

Real
Estate
Opportunities

Interim Report

Six months to 30 June 2005

Contents

2	Key Facts
3	Financial Information
4	Chairman's Statement
10	Analysis of Property Portfolio
12	Income Portfolio
14	Financial Results
22	Independent Review Report
23	Corporate Information

Key Facts

Real Estate Opportunities Limited is a closed-end investment company incorporated with limited liability in Jersey. The Company's securities are listed on the London, Dublin and Channel Islands Stock Exchanges.

The Company's capital structure comprises Ordinary and Zero Dividend Preference shares and units of 7.5% Convertible Unsecured Loan Stock 2011.

Investment Objectives

The Company's stated investment objectives at launch were to: meet its banking obligations and satisfy its obligations to its loan stockholders; satisfy the final capital entitlement of the Zero Dividend Preference shareholders; and provide Ordinary shareholders with an expected annualised dividend yield of 8.8 per cent. per annum (based on the issue price of 100 pence) and capital growth. Following a period of suspension, the payment of dividends was resumed with the declaration of an interim dividend of 1p per Ordinary share in August 2005. The capital growth objectives of the Company remain unchanged. The portfolio is principally invested in the Dublin property market.

Financial Information

	At 30 June 2005 £'000	At 1 January 2005 £'000	% Change
Fixed assets	525,098	404,051	+30.0%
Net borrowings (excluding Zero Dividend Preference Shareholders' Entitlement)	321,643	252,749	+27.3%
Net assets	129,951	82,955 ⁽¹⁾	+56.7%
Ordinary shares:			
Net asset value	51.4p	42.2p ⁽¹⁾	+21.8%
Mid-market price	60.3p	64.3p	-6.2%
Premium	17.3%	52.4% ⁽¹⁾	
Zero Dividend Preference shares:			
Net asset value	141.5p	135.5p	+4.4%
Mid-market price	124.3p	111.5p	+11.5%
Discount	12.2%	17.7%	
7.5% Convertible Unsecured Loan Stock 2011:			
Mid-market price	110.3p	105.3p	+4.7%
Euro: £ exchange rate	1.4806	1.4125	

(1) Adjusted to reflect changes to Accounting Standards as detailed in note 2.

	Interim Period Ended	
	30 June 2005 £'000	30 June 2004 £'000
Revenue return	2.9p	4.3p
Capital return	6.0p	(6.9)p
Total return	8.9p	(2.6)p

Chairman's Statement

Introduction

The period under review was an eventful one in which your Company grew significantly in size, making three important property acquisitions in Ireland. It also saw a significant change in the shareholder register and the Board is pleased to welcome a number of new shareholders to the Company.

I am pleased to report that during the period your Company's net asset value per ordinary share increased to 51.4p per share which includes an increase of 14.2p per share arising from disposals/revaluations of properties.

The movements in the net asset value per ordinary share of your Company, are summarised below:

	<i>Net assets £'000</i>	<i>No of shares '000</i>	<i>pence per share (p)</i>
As at 31 December 2004	93,310	197,051	47.4p
Net impact of derivative instruments recognised as a result of accounting standard changes	(10,355)		(5.2)p
As at 1 January 2005	82,955	197,051	42.2p
Net impact of changes in share capital	31,049	55,993	2.9p
	114,004	253,044	45.1p
Property valuation gains	35,892		14.2p
Exchange rate movements	(10,090)		(4.0)p
Other movements	(9,855)		(3.9)p
	129,951	253,044	51.4p

The Group is now invested almost entirely in Ireland, where we continue to find attractive investment opportunities.

I am also pleased that the Board have been able to announce the resumption of dividend payments.

Irish Economic Overview

The resumption of strong growth rates for the Irish economy experienced during 2004 has carried over into the first half of 2005. This is clearly evident, particularly in the pickup in employment levels with the latest figures from the Quarterly National Household Survey published by the Central Statistics Office (CSO) revealing total employment increasing by over 72,000 in the year to 31 March 2005. This is equivalent to an annual growth rate of 3.9%, the highest rate recorded since the final quarter of 2000.

