



**DRUM**  
INCOME PLUS REIT

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

For the six months ended 31 March 2019  
Company number: 9511797



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DRIP REIT Highlights



## DRIP REIT Highlights

<p>DIVERSIFICATION</p> <p>ASSETS <b>10</b> NUMBER OF TENANTS <b>89</b></p> <p>AS AT END OF MARCH 2019</p>	<p>LTV</p> <p><b>39.4%</b></p> <p>AS AT END OF MARCH 2019</p>	<p>OCCUPANCY RATE</p> <p><b>90%</b></p> <p>AS AT END OF MARCH 2019</p>
<p>ANNUAL RENT ROLL</p> <p><b>£4.28m</b></p> <p>AS AT END OF MARCH 2019</p>	<p>CURRENT YIELD GROSS CONTRACTED RENT</p> <p><b>6.9%</b></p> <p>AS AT END OF MARCH 2019</p>	<p>NAV PER SHARE</p> <p><b>91.7p</b></p> <p>AS AT END OF MARCH 2019</p>
<p>WALUT (TO EXPIRY)</p> <p><b>6.04 YEARS</b></p> <p>AS AT END OF MARCH 2019</p>	<p>NET DIVIDEND YIELD</p> <p><b>6.5%</b></p> <p>AS AT END OF MARCH 2019</p>	<p>EQUITY SHAREHOLDERS' FUNDS</p> <p><b>£35.0m</b></p> <p>AS AT END OF MARCH 2019</p>
<p>COMPREHENSIVE REVENUE PROFIT</p> <p><b>£1.0m</b></p> <p>FOR THE SIX MONTH PERIOD</p>		





# Chairman's Statement

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## 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 the interim report for the six months ended 31 March 2019.

## FINANCIAL HIGHLIGHTS

The Group's net asset value (NAV) at 31 March 2019 was 91.7 pence per share. The NAV per share has declined by 2.3% since 30 September 2018. When the dividends paid during the period are taken into account the NAV total return for the six month period to 31 March 2019 is 0.95%.

As at 31 March 2019 the share price was 94.5 pence and represents a premium of 3.0% to the NAV on that date.

## DIVIDENDS

The Company has declared two interim dividends of 1.5 pence per share in respect of the six month period. These dividends are the same as those paid in the comparative period in 2018. The dividends were fully covered by underlying earnings per share.

In the absence of unforeseen circumstances it is the Board's intention to pay dividends totaling 6.0 pence per share in respect of the 12 month period to 30 September 2019.

## INVESTMENT ACTIVITY

Your Company has been fully invested and had drawn down the majority of its debt facilities throughout the period under review. No properties were purchased or sold in the period and therefore the investment activity in the six months related to asset management initiatives in respect of the existing portfolio.

I reported on the reduction in the value of a retail investment at Eastern Avenue, Gloucester due to the sitting tenant entering a Company Voluntary Arrangement (CVA) in September 2018. Your investment adviser is pursuing a number of initiatives in relation to this asset and, if successful, should result in the diminution in value being recouped to some extent. A tenant at the Industrial property in Aberdeen elected to terminate its lease in the fourth quarter of last year and this led to a reduction in the value applied to that property.

There has been activity elsewhere in the portfolio which has seen some valuation increases reflecting new lease terms and increased rents in a number of properties. These initiatives are covered in more detail in the Investment Adviser's report on pages 6 to 10 of this report.

