

27 August 2009

REAL ESTATE OPPORTUNITIES PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

Real Estate Opportunities plc ('REO' or the 'Company'), a property company listed in London, Dublin and The Channel Islands with an established investment and development property portfolio in Ireland and the UK, today announces its interim results for the six months ended 30 June 2009.

Chairman's statement

Introduction

This has been an extremely difficult period for the Company. As previously highlighted, conditions in the world economy and capital markets in the past 18 months have created a very challenging operating environment for property companies such as REO. In addition, Ireland, where REO has extensive exposure, is facing the biggest contraction of any developed economy (a 13.5% fall in GDP in 2008-2010 according to the latest report from the IMF⁽¹⁾) as well as severe instability in its banking sector. This combination of economic contraction and scarce credit has created an unprecedented situation in the property market leading to almost complete absence of transactions in the market in the last six months. Whilst the UK property market is undoubtedly experiencing similar problems, we believe that the Irish property market has been particularly impacted, as the market awaits the proposed creation of a National Asset Management Agency ("NAMA") to acquire property loans from Irish lenders.

The Company welcomes the proposal for NAMA - the independent asset management agency - and its objective of maximising the value of the assets under its control over a longer term time horizon. The Company also welcomes the initiative's objective of ensuring stability in the Irish commercial property market and the banking sector. In addition, it is expected that NAMA will have access to longer term funding than the current Irish lenders and that the injection of new liquidity to the Irish banking sector will enable the Irish economy to stabilise and in due course return to growth.

The draft NAMA legislation is expected to be passed in the autumn of 2009 and it is expected that the agency will be fully operational by the end of this year. While the process of establishing NAMA continues and uncertainty remains for both lenders and investors as details on the valuation at which the loans will transfer to NAMA have not yet been determined, the Irish property market has come to a standstill with virtually no transactional activity and a lack of clarity on values. In the first half of the year, transactions totalling €42 million have been completed. This compares with just under €500 million for the 12 months of 2008 and €1.9 billion in 2007 (2)(4). As the market in Ireland for investment and development properties is inactive, the Directors have appointed the Investment Adviser to conduct the 30 June 2009 valuations of the REO property portfolio. I refer you to the Investment Adviser's report, which details the valuation methodology further. The portfolio will be valued by external valuers as at 31 December 2009.

The total property portfolio value was £1,622 million (31 December 2008: £1,910 million), representing a reported decrease since year end of 15%. This reported decrease in the portfolio valuation is due to a revaluation downwards after capitalised costs of 9% on average across the portfolio since 31 December 2008, which was further impacted from the foreign exchange movement as the euro weakened against sterling in the six months to 30 June 2009. REO's UK portfolio, which includes Battersea Power Station, saw a revaluation decline of 15%, whilst the Ireland investment and development portfolio values declined on average by 9% in the past six months.

This has resulted in a Diluted European Public Real Estate net asset value per share ("EPRA NAV per share") of 30.9p, representing a fall of 70% from the 104.1p recorded at 31 December 2008.

Business Activity

Although we continue to be extremely cautious about the outlook for the overall property market in Ireland and the UK, the Company maintains its long-term perspective and its principal objective of outperforming the market through this current cycle.

The investment portfolio continues to perform well, especially in light of current market conditions. Average portfolio occupancy remains high at over 90%, while the average lease length is 12 years. Given the market environment, this performance is impressive and the Board is pleased with the intense asset management as a key facet of the Company's strategy in driving cash flow, particularly in these difficult times.

With regard to the development portfolio and as previously highlighted, the Company has taken a prudent approach to timing of its development pipeline and we started this year with a much lower level of development completions due in the next two years than previously was the case while there is also appropriate flexibility on start dates. The Company continues to pursue appropriate planning permissions as well as working towards submitting planning applications in due course for various projects to position the Company for the longer term when the market stabilises and funding becomes more available. I am most pleased to report on the planning permission application for our landmark Battersea Power Station, which was submitted in July 2009. I refer you to the Investment Adviser's report for further detail on progress on both the investment and development portfolio during the period.

Financing

All REO loans are in compliance with agreed covenants, with the exception of one bank facility of £226 million with Bank of Scotland and Bank of Ireland, where a waiver had not been received as at the reporting date. We remain confident that this waiver will be received in due course. For the purposes of our interim financial report, this loan is classified as due within one year.