The Irish economy grew by 5.3% in terms of real gross domestic product during 2004. This is compared to growth of 4.4% in the US, 3.1% in the UK and 1.8% in the Eurozone economy. The Economic and Social Research Institute (ESRI) are projecting acceleration in the rate of growth during 2005 with real GDP expected to rise by 6% during the year. The ESRI also expect this rate of performance to continue in the medium term with GDP growth of 5.1% projected for 2006.

Private investment was the main driver of economic growth during 2004, increasing by 9.3% in volume terms during the year. Private investment is projected by the ESRI to grow by 5.6% during 2005. Consumer expenditure is also a key contributor with 5.3% growth projected in the volume of consumer expenditure in 2005. Despite the continued strength of growth, inflation in the Irish economy remains low with a 2.4% increase in the Consumer Price Index for the year to May 2005.

Irish Property Market

The Irish property market continues to perform well with the SCS/IPD property index showing a total return on all property of 9.7% for the 6 months to the 30 June 2005. This total return comprised capital appreciation of 6.8% with the balance of the return comprising income. Capital growth in turn is being driven by a hardening in the equivalent yield to 5.35% on average, down from 5.66% at the end of 2004. Rental values are rising also with the retail sector continuing to show the strongest performance. Office rental values are rising again with a modest 0.2% growth in average office rentals recorded in the second quarter of 2005.

The pickup in sentiment in the Dublin office market is beginning to translate through into the volume of transactions. DTZ Sherry Fitzgerald ("DTZ") report that the total quantity of accommodation taken up by occupiers in the first half of 2005 stood at 77,400 sq. m., representing a 44% increase on the same period in 2004. DTZ estimate that take up activity during the remainder of the year will remain at the same high level, with the total for 2005 as a whole likely to be in the region of 150,000 sq. m.

Occupier demand is strongest in the IT/telecommunications and financial services sectors. Demand from the professional service sector has also been strong.

Chairman's Statement *(continued)*

The improvement in confidence levels in the market has given rise to a number of office schemes commencing construction during the first half of the year. The total quantity of accommodation under construction is currently approximately 270,000 sq. m. of which c. 60,000 sq. m. has been pre-let. Over 50% of new construction is located in the city of Dublin where there is now a shortage of quality accommodation, particularly for occupiers seeking larger buildings of 5,000 sq. m. and over. The vacancy rate in the market overall remains high at approximately 16.3% but as previously noted, most of this over supply is located in suburban locations. Headline rents for third generation office space in prime locations in Dublin range from €450-€480 per sq. m.

The retail sector continues to be the top performing sector in the Irish market. Strong growth in private consumer expenditure noted above is translating through into retail sales with the CSO revealing a 6% increase in the volume of sales in the first quarter of 2005 compared with the same period in 2004. The strength of retail sales in Ireland is highlighted by a European comparison with figures from Eurostat, revealing that the volume of retail sales in the Eurozone increased by an annual rate of 1.4% in March. Consequently, the demand for retail accommodation in Ireland remains strong, continuing to place upward pressure on rental values. The first phase of the Dundrum Town Centre in South Dublin opened in March 2005, attracting considerable interest. The second phase of Dundrum will include the first Harvey Nichols Department Store in Ireland and is expected to open before the end of this year.

The market for industrial property in Dublin enjoyed a high level of activity during the first half of 2005 with total space transacted during the period rising to 275,000 sq. m., 36% higher than the same period in 2004. The strength of demand for industrial space, together with the modest quantum of new space under construction, means that the vacancy rate in the Dublin market has declined to 12.8% in June, the lowest rate in three and a half years.

Demand from owner occupiers remains very strong, supported by low interest rates, while supply levels are expected to remain stable with the majority of accommodation under construction either pre-sold or pre-let.

The residential market in 2005 is characterised by an unusual combination of strong activity levels and moderate price inflation. The former suggests that there has been little reduction in the pace of demand growth and the latter that supply is now broadly matching this demand and so acting to dampen price rises. Demand for housing is as strong as ever, given the scale of employment growth, strong wage growth, low inflation and interest rates which remain at a fifty year low. Immigration too has picked up since the EU expanded in May 2004 and the Bank of Ireland Quarterly Review suggests that immigration may now be running at some 75,000 per year in gross terms or over 50,000 net, against an average of 34,000 in recent years.