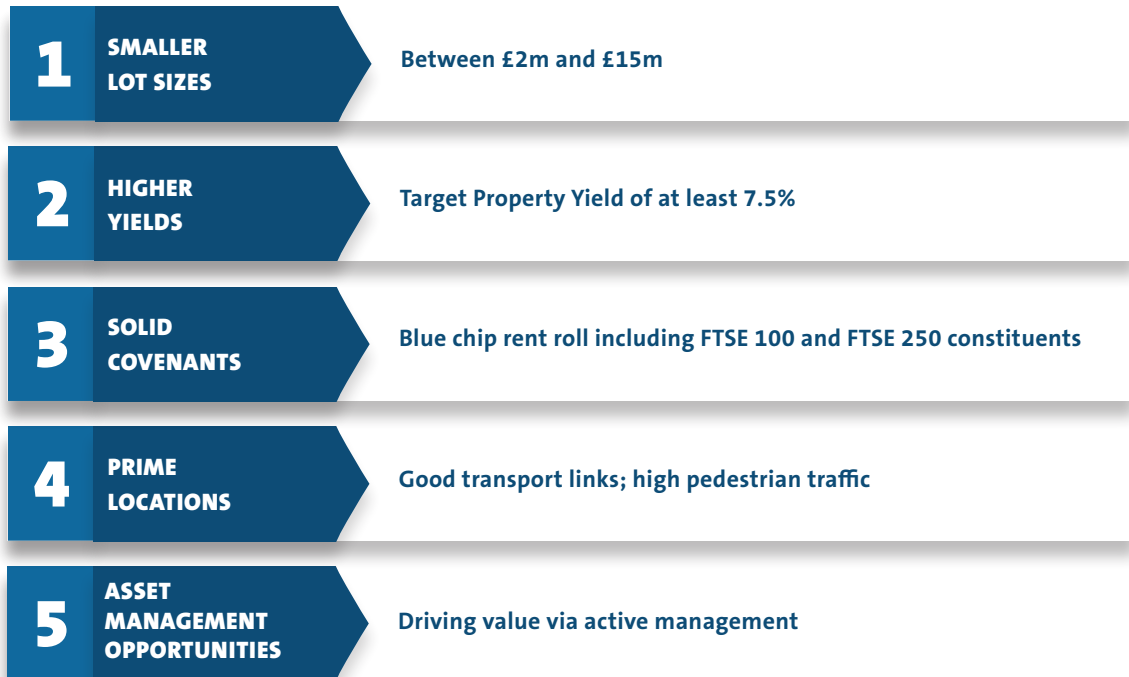
## OUTLOOK

The political and economic uncertainty that I alluded to in my last statement is still with us and seems certain to remain so until late this calendar year. The Board and Investment Adviser continue to focus on the aspects of the Company that they can control and are actively pursuing the value enhancing opportunities that exist within the portfolio.

John Evans  
Chairman  
22 May 2019

## Investment Strategy

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## Investment Adviser's Report

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### MARKET VIEW

The political and economic issues facing the UK currently are unfortunately having an impact on investor demand and therefore transactional levels for commercial property as investors sit on cash awaiting greater certainty. There will of course be opportunistic purchases amidst the uncertainty.

The last year has definitely seen the return of the bargain hunter to the UK commercial property market, driven both by the rise in yields and the prospects of further Brexit-related price or currency changes. However, finding real evidence of price falls (or yield rises) in the secondary, regional end of the market has been challenging.

Logically one would expect that if prime yields have risen by a certain amount, then secondary should have risen by more. However, neither the valuation-based indices, nor analyses by the likes of JLL or Savills of actual transactional evidence actually confirm this trend. Indeed, commentary from Savills is that the spread between the yield quartiles has actually narrowed over the last 15 months, rather than widened.

This could indicate a slightly worrying trend where investors who cannot or choose not to pay prime yields are convincing themselves that secondary is "almost as good as prime". This was very much the story in the 18 months running up to the global financial crisis, when the spread between the prime and secondary yield narrowed to a record low level. However, investors are approaching the secondary end of the market with a healthy degree of scepticism, and it is the comparative lack of transactions at that end of the market that is causing the tightening of the yield spread, not over-exuberance.

Consumer confidence remains fragile, and the latest national accounts data shows that the UK has been spending more than it earns for an unprecedented period. This started when real earnings growth was in negative territory, but has not corrected now that growth is positive. Part of this story can be attributed to structural changes, such as the rise of car leasing over ownership, and the overall data is not in itself particularly worrying when borrowing rates are low.

However, it does imply a degree of fragility in household accounts that could rapidly correct in the face of future shocks. For example, a sudden swing towards precautionary saving (similar to that seen in the period soon after the global financial crisis) would have a dramatic negative effect on retail sales growth, and hence wider economic growth.

### DIFFERENTIATED INVESTMENT STRATEGY

In terms of investment focus the Company will continue to invest when funds are available 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.

The Investment Adviser believes that income will remain a large component of market return over the next few years given the movement in capitalisation rates and as we approach a predicted period of slower growth. GDP is forecast at 1.4% in 2019 versus 1.9% in 2018.