As highlighted above, NAMA is expected to be fully operational by the end of the year but until then, bank finance continues to be very limited. We are continuing to work closely with our existing lending banks to renew debt facilities where necessary. The banks are responding positively to our proactive approach and have been willing to facilitate us in this regard. Extensions of facilities have been achieved albeit generally for quite short periods. Bank loans amounting to £556 million and £201 million are due for repayment by the end of 2009 and 2010 respectively. The Board's continued priority is to safeguard the Company's financial position and while we are concerned about the impact of this short term uncertainty on the Company's performance, your Board and the Investment Adviser are ensuring that we continue to maintain our strong relationships with our lenders until the longer term solution in the form of NAMA regarding land and development bank loans is resolved. We continue to monitor covenant reporting requirements and as such are able to discuss any possible breaches with our lenders in advance of covenant breaches materialising. To that end, we remain confident that in the event there are breaches in the Group's banking covenants, we can renegotiate covenants or receive waivers with our banks if required.

Once the agency is operational and liabilities are transferred to the agency in due course, NAMA will be able to buy and sell assets, manage the loans and use powers to recover debts. We remain confident that, as with our existing lenders, NAMA will also be supportive of the REO portfolio, due to the quality and location of the Group's development sites. The Company is also actively progressing its development proposals across all sites, including applications for planning permission where appropriate, to reinforce asset values and mitigate the impacts of the general decline in property values. This will strengthen our ability to satisfy future loan to value covenants within our loan facilities, which will enable the Group to take advantage of development opportunities when a favourable market returns.

However, until the agency is operational, the short term outlook for the Company is one of caution as uncertainty regarding its debt position remains.

Going Concern

At 30 June 2009 the Group had total borrowings of £1,621 million. At that date, the Group had cash, cash equivalents and restricted cash of £61 million and a deficit on consolidated shareholders equity of £88 million. The Group has an investment and development property portfolio valued at £1,622 million.

The Company has prepared a financial plan for the period to 31 December 2010. A number of key assumptions have been made in preparing this plan, including: bank facilities that are due in 2009 and 2010 amounting to £556 million and £201 million respectively will be rolled over and renewed on broadly similar terms; if there are further declines in values which may result in breaches of loan facility covenants, it is assumed that the existing facilities will remain in place and be renewed, as is consistent with recent experience; and the Group will realise £35 million to £40 million in cash following the completion of one of a number of corporate transactions that are

currently being explored. Based on these assumptions, the Board believes that there is adequate cash and cash equivalents to meet its working capital requirements until November 2010.

Board Changes

During the period, Guy Leech, Group Finance Director of Treasury Holdings resigned from the REO Board to pursue other business opportunities and we wish him well and thank him for his important contribution to the Company for the past few years. The Board is pleased to welcome Robert Tincknell, who was appointed in June, to the REO Board. Robert is currently Managing Director of Treasury Holdings UK Limited. He has worked extensively in the UK property investment and development market spanning a period of 20 years. Robert worked previously as Managing Director of the Commercial Division at The Berkeley Group plc.

Outlook

The fallout from the global economic downturn and Ireland's own difficulties in both the economy and banking sector continue to impact the performance of the business severely, as evidenced in this set of results. Uncertainty regarding the prospects for the Irish economy and property market, in particular, remains. Although encouraging progress has been made by the Irish government in taking swift actions to restore some stability to both the country's public finances and the banking sector, including the creation of NAMA, much work remains if the Government is to meet its target of returning to growth in 2011. In the meantime, it can be expected that property investors and tenants will continue to experience significant challenges. Although the underlying REO business continues to perform relatively well in a difficult market and the Company maintains its long term perspective, we await the final outcome of NAMA and its implications for the Company in the coming months, as until the Company reaches some certainty around future banking arrangements and its financial position, the Board retains its cautious outlook for the rest of this financial year.

Ray Horney
Chairman
26 August 2009

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INVESTMENT ADVISER'S REPORT

Valuation methodology

Investment properties and investment properties under development are stated at fair value in accordance with GAAP at 30 June 2009. The Group has commissioned Treasury Holdings, the Group's Investment Adviser, to carry out these valuations.

