



DRUM
INCOME PLUS REIT

**DRUM INCOME PLUS REIT PLC
INTERIM REPORT &
CONDENSED FINANCIAL STATEMENTS**

For the six months ended 31 March 2018
Company number: 9511797

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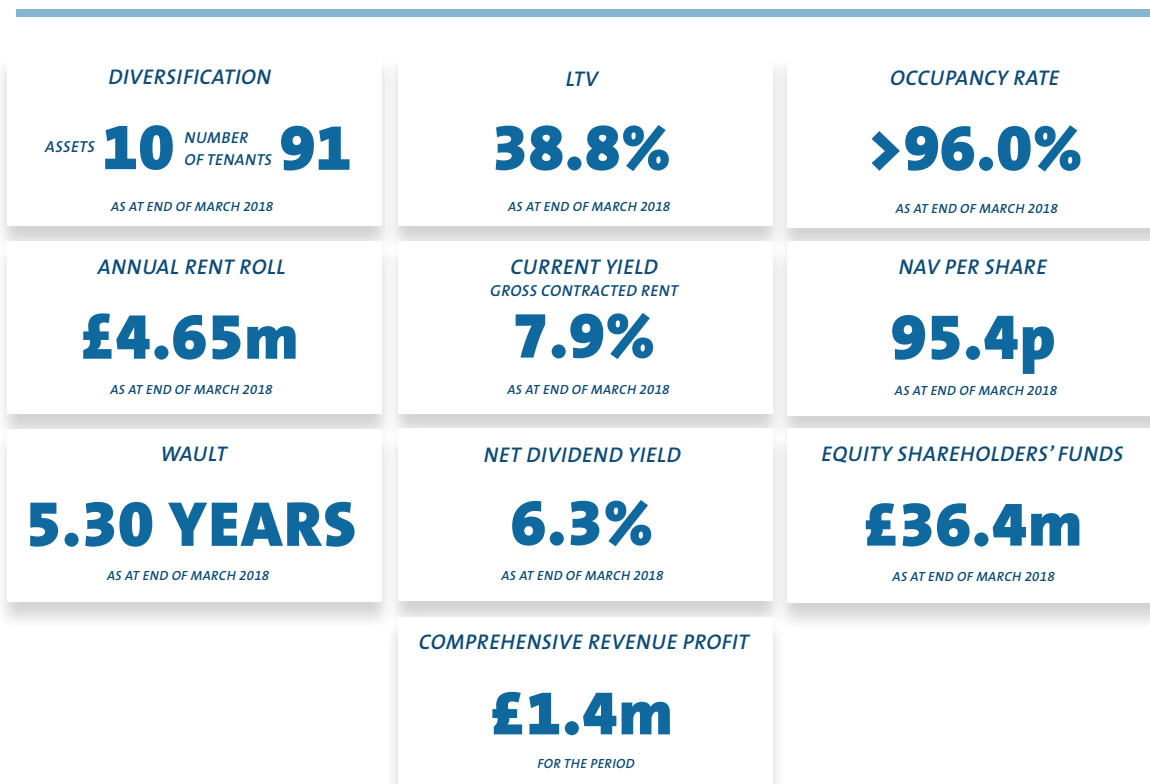


DRIP REIT Highlights

RAPID PORTFOLIO GROWTH OF
REGIONAL, MULTI-LET ASSETS



DRUM
INCOME PLUS REIT



Chairman's Statement

INTRODUCTION

Drum Income Plus REIT was established in May 2015 to provide investors with a regular dividend income, together with the prospect of income and capital growth over the longer term, by investing in regional real estate assets. I am pleased to present this interim report for the six month period ended 31 March 2018.

FINANCIAL HIGHLIGHTS

The Group's net asset value (NAV) at 31 March 2018 was 95.4 pence per share, an increase of 1.5% since 30 September 2017. When the dividends paid during the period are taken into account, the NAV total return for the six months to 31 March 2018 is 4.7%

As at 31 March 2018 the share price was 95.5 pence, the same level as at 30 September 2017. The share price stands at 94.5 as I write, representing a 0.9% discount to the 31 March NAV.

DIVIDENDS

The Company has declared two interim dividends of 1.5 pence per share in respect of the six month period to 31 March 2018, representing an increase of 9.1% on the dividends paid in respect of the same period last year.

The dividends were fully covered by earnings per share of 3.63 pence for the period. In the absence of unforeseen circumstances, the Board expects to pay dividends totaling at least 6.0 pence per share in respect of the year ending 30 September 2018.

The prospective dividend yield on the Company's ordinary shares is 6.4% at the date of this Statement.

INVESTMENT ACTIVITY

The emphasis during the period under review has again been to deliver on asset management opportunities at the 10 property assets that make up the portfolio. The properties are all in strong regional locations and are occupied by 91 tenants. Further detail on the property portfolio is given in the Investment Adviser's Report on pages 6 to 10.

The Company has now invested all of the proceeds of its equity raisings and utilised to the full its bank facilities. The Group has a £25 million 3 year revolving credit facility with Royal Bank of Scotland and has drawn down £22.8 million, representing a gearing percentage of 38.8% - in line with the level of long term gearing that was suggested in the Company's prospectuses.

