To: RNS
From: Drum Income Plus REIT plc
Date: 3 June 2016

Unaudited results for the six months ended 31 March 2016

Chairman's Statement

Introduction

I am pleased to present this second interim report of Drum Income Plus REIT plc (the "Company") which covers the six months to 31 March 2016.

Financial Highlights

The Company's net asset value ("NAV") as at 31 March 2016 was 92.9 pence per share. This represented a decrease in NAV of 7.1 pence per share (7.1%) since launch. In addition to costs of 2.3 pence per share incurred in respect of the launch, property acquisition costs of 6.8 pence per share (equivalent to 5.7% of the aggregate purchase price paid for the properties) have also been incurred. Net of these purchaser's costs, the value of the properties purchased has increased by 1.3 pence per share demonstrating the Investment Adviser's ability to add value.

Fund Raising

The Company published a prospectus in February 2016 relating to an initial placing and subsequent 12 month placing programme, and issued 2.8 million shares in March 2016 at a price of £1.00 per share. The placing programme provides a flexible and cost effective mechanism for issuing further shares to meet investor demand and take advantage of new investment opportunities.

Investment Activity

The Company has continued to be active in deploying the £31.2 million net proceeds of the May 2015 listing, together with the borrowing facility described below. During the six month period under review the Company acquired five properties, bringing the total portfolio to seven properties with a value of £40.6m. The properties are in strong regional locations and have in total 76 tenants, with the largest, Sainsbury, accounting for 11% of gross contracted rent (RPI linked over the remaining 17 years of the lease). Further details on the property portfolio and activity are given in the Investment Adviser's Report, together with a description of some of the active asset management initiatives that have added value for the Company's shareholders.

The Board is delighted that the whole of the proceeds of the initial issue have been invested at valuations and yields very much in line with those described in the prospectuses.

Gearing

The Board said in the prospectuses that it intended to target initial gearing, calculated as borrowings as a percentage of the Company's gross assets, of 40% and this remains the case. The Company has put in place a £20 million revolving facility based on the original equity raised with The Royal Bank of Scotland plc which expires in July 2017. At 31 March the Company had drawn down £11.1 million of this facility. The interest rate on the facility is LIBOR plus 1.1%.

Dividends

The Company has declared two interim dividends of 1.3125 pence per share in respect of the period since launch. In the absence of unforeseen circumstances, the Company intends to pay dividends of 1.3125 pence per share in respect of the quarters ending 30 June 2016 and 30 September 2016. The dividend paid during the quarter to 31 March 2016 was fully covered by earnings for the period, and the Board is targeting fully covered aggregate quarterly dividends of at least 5.5 pence per share in respect of the year ending 30 September 2017 and at least 6.0 pence per share in respect of the year ending 30 September 2018.

Changes to the Fee Arrangements

Under the terms of the management agreements among the Company, R&H Fund Services (Jersey) Limited and Drum Real Estate Investment Management Limited the Company paid a total management fee of 1.25% per annum of the Company's net assets until 1 January 2016. With effect from that date this total management fee was reduced to 1.15% per annum of the Company's net assets up to £150m and 1.0% of net assets over £150m.

Outlook

The Board believes that the Investment Adviser's knowledge and experience of the UK commercial real estate sector will continue to be key in identifying assets that match the Company's investment criteria. In this connection, the Investment Adviser continues to focus on its differentiated investment strategy of multi-let assets of between £2m and £15m in strong regional locations with opportunities to increase value. The Investment Adviser is continuing to find attractive investment opportunities in an area of the market where research from the national agencies still shows a significant yield differential between assets valued at less than £15m and those greater than £15m. This knowledge and the well-established list of contacts that the Investment Adviser has developed throughout the commercial real estate sector in the UK should continue to ensure that the Company has a regular stream of appropriate and attractive investment opportunities, and the Board looks forward to further progress being made.

John Evans
Chairman
2 June 2016

Investment Adviser's Report

1. Economic Environment

At the end of the first quarter of 2016 the economic fundamentals supporting the economy remain relatively positive. GDP growth, while fragile, remains around trend levels, providing a reasonable backdrop to a supply-constrained regional property market due to a lack of new development in regional property over the last 8 or so years. Interest rates remain low and the country enjoys high employment whilst inflation is benign. Improved levels of business and consumer confidence are noticeable on the back of real wage growth which is also having an impact on household finances.