### INVESTMENT STRATEGY

The strategy continues to remain focussed on constructing and managing a 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;*
- *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.*



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#### 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

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## ASSET MANAGEMENT UPDATE

### DELIVERING ASSET MANAGEMENT

Since 1 October 2018, the following Asset Management initiatives have been executed or are planned for the coming period:

#### 3 LOCHSIDE WAY, EDINBURGH

- New tenant now in occupation which maintains the building's occupancy at 100%. Rental on the new letting is £20 per sq. ft. which is a new level for the building.

#### DULOCH PARK, DUNFERMLINE

- CHAS have extended their occupation for a further 5 years with a break at year 3. The rent has increased to £33,150 per annum.

#### GOSFORTH SHOPPING CENTRE, GOSFORTH

- The Company has undertaken a new letting to Savers Health & Beauty Limited for a 10-year lease with a tenant break in year 5 at a rent of £35,000 per annum. Gosforth Shopping Centre is now 100% let.

#### ARTHUR HOUSE, MANCHESTER

- A letting of c 3,500 sq. ft. to IJ Tours Limited on the fifth floor has been concluded at a level of £18.50 per sq. ft. for a period of 9 years with a break at the end of the 3rd and 6th years of the term.
- The proposed refurbishment works to the sixth floor have been approved by the Board and these works have now been instructed. Completion will be in Q2 2019.

#### BURNSIDE INDUSTRIAL ESTATE, ABERDEEN

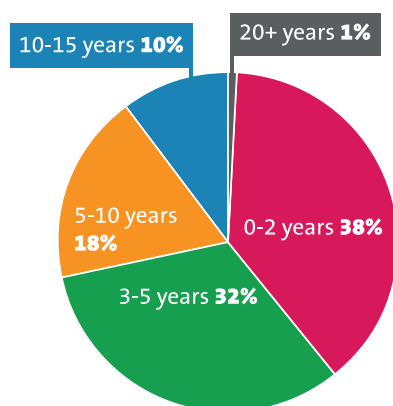
- Refurbishment works to one terrace have been instructed at a cost of c £300,000. This follows the successful lease renewal of unit 6 at £36,500 per annum for a 5-year term. Discussions are ongoing with other occupiers regarding renewals.

## EASTERN AVENUE, GLOUCESTER

- An Agreement for Lease has been entered into with Home Bargains for the former Office Outlet unit on a subject to planning basis.
- There is interest in the former Maplin unit from potential occupiers.

### LEASE INCOME EXPIRY PROFILE (INCL. BREAKS)

at 31 March 2019

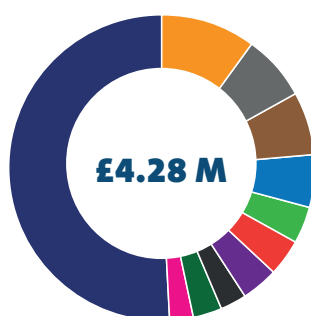


### LEASE PROFILE

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 4.74 years over the Company's portfolio. This is illustrated in the chart on the left.

### TENANT CONCENTRATION gross contracted rent



TENANT	PROPERTY	GROSS RENT	TOTAL
Sainsburys	GOSFORTH	426,649	10.0%
Agilent Technologies LDA UK Ltd	CHEADLE	310,000	7.2%
Poundstretcher	KEW RETAIL PARK	280,000	6.5%
Scottish Network & Tourist Board	MONTEITH	235,000	5.5%
Micron Europe Ltd	CHEADLE	177,200	4.1%
Sofology Ltd	KEW RETAIL PARK	162,000	3.8%
Worldpay Limited	GATESHEAD	158,337	3.7%
Abelio Scotrail Ltd	MONTEITH	129,220	3.0%
The Skills Development Scotland Co Ltd	MONTEITH	126,489	3.0%
Nucana Biomed Ltd	LOCHSIDE	101,376	2.4%
Remaining Portfolio		2,169,636	50.7%
<b>TOTAL</b>		<b>4,275,907</b>	<b>100%</b>