OUTLOOK

Your Company has been fully invested since May 2017, and I am pleased to say that the dividends paid to shareholders are ahead of those indicated in the prospectuses.

The Board believes that the prospects for the regional property market remain positive. The many asset management opportunities across the Company's 10 investment properties will deliver increased value for shareholders over the medium term.

John Evans
Chairman
22 May 2018



-
- 1** **SMALLER LOT SIZES** Between £2m and £15m
 - 2** **HIGHER YIELDS** Target Property Yield of at least 7.5%
 - 3** **SOLID COVENANTS** Blue chip rent roll including FTSE 100 and FTSE 250 constituents
 - 4** **PRIME LOCATIONS** Good transport links; high pedestrian traffic
 - 5** **ASSET MANAGEMENT OPPORTUNITIES** Driving growth via active management

Investment Adviser's Report

MARKET VIEW

Following three consecutive months of no movement in the Savills prime yield series, February saw a hardening of 2bps and the average yield reach 4.50%, it now stands just 19bps from the previous peak of 4.31% in 2007. This was driven by an inward movement of prime yields for the logistics sector which now stand at 4.25%, the lowest level ever experienced. Due to continued strong interest from investors in the M25 office sector we expect the average prime yield to see continued downward pressure into 2018.

Whilst the dominance of overseas investors is well documented, it has been pleasing to note that UK institutions have increased their purchases, accounting for £10.5bn of transactions in 2017, up from £8.2bn in 2016 and higher than the long term average of £10bn. All eyes will now turn towards global macro-economic factors such as global interest rate rises, Brexit negotiations, US trade tariffs and other geopolitical issues such as North Korea and Russia and how they will impact the markets. With the Bank of England also suggesting that rates are expected to rise this could alter the spread between commercial real estate and risk free rate with UK 10 year gilts currently trading at 1.5%.

Regional markets remain in good health. The attraction of the regional towns and cities to both occupiers and investors continued in 2017 and DRIP REIT finds the regional commercial property markets to be in good health and increased tenant demand has been visible, although in some instances letting decisions are taking longer to execute. Office supply in regional markets remains low, with occupier take-up continuing to reduce availability, particularly of Grade A space, which should be a positive for occupier demand and rental growth in the good quality secondary space targeted by DRIP REIT.

Overall investment volumes in UK commercial property (including London) in 2017 were significantly higher than in 2016, with an increasing share taken by regional markets. Data for the office market suggests that regional offices continue to represent attractive yield compared with London, and that regional secondary office yields have room to tighten further versus prime.

As a result of investor demand, the average yield spreads between the regional and London offices has continued to narrow, but remains wider than it was before recovery took hold in the London market in 2009, and is similar to the longer-term average. As London recovered, the spread of secondary over prime yields narrowed steadily, while the recovery in the regions was later to take hold such that the regional spread of secondary over prime yields remains wide despite more recent tightening.

DIFFERENTIATED INVESTMENT STRATEGY

In terms of investment focus the Company will continue to invest in well located regional property where the basic fundamentals of supply and demand are favourable. The Company is stock selection driven, although the macro top down analysis will always be a feature of the investment process.

Income is likely to be a larger component of market return over the next few years given the movement in capitalisation rates that has already occurred.

INVESTMENT STRATEGY

The strategy remains focussed on constructing a good quality diversified portfolio of real estate assets which offer the opportunity to increase rental value, income security and capital value via the Investment Adviser's expertise in entrepreneurial asset management and risk-controlled development. The Investment Adviser targets commercial real estate assets with the following characteristics:

- *sector agnostic - opportunity driven;*
- *lot sizes of between £2 million and £15 million, in regional locations;*
- *that offer the opportunity to add value via the Investment Adviser's proactive asset management;*
- *situated in significant regional conurbations that have scope for physical improvement or improved asset management; and*
- *which the Investment Adviser considers to be mispriced and/or properties which are subject to substandard lease lengths and voids.*

RISK MANAGEMENT AND SUSTAINABILITY

The Investment Adviser considers and monitors risk through all aspects of the investment process. Risks identified prior to the acquisition of an asset are highlighted to the Board and considered by the Directors prior to approval of the purchase. These risks are then monitored by the Investment Adviser and reviewed at each quarterly Board meeting of the Company.

Sustainable investment is relevant in considering suitable investments for the Company and is a factor considered by the Investment Adviser when analysing risk. The Investment Adviser seeks to avoid depreciation in valuation caused by external environmental factors and also seeks to be aware of the need for buildings to deliver the future requirements of occupiers.

The Company imposes its *Differentiated Investment Strategy* across the portfolio:-

	Target lot sizes of £2m - £15m in regional locations
	Sector agnostic – opportunity driven
	Entrepreneurial asset management
	Risk-controlled development
	Dividend paid quarterly
	Fully covered dividend policy – growing incrementally

INVESTMENT ADVISER - ETHOS



Investment Adviser's Report

ASSET MANAGEMENT UPDATE

DELIVERING ASSET MANAGEMENT

Since 1 October 2017, the following Asset Management initiatives have been executed or are planned for the coming period:

EASTERN AVENUE GLOUCESTER

- Discussions continue with retailers regarding the recent demise of Maplin. Discussions are at a sensitive stage and once documents are signed we will make an announcement.