There does, however remain a downside and principal among these concerns is the increased uncertainty over the in/out referendum on EU membership. Recent economic woes in China appear to have lessened the prospect of an immediate increase in interest rates but the resultant volatility in equity markets experienced in the first months of 2016 is a concern. Given the historic relationship of UK gilts to property yield the potential impact of a rise in UK interest rates has been the subject of significant commentary of late. The Investment Adviser is of the view that there is still enough of a yield gap between gilts and regional property, particularly within the stated scope of the Company's Investment Strategy, to provide an adequate buffer to cope with some upward movement in rates, whenever that may occur.

One of the most encouraging dynamics of the current property cycle is the limited supply of new property throughout the UK. The lack of development since 2008, particularly in regional locations, has arisen as investors shied away from risk and banks withdrew funding for speculative projects. As a consequence we are witnessing historically low vacancy rates across the UK and the potential for rental growth is positive. The Company's differentiated Investment Strategy is focused on purchasing assets which can benefit from this supply-demand imbalance, the Strategy is also benefitting by focussing on smaller assets between £2m and £15m, current average lot size less than £6m, which is a sector of the market on which the Institutional funds are not focussed plus competition from small local investors/developers is limited as finance is hard to secure.

2. Property Market Review

A changing picture

The combination of a positive economy, increased tenant demand and supply-demand imbalance, along with the sizeable weight of money that has flowed into the sector, created another record year for investment volumes in the sector in 2015. Prime yields in London have surpassed those at the peak of 2007 and, in many cases, this also applies to numerous regional locations with the phenomenon applying across all use classes. We are, however, now witnessing yield compression slowing and it appears we are moving into a different phase of the market where 'market' yield improvement ends and returns reduce to healthy positive single-digit territory, supported by a generous income yield relative to other asset classes.

As investors adapt to this new dynamic there should be reassurance that the market still offers prospects for healthy positive returns. UK institutions invested more money into UK regions in 2015 than they did in 2014 and, logically, this is in expectation of better returns in these areas than from London at current price levels. We too have witnessed more competition for assets in the regional markets, with some headline-grabbing yields being paid by UK institutions and US equity funds, supported by higher levels of gearing. This is, however, not reflective of the whole market, as we believe value can still be acquired in locations and lot sizes where rental growth should be achieved in the coming cycle.

3. Differentiated Property 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 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 with the Company having a current average lot size of approximately £5.73 million;
- 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.

The Investment Adviser focuses on acquiring assets that it believes will benefit from its detailed and involved proactive asset management. These assets may benefit from physical improvement, subject to the Investment Adviser's risk analysis, or improved management such as re-negotiated lease terms based on the Investment Adviser's knowledge and experience.

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.

4. Asset Management Activity

During the first quarter of 2016 the Company has acquired three properties for a combined value of c £15m. This takes the total value of the fund to £40.6m. The Company now has 7 assets with 76 tenants.

Following the first acquisition in August 2015 the Asset Management strategies are being implemented across the portfolio. A number of softer items aimed at tenant retention have been implemented such as improving the soft and hard landscaping at Gateshead plus improved Tenant signage at Duloch Park. The Investment Adviser has created a bespoke web address for Gosforth Shopping Centre along with significant leasing activity:-

- a new 10 year lease to Naked Deli at a rent of £45,000 pa with a break option at year 5.
- Post 31 March 2016 a new 10 year lease to Boots, an existing tenant at a rent of £77,000 pa has been secured.
- Post 31 March 2016 we have secured a new 5 year lease to Card Factory on a unit which had been vacant for a significant period of time has been entered into.

At Duloch Park the Investment Adviser has secured an increased rent review with Lloyds Pharmacy which was documented post 31 March, showing an increase of 15% on the previous passing rent.

As we enter the next phase of the cycle, in which income return is expected to be be the main component of total return, we continue to see attractive investment opportunities with deliverable asset management angles. Our 12-month placing programme, which was announced in February 2016, puts the Company in a position to raise further equity, subject to market conditions, to take advantage of some of these opportunities.

5. 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 5.92 years over the Company's portfolio.

6. 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.

7. Debt Financing

As reported in the Chairman's Statement, the Company has completed a £20m revolving credit facility with the Royal Bank of Scotland plc based on the initial equity raised. The interest on the facility is LIBOR plus 1.1%

8. Outlook

- Supply – demand imbalance
- Limited development in the commercial property market in the regions over the last decade. Supply constraints.
- Increased tenant demand compounded by a lack of supply leading to rising rental values
- Improving economy
- Regions and sectors strengthening in line with the economy
- Regional economic indicators are robust.