Irish Property Portfolio

The total value of the Irish Property Portfolio including both investment and development properties as well as interests in properties held in joint ventures grew to €850 million as at 30 June 2005.

The period saw a total valuation uplift of €53.0 million (£35.8 million) on the Irish Property Portfolio comprising an uplift of €28.9 million (£19.5 million) in the valuation of wholly owned properties held by Castle Market Holdings and an uplift of €24.1 million (£16.3 million) in the Company's 50 per cent. share of the valuation of properties held through our joint venture company, Havenview Investments Limited.

During what was a very busy period for your company, the first 6 months of 2005 witnessed the acquisition of 3 major new properties. The largest of these was a property in Barrow Street in Dublin's south inner-city. This property comprises of 5,500 sq. m. office building currently under construction and pre-let to a major firm of Dublin solicitors. This building is due for completion in February 2006. The Barrow Street property also includes a 2,000 sq. m. office building let under a 25 year lease to Treasury Holdings as well as a large adjoining office/residential development site.

The second major acquisition during the period was the M1 Business Park, located on the main Dublin, Belfast motorway approximately 10 minutes from Dublin airport. This development comprises approximately 150 acres and will include industrial, distribution as well as science and technology accommodation. Planning Permission has also been secured for a large Motorway Services Area to include a hotel and restaurant, petrol filling station and retail comprising in total approximately 13,500 sq. m. The M1 Business Park is the first property which the Company has acquired in the industrial sector of the market and is likely to be developed in phases over the next three to five years.

The last significant acquisition during the period was the purchase of a parcel of residential land close to Enniskerry Village in County Wicklow. This transaction had contracted by the end of 2004 and was concluded in the early part of 2005.

We were also busy in relation to our development portfolio during the period. Full Planning Permission was secured for a 44,000 sq. m. mixed use development on the Allegro site at Sandyford in Dublin, while full Planning Permission was also secured for a further phase of development at Central Park in Leopardstown. This new phase at Central Park will comprise approximately 45,000 sq. m. of residential and commercial development.

Other significant projects currently passing through the planning process include Stillorgan Shopping Centre, Blakes and the Balgaddy site in Clondalkin. In all cases, we anticipate that these projects will be well advanced by year end.

Chairman's Statement *(continued)*

UK Property Portfolio

As at 30 June 2005, the Group's remaining two UK properties were valued at £5.5 million, a decrease of £250,000 from the valuations as at 31 December 2004. Since the period end, and in accordance with the Group's strategy to dispose of the UK property portfolio, a contract for the sale of Thameside House, Brentford, for £2.8 million has been entered into. This represents a premium of £200,000 over the valuation as at 30 June 2005.

Financing

The principal changes in the Company's financing during the period were associated with the acquisitions referred to above. Over the period borrowings in Ireland have increased by a net €80.7 million. Net of share buy-backs, 56.0 million new ordinary shares were issued at 58.5p per share.

As at 30 June 2005 the Company held cash balances of £78 million.

Changes in UK Accounting Standards

The Company's interim financial statements comply with UK GAAP. Financial Reporting Standards (FRS) 25 and 26 have recently been introduced and the interim financial statements within this document have been prepared in accordance with the requirements of each of these standards. This has had two major impacts on the balance sheet. The first is the reclassification of the Zero Dividend Preference Shares: under FRS 25 these are now deemed to be debt rather than equity and are shown under non-current liabilities. This requirement does not impact on the net asset value attributable to ordinary shareholders. The second major impact results from the implementation of FRS 26 which requires financial instruments to be accounted for at fair value. Interest rate swap contracts are defined as such instruments and hence are now stated in the balance sheet at fair value. As the interest rate swaps held by the Company are currently "out of the money" following a long period of falling Euro interest rates, the effect is to reduce the net asset value by £13.5 million. Applying the same accounting policy to the Company's 31 December 2004 balance sheet would have produced a reduction of £10.355 million in net assets (see summary set out under the 'Introduction' to this statement). The Company has chosen not to restate its comparative period in accordance with the transitional rules of these accounting standards.

Litigation

The Company continues to seek compensation for substantial losses suffered in its income portfolio in 2001 and 2002. Since the period end, the Company has served proceedings on Aberdeen Asset Managers Jersey Limited, Aberdeen Asset Managers Limited and UBS Limited and is waiting for their responses.