GOSFORTH SHOPPING CENTRE, GOSFORTH

- Tenant interest remains strong and the long term vacancy rate is low. We continue to market the centre and engage with the local community, having recently undertaken an Easter campaign for children which was very well received.

KEW RETAIL PARK, SOUTHPORT

- The asset management strategy remains in place and the currently vacant unit is being marketed by Edgerly Simpson Howe & Partners.

ARTHUR HOUSE, MANCHESTER

- We have recently agreed a simultaneous surrender and re-grant of a new lease to Manchester City Council for c 1,500sqft at £16.50psf, along with the letting of 2 further suites within the building.
- A new marketing campaign is about to be launched and aligned to this is the appointment of JLL as joint letting agents.
- In the next quarter we expect to instruct the refurbishment of the 2nd, 5th and 6th floors at a total cost of c £600,000.

LAKESIDE 5500, CHEADLE ROYAL BUSINESS PARK, CHEADLE

- The Investment Adviser has agreed the outstanding Rent Review with Agilent at £310,000. This settlement reflects an uplift in rent of c £10,000 per annum and will be backdated to March 2017. This settlement figure is ahead of the Business Plan at acquisition.

BURNSIDE INDUSTRIAL ESTATE, ABERDEEN

- We have successfully agreed the surrender of unit 5 and received a surrender premium of £108,000. This surrender premium is to be utilised to refurbish the external of units 1-3 in the summer of 2018.
- Work to provide the tenants with their own utility meters was undertaken late last year and we will now undertake some common part refurbishment work including new estate signage.

3 LOCHSIDE WAY, EDINBURGH

- Following a period of intense letting action, the building is currently fully let, we are about to undertake a common parts refurbishment of c £50,000. The refurbishment will include new cycle racks, increased shower provision a refresh of the reception area and redecoration of common parts.

MONTEITH HOUSE, GLASGOW

- We continue to invest in this asset and with potential marketing opportunities in 2019 we are about to undertake a refurbishment of the common parts including new reception area, revised signage at a cost of c £100,000.

DULOCK PARK, DUNFERMLINE

- Due to the strength of trade on the park Greggs and Subway both decided not to serve tenant only break options.

LEASE INCOME EXPIRY PROFILE (INCL. BREAKS)

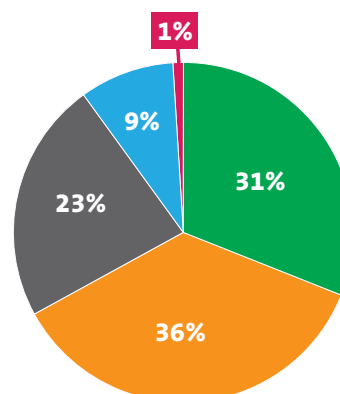
at 31 March 2018



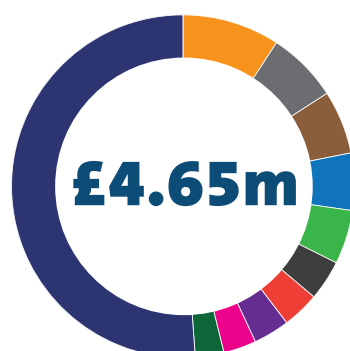
LEASE PROFILE

This recent activity has improved income security across the portfolio during the period.

As at the period end the weighted average unexpired lease term to the earlier of lease expiries or breaks was 5.3 years over the Company's portfolio. This is illustrated in the chart on the right.



ANNUAL RENT ROLL BY TENANT



TENANT	PROPERTY	GROSS RENT	TOTAL
Sainsburys	Gosforth	426,649	9.2%
Agilent Technologies LDA UK Ltd	Cheadle	310,000	6.7%
Poundstretcher	Kew Retail Park	280,000	6.0%
Staples UK Ltd	Gloucester	250,000	5.4%
Scottish Network & Tourist Board	Monteith	235,000	5.1%
Micron Europe Ltd	Cheadle	177,200	3.8%
Sofology Ltd	Kew Retail Park	162,000	3.5%
Worldpay Limited	Gateshead	158,337	3.4%
SKF (UK) Ltd	Burnside	144,175	3.1%
The Skills Development Scotland Co Ltd	Monteith	126,489	2.7%
Remaining Portfolio		2,379,481	51.1%
TOTAL		4,649,331	100.0%

SECTOR WEIGHTINGS

The Company will not be benchmarked against IPD average sector weightings for other funds or REITs but will seek a balance within the portfolio to offer diversification without trending to the average. Market subsector performance is an important element to

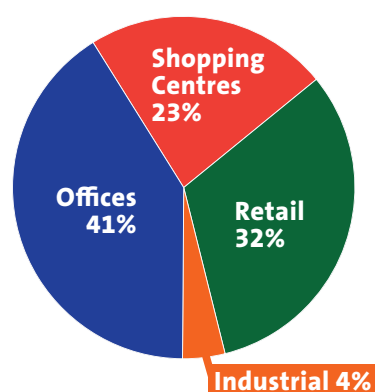
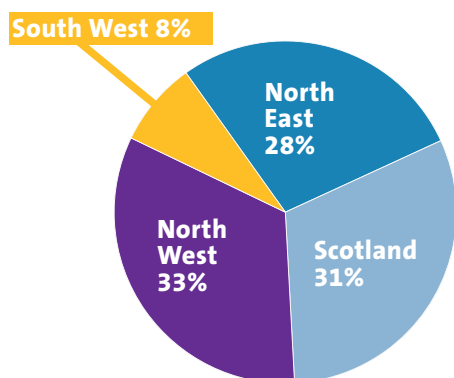
returns but more importance is placed on the stock selection of the actual buildings purchased. Current subsector weightings are shown on page 10, illustrating the regional location bias of the portfolio.