### SECTOR WEIGHTINGS

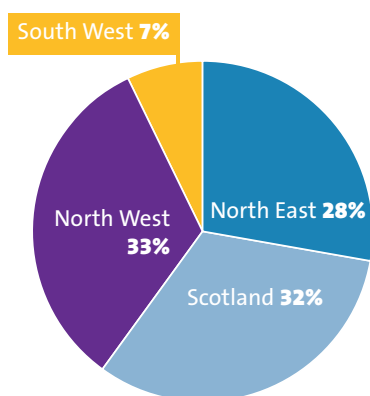
The Company will not be benchmarked against IPD average sector weightings for other funds or REITs but will seek a balance within the portfolio to offer diversification without trending to the average. Market subsector performance is an important element to

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

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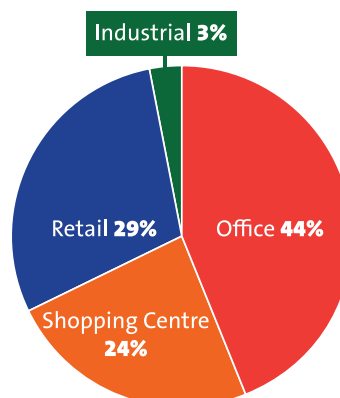
**GEOGRAPHIC CONCENTRATION** by value at 31 March 2019

North East	16,150,00
Scotland	18,350,00
North West	18,800,00
South West	4,000,000
<b>TOTAL</b>	<b>£57,300,000</b>



**SECTOR CONCENTRATION** by value at 31 March 2019

Offices	25,400,000
Shopping Centres	13,750,000
Retail	16,650,00
Industrial	1,500,000
<b>TOTAL</b>	<b>£57,300,000</b>



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**DEBT FINANCING**

As previously reported, the Company has a £25 million, 3 year revolving credit facility with the Royal Bank of Scotland plc which is due for renewal in January 2020.

**PERFORMANCE**

For the six month period commencing 1 October 2018, the Company's NAV has decreased from 93.8p to 91.7p, a decrease of 2.3%, resulting in a NAV total return of 0.95% for the period to 31 March 2019.

Bryan Sherriff  
Managing Director  
Drum Real Estate Investment Management Limited  
22 May 2019

# Directors' Responsibilities

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## 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 2018. 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 2019

# Condensed Consolidated Statement of Comprehensive Income

## For the six months ended 31 March 2019

		Six months ended 31 March 2019 (unaudited)			Six months ended 31 March 2018 (unaudited)			Year ended 30 September 2018 (audited)		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
<b>Capital gains/(losses)</b>										
<b>on investments</b>										
Held at fair value		-	(714)	(714)	-	264	264	-	(427)	(427)
<b>Revenue</b>										
Rental income		2,205	-	2,205	2,317	-	2,317	4,375	-	4,375
<b>Total</b>										
Income/expense		2,205	(714)	1,491	2,317	264	2,581	4,375	(427)	3,948
<b>Expenditure</b>										
Investment										
Adviser's fees	2	(192)	-	(192)	(203)	-	(203)	384	-	384
Other expenses	3	(668)	-	(668)	(485)	-	(485)	834	-	834
<b>Total expenditure</b>		(860)	-	(860)	(688)	-	(688)	1,218	-	1,218
Profit / (loss)										
before finance										
costs and taxation		1,345	(714)	631	1,629	264	1,893	3,157	(427)	2,730
<b>Net finance costs</b>										
Interest receivable		-	-	-	-	-	-	-	-	-
Interest payable		(298)	-	(298)	(243)	-	(243)	(561)	-	(561)
<b>Profit / (loss) before taxation</b>		1,047	(714)	333	1,386	264	1,650	2,596	(427)	2,169
Taxation		-	-	-	-	-	-	-	-	-
<b>Profit / (loss)</b>										
<b>for the period</b>		1,047	(714)	333	1,386	264	1,650	2,596	(427)	2,169
<b>Total comprehensive</b>										
<b>profit / (loss)</b>										
<b>for the period</b>		1,047	(714)	333	1,386	264	1,650	2,596	(427)	2,169
Basic and diluted										
earnings per										
ordinary share	4	2.74p	(1.87)p	0.87p	3.63p	0.69p	4.32p	6.80p	(1.22)p	5.68p