Outlook

Your Company now has a substantial, diverse and very attractive portfolio of properties in Ireland and is expected to benefit from favourable market conditions during the second half of the year. With a continued high level of activity throughout the portfolio, further good gains in value can be anticipated over the period. The Board continues to look for new opportunities in Ireland and elsewhere.

R Y F Horney

Chairman

28 September 2005

Analysis of Property Portfolio

Irish Properties Excluding Havenview*

Properties with a market value above £10,000,000

<i>Location of property</i>	<i>Sector</i>
Balbriggan, Co Dublin	Development
Barrow Street, Dublin	Development
Enniskerry, Co Wicklow	Development
Land at Glendruid, Cabinteely, Co Dublin	Development
Lands at Lehaunstown Lane, Cabinteely, Co Dublin	Development
Marks & Spencer, Merchant's Quay Shopping Centre, Cork	Retail
Stillorgan Shopping Centre, Stillorgan, Dublin	Retail
40-42 Mespil Road, Dublin 4	Office
Baggot Building, Upper Baggot Street, Dublin 2	Office
Blocks A-D Russell Court, Dublin 2	Office
Tedcastle Site, North Wall Quay, Dublin 1	Development
Lands at Clondalkin	Development
Aldi Site, Sandyford, South County Dublin	Office

Properties with a market value between £1,000,000 and £10,000,000

<i>Location of property</i>	<i>Sector</i>
Lands at Kinsealy, Co Dublin	Development
35 Henry Street, Dublin	Retail
Charlemont House, Charlemont Place, Dublin 2	Office
3 College Green, Dublin 2	Office/Development
Crescent Hall, Mount Street Crescent, Dublin 2	Office
41 St Stephen's Green, Dublin 2	Office
Lands at East Mountain, Howth, Dublin 13	Development
16 Westmoreland Street, Dublin 2	Retail
Houses at Stillorgan, Dublin	Residential

Properties with a market value between £500,000 and £1,000,000

<i>Location of property</i>	<i>Sector</i>
18 Fleet Street, Dublin	Retail
Rear of 22, St Stephen's Green, Dublin 2	Development

Havenview* Properties

Properties with a Market Value above £10,000,000

<i>Location of property</i>	<i>Sector</i>
Central Park, Leopardstown, Dublin 18 (50 per cent. owned by Havenview)	Development/Office
43-49 Mespil Road, Dublin 4	Office
Ballymun Shopping Centre, Dublin 11	Retail

Properties with a Market Value between £1,000,000 and £10,000,000

<i>Location of property</i>	<i>Sector</i>
Allegro Site, Blackthorn Drive, Sandyford, Dublin 18 (50 per cent. owned by Havenview)	Development
Blakes Restaurant, Lower Kilmacud Road, Stillorgan, Dublin	Office/Retail

**Havenview Investments Limited ("Havenview") is a joint venture company owned 50 per cent. by Real Estate Opportunities Limited and 50 per cent. by Treasury Holdings*

UK Properties

Properties with a market value between £1,000,000 and £3,000,000

<i>Location of property</i>	<i>Sector</i>
Thameside House, High Street, Brentford	Office
Units 15 & 16 Chesford Grange and 6 Hardwick Grange, Warrington	Industrial

Income Portfolio

<i> Holding</i>	<i> Description</i>	<i> Investment Market Value £'000</i>	<i> % of Total Income Portfolio Assets</i>
2,500,000	Premier Pacific Income Fund	1,381	21.8
1,852,830	BFS US Special Opportunities Units	1,241	19.6
2,250,000	New Star Financial Opportunities	1,080	17.0
921,810	New City High	493	7.8
1,213,891	Royal London UK Equity & Income	155	2.4
3,188,029	Enhanced Zero	13	0.2
41,072	LDC DR Trustee GDR	10	0.2
9,593,333	Investment Trust of Investment Trusts A Redeemable	10	0.2
7,000,000	European Monthly Income	7	0.1
65,342	LDC DR Trustee GDR-prefs	6	0.1
2,000,000	Gartmore Absolute Growth & Income	3	–
7,980,000	Investment Trust of Investment Trusts Preference Income	1	–
1,613,333	Investment Trust of Investment Trusts	1	–
1,400	Exeter Selective Assets	1	–
Total Investment Company Investments		4,402	69.4
2,500,000	London International Exhibition Centre 7.71% 25/11/15 GBP	1,125	17.7
740,732	Netia Seria 'H' Polish Zloty	504	8.0
128,100	Avery Weightronics US\$	312	4.9
Total Income Portfolio Investments		6,343	100.0