GEOGRAPHIC CONCENTRATION by value at 31 March 2018

North East	16,200,000
Scotland	18,400,000
North West	19,150,000
South West	4,950,000
TOTAL	£58,700,000

SECTOR CONCENTRATION by value at 31 March 2018

Offices	24,250,000
Shopping Centres	13,700,000
Retail	18,400,000
Industrial	2,350,000
TOTAL	£58,700,000



DEBT FINANCING

The Group has in place a £25m 3 year revolving credit facility with the Royal Bank of Scotland plc which matures in January 2020.

PERFORMANCE

For the six month period commencing 1 October 2017, the Company's NAV has increased from 94.0p to 95.4p, an increase of 1.5%, resulting in a NAV total return of 4.6% for the period to 31 March 2018.

Directors' Responsibilities

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The risks, and the way in which they are managed, are described in more detail under the heading 'Principal Risks' within the Strategic Report in the Group's Annual Report and Accounts for the year ended 30 September 2017. The Group's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remainder of the Group's financial year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE INTERIM REPORT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and gives a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Chairman's Statement and Investment Adviser's Review (together constituting the Interim Management Report) include a fair review of the information required by the Disclosure and Transparency Rules ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements;
- the Statement of Principal Risks and Uncertainties above is a fair review of the information required by DTR 4.2.7R; and
- the Chairman's Statement and Investment Adviser's Review together with the condensed set of consolidated financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during the period, and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board

John Evans
Chairman
22 May 2018

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 March 2018

		Six months ended 31 March 2018 (unaudited)			Six months ended 31 March 2017 (unaudited)			Year ended 30 September 2017 (audited)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Capital gains/(losses)										
on investments										
Held at fair value		-	264	264	-	745	745	-	(371)	(371)
Revenue										
Rental income		2,317	-	2,317	2,083	-	2,083	4,362	-	4,362
Total										
Income/expense		2,317	264	2,581	2,083	745	2,828	4,362	(371)	3,991
Expenditure										
Investment										
Adviser's fees	2	(203)	-	(203)	(200)	-	(200)	(381)	-	(381)
Other expenses		(485)	-	(485)	(361)	-	(361)	(920)	-	(920)
Total expenditure		(688)	-	(688)	(561)	-	(561)	(1,301)	-	(1,301)
Profit / (loss)										
before finance										
costs and taxation		1,629	264	1,893	1,522	745	2,267	3,061	(371)	2,690
Net finance costs										
Interest receivable		-	-	-	-	-	-	-	-	-
Interest payable		(243)	-	(243)	(225)	-	(225)	(562)	-	(562)
Profit / (loss) before taxation		1,386	264	1,650	1,297	745	2,042	2,499	(371)	2,128
Taxation		-	-	-	-	-	-	-	-	-
Profit / (loss)										
for the period		1,386	264	1,650	1,297	745	2,042	2,499	(371)	2,128
Total comprehensive										
profit / (loss)										
for the period		1,386	264	1,650	1,297	745	2,042	2,499	(371)	2,128
Basic and diluted										
earnings per										
ordinary share	3	3.63p	0.69p	4.32p	3.51p	2.02p	5.53p	6.65p	(0.99)p	5.66p

The total column of this statement represents the Group's Condensed Consolidated Statement of Comprehensive Income, prepared in accordance with IFRS. There are no other gains or losses for the period other than the total comprehensive profit reported above.

The supplementary revenue return and capital return columns are prepared under guidance published by the Association of Investment Companies.

No operations were acquired or discontinued during the period. All revenue and capital items in the above statement are derived from continuing operations.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 31 March 2018

		As at 31 March 2018 (unaudited) £'000	As at 31 March 2017 (unaudited) £'000	As at 30 September 2017 (audited) £'000
	Notes			
Non-current assets				
Investment properties	5	58,700	49,225	58,225
		58,700	49,225	58,225
Current assets				
Trade and other receivables		701	630	630
Cash and cash equivalents		1,201	2,620	647
		1,902	3,250	1,277
Total assets		60,602	52,475	59,502
Non-current liabilities				
Bank loan	6	(22,693)	(14,317)	-
		(22,693)	(14,317)	-
Current liabilities				
Trade and other payables		(1,462)	(1,281)	(904)
Bank loan		-	-	(22,702)
Total liabilities		(1,462)	(1,281)	(23,606)
Net assets		36,447	36,877	35,896
Equity and reserves				
Called up equity share capital	8	3,820	3,820	3,820
Share premium		5,335	5,351	5,335
Special distributable reserve		24,340	26,840	24,340
Capital reserve		(2,085)	(1,233)	(2,349)
Revenue reserve		5,037	2,099	4,750
Equity shareholders' funds		36,447	36,877	35,896
Net asset value per ordinary share	7	95.41p	96.53p	93.96p