9. Summary

- The UK economic recovery is now more evenly spread across the UK regions, with the majority of regions now showing growth in output, employment and consumer spending.
- This recovery, combined with corporate issues such as north-shoring, is increasing the tenant demand for all types of commercial property outside London.
- Falling void rates in the office, retail and industrial sectors are beginning to put upward pressure on rents.
- Investor demand for commercial real-estate assets remains high, and a rising proportion of this demand is being focused on locations outside Greater London.
- Average and prime property yields are significantly higher outside London than in London.

Bryan Sherriff

Drum Real Estate Investment Management Limited

2 June 2016

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 March 2016

	Notes	Six months ended 31 March 2016 (unaudited) Revenue £'000	Capital £'000	Total £'000	Twelve months ended 31 March 2016 (unaudited) Revenue £'000	Capital £'000	Total £'000
Revenue							
Rental income		1,158	-	1,158	1,203	-	1,203
Total revenue		1,158	-	1,158	1,203	-	1,203
Unrealised losses on investments held at fair value		-	(1,530)	(1,530)	-	(1,912)	(1,912)
Total income		1,158	(1,530)	(372)	1,203	(1,912)	(709)
Expenditure							
Asset manager's fee	2	(98)	-	(98)	(146)	-	(146)
Other expenses		(201)	(83)	(284)	(363)	(83)	(446)
Total expenditure		(299)	(83)	(382)	(509)	(83)	(952)
Profit / (loss) before finance costs and taxation		859	(1,613)	(754)	694	(1,995)	(1,301)
Net finance costs							
Finance income		10	-	10	47	-	47
Finance costs		(45)	-	(45)	(45)	-	(45)
Profit / (loss) before taxation		824	(1,613)	(789)	696	(1,995)	(1,299)
Taxation		-	-	-	-	-	-
Profit / (loss) for the period)		824	(1,613)	(789)	696	(1,995)	(1,299)
Total comprehensive income / (loss) for the period		**824**	**(1,613)**	**(789)**	**696**	**(1,995)**	**(1,299)**
Basic and diluted profit / (loss) per share (pence)	3	2.58	(5.05)	(2.47)	2.60	(7.45)	(4.85)

The total column of this statement represents the Group's Condensed Consolidated Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are prepared under guidance published by the Association of Investment Companies.

The Company had no revenue or expenditure in the prior period, being the initial period from incorporation on 26 March 2015 to 31 March 2015. Accordingly no comparative information is presented.

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 2016

		As at 31 March 2016 (unaudited) £'000	As at 31 March 2015 (audited) £'000
Non-current assets			
Investment properties	5	**40,588**	-
		40,588	-
Current assets			
Trade and other receivables		**154**	50
Cash and cash equivalents		**3,279**	-
		3,433	50
Total assets		**44,021**	50
Non-current liabilities			
Bank loan	6	**(10,920)**	-
		(10,920)	-
Current liabilities			
Trade and other payables		**(932)**	-
Total liabilities		**(11,852)**	-
Net assets		**32,169**	50
Equity and reserves			
Called up equity share capital	8	**3,463**	1
Share premium		**2,383**	49
Special distributable reserve		**28,040**	-
Capital reserve		**(1,995)**	-
Revenue reserve		**278**	-
Total equity		**32,169**	50
Net asset value per ordinary share	7	**92.88p**	100.00p

Registered number: 9511797

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

The condensed consolidated interim financial statements were approved by the Board of Directors on 2 June 2016 and were signed on its behalf by:

John Evans, Chairman

Condensed Consolidated Statement of Changes in Equity

For the twelve months to 31 March 2016 (unaudited)

	Share capital account £'000	Share premium £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
As at 31 March 2015	1	49	-	-	-	50
Profit / (loss) and total comprehensive loss for the period:	-	-	-	(1,995)	696	(1,299)
Transactions with owners recognised in equity:						
Issue of ordinary share capital	3,462	31,126	-	-	-	34,588
Cancellation of share premium account	-	(28,040)	28,040	-	-	-
Issue costs	-	(752)	-	-	-	(752)
Dividends paid	-	-	-	-	(418)	(418)
As at 31 March 2016	**3,463**	**2,383**	**28,040**	**(1,995)**	**278**	**32,169**

For the period to 31 March 2015 (audited)

	Share capital account £'000	Share premium £'000	Special distributable reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
As at 26 March 2015						
Total comprehensive profit for the period:	-	-	-	-	-	-
Transactions with owners recognised in equity:			-			
Issue of ordinary share capital	1	49	-	-	-	50
As at 31 March 2015	**1**	**49**	**-**	**-**	**-**	**50**

