

Real Estate Investors PLC
(“REI” or “the Company”)

Interim Results for six months ended 30 June 2008

Real Estate Investors PLC (AIM: RLE), the AIM listed property group, announces its results for the six months ended 30 June 2008.

Highlights to date:

- Balance Sheet cash at 30 June 2008 of £22 million (2006: £11 million)
- Portfolio valuation plus inventories of £49 million (increase of £6 million)
- Profit before tax for the period of £663,000
- Net assets at 30 June 2008 of £35.8 million
- £2.4 million acquisition of Bridge Street, Walsall
- £4 million purchase of York House, Birmingham city centre (post 30 June 2008)
- Lettings to Adroit Construction, United Business Centres, Vantis PLC and Cafe Nero, plus additional upward rent reviews and lease renewals (post June 2008) of approximately £200,000p.a

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Notes to Editors

1. REI is an AIM listed property investment and development company specialising in commercial property throughout the Midlands and Central England
2. REI is focused on delivering shareholder value through returns generated from strong yields and capital enhancements. This is achieved by targeting investments in orphaned, distressed, part-let and underperforming commercial property assets
3. REI's Board is led by respected property investor Paul Bassi, who has over 23 years of property experience. Mr Bassi is also co-founder and chairman of Bond Wolfe Auctioneers and deputy chairman of Bigwood Chartered Surveyors – the combined businesses place them in the UK's top 50 property auction houses and estate agents
4. REI was admitted to trading on AIM in June 2004. In December 2006, REI successfully raised £25 million to aggressively grow its property portfolio, at that time, estimated to be worth approximately £28 million. Paul Bassi is the largest shareholder in the Company
5. Further information on REI can be found at www.reiplc.com

CHIEF EXECUTIVES STATEMENT

We continue to have a robust business model that is able to capitalise on the property and financial market turmoil. We are beginning to see the benefits of our strategy of acquiring property to which we can add value through asset management, thus benefitting from increased rental income and enhanced capital values, and this should be reflected in our results over the next 12 months. We anticipate the next 12–18 month period as an ideal environment in which to significantly grow the group.

Our cash deposits continue to attract premium interest rates and these will only be employed where we see real value, and quality investment opportunities. We still have significant funding in place with our funders, with the ability to establish a £150 million portfolio over the next few years.

Strategy

Our strategy is to capitalise on market opportunities within our specific geographic focus, where we can secure attractive yields and capital growth via constructive asset management. We do not rely upon yield compression or inflation to secure capital growth, and this strategy continues to serve us well.

West Midlands Investments

We continue to concentrate on the West Midlands region and to benefit from our extensive network and association with Bond Wolfe and Bigwood Chartered Surveyors. These relationships provide first hand insight into the property climate and market conditions.

We previously stated that we would monitor market conditions and we have done precisely that, choosing to concentrate on speeding up our refurbishment programme and on achieving new lettings rather than significant new acquisitions. Refurbishments at Colmore Row and Bennetts Hill are now complete and Waterloo Street will be complete before the year end. I am pleased to announce new lettings to Adroit Construction, Cafe Nero, United Business Centres and Vantis PLC, together with successful rent reviews and lease renewals. The benefits from these lettings are five fold:

1. an increase in rental income
2. an increase in capital value
3. service charge recovery
4. insurance charge recovery
5. covering the vacant non-domestic rates liability, which amounted to £116,000 paid in first 6 months

All these factors should contribute further to our earnings, and will be reflected in our results over the next 12 months, providing significant support to our portfolio valuation even if on a macro basis, property values and market sentiment deteriorate further mitigating further falls in property values.

Occupier demand within our markets remains strong and additionally, as a result of the slowing down in property development due, principally, to lack of funding, occupiers are turning to existing property and we anticipate being beneficiaries of this occupier demand.

Historical Portfolio

Our historical and prudently valued portfolio, predominantly small retail investment lot sizes, inherited from the previous management team, continues to perform well. We have revised the valuations on these properties downwards by £900,000 to reflect current market values. However, I continue to believe that we could readily find purchasers for these properties at or above our book valuations, as achieved with our recent disposals, and evidenced in the London auction houses. However, it is not necessary or prudent to sell these until further asset management and market recovery takes place,

allowing us to fully benefit from their values. The majority are let on long leases, to strong tenants on attractive debt terms.

Since 30 June 2008, we have sold 22 Cornfield Road, in Eastbourne, for the sum of £682,000 and have acquired York House, Great Charles Street, Birmingham city centre, for the sum of £4 million in cash.