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Company number: 9511797

The condensed consolidated interim financial statements on pages 12 to 21 were approved by the Board of Directors on 22 May 2018 and were signed on its behalf by:

John Evans
Chairman

Condensed Consolidated Statement of Changes in Equity

For the six months to 31 March 2018 (unaudited)

	Share capital account £'000	Share premium £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
As at 30 September 2017	3,820	5,335	24,340	(2,349)	4,750	35,896
Profit and total comprehensive profit for the period:	-	-	-	264	1,386	1,650
Transactions with owners recognised in equity:						
Issue of ordinary share capital	-	-	-	-	-	-
Issue costs	-	-	-	-	-	-
Dividends paid	-	-	-	-	(1,099)	(1,099)
As at 31 March 2018	3,820	5,335	24,340	(2,085)	5,037	36,447

For the six months to 31 March 2017 (unaudited)

	Share capital account £'000	Share premium £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
As at 30 September 2016	3,659	3,921	26,840	(1,978)	1,785	34,227
Profit and total comprehensive profit for the period:	-	-	-	745	1,297	2,042
Transactions with owners recognised in equity:						
Issue of ordinary share capital	161	1,446	-	-	-	1,607
Issue costs	-	(16)	-	-	-	(16)
Dividends paid	-	-	-	-	(983)	(983)
As at 31 March 2017	3,820	5,351	26,840	(1,233)	2,099	36,877

Condensed Consolidated Cash Flow Statement

For the six months ended 31 March 2018

	Six months ended 31 March 2018 (unaudited) £'000	Six months ended 31 March 2017 (unaudited) £'000	Year ended 30 September 2017 (audited) £'000
Cash flows from operating activities			
Profit before tax	1,650	2,042	2,129
Adjustments for:			
Interest payable	243	225	562
Interest receivable	-	-	-
Unrealised revaluation (loss) / gain on property portfolio	(264)	(745)	371
Operating cash flows before working capital changes	1,629	1,552	3,061
Increase / (decrease) in trade and other receivables	163	(242)	(242)
Increase in trade and other payables	324	647	220
Net cash inflow from operating activities	2,116	1,927	3,040
Cash flows from investing activities			
Purchase of investment properties	-	-	(8,650)
Property capitalised costs	(211)	(316)	(1,766)
Net cash outflow from investing activities	(211)	(316)	(10,416)
Cash flows from financing activities			
Bank loan drawn down net of arrangement fees	-	-	8,300
Issue of ordinary share capital	-	1,592	1,575
Interest received	-	-	-
Interest paid	(253)	(245)	(464)
Equity dividends paid	(1,098)	(1,056)	(2,106)
Net cash (outflow) / inflow from financing activities	(1,351)	291	7,304
Net increase / (decrease) in cash and cash equivalents	554	1,902	(71)
Opening cash and cash equivalents	647	718	718
Closing cash and cash equivalents	1,201	2,620	647

Notes to the Condensed Interim Financial Statements

1. INTERIM RESULTS

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IAS 34 'Interim Financial Reporting' as adopted by the European Union and the accounting policies set out in the statutory accounts of the Group for the year ended 30 September 2017. The condensed consolidated financial statements do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the financial statements of the Group for the year ended 30 September 2017, which were prepared under IFRS as adopted by the European Union. There have been no significant changes to management judgements and estimates.

The condensed consolidated financial statements have been prepared on the going concern basis. In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council. After making enquiries, and bearing in mind the nature of the Group's business and assets, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2. INVESTMENT ADVISER'S FEE

	Six months ended 31 March 2018 £'000	Six months ended 31 March 2017 £'000	Year ended 30 September 2017 £'000
Investment Adviser's fee	203	200	381
Total	203	200	381

The Investment Management fee is calculated as 1.15% per annum of the net assets of the Group up to £150 million and 1.00% per annum of the net assets of the Group over £150 million. The Investment Management Agreement may be terminated by either party by giving not less than 12 months' notice which can be served at any time following the fourth anniversary of admission. The Company's shares were admitted to trading in May 2015.

3. EARNINGS PER SHARE

	Six months ended 31 March 2018 Pence per £'000 share		Six months ended 31 March 2017 Pence per £'000 share		Year ended 30 September 2017 Pence per £'000 share	
Revenue earnings	1,386	3.63	1,297	3.51	2,499	6.65
Capital earnings	264	0.69	745	2.02	(371)	(0.99)
Total earnings	1,650	4.32	2,042	5.53	2,128	5.66
Weighted average number of shares in issue	38,201,990		36,903,956		37,554,751	

Earnings for the period to 31 March 2018 should not be taken as a guide to the results for the period to 30 September 2018.

4. DIVIDENDS

A first interim dividend of 1.5p in respect of the quarter ended 31 December 2017 was paid on 23 February 2018 to shareholders on the register on 9 February 2018.

