2,938	179,377,898	1.64

NET ASSET VALUE PER SHARE

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

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

	30 June 2023		
	EPRA NTA	EPRA NRV	EPRA NDV
	£'000	£'000	£'000
Net assets	106,426	106,426	106,426
Fair value of derivatives	(456)	(456)	-
Real estate transfer tax	-	10,842	-
EPRA NAV	105,970	116,812	106,426
Number of ordinary shares issued for diluted and EPRA net assets per share	175,749,795	175,749,795	175,749,795
EPRA NAV per share	60.3p	66.5p	60.6p

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

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

	31 December 2022		
	EPRA NTA	EPRA NRV	EPRA NDV
	£'000	£'000	£'000
Net assets	108,965	108,965	108,965
Fair value of derivatives	(68)	(68)	-
Real estate transfer tax	-	11,245	-
EPRA NAV	108,897	120,142	108,965
Number of ordinary shares issued for diluted and EPRA net assets per share	174,964,252	174,964,252	174,964,252
EPRA NAV per share	62.2p	68.7p	62.3p

	30 JUNE 2023	31 DECEMBER 2022
	No of Shares	No of Shares
Number of ordinary shares issued at end of period	172,651,577	172,651,577
Dilutive impact of options	3,098,218	2,312,675
Number of ordinary shares issued for diluted and EPRA net assets per share	175,749,795	174,964,252
Net assets per ordinary share		
Basic	60.3p	62.2p
Diluted	66.5p	68.7p
EPRA NTA	60.6p	62.3p