Condensed Consolidated Cash Flow Statement

For the twelve months ended 31 March 2016

	Twelve months ended 31 March 2016 (unaudited) £'000
Cash flows from operating activities	
Loss before finance costs and taxation	(1,301)
Adjustments for:	
Revaluation loss on property portfolio	1,912
Increase in trade and other receivables	(154)
Increase in trade and other payables	932
Net cash inflow from operating activities before interest and taxation	1,389
Interest received	47
Interest paid	(45)
Net cash inflow from operating activities	**1,391**
Investing activities	
Purchase of investment properties	(42,500)
Net cash outflow from investing activities	**(42,500)**
Cash flows from financing activities	
Bank loan drawn down (net of set up costs)	10,920
Issue of ordinary share capital	34,638
Issue costs	(752)
Equity dividends paid	(418)
Net cash inflow from financing activities	**44,388**
Net increase in cash	**3,279**
Opening cash	-
Closing cash	**3,279**

The Company had no cashflows in the prior period, being the initial period from incorporation on 26 March 2015 to 31 March 2015. Accordingly no comparative information is presented.

Notes to the Condensed Interim Financial Statements

1. **Accounting policies**

1.1 Trading period

The condensed consolidated interim financial statements of the Group's reporting period are for the six months ended 31 March 2016.

1.2 Going concern

The Group has raised net proceeds of £34.6m, excluding issue costs, from two equity placements. Also in January 2016, the Group entered into a £20m secured 18 month revolving credit facility with RBS. As at 31 March 2016 £9m of the £20m remained undrawn. As at 31 March 2016 the Group holds £3.3m in cash.

Based on financial projections which extend beyond twelve months from the date of this report, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors have concluded that they should prepare the interim financial statements on a going concern basis.

1.3 Basis of preparation

The condensed consolidated interim financial statements for the six months ended 31 March 2016 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, Interim Financial Reporting, as adopted by the European Union. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the prospectuses issued by the Company in April 2015 and in February 2016.

The accounting policies noted below are expected to be consistent with those of the Group's annual financial statements which will be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the Companies Act 2006 and are consistent with the prior period audited financial statements.

The condensed interim financial statements for the Group for the six months ended 31 March 2016 have been reviewed by the Group's Auditor and approved by the Directors for issue on 2 June 2016.

Standards not affecting the reported results and financial position

IASB and IFRIC have issued the following relevant standards and interpretations with an effective date after the date of these condensed interim financial statements:

IFRS 9	*Financial Instruments – effective 1 Jan 2018*
IFRS 15	*Revenue from Contracts with Customers - effective 1 Jan 2018*
IFRS 11 (amendments)	*Accounting for Acquisitions of Interests in Joint Operations - effective 1 Jan 2016*
IAS 1 (amendments)	*Disclosure Initiative - - effective 1 Jan 2016*
IAS 7 (amendments)	*Disclosure Initiative - effective 1 Jan 2017*
IAS 16 and IAS 38 (amendments)	*Clarification of Acceptable Methods of Depreciation and Amortisation - effective 1 Jan 2016*
IAS 16 and IAS 41 (amendments)	*Agriculture: Bearer Plants - effective 1 Jan 2016*
IAS 27 (amendments)	*Equity Method in Separate Financial Statements - effective 1 Jan 2016*
IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and*

(amendments)	*its Associate or Joint Venture – effective date not confirmed*
IFRS 10, IFRS 12 and IAS 28 (amendments)	*Investment Entities: Applying the Consolidation Exemption - effective 1 Jan 2016*
Annual Improvements to IFRSs: 2012-2014 Cycle	Amendments to: IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations,* IFRS 7 *Financial Instruments: Disclosures,* IAS 19 *Employee Benefits* and IAS 34 *Interim Financial Reporting - effective 1 Jan 2016*
IAS 12 (amendments)	*Deferred tax – unrealised losses – effective 1 Jan 2017*

Management are of the view that adoption will not materially change financial performance or the reported position within the condensed interim financial statements, although management will fully assess the impact on revenue recognition and related disclosures in subsequent periods.

1.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the condensed interim financial statements:

(a) Operating lease contracts - the Group as lessor

The Group holds investment properties which are subject to commercial property leases with tenants. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the duration of the lease terms and minimum lease payments, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

(b) Fair value of investment property

The market value of investment property is determined, by a real estate valuation expert, to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Properties are valued on an individual basis. The valuation expert uses recognised valuation techniques and the principles of IFRS 13.

1.5 Summary of significant accounting policies

Segmental information

The Directors are of the opinion that the Group is engaged in a single segment business, being the investment in commercial property in the United Kingdom.