A second interim dividend of 1.5p in respect of the period ended 31 March 2018 was paid on 25 May 2018 to shareholders on the register on 11 May 2018.

5. INVESTMENT PROPERTIES

	As at 31 March 2018 £'000	As at 30 September 2017 £'000
Opening fair value	58,225	48,238
Purchases	-	8,650
Capitalised costs	211	1,708
Revaluation movement	264	(371)
Closing fair value	58,700	58,225

Changes in the valuation of investment properties

	As at 31 March 2018 £'000	As at 30 September 2017 £'000
Unrealised gain / (loss) on revaluation of investment properties	264	(371)

The properties were valued at £58,700,000 as at 31 March 2018 (31 March 2017: £49,225,000; 30 September 2017: £58,225,000) by Savills (UK) Limited ('Savills'), in their capacity as external valuers.

The valuation report was undertaken in accordance with the RICS Valuation – Professional Standards VPS4 (1.5) Fair Value and VPGA1 Valuations for Inclusion in Financial Statements, which adopt the definition of Fair Value adopted by the International Accounting Standards Board.

Fair value is based on an open market valuation (the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date), provided by Savills on a quarterly basis, using recognised valuation techniques as set out in the accounting policies and note 9 of the consolidated financial statements of the Group for the year ended 30 September 2017. There were no significant changes to the valuation process, assumptions or techniques used during the period.

Notes to the Condensed Interim Financial Statements

6. BANK LOAN

	As at 31 March 2018 £'000	As at 31 March 2017 £'000	As at 30 September 2017 £'000
Principal amount outstanding	22,760	14,460	22,760
Set up costs	(67)	(143)	(58)
Total	22,693	14,317	22,702

On 6 January 2017 the Group entered into a £25 million secured 3 year revolving credit facility agreement with the Royal Bank of Scotland ("the Bank"). The interest rate on the facility is 1.75% plus LIBOR per annum and has a maturity date of 6 January 2020.

As part of the loan agreement the Bank has a standard security over properties currently held by the Group, with an aggregate value of £58,700,000 at 31 March 2018.

Under the financial covenants related to this loan, the Group has to ensure that for Drum Income Plus Limited:

- the interest cover, being the rental income as a percentage of finance costs, is at least 250%;
- the loan to value ratio, being the value of the loan as a percentage of the aggregate market value of the relevant properties, must not exceed 50%.

Breach of the financial covenants, subject to various cure rights, may lead to the loans falling due to repayment earlier than the final maturity date stated above. The Group has complied with all the loan covenants during the period.

7. NET ASSET VALUE

The Group's net unit value per ordinary share of 95.41 pence (31 March 2017 96.53 pence; 30 September 2017 93.96 pence) is based on equity shareholders' funds of £36,447,000 (31 March 2017 £36,877,000; 30 September 2017 £35,896,000) and on 38,201,990 ordinary shares being the number of shares in issue at the period end.

8. SHARE CAPITAL

	Six months to 31 March 2018 Shares	Year to 30 September 2017 Shares	Six months to 31 March 2018 £'000	Year to 30 September 2017 £'000
Issued and fully paid				
Opening total issued ordinary shares of 10p each	38,201,990	36,594,900	3,820	3,659
Issued during the period	-	1,607,090	-	161
Closing total issued ordinary shares	38,201,990	38,201,990	3,820	3,820

There is one class of share.

9. INVESTMENT IN SUBSIDIARY

The Group's results consolidate those of Drum Income Plus Limited, a wholly owned subsidiary of Drum Income Plus REIT plc, incorporated in England & Wales (Company Number: 09515513). Drum Income Plus Limited was incorporated on 28 March 2015, acquired on 19 August 2015 and began trading on 19 January 2016, when it transferred the ownership of the entirety of the Group's property portfolio. Drum Income Plus Limited continues to hold all the investment properties owned by the Group and is also the party which holds the Group's borrowings.

Notes to the Condensed Interim Financial Statements

10. RELATED PARTY TRANSACTIONS AND FEES PAID TO DRUM REAL ESTATE INVESTMENT MANAGERS

The Directors are considered to be related parties. No Director had an interest in any transactions which are, or were, unusual in their nature or significant to the nature of the Group.

The Directors of the Group received fees for their services. Total fees for the six months ended 31 March 2018 were £38,000 (six months ended 31 March 2017: £38,000; twelve months ended 30 September 2017: £75,000) of which £1,000 (31 March 2017: £7,000; 30 September 2017: £5,000) remained payable at the period end.

The Investment Manager, Investment Adviser and Economic Adviser are considered to be related parties.

Under the terms of the agreements amongst the Group, R&H Fund Services (Jersey) Limited (the "AIFM"), Drum Real Estate Investment Management Limited (the "Investment Adviser") and Turcan Connell Asset Management Limited (the "Economic Adviser"), the Group paid to the AIFM a fixed fee of £15,000 per annum plus annual portfolio management fee of 0.80% of the net assets of the Group an economic advisory fee of 0.45% of the net assets of the Group. The AIFM agreed that the annual portfolio management fee and economic advisory fee would be paid to the Investment Adviser and Economic Adviser respectively, in accordance with the terms of the agreements.