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 2019

		As at 31 March 2019 (unaudited) £'000	As at 31 March 2018 (unaudited) £'000	As at 30 September 2018 (audited) £'000
	Notes			
<b>Non-current assets</b>				
Investment properties	6	56,771	58,700	57,351
		<b>56,771</b>	<b>58,700</b>	<b>57,351</b>
<b>Current assets</b>				
Trade and other receivables		2,378	701	2,649
Cash and cash equivalents		1,060	1,201	1,139
		<b>3,438</b>	<b>1,902</b>	<b>3,788</b>
<b>Total assets</b>		<b>60,209</b>	<b>60,602</b>	<b>61,139</b>
<b>Non-current liabilities</b>				
Bank loan	7	-	(22,693)	-
		-	(22,693)	-
<b>Current liabilities</b>				
Trade and other payables		(2,463)	(1,462)	(2,606)
Bank loan		(22,731)	-	(22,712)
<b>Total liabilities</b>		<b>(25,194)</b>	<b>(1,462)</b>	<b>(25,318)</b>
<b>Net assets</b>		<b>35,015</b>	<b>36,447</b>	<b>35,821</b>
<b>Equity and reserves</b>				
Called up equity share capital	9	3,820	3,820	3,820
Share premium		5,335	5,335	5,335
Special distributable reserve		21,840	24,340	21,840
Capital reserve		(3,294)	(2,085)	(2,580)
Revenue reserve		7,314	5,037	7,406
<b>Equity shareholders' funds</b>		<b>35,015</b>	<b>36,447</b>	<b>35,821</b>
<b>Net asset value per ordinary share</b>	<b>8</b>	<b>91.66p</b>	<b>95.41p</b>	<b>93.77p</b>

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 2019 and were signed on its behalf by:

John Evans  
Chairman

## Condensed Consolidated Statement of Changes in Equity

### For the six months to 31 March 2019 (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 2018	3,820	5,335	21,840	(2,580)	7,406	35,821
<b>Profit and total comprehensive profit for the period:</b>	-	-	-	(714)	1,047	333
<b>Transactions with owners recognised in equity:</b>						
Issue of ordinary share capital	-	-	-	-	-	-
Issue costs	-	-	-	-	-	-
Dividends paid	-	-	-	-	(1,139)	(1,139)
<b>As at 31 March 2019</b>	<b>3,820</b>	<b>5,335</b>	<b>21,840</b>	<b>(3,294)</b>	<b>7,314</b>	<b>35,015</b>

### 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
<b>Profit and total comprehensive profit for the period:</b>	-	-	-	264	1,386	1,650
<b>Transactions with owners recognised in equity:</b>						
Issue of ordinary share capital	-	-	-	-	-	-
Issue costs	-	-	-	-	-	-
Dividends paid	-	-	-	-	(1,099)	(1,099)
<b>As at 31 March 2018</b>	<b>3,820</b>	<b>5,335</b>	<b>24,340</b>	<b>(2,085)</b>	<b>5,037</b>	<b>36,447</b>

## Condensed Consolidated Cash Flow Statement

For the six months ended 31 March 2019

	Six months ended 31 March 2019 (unaudited) £'000	Six months ended 31 March 2018 (unaudited) £'000	Year ended 30 September 2018 (audited) £'000
<b>Cash flows from operating activities</b>			
Profit before tax	333	1,650	2,169
Adjustments for:			
Interest payable	306	243	561
Interest receivable	-	-	-
Unrealised revaluation (loss) / gain on property portfolio	714	(264)	427
<b>Operating cash flows before working capital changes</b>	<b>1,353</b>	<b>1,629</b>	<b>3,157</b>
Increase / (decrease) in trade and other receivables	320	163	147
Increase in trade and other payables	(155)	324	166
<b>Net cash inflow from operating activities</b>	<b>1,518</b>	<b>2,116</b>	<b>3,470</b>
<b>Cash flows from investing activities</b>			
Rent free debtor movement	20	-	-
Purchase of investment properties	-	-	-
Property capitalised costs	(171)	(211)	(292)
<b>Net cash outflow from investing activities</b>	<b>(151)</b>	<b>(211)</b>	<b>(292)</b>
<b>Cash flows from financing activities</b>			
Bank loan drawn down net of arrangement fees	-	-	-
Issue of ordinary share capital	-	-	-
Interest received	-	-	-
Interest paid	(306)	(253)	(533)
Equity dividends paid	(1,140)	(1,098)	(2,153)
<b>Net cash (outflow) / inflow from financing activities</b>	<b>(1,446)</b>	<b>(1,351)</b>	<b>(2,686)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(79)</b>	<b>554</b>	<b>492</b>
Opening cash and cash equivalents	1,139	647	647
<b>Closing cash and cash equivalents</b>	<b>1,060</b>	<b>1,201</b>	<b>1,139</b>