Ordinary shares unless otherwise indicated

Group Statement of Total Return (incorporating the Revenue Account)

	<i>Six months ended 30 June 2005</i> <i>(Unaudited)</i>		
	<i>Revenue</i> <i>£'000</i>	<i>Capital</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
Gains on investments	–	67	67
Gains on investment and development properties – Group	–	19,630	19,630
– Joint Venture	–	16,262	16,262
Exchange rate movements	214	(10,304)	(10,090)
Income	12,026	–	12,026
Management fee	(376)	(1,129)	(1,505)
Other expenses	(1,475)	–	(1,475)
Net return before finance costs and taxation	10,389	24,526	34,915
Share of operating loss in Joint Venture	(891)	(100)	(991)
Interest payable and similar charges			
– Group	(2,479)	(7,436)	(9,915)
– Joint Venture	(272)	(815)	(1,087)
– Zero Dividend Preference Shares	–	(3,415)	(3,415)
	(2,751)	(11,666)	(14,417)
Return on ordinary activities before tax	6,747	12,760	19,507
Tax on ordinary activities	(460)	–	(460)
Return on ordinary activities after tax for the financial period	6,287	12,760	19,047
Minority interest	–	6	6
Transfer to reserves	6,287	12,766	19,053
Return per ordinary share – note 4			
Ordinary shares – basic	2.9p	6.0p	8.9p
– diluted	2.3p	–	–
Zero Dividend Preference shares	–	5.9p	5.9p

The revenue column of this statement is the profit and loss account of the Group. All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

Group Statement of Total Return (incorporating the Revenue Account)

	Six months ended 30 June 2004			Year ended
	(Unaudited)			31 December 2004
	Revenue	Capital	Total	Total
	£'000	£'000	£'000	£'000
Gains on investments	—	393	393	1,092
Gains on investment and development properties – Group	—	7,571	7,571	14,429
– Joint Venture	—	2,058	2,058	3,304
Exchange rate movements	491	(8,916)	(8,425)	1,204
Income	14,899	—	14,899	28,882
Management fee	(331)	(993)	(1,324)	(3,094)
Other expenses	(1,714)	—	(1,714)	(3,982)
Net return before finance costs and taxation	13,345	113	13,458	41,835
Share of operating (loss)/profit in Joint Venture	(418)	(124)	(542)	368
Interest payable and similar charges				
– Group	(3,150)	(9,574)	(12,724)	(23,929)
– Joint Venture	(271)	(779)	(1,050)	(2,330)
	(3,421)	(10,353)	(13,774)	(26,259)
Return on ordinary activities before tax	9,506	(10,364)	(858)	15,944
Tax on ordinary activities	(1,091)	—	(1,091)	(853)
Return on ordinary activities after tax for the financial period	8,415	(10,364)	(1,949)	15,091
Net appropriations in respect of non-equity shares	—	(3,150)	(3,150)	(6,475)
Minority interest	—	4	4	(58)
Transfer to/(from) reserves	8,415	(13,510)	(5,095)	8,558
Return per ordinary share – note 4				
Ordinary shares – basic	4.3p	(6.9)p	(2.6)p	4.4p
– diluted	3.1p	—	—	—
Zero Dividend Preference shares	—	5.5p	5.5p	11.2p