With effect from 1 January 2016, the total management fee was reduced to 1.15% per annum of the Group's net assets up to £150 million and 1.00% of net assets over £150 million. All of this amount is due to the Investment Adviser.

The management agreements are terminable by any party on 12 months' written notice, provided that such notice shall expire no earlier than the fourth anniversary of Admission.

Drum Real Estate Investment Management Limited received £203,000 in relation to the six months ended 31 March 2018 (six months ended 31 March 2017: £200,000; twelve months ended 30 September 2017: £381,000) of which £106,000 (31 March 2017: £100,000; 30 September 2017: £86,000) remained payable at the period end.

R&H Fund Services (Jersey) Limited received £8,000 in relation to the six months ended 31 March 2018 (six months ended 31 March 2017: £8,000; twelve months ended 30 September 2017: £15,000) of which £10,000 (31 March 2017: £11,000; 30 September 2017: £2,000) remained payable at the period end.

11. COMMITMENTS

The Group did not have any contractual commitments to refurbish, construct or develop any investment property, or for repair, maintenance or enhancements as at 31 March 2018 (31 March 2017: nil, 30 September 2017: nil).

12. OPERATING SEGMENTS

The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Group is engaged in a single unified business, being property investment, and in one geographical area, the United Kingdom, and that therefore the Group has no segments. The Board of Directors, as a whole, has been identified as constituting the chief operating decision maker of the Group. The key measure of performance used by the Board to assess the Group's performance is the total return on the Group's net asset value. As the total return on the Group's net asset value is calculated based on the IFRS net asset value per share as shown at the foot of the Consolidated Statement of Financial Position, the key performance measure is that prepared under IFRS. Therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the financial statements.

13. FAIR VALUE MEASUREMENTS

The fair value measurements for assets and liabilities are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. These different levels have been defined as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 – inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and on assumptions as to what inputs other market participants would apply in pricing the same or similar instrument. All investment properties are included in Level 3.

There were no transfers between levels of the fair value hierarchy during the six months ended 31 March 2018.

14. INTERIM REPORT STATEMENT

The Company's auditor has not audited or reviewed the Interim Report to 31 March 2018 pursuant to the Auditing Practices Board guidance on 'Review of Interim Financial Information'. These are not full statutory accounts in terms of Section 434 of the Companies Act 2006 and are unaudited. Statutory accounts for the year ended 30 September 2017, which received an unqualified audit report and which did not contain a statement under Section 498 of the Companies Act 2006, have been lodged with the Registrar of Companies. No full statutory accounts in respect of any period after 30 September 2017 have been reported on by the Company's auditor or delivered to the Registrar of Companies.

Shareholder Information

TAX STRUCTURE

Drum Income Plus REIT plc is tax resident in the UK and is a Real Estate Investment Trust (REIT) under Part 12 of the Corporation Tax Act 2010, subject to continuing compliance with the REIT rules and regulations. The main REIT rules with which the Group must comply are set out in the section entitled 'Compliance with REIT Status' on page 59 of the 2017 Annual Report.

A REIT does not suffer UK corporation tax on the profits (income and capital gains) derived from its qualifying property rental businesses in the UK and elsewhere (the Tax-Exempt Business), provided that certain conditions are satisfied. Instead, distributions in respect of the Tax-Exempt Business will be treated for UK tax purposes as UK property income in the hands of shareholders (see further below for details on the UK tax treatment of shareholders in a REIT). A dividend paid by the Company relating to profits or gains of the Tax-Exempt Business is referred to in this section as a Property Income Distribution (PID).

However, UK corporation tax remains payable in the normal way in respect of income and gains from the Company's business (generally including any property trading business) not included in the Tax-Exempt Business (the Residual Business). Dividends relating to the Residual Business are treated for UK tax purposes as normal dividends. Any normal dividend paid by the Company is referred to as a Non-PID Dividend.

Distributions to shareholders are likely over time to consist of a mixture of PID and Non-PID Dividends as calculated in accordance with specific attribution rules. The Company provides shareholders with a certificate setting out how much, if any, of their dividends is a PID and how much, if any, is a Non-PID dividend.

UK TAXATION OF PIDS

A PID is, together with any property income distribution from any other REIT company, treated as taxable income from a UK property business. No dividend tax credit will be available in respect of PIDs. However, the basic rate of income tax (currently 20%) will be withheld by the Company (where required) on the PID unless the shareholder is entitled to receive PIDs without income tax being deducted at source and they have notified the Registrar of this entitlement sufficiently in advance of a PID being paid.

Shareholders who are individuals may, depending on their particular circumstances, either be liable to further UK income tax on their PID at their applicable marginal income tax rate, incur no further UK tax liability on their PID, or be entitled to claim repayment of some or all of the UK income tax withheld on their PID.

Corporate shareholders who are resident for tax purposes in the UK will generally be liable to pay UK corporation tax on their PID and if income tax is withheld at source, the tax withheld can be set against their liability to UK corporation tax or against any income tax which they themselves are required to withhold in the accounting period in which the PID is received.