Investment property

Investment property comprises property that is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost including transaction costs and is included in the accounts upon unconditional exchange. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the Statement of Comprehensive Income in the period in which they arise.

Investment property is no longer recognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The investment property is no longer recognised upon unconditional exchange. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at the retirement or disposal of investment property. Any gains or losses are recognised in the Statement of Comprehensive Income in the period of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous period's financial information.

Rent and other receivables

Rental income arising on investment properties is recognised as revenue in the Statement of Comprehensive Income as it is earned. Specifically:

- any rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the shorter of the term to lease expiry or to the first tenant break option;

- lease incentives are spread evenly over the lease term, even if payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

Where income is recognised in advance of related cash flows, an adjustment is made to the capital reserve to ensure that the carrying value of the relevant property including accrued rent does not exceed the external valuation. A provision is made when there is evidence that the receivable will not be recovered in full.

Taxation
Taxation on any profit or loss for the period not exempt under UK-REIT regulations comprises current and deferred tax. Taxation is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised as direct movements in equity, in which case it is also recognised as a direct movement in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. In determining the expected manner of realisation of an asset the Directors consider that the Group will recover the value of investment property through sale. Deferred income tax relating to items recognised directly in equity is recognised in equity enacted or substantively enacted at the balance sheet date.

Entry to UK-REIT Regime
The Company's conversion to UK-REIT status was effective from 20 August 2015. Entry to the regime results in, subject to continuing relevant UK-REIT criteria being met, the rental business, comprising both income and capital gains, is exempt from UK taxation.

Cash and Cash Equivalents
Cash and cash equivalents consist of cash in hand and short-term deposits in banks with an original maturity of three months or less.

Reserves

Share Premium
The surplus of net proceeds received from the issuance of new shares over their par value is credited to this account and the related issue costs are deducted from this account. The reserve is non-distributable.

Capital Reserve
The following are accounted for in the capital reserve:

- gains and losses on the disposal of investment properties;
- increases and decreases in the fair value of investment properties held at the period end; and
- the cost of professional advice relating to the capital structure of the Group.

Revenue Reserve
The net profit / (loss) arising in the revenue column of the Condensed Statement of Comprehensive Income is added to or deducted from this reserve which is available for paying dividends.

Special Distributable Reserve
An application to the Court was successfully made for the cancellation of the launch share premium account which allowed the transfer of monies to the special distributable reserve. The reserve is available for paying dividends and buying back the Group's shares.

2. Asset Manager's Fee

	Six months ended 31 March 2016 £'000	Twelve months ended 31 March 2016 £'000	Period ended 31 March 2015 £'000
Asset Manager's fee	98	146	-
Total	**98**	**146**	**-**

The Group's Alternative Investment Fund Manager ("AIFM") and Investment Manager, R&H Fund Services (Jersey) Limited was appointed on 28 April 2015. The property management arrangements of the Group were delegated by R&H Fund Services (Jersey) Limited, with the approval of the Group, to Drum Real Estate Investment Management Limited ("the Asset Manager") on 28 April 2015. The Asset Manager is responsible for the day to day management of the portfolio.

3. Earnings per Share

The Group's basic and diluted revenue profit per ordinary share of 2.58p (twelve months to 31 March 2016: 2.60p; period to 31 March 2015: nil) per share is based on the net revenue profit for the period of £824,000 (twelve months to 31 March 2016: £696,000; period to 31 March 2015: £nil) and 31,969,991 (twelve months to 31 March 2016: 26,788,509; period to 31 March 2015: 50,000) ordinary shares, being the weighted average number of shares in issue during the period.

The Group's basic and diluted capital loss per ordinary share of 5.05p (twelve months to 31 March 2016: 7.45p; period to 31 March 2015: nil) per share is based on the capital loss for the period of £1,613,000 (twelve months to 31 March 2016: £1,995,000; period to 31 March 2015: £nil) and on 31,969,991 (twelve months to 31 March 2016: 26,788,509; period to 31 March 2015: 50,000) ordinary shares, being the weighted average number of shares in issue during the period.

The Group's basic and diluted total loss per ordinary share of 2.47p (twelve months to 31 March 2016: 4.85p; period to 31 March 2015: nil) per share is based on the loss for the period of £789,000 (twelve months to 31 March 2016: £1,299,000; period to 31 March 2015: £nil) and on 31,969,991 (twelve months to 31 March 2016: 26,788,509; period to 31 March 2015: 50,000) ordinary shares, being the weighted average number of shares in issue during the period.

Earnings for the period to 31 March 2016 should not be taken as a guide to the results for the period to 30 September 2016.