## 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 2019. 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 2018, 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 2019 £'000	Six months ended 31 March 2018 £'000	Year ended 30 September 2018 £'000
Investment Adviser's fee	192	203	384
<b>Total</b>	<b>192</b>	<b>203</b>	<b>384</b>

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. OTHER EXPENSES

Prior to 30 September 2018 an unsolicited approach was made by a potential purchaser with a view to acquiring the entire share capital of the Company. The initial terms discussed were deemed by both parties to be acceptable and diligence was instructed by both parties in October 2018.

Following a period of extensive due diligence, satisfactory final terms could not be agreed between the parties and the transaction was aborted in November 2018. Included in other expenses are costs of £252,000 which were incurred by the Company in the period October to November 2018 in relation to the aborted transaction.

### 4. EARNINGS PER SHARE

	Six months ended 31 March 2019 Pence per		Six months ended 31 March 2018 Pence per		Year ended 30 September 2018 Pence per	
	£'000	share	£'000	share	£'000	share
Revenue earnings	1,047	2.74	1,386	3.63	2,596	6.80
Capital earnings	(714)	(1.87)	264	0.69	(427)	(1.12)
Total earnings	1,650	0.87	1,650	4.32	2,169	5.68
Weighted average number of shares in issue	38,201,990		38,201,990		38,201,990	

Earnings for the period to 31 March 2019 should not be taken as a guide to the results for the period to 30 September 2019.

## 5. DIVIDENDS

A first interim dividend of 1.5p in respect of the quarter ended 31 December 2018 was paid on 22 February 2019 to shareholders on the register on 7 February 2019.

A second interim dividend of 1.5p in respect of the period ended 31 March 2019 will be paid on 24 May 2019 to shareholders on the register on 10 May 2019.

## 6. INVESTMENT PROPERTIES

	As at 31 March 2019 £'000	As at 30 September 2018 £'000
<b>Opening fair value</b>	<b>57,351</b>	<b>57,489</b>
Purchases	-	-
Capitalised costs	133	312
Revaluation movement	(713)	(450)
<b>Closing fair value</b>	<b>56,771</b>	<b>57,351</b>

### Changes in the valuation of investment properties

	As at 31 March 2019 £'000	As at 30 September 2018 £'000
<b>Unrealised gain / (loss) on revaluation of investment properties</b>	<b>(713)</b>	<b>(427)</b>

The properties were valued at £57,300,000 as at 31 March 2019 (31 March 2018: £58,700,000; 30 September 2018: £57,950,000) 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 2018. There were no significant changes to the valuation process, assumptions or techniques used during the period.

## Notes to the Condensed Interim Financial Statements

### 7. BANK LOAN

	As at 31 March 2019 £'000	As at 31 March 2018 £'000	As at 30 September 2018 £'000
Principal amount outstanding	22,760	22,760	22,760
Set up costs	(29)	(67)	(48)
<b>Total</b>	<b>22,731</b>	<b>22,693</b>	<b>22,712</b>

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 £57,300,000 at 31 March 2019.

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.

### 8. NET ASSET VALUE

The Group's net asset value per ordinary share of 91.7 pence (31 March 2018: 95.41 pence; 30 September 2018: 93.77 pence) is based on equity shareholders' funds of £35,015,000 (31 March 2018: £36,447,000; 30 September 2018: £35,821,000) and on 38,201,990 ordinary shares being the number of shares in issue at the period end.



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## 9. SHARE CAPITAL

	Six months to 31 March 2019 Shares	Year to 30 September 2018 Shares	Six months to 31 March 2019 £'000	Year to 30 September 2018 £'000
<b>Issued and fully paid</b>				
Opening total issued ordinary shares of 10p each	38,201,990	38,201,990	3,820	3,820
Issued during the period	-	-	-	-
<b>Closing total issued ordinary shares</b>	<b>38,201,990</b>	<b>38,201,990</b>	<b>3,820</b>	<b>3,820</b>

There is one class of share.