UK TAXATION OF NON-PID DIVIDENDS

Under current UK legislation, most individual shareholders who are resident in the UK for taxation purposes receive a tax-free dividend allowance of £5,000 per annum and any dividend income (including Non-PID Dividends) in excess of this allowance is subject to income tax. UK resident corporate shareholders (other than dealers and certain insurance companies) are not liable to corporation tax or income tax in respect of UK dividends provided that the dividends are exempt under Part 9A of the Corporation Tax Act 2009.

UK TAXATION OF CHARGEABLE GAINS IN RESPECT OF ORDINARY SHARES IN THE COMPANY

Any gain on disposal (by sale, transfer or redemption) of Ordinary Shares by shareholders resident in the UK for taxation purposes will be subject to capital gains tax in the case of an individual shareholder, or UK corporation tax on chargeable gains in the case of a corporate shareholder.

For the purposes of calculating chargeable gains, the following table sets out the price at which the Company has issued shares since launch:

Date of Issuance	Share price (per share)
29 May 2015	100.0p
24 March 2016	100.0p
18 August 2016	100.0p
24 February 2017	100.0p

The statements on taxation above are intended to be a general summary of certain tax consequences that may arise in relation to the Company and shareholders. This is not a comprehensive summary of all technical aspects of the taxation of the Company and its Shareholders and is not intended to constitute legal or tax advice to investors.

The statements relate to the UK tax implications of a UK resident individual investing in the Company (unless expressly stated otherwise). The tax consequences may differ for investors who are not resident in the UK for tax purposes. The statements are based on current tax legislation and HMRC practice, both of which are subject to change at any time, possibly with retrospective effect.

Prospective investors should familiarise themselves with, and where appropriate should consult their own professional advisers on, the overall tax consequences of investing in the Company.

Shareholder Information

CONTACTS

Investor relations: Information on Drum Income Plus REIT plc,
including the latest share price:
www.dripreit.co.uk

Registrar: Computershare Investor Services
PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE
T: 0370 707 1079
E: www.investorcentre.co.uk/contactus

Enquiries about the following administrative matters should be addressed to the Company's registrar:

- Change of address notification.
- Lost share certificates.
- Dividend payment enquiries.
- Dividend mandate instructions. Shareholders may have their dividends paid directly into their bank or building society accounts by completing a dividend mandate form. Tax vouchers, where applicable, are sent directly to shareholders' registered addresses.
- Amalgamation of shareholdings. Shareholders who receive more than one copy of the Annual Report are invited to amalgamate their accounts on the share register.

Shareholders can view and manage their shareholdings online at www.investorcentre.co.uk, including updating address records, making dividend payment enquiries, updating dividend mandates and viewing the latest share price. Shareholders will need their Shareholder Reference Number (SRN), which can be found on their share certificate or a recent dividend tax voucher, to access this site. Once signed up to Investor Centre, an activation code will be sent to the shareholder's registered address to enable the shareholder to manage their holding.

FINANCIAL CALENDAR

May 2018	Publication of Half Yearly Report for the six months to 31 March 2018
July 2018	Announcement of Net Asset Value as at 30 June 2018
October 2018	Announcement of Net Asset Value as at 30 September 2018
December 2018	Publication of Annual Report for the year to 30 September 2018
January 2019	Announcement of Net Asset Value as at 31 December 2018
March 2019	Annual General Meeting

It is the intention of the Board that dividends will continue to be announced and paid quarterly.

Important Information

WARNING TO SHAREHOLDERS – BEWARE OF SHARE FRAUD

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment.

If you are approached by fraudsters please tell the Financial Conduct Authority (FCA) by using the share fraud reporting form at www.fca.org.uk/scams where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768. If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

IMPORTANT INFORMATION

Past performance is not necessarily a guide to future performance. The value of investments and income from them may go down as well as up and are not guaranteed. Net asset value performance is not linked to share price performance and shareholders may realise returns that are lower or higher in performance.

Certain statements in this report are forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Accordingly, undue reliance should not be placed on forward looking statements.

If you have sold or otherwise transferred all of your ordinary shares in Drum Income Plus REIT plc please forward this document as soon as possible to the purchaser or transferee, or to the stockholder, bank or other agent through whom the sale or transfer was, or is being, effected, for delivery to the purchaser or transferee.

Corporate Information

Directors	John Evans (Chairman) Hugh Little (Chairman of the Audit Committee) Alan Robertson
Registered office	Level 13 Broadgate Tower 20 Primrose Street London EC2A 2EW
Registered number	9511797
AIFM and Manager	R&H Fund Services (Jersey) Limited Ordnance House 31 Pier Road St. Helier Jersey JE4 8PW
Investment Adviser and Asset Manager	Drum Real Estate Investment Management Limited 115 George Street Edinburgh EH2 4JN
Administrator and Company Secretary	Maitland Administration Services (Scotland) Limited 20 Forth Street Edinburgh EH1 3LH
Legal Adviser	Dickson Minto W.S. Broadgate Tower 20 Primrose Street London EC2A 2EW
Property Valuers	Savills 8 Wemyss Place Edinburgh EH3 6DH
Independent Auditor	PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh EH3 8EX
Registrars	Computershare Investor Services PLC The Pavilions Bridgewater Road Bristol BS13 8AE
Website	www.dripreit.co.uk





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