4. Dividends

In the six months ended 31 March 2016 the Group declared a first interim dividend of 1.3125p (£418,000) in respect of the quarter ended 31 December 2015. The dividend was paid on 27 February 2016 to shareholders on the register on 5 February 2016.

A second interim dividend of 1.3125p in respect of the period ended 31 March 2016 was declared on 27 April 2016 to shareholders on the register on 6 May 2016.

5. Investment properties

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Opening fair value	**-**	**-**
Purchases	40,154	-
Acquisition costs	2,346	-
Revaluation movement	(1,912)	-
Closing fair value	**40,588**	**-**

Changes in the valuation of investment properties

	Twelve months ended 31 March 2016 £'000	Period ended 31 March 2015 £'000
Unrealised loss on revaluation of investment properties	**(1,912)**	**-**

The properties were valued at £40,588,000 as at 31 March 2016 (31 March 2015: £nil) by Savills (UK) Limited ('Savills'), in their capacity as external valuers.

The valuation report was prepared in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation - Professional Standards January 2014 (the "RICS Red Book") published in November 2013 and effective from January 2014 and revised in April 2015. The properties were valued on the basis of "Fair Value" in accordance with the RICS Red Book for inclusion in Financial Statements, which adopts 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 as at 31 March 2016, using recognised valuation techniques.
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6. Bank loan

	As at 31 March 2016 £'000	As at 31 March 2015 £'000
Bank loan facility	11,100	-
Set up costs	(207)	-
Amortisation of set up costs	27	-
Total	**10,920**	**-**

In January 2016, the Group entered into a £20 million secured 18 month revolving credit facility with RBS at a rate of 1.1% plus LIBOR per annum.

As part of the loan agreement the Bank has a standard security over four properties held by the Group, with an aggregate value of £28,250,000 at 31 March 2016.

7. Net Asset Value

The Group's net asset value per ordinary share of 92.88 pence (31 March 2015: 100.00 pence) is based on equity shareholders' funds of £32,169,000 (31 March 2015: £50,000) and on 34,634,900 (31 March 2015: 50,000) ordinary shares, being the number of shares in issue at the period end.

8. Share Capital

	Twelve months to 31 March 2016 Shares	Period to 31 March 2015 Shares	Twelve months to 31 March 2016 £'000	Period to 31 March 2015 £'000
Issued and fully paid				
Opening total issued ordinary shares of 10p each	50,000	-	1	-
Issued during the period	34,584,900	50,000	3,462	1
Closing total issued ordinary shares	**34,634,900***	**50,000***	**3,463**	**1**

*Share capital as at 31 March 2015 was unpaid; share capital as at 31 March 2016 was fully paid

On 29 May 2015 31,814,000 ordinary 10p shares were issued for a consideration of £1 per share.
On 24 March 2016 2,770,900 ordinary 10p shares were issued for a consideration of £1 per share.

There is one class of share.

9. Unaudited Financial Statements

The results for the six month period ended 31 March 2016 are unaudited and constitute non-statutory accounts within the meaning of Section 435 of the Companies Act 2006. The figures and financial information for the period ended 31 March 2015 are extracted from the latest published Financial Statements, on which the Independent Auditor gave an unqualified report, and they have been delivered to the Registrar of Companies.

10. Investment in subsidiaries

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 and began trading on 19 January 2016, when it was 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.

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 period were £38,000 (for the twelve months ended 31 March 2016: £63,000; for the period from incorporation to 31 March 2015: £nil) of which £7,000 was payable at the period end (as at 31 March 2015: £nil).

Drum Real Estate Investment Management Limited, as Investment Adviser, earned £98,000 during the period (for the twelve months ended 31 March 2016: £146,000; for the period from incorporation to 31 March 2015: £nil). £98,000 was payable at the period end (as at 31 March 2015: £nil). From 1 January the Investment Adviser's fee increased from 0.8 per cent per annum, of the Group's NAV (the "NAV") to 1.15 percent until the NAV reaches 150 million at which point the fee would reduce to 1%.

Turcan Connell Asset Management Limited, as Investment Consultant, earned £34,000 during the period (for the twelve months ended 31 March 2016: £81,000; for the period from incorporation to 31 March 2015: £nil). £nil was payable at the period end (as at 31 March 2015: £nil). From 1 January 2016 the Investment Consultantr's fee was reduced from 0.45 per cent per annum of the Group's NAV to nil per cent.

R&H Fund Services (Jersey) Limited, as AIFM and Investment Manager, earned £8,000 during the period (for the twelve months ended 31 March 2016: £13,000; for the period from incorporation to 31 March 2015: £nil). £3,000 was payable at the period end (for the period from incorporation to 31 March 2015: £nil).