Summarised Group Balance Sheet

	30 June 2005 (Unaudited) £'000	30 June 2004 (Unaudited) £'000	31 December 2004 (Audited) £'000
Fixed assets			
Investment and development properties	499,522	419,360	391,024
Investments			
Share of gross assets in Joint Venture	86,742	66,674	72,639
Share of gross liabilities in Joint Venture	(67,509)	(61,052)	(65,855)
Interest in Joint Venture	19,233	5,622	6,784
Listed investments	6,343	5,822	6,243
	525,098	430,804	404,051
Current assets			
Debtors due after one year	44,013	40,000	40,000
Debtors due within one year	11,788	2,521	5,833
Cash at bank	78,056	112,754	104,211
	133,857	155,275	150,044
Creditors: amounts falling due within one year	(54,342)	(53,067)	(48,765)
Net current assets	79,515	102,208	101,279
Total assets less current liabilities	604,613	533,012	505,330
Creditors: amounts falling due after one year			
7.5% Convertible Unsecured Loan Stock 2011	(101,143)	(101,183)	(101,183)
Bank loans	(273,673)	(275,123)	(230,421)
Zero dividend preference shareholders' entitlement	(81,696)	—	—
Financial Instruments	(16,052)	—	—
	(472,564)	(376,306)	(331,604)
Provisions for liabilities and charges	(2,098)	(2,109)	(2,135)
Net assets	129,951	154,597	171,591
Capital and reserves			
Called up share capital	2,530	2,548	2,548
Share premium account	285,042	311,730	311,730
Capital reserve — realised	(239,025)	(146,374)	(215,192)
Capital reserve — unrealised	(38,897)	(98,341)	(27,624)
Property revaluation reserve	53,994	16,787	19,590
Redemption reserve	1,480	18,401	21,726
Revenue reserve	64,955	49,918	58,947
Total shareholders' funds	130,079	154,669	171,725
Minority interests	(128)	(72)	(134)
Capital employed	129,951	154,597	171,591
Equity shareholders' funds	129,951	79,641	93,310
Zero Dividend Preference shareholders' funds	—	74,956	78,281
	129,951	154,597	171,591
Net asset value per share – note 5			
Ordinary shares	51.4p	40.4p	47.4p
Zero Dividend Preference shares	141.5p	129.8p	135.5p

Group Cash Flow Statement

	30 June 2005 (Unaudited) £'000	30 June 2004 (Unaudited) £'000	31 December 2004 (Audited) £'000
Operating activities			
Investment income received	1,540	2,167	3,947
Cash received from tenants	9,294	10,697	19,205
Overheads and other cash payments	(4,125)	(4,182)	(7,989)
Net cash inflow from operating activities	6,709	8,682	15,163
Returns on investments and servicing of finance	(6,719)	(21,714)	(31,551)
Taxation	(936)	(2,234)	(2,328)
Capital expenditure and financial investment	(21,365)	55,895	112,560
Cash (outflow)/inflow before financing	(22,311)	40,629	93,844
Financing			
New debt	15,856	311	8,985
Repayment of debt	(2,074)	(17,411)	(87,843)
Costs from issue of new shares	(1,291)	—	—
Repurchase of own shares	(16,335)	—	—
Net cash outflow from financing	(3,844)	(17,100)	(78,858)
(Decrease)/increase in cash	(26,155)	23,529	14,986
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period	(26,155)	23,529	14,986
Cash movement from (increase)/decrease in debt	(13,782)	17,100	78,858
Change in net debt resulting from cash flows	(39,937)	40,629	93,844
Debt acquired with subsidiaries	(40,761)	—	—
Conversion of Convertible Unsecured Loan Stock 2011 to Ordinary shares	40	17	17
Exchange rate movements	11,764	11,874	(1,176)
Net debt at start of period	(252,749)	(345,434)	(345,434)
Net debt before ZDP entitlement	(321,643)	(292,914)	(252,749)
ZDP Shares reclassified as debt	(81,696)	—	—
Net debt at end of period	(403,339)	(292,914)	(252,749)

Notes to the Interim Accounts

1. Accounting policies

The accounts have been prepared under the historical cost convention, modified to include the revaluation of investments and in accordance with applicable Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' ('SORP') dated January 2003, apart from the departure noted in the 31 December 2004 accounts.