Outlook & Prospects

With our geographic focus, I remain positive about occupier market, our prospects and our ability to capitalise on the market turmoil. We are in legal on a number of further lettings and I anticipate increased acquisition activity over the next 12 months. We have a number of acquisitions currently under consideration from distressed sellers, corporate/institutional vendors, as well as the principal banks who are restructuring their loan books, and I believe we are in a strong negotiating position and will only be making such acquisitions on our terms.

The turmoil in the property markets is an ideal marketplace in which to grow prudently Real Estate Investors PLC. We will continue to acquire quality property throughout the West Midlands providing attractive yields and significant capital growth potential.

My confidence and commitment to Real Estate Investors PLC is demonstrated by the increase in my shareholding to 22.13%. All of my shareholding has been acquired at a significant premium to the current market value and I look forward to increasing my shareholding when the opportunity arises.

It is a pleasure to write to you on such positive terms, particularly against a background economic environment that has its challenges.

Paul Bassi
Chief Executive
24 September 2008

CONSOLIDATED INCOME STATEMENT
for the 6 months ended 30 June 2008

	Six months to 30 June 2008 (Unaudited) £'000	Six months to 30 June 2007 (Unaudited) £'000	Year ended 31 December 2007 £'000
Revenue	1,066	833	3,160
Cost of sales	(154)	-	(1,113)
Gross profit	912	833	2,047
Administrative expenses	(441)	(337)	(967)
Surplus on disposal of investment property	-	-	171
Share of operating profit of joint venture	1	37	5
Net valuation gains	629	2,356	807
Profit on ordinary activities before interest	1,101	2,889	2,063
Finance income	561	550	768
Finance costs	(999)	(553)	(1,054)
Profit on ordinary activities before taxation	663	2,886	1,777
Income tax expense	(176)	(846)	(548)
Retained profit for the year	487	2,040	1,229
Basic earnings per share	0.14p	0.60p	0.36p
Diluted earnings per share	0.13p	0.57p	0.34p

CONSOLIDATED BALANCE SHEET
for the 6 months ended 30 June 2008

	Share capital	Share premium account	Capital redemption reserve	Other reserves	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 December 2006	3,407	29,472	45	121	1,012	34,057
Net profit for the period and total recognised income and expense for the period	-	-	-	-	2,040	2,040
At 30 June 2007	3,407	29,472	45	121	3,052	36,097
Net loss for the period and total recognised income and expense for the period	-	-	-	-	(811)	(811)
At 31 December 2007	3,407	29,472	45	121	2,241	35,286
Net profit for the period and total recognised income and expense for the period	-	-	-	-	487	487
At 30 June 2008	3,407	29,472	45	121	2,728	35,773

CONSOLIDATED BALANCE SHEET
as at 30 June 2008

	30 June 2008 (Unaudited) £'000	30 June 2007 (Unaudited) £'000	31 December 2007 £'000
Assets			
Non current assets			
Investment property	40,399	33,443	36,661
Property, plant and equipment	25	50	39
Goodwill	172	172	171
Investment in joint venture	328	330	328
	<hr/> 40,924	<hr/> 33,995	<hr/> 37,199
Current assets			
Inventories	8,603	9,703	8,603
Trade and other receivables	888	396	1,177
Investments	470	444	489
Cash at bank	21,619	10,480	4,866
	<hr/> 31,580	<hr/> 21,023	<hr/> 15,135
Total assets	<hr/> <hr/> 72,504	<hr/> <hr/> 55,018	<hr/> <hr/> 52,334
Liabilities			
Current liabilities			
Bank loans	437	370	437
Provision for current taxation	307	-	319
Trade and other payables	979	996	1,295
	<hr/> 1,723	<hr/> 1,366	<hr/> 2,051
Non-current liabilities			
Bank loans	34,162	16,354	14,327
Convertible debt	325	325	325
Deferred tax liabilities	521	876	345
	<hr/> 35,008	<hr/> 17,555	<hr/> 14,997
Total liabilities	<hr/> <hr/> 36,731	<hr/> <hr/> 18,921	<hr/> <hr/> 17,048
Net assets	<hr/> <hr/> 35,773	<hr/> <hr/> 36,097	<hr/> <hr/> 35,286
Equity			
Share capital	3,407	3,407	3,407
Share premium account	29,472	29,472	29,472
Capital redemption reserve	45	45	45
Other reserves	121	121	121
Profit and loss account	2,728	3,052	2,241
Shareholders' funds	<hr/> <hr/> 35,773	<hr/> <hr/> 36,097	<hr/> <hr/> 35,286