As per the Prospectus published in April 2015 issue costs were capped at 2% of the gross issue proceeds. Issue costs above this amount were incurred by Drum Real Estate Investment Management Limited.

Directors' Statement of Principal Risks and Uncertainties

The Prospectuses issued in April 2015 and February 2016 (available on the Group's website) include details of what the Directors consider to be the key principal risks faced by the business. As the Group has a limited operating history, some risks are not yet known and some, that are currently not deemed material, could later turn out to be material. A summarised list of the principal risks is set out below:-

Risks relating to the REIT status of the Group
The Group cannot guarantee that it will maintain continued compliance with all of the REIT conditions. There is a risk that the REIT regime may cease to apply in some circumstances.

Risks relating to taxation
The levels of, and reliefs from, taxation may change. Any change in the Group's tax status or in taxation legislation in the United Kingdom or any other tax jurisdiction affecting Shareholders or investors could affect the value of the investments held by the Group, or affect the Group's ability to achieve its investment objective for the Ordinary Shares or alter the post tax returns to Shareholders.

Any change (including a change in interpretation) in tax legislation in the United Kingdom, could have a material adverse effect on the Group's business, financial condition, results of operations, future prospects or the price of the Ordinary Shares. Changes to tax legislation could include the imposition of new taxes or increases in tax rates in the United Kingdom. In particular, an increase in the rates of Stamp Duty Land Tax could have a material impact on the price at which UK land and property can be sold, and therefore on asset values.

Risks relating to laws and regulation which may affect the Group
The Group and the Asset Manager are both subject to laws and regulations enacted by national, regional and local governments and institutions. In particular, the Group is required to comply with certain statutory requirements under English law applicable to a company incorporated in England and Wales, the Listing Rules and the Disclosure and Transparency Rules. Compliance with and the monitoring of applicable regulations may be difficult, time consuming and costly. Any changes to such regulation could affect the market value of the Group's portfolio and/or the rental income of the portfolio.

Riske relating to gearing
The Group will incur further gearing to fund the acquisition of additional, as yet unidentified, UK commercial property assets in addition to the current portfolio. There is no certainty that appropriate further borrowings will be available to the Group either at all or on acceptable terms, which may adversely affect the ability of the Group to grow in the future and acquire further properties which could, as a consequence, have a material adverse impact on the level of dividends paid to Shareholders.

Shareholders should be aware that, whilst the use of borrowings should enhance the Net Asset Value of the Ordinary Shares where the value of the Group's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling. In addition, in the event that the rental income of the Group's portfolio falls for whatever reason, the use of borrowings will increase the impact of such a fall on the net revenue of the Group and accordingly will have an adverse effect on the Group's ability to pay dividends to Shareholders.

Risks relating to the economic environment
Global market uncertainty and the weakened economic conditions in the United Kingdom and elsewhere and, in particular, the restricted availability of credit, may reduce the value of the portfolio once it has been acquired, and may reduce liquidity in the real estate market. The performance would be adversely affected by a downturn in the property market in terms of market value or a weakening of rental yields

Risks relating to property and property related assets

The Group cannot be sure that it will be successful in obtaining suitable investments in UK commercial property assets on financially attractive terms.

The Group will incur certain fixed costs on the acquisition of properties, including Stamp Duty Land Tax which reduces the Net Asset Value per Share immediately following the acquisition. There is no guarantee that the value of the properties will increase to an amount in excess of these costs.

The Group will once fully invested have a diversified portfolio, but may be more concentrated in terms of number of individual properties than other property investment companies. The Group will not be managed with any direct correlation to any property index and consequently may have returns, favourable or unfavourable, that differ from the performance of UK commercial property markets as a whole.

While the Board will seek to spread risk relating to tenant concentration, there is the risk, from time to time and in particular in respect of the early stages of the Group after launch, that the Group has a concentrated number of tenants and material exposure to the financial strength and the operational performance of those tenants.

In the event of default by a tenant or during any other void period, the Group will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveyor’s costs in re-letting, maintenance costs, insurances, rates and marketing costs. Investments in property are relatively illiquid. Such illiquidity may affect the Group’s ability to vary its portfolio or dispose of or liquidate part of its portfolio in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other conditions. This could have an adverse effect on the Group’s financial condition and results of operations.

Returns from an investment in property depend largely upon the amount of rental income generated from the property and the expenses incurred in the development or redevelopment and management of the property, as well as upon changes in its market value.