The same accounting policies used for the year ended 31 December 2004 have been applied with the following exceptions arising from the changes to Accounting Standards applicable from 1 January 2005:

- (a) Derivative financial instruments – Under FRS 26, Financial Instruments: Measurement, derivative financial instruments are required to be brought in at fair value. The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated primarily with interest rate fluctuations. Interest rate swaps are classified as cash flow hedges because they hedge exposure to variability in cash flows attributable to the bank loans. Any unrealised gain or loss on the effective portion of hedging instruments is recognised directly in equity. Any gain or loss that is recognised in equity is recognised in the Statement of Total Return in the same period during which the hedged transaction affects the net profit or loss. The ineffective part of any gain or loss is recognised in the Statement of Total Return immediately. Where the hedged transaction is no longer expected to occur, the cumulative gain or loss recognised in equity is recognised in the Statement of Total Return immediately. It is the Company's policy not to trade in derivative financial instruments.
- (b) Zero dividend preference shares ("zeros") – Under FRS 25, Financial Instruments: Disclosure and Presentation, the zeros are deemed to be debt rather than equity and are thus shown under non-current liabilities with the dividend being shown as interest payable.
- (c) Convertible unsecured loan stock ("CULS") – Under FRS 25, the CULS are required to be split into debt and equity. The impact of this is not material.

The Company has adopted the transitional provisions of FRS's 25 and 26 and, as permitted, has not restated comparatives.

2. Impact of Accounting Standards changes

	<i>Net asset value</i>	
	<i>£'000</i>	<i>per share (p)</i>
Capital employed as previously stated at 31 December 2004	171,591	
Less Zero Dividend Preference shareholders' entitlement	(78,281)	
Equity Shareholders' fund as previously stated	93,310	47.4
Net impact of derivative instrument recognised	(10,355)	(5.2)
Revised capital employed at 1 January 2005	82,955	42.2

3. Property Valuers

The Irish investment and development properties were revalued by DTZ Sherry Fitzgerald and CB Richard Ellis Gunne, professional valuers. The UK investment properties were revalued by Allsop & Co., Chartered Surveyors, all as at 30 June 2005.

4. Return per Ordinary Share

	30 June 2005 (Unaudited) £'000	30 June 2004 (Unaudited) £'000	31 December 2004 (Audited) £'000
Basic			
The return per ordinary share is based on the following figures:			
Revenue return	6,287	8,415	17,444
Capital return	12,766	(13,510)	(8,886)
Total return	19,053	(5,095)	8,558
Weighted average number of shares in issue '000	214,363	197,035	197,043
Ordinary share:			
– revenue return	2.9p	4.3p	8.9p
– capital return	6.0p	(6.9)p	(4.5)p
– total return	8.9p	(2.6)p	4.4p

Diluted

The diluted return per ordinary share is based on the following figures:

Revenue return	7,239	9,362	19,342
Weighted average number of shares in issue '000	315,506	298,218	298,233
Diluted revenue return per ordinary share	2.3p	3.1p	6.5p

The diluted revenue return per Ordinary share is based on the revenue return on ordinary activities after tax but before interest on the 7.5% Convertible Unsecured Loan Stock 2011 and on the weighted average number of Ordinary shares on the basis of full conversion of the 7.5% Convertible Unsecured Loan Stock 2011.

5. Net Asset Values

The net asset value per Ordinary share is based on the net assets attributable to the Ordinary shareholders of £129,951,000 (30 June 2004 – £79,641,000, 31 December 2004 – £93,310,000) and on 253,044,006 (30 June 2004 – 197,050,824, 31 December 2004 – 197,050,824) Ordinary shares in issue at the end of the period.

The net asset value per Zero Dividend Preference share is based on the net assets attributable to the Zero Dividend Preference shareholders of £81,696,000 (30 June 2004 – £74,956,000, 31 December 2004 – £78,281,000) and on 57,755,782 (30 June 2004 – 57,755,782, 31 December 2004 – 57,755,782) Zero Dividend Preference shares in issue at the end of the period.