CONSOLIDATED CASHFLOW STATEMENT
for the 6 months ended 30 June 2008

	Six months to 30 June 2008 (Unaudited) £'000	Six months to 30 June 2007 (Unaudited) £'000	Year ended 31 December 2007 £'000
Cashflows from operating activities			
Profit/(loss) after taxation	487	2,040	1,229
Adjustments for:			
Depreciation	13	11	26
Net valuation gains	(629)	(2,356)	(807)
Surplus on sale of investment property	-	-	(171)
Share of profit of joint venture	(1)	(37)	(5)
Finance income	(561)	(550)	(768)
Finance costs	999	553	1,054
Taxation expense/(credit) recognised in profit and loss	176	846	548
Decrease in inventories	-	-	1100
Decrease/(Increase) in trade and other receivables	289	92	(756)
(Decrease)/increase in trade and other payables	(316)	77	526
Decrease/(increase) in held to maturity investments	19	11	(54)
	<u>476</u>	<u>687</u>	<u>1,922</u>
Interest paid	(999)	(553)	(1,054)
Income taxes paid	(12)	(13)	(11)
Net cash from operating activities	<u>(535)</u>	<u>121</u>	<u>857</u>
Cash flows from investing activities			
Purchase of investment properties	(3,109)	(16,900)	(23,067)
Purchase of property, plant and equipment	-	-	(4)
Proceeds from sale of investment property	-	-	1,571
Investment in joint venture	-	31	1
Interest received	561	550	771
	<u>(2,548)</u>	<u>(16,319)</u>	<u>(20,728)</u>
Cash flow from financing activities			
New bank loan raised	20,000	-	-
Payment of bank loans	(165)	(191)	(2,151)
Payment of finance lease liability	-	-	(1)
	<u>19,835</u>	<u>(191)</u>	<u>(2,152)</u>

Net increase/(decrease) in cash and cash equivalents	16,752	(16,389)	(22,023)
Cash and cash equivalents at beginning of period	4,866	26,869	26,889
Cash and cash equivalents at end of period	<u>21,619</u>	<u>10,480</u>	<u>4,866</u>

**NOTES TO THE INTERIM REPORT
for the 6 months ended 30 June 2008**

1. BASIS OF PREPARATION

Real Estate Investors PLC, a Public Limited Company, is incorporated and domiciled in the United Kingdom.

The interim financial statements for the period ended 30 June 2008 (including the comparatives for the year ended 31 December 2007 and the period ended 30 June 2007) were approved by the board of directors on 24 September 2008. Under the Security Regulations Act of the EU, amendments to the financial statements are not permitted after they have been approved.

It should be noted that accounting estimates and assumptions are used in preparation of the interim financial information. Although these estimates are based on management's best knowledge and judgement of current events and action, actual results may ultimately differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim financial information are set out in note 3 to the interim financial information.

The interim financial information contained within this report does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The full accounts for the year ended 31 December 2007 received an unqualified report from the auditors and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

2. ACCOUNTING POLICIES

The interim financial report has been prepared under the historical cost convention.

The principal accounting policies and methods of computation adopted to prepare the interim financial information are consistent with those detailed in the 2007 financial statements published by the Company on 30 April 2008.

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 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.

4. SEGMENTAL REPORTING

Primary reporting - business segment

The only material business that the Group has is that of investment in and trading of commercial properties. Turnover relates entirely to rental income from investment properties and sale of trading properties within the UK.

Secondary reporting format - geographical segment

The only material segment that the Group operates in is the UK.

5. INVESTMENT PROPERTIES

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

	£'000
Carrying amount at 31 December 2006	14,187
Additions	16,900
Revaluation	<u>2,356</u>
Carrying amount at 30 June 2007	33,443
Additions	6,168
Disposals	(1,400)
Revaluation	<u>(1,550)</u>
Carrying amount at 31 December 2007	36,661
Additions	3,109
Revaluation	629
Carrying amount at 30 June 2008	<u><u>40,399</u></u>

6. EARNINGS PER SHARE

The calculation of the earnings per share is based on the earnings 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.

Earnings per share have been calculated on the profit for the period of £487,000 (31 December 2007 £1,229,000 and 30 June 2007 £2,040,000) and on 340,714,327 ordinary shares, being the weighted average number of shares in issue during the period.

The diluted earnings per share has been calculated on a profit for the period of £487,000 (31 December 2007 £1,229,000 and 30 June 2007 £2,040,000) and on 363,693,372 ordinary shares, to include the effect on the ordinary shares of the conversion of the convertible loan notes and the exercise of the share warrants.