The Group’s ability to pay dividends will be dependent principally upon its rental income. Rental income and the market value of properties are generally affected by overall conditions in the relevant local economy, such as growth in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which in turn may impact the demand for premises. Both rental income and market values may also be affected by other factors specific to the commercial property market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of the bankruptcy or insolvency of tenants or otherwise, the periodic need to renovate, repair and re-lease space and the costs thereof, the costs of maintenance and insurance, and increased operating costs. In addition, certain significant expenditures, including operating expenses, must be met by the owner even when the property is vacant.

Properties owned by the Group in the future may have significant levels of vacancy. Certain of the Group’s properties may be specifically suited to the particular needs of a certain type of tenant. The Group may have difficulty in obtaining a new tenant for any vacant space it has in its properties, particularly if prospective tenants have negative perceptions of the attractiveness or other features of any property. The Group may need to incur additional capital expenditure on a property to attract tenants. If a vacancy continues for a longer period of time, the Group may suffer reduced revenues resulting in less income available to be distributed to Shareholders. In addition, the market value of a property could be diminished because the value of a particular property will depend principally upon the value of the leases of such property.

The Group may undertake development (including redevelopment) of property or invest in property that requires refurbishment prior to renting the property. The risks of development or refurbishment include, but are not limited to, delays in timely completion of the project, cost overruns, poor quality workmanship, and inability to rent or inability to rent at a rental level sufficient to generate profits. Any change to the laws and regulations relating to the UK commercial property market may have an adverse effect on the market value and/or the rental income of the Property Portfolio.

As the owner of real estate, the Group is subject to environmental regulations that can impose liability for cleaning up contaminated land, watercourses or groundwater on the person causing or knowingly permitting the contamination. If the Group acquires contaminated land, it could also be liable to third parties for harm caused to them or their property as a result of the contamination. If the Group is found to be in violation of environmental regulations, it could face reputational damage, regulatory compliance penalties, reduced letting income and reduced asset valuation, which could have a material adverse effect on the Group's business, financial condition, results of operations, future prospects and/or the price of the Ordinary Shares.

Risks relating to valuations

The value of property and property related assets is inherently subjective due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the valuations of any properties will reflect the actual realisable sale price even where such sales occur shortly after the relevant valuation date.

The financial markets have seen significant turbulence over recent years resulting in severe liquidity shortages. The turmoil in the credit markets had an immediate effect on the real estate investment market, resulting in some transactions failing and/or prices being renegotiated downwards. This has caused a marked reduction in the volume of transactions. The negotiation of price reductions prior to the completion of transactions remains common for certain properties. Generally, there is greater volatility of pricing in the evidence generated by limited comparable transactions and in these circumstances there is a greater degree of uncertainty than that which exists in a more active and stronger market in forming an opinion of the realisation prices of property assets.

Risks relating to the reliance on key individuals

The underperformance or the departure of key skilled professionals from the Asset Manager could have a material adverse effect on the business, financial condition and results of operations.

Liquidity risks

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments. The Group's investments comprise commercial property. Property and property-related assets in which the Group invests are not traded in an organised public market and may be illiquid. As a result, the Group may not be able to liquidate quickly its investments in these properties at an amount close to their fair value in order to meet its liquidity requirements.

The Group's liquidity risk is managed on an ongoing basis by the Asset Managers and monitored on a quarterly basis by the Board. In order to mitigate liquidity risk the Group aims to have sufficient cash balances (including the expected proceeds of any property sales) to meet its obligations for a stronger market in forming an opinion of the realisation prices of property assets.

Directors' Responsibilities Statement in respect of the Interim Report

We confirm that to the best of our knowledge:

• the condensed set of interim 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 Report (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 period and their impact on the condensed set of consolidated financial statements;

• the Statement of Principal Risks and Uncertainties referred to above is a fair review of the information required by DTR 4.2.7R;

• the Chairman's Statement and Investment Adviser's Report together with the condensed set of interim financial statements includes a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the period and that have materially affected the financial position or performance of the Group during the period; and

• the Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

On behalf of the Board

John Evans
Chairman
2 June 2016

INDEPENDENT REVIEW REPORT TO DRUM INCOME PLUS REIT PLC

We have been engaged by the Group to review the condensed set of financial statements in the interim financial report for the six months ended 31 March 2016 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 11. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Group in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Group those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group, for our review work, for this report, or for the conclusions we have formed.

DIRECTORS' RESPONSIBILITIES

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.
As disclosed in note 1.3, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

OUR RESPONSIBILITY

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the interim financial report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 31 March 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor

Aberdeen, United Kingdom

2 June 2016