## 10. 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

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## 11. 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 2019 were £38,000 (six months ended 31 March 2018: £38,000; twelve months ended 30 September 2018: £75,000) of which £nil (31 March 2018: £1,000; 30 September 2018: £nil) remained payable at the period end.

Mr Alan Robertson, a Director of the Company, assumed the role of Consultant with Drum Property Group during the six months ended 31 March 2019 and is working with them on the asset management and redevelopment of a number of property investments. As a result, Mr Robertson, although non-executive, is no longer considered independent. The majority of the Board continued to be non-executive and independent Directors.

Under the terms of the agreements amongst the Group, R&H Fund Services (Jersey) Limited (the "AIFM") and Drum Real Estate Investment Management Limited ("DREIM"), the Group paid the AIFM a fixed fee of £15,000 and paid DREIM an annual portfolio management fee of 1.15% of the Group's net assets. The agreements are terminable by any party on 12 months written notice.

DREIM received £193,000 in relation to the six months ended 31 March 2019 (six months ended 31 March 2018: £203,000; twelve months ended 30 September 2017: £384,000) of which £nil (31 March 2018: £106,000; 30 September 2018: £32,000) remained payable at the period end.

R&H Fund Services (Jersey) Limited received £nil in relation to the six months ended 31 March 2019 (six months ended 31 March 2018: £8,000; twelve months ended 30 September 2018: £15,000) of which £nil (31 March 2018: £10,000; 30 September 2018: £17,000) remained payable at the period end.

## 12. 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 2019 (31 March 2018: £nil, 30 September 2018: £nil).

## 13. 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.

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#### **14. 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 2019.

#### **15. INTERIM REPORT STATEMENT**

The Company's auditor has not audited or reviewed the Interim Report to 31 March 2019 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 2018, 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 2018 have been reported on by the Company's auditor or delivered to the Registrar of Companies.

#### **16. CHANGE OF ADMINISTRATOR**

As of 1 April 2019, Maitland Administration Services (Scotland) Limited ("Maitland") ceased to be the Administrator. Maitland continue to act as Company Secretary. As of 1 April 2019, Drum Real Estate Investment Management Limited was appointed as Administrator.

## Shareholder Information

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### 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 51 of the 2018 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.

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#### **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 £2,000 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:

<b>Date of Issuance</b>	<b>Share price (per share)</b>
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

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### CONTACTS

**Investor relations:** Information on Drum Income Plus REIT plc,  
including the latest share price:  
[www.dripreit.co.uk](http://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](http://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](http://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

<b>May 2019</b>	Publication of Half Yearly Report for the six months to 31 March 2019
<b>July 2019</b>	Announcement of Net Asset Value as at 30 June 2019
<b>October 2019</b>	Announcement of Net Asset Value as at 30 September 2019
<b>December 2019</b>	Publication of Annual Report for the year to 30 September 2019
<b>January 2020</b>	Announcement of Net Asset Value as at 31 December 2019
<b>March 2020</b>	Annual General Meeting

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



## Important Information

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### **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](http://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

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<b>Directors</b>	John Evans (Chairman) Hugh Little (Chairman of the Audit Committee) Alan Robertson
<b>Registered office</b>	Level 13 Broadgate Tower 20 Primrose Street London EC2A 2EW
<b>Registered number</b>	9511797
<b>AIFM and Manager</b>	R&H Fund Services (Jersey) Limited Ordnance House 31 Pier Road St. Helier Jersey JE4 8PW
<b>Investment Adviser Administrator with effect from 1 April 2019</b>	Drum Real Estate Investment Management Limited 115 George Street Edinburgh EH2 4JN
<b>Administrator and Company Secretary up to 31 March 2019 Company Secretary with effect from 1 April 2019</b>	Maitland Administration Services (Scotland) Limited 20 Forth Street Edinburgh EH1 3LH
<b>Legal Adviser</b>	Dickson Minto W.S. Broadgate Tower 20 Primrose Street London EC2A 2EW
<b>Property Valuers</b>	Savills 8 Wemyss Place Edinburgh EH3 6DH
<b>Independent Auditor</b>	PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh EH3 8EX
<b>Registrars</b>	Computershare Investor Services PLC The Pavilions Bridgewater Road Bristol BS13 8AE
<b>Website</b>	<a href="http://www.dripreit.co.uk">www.dripreit.co.uk</a>





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