Notes to the Interim Accounts *(continued)*

6. Statement of Changes in Equity for the Six Months Ended 30 June 2005

	Share Capital	Share Premium Account	Capital Reserve - Realised	Capital* Reserve - Unrealised	Property Revaluation Reserve	Redemption Reserve	Revenue Reserve
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance previously reported	2,548	311,730	(215,192)	(27,624)	19,590	21,726	58,947
Adjustment as a result of Accounting Standards changes	(577)	(57,178)	—	(10,355)	—	(20,525)	—
As at 1 January 2005	1,971	254,552	(215,192)	(37,979)	19,590	1,201	58,947
Share capital movement	559	30,490	—	—	—	279	(279)
Valuation gains/(losses)	—	—	(1,531)	2,189	35,301	—	—
Exchange differences	—	—	(9,407)	476	(897)	—	—
Expenses taken to capital account	—	—	(12,895)	(3,583)	—	—	—
Retained net revenue	—	—	—	—	—	—	6,287
Balance as at 30 June 2005	2,530	285,042	(239,025)	(38,897)	53,994	1,480	64,955

* Included in Capital Reserve – Unrealised is a Hedge Reserve deficit of £13,462,000 resulting from the recognition of interest rate swaps arising on the introduction of FRS25, effective from 1 January 2005.

7. Shares and Loan Stock in Issue

At the period end the Company had the following in issue:

	30 June 2005	31 December 2004
Ordinary shares of 1p	253,044,006	197,050,824
Zero Dividend Preference shares	57,755,782	57,755,782
7.5% Convertible Unsecured Loan Stock 2011	101,143,194	101,182,691

In connection with the acquisition of properties at Balbriggan and Barrow Street 83,876,816 new ordinary shares were issued on 5 May 2005 at 58.5p per share. Pursuant to a sale and purchase agreement entered into with Dawnay Day and others, the Company repurchased for cancellation 27,923,131 ordinary shares on 5 May 2005.

A further 39,497 ordinary shares were issued as a result of the conversion of 39,497 units of loan stock in June 2005.

8. Post balance sheet events note

On 15 August 2005 the Company declared a dividend of 1p per ordinary share payable on 26 September 2005.

By order of the Board

Aztec Financial Services Limited
Secretary

28 September 2005

Independent Review Report to Real Estate Opportunities Limited

Introduction

We have been instructed by the Group to review the financial information for the six months ended 30 June 2005 set out on pages 14 to 21 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Group in accordance with the terms of our engagement letter to assist the Group in meeting the requirements of the Listing Rules of the Financial Services Authority, the Irish Stock Exchange and The Channel Islands Stock Exchange. Our review has been undertaken so that we might state to the Group those matters we are required to state to it in this 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 reached.

Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority, the Irish Stock Exchange and The Channel Islands Stock Exchange which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information issued by the United Kingdom Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with the United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

KPMG Channel Islands Limited

28 September 2005

Chartered Accountants

Jersey

Corporate Information

Directors

Raymond Y F Horney, *Chairman*
Richard J Barrett
Keith A Jenkins
J Philip Jenkinson
Garth P D Milne
David O Moon
Martin W Richardson

Secretary and Registered Office

Aztec Financial Services Limited
32 Commercial Street
St Helier
Jersey JE2 4UF

Registered Number: 79679

Manager

INVESCO International Limited
40 Esplanade
St Helier
Jersey JE4 2PH

Investment Adviser and UK Property Adviser

INVESCO Asset Management Limited
30 Finsbury Square
London EC2A 1AG

Irish Property Adviser

Treasury Holdings
The Warehouse
35 Barrow Street
Grand Canal Docks
Dublin 4
Ireland

Auditors

KPMG Channel Islands Limited
5 St Andrews' Place
Charing Cross
St Helier
Jersey JE4 8WQ

Registrar

Capita IRG (Offshore) Limited
Victoria Chambers
Liberation Square
1/3 The Esplanade
St Helier
Jersey JE4 0FF

UK Stockbroker

Teather & Greenwood Limited
Beaufort House
15 St Botolph Street
London EC3A 7QR

Irish Stockbroker

NCB Stockbrokers Limited
3 George's Dock
International Financial Services Centre
Dublin 1
Ireland

Solicitors and Advocates

Mourant du Feu & Jeune
22 Grenville Street
St Helier
Jersey JE4 8PX

Herbert Smith
Exchange House
Primrose Street
London EC2A 2HS

A&L Goodbody
International Financial Services Centre
North Wall Quay
Dublin 1
Ireland

INVESCO Asset Management Limited

30 Finsbury Square London EC2A 1AG

Telephone: 020 7065 4000

INVESCO Asset Management Limited is a member of AMVESCAP Group
and is authorised and regulated by the Financial Services Authority