		Valuation Dec '08 '000	Valuation June '09 '000	Capital expenditure '000	June '09 valuation excluding capital expenditure '000	% Change
Irish Investment Properties	Euro	944,041	874,825	3,865	870,960	-7.7%
Irish Investment Properties under development	Euro	585,070	549,820	23,909	525,911	-10.1%
Irish Properties	Euro	1,529,111	1,424,645	27,774	1,396,871	-8.6%
UK Properties	GBP	453,750	407,935	19,722	388,213	-14.5%

Irish Investment Properties: The value of Irish investment properties has declined on average by 8% in the six months to 30 June 2009, after capital expenditure. Whereas previously valuations were made with reference to comparable market transactions on arms length terms, due to the exceptionally low volume of transactions in the market during the period described previously, the valuers have used the following key assumptions:

The fair value of each individual investment property has had regard to the value as determined by external independent valuers at 31 December 2008, adjusted for:

- *Market movement in the Irish property market in the six month period.* Each individual investment property valuation has been derived from an assessment of net annual rents receivable from the properties and, where relevant, associated costs, which have been valued at yields, ranging from 5.2% to 6.8%, which reflect the risks inherent in the net cash flows. This represents a 20-80 basis point adjustment from the December 2008 valuations, which the valuers believe reflect market conditions. In addition, valuations reflect, where appropriate, the type of tenants actually in occupation, the lease expiries, and events in the period such as lettings, rent reviews completed in the period and rent reviews due for completion imminently.
- *Material property specific changes over the six month period.* On a property by property basis, material events such as rent reviews, imminent rent reviews with a potential for rent increases, new lettings and tenant departures have been taken into account.

A 1% change in the average yield used to calculate Irish investment property values would result in approximately a £100 million change in the resultant valuations.

Irish Development Properties: The values of Irish properties under development, which are classified as sites in the course of development, have decreased on average by 10% in the six months to 30 June 2009, after capital expenditure. The basis for these values was consistent with that used at 31 December 2008, whereby market values are derived having regard to the anticipated future yields on completion, less the necessary costs to complete the development, with due allowance for risk and uncertainty and market sentiment. Due to the exceptionally low volume of transactions in the market during the period described previously, the valuers have used the following key assumptions:

The fair value of each individual investment property under development is based on the value at 31 December 2008 as determined by independent valuers and adjusted for:

- *Decreasing costs in the Irish development property market in the six month period.* A review of the additional costs capitalised and estimated costs to completion on each of the investment properties

under development was undertaken. Decreases in REO construction and finance costs to June 2009 have been in the order of 15-20%.

- *Market movement in the Irish development property market in the six month period.* Market sentiment in the Irish development property market has moved negatively in the period under review due to uncertainty in the market caused by low levels of bank credit and the imminent arrival of NAMA as described in more detail in the Chairman's report.

The Directors believe that this decrease in development property values is appropriate based on the evidence that the downward trend in market movement of Irish development property is offset in part by the decreasing costs to completion of developments as well as the previous deferral of development projects for completion after 2011.

UK Development Properties: The value of UK properties under development has decreased by 15% in the six month period to 30 June 2009. Although the UK property market has been more active than the Irish market, there are still few comparable arms length transactions of the types of property owned by REO. Battersea Power Station represents a unique mixed use development and the largest single planning application ever to be submitted in the UK. The current economic environment means there has been even fewer transactions for the types of property owned by REO. The market value of UK development property was therefore based on the same methodology as at 31 December 2008 and adjusted for the following factors:

- *Movement in projected value.* In accordance with agent advice provided, residential and investment values for the completed Battersea Power Station development have decreased in the six month period to 30 June 2009. As a result the scheme's net development value has fallen by 8%.
- *Movements in building costs.* Quantity surveyors for the Battersea Power Station development have updated their cost report for the project to show a fall in building costs of 12.7%. This is a result of downward pressure on construction costs and extensive value engineering of costs across the scheme.

The result is a 15% decrease in the value of the land used for the proposed development at Battersea Power Station.

The other UK assets have fallen by 10%. These investment properties have been valued on the same basis as determined by external independent valuers at 31 December 2008. Treasury Holdings has applied yield increases of between 50 and 100 basis points to the 31 December 2008 valuation yields, depending on property specific factors such as lease terms, tenant quality and portfolio occupancy. This has resulted in an increase in the weighted average yield from 6.8% to 7.6%.

Investment portfolio

Despite the negative sentiment, REO's investment portfolio continues to perform well as it continues to maintain its high occupancy rate of over 90% primarily due to its broad tenant base and quality of the portfolio. It represents 49% of the entire portfolio by value and accounts for over 1.54 million square metres in size and includes over 100 occupiers. This is a strong portfolio of buildings with an annualized rent roll of £41 million.

Since 1 January 2009, the Company settled six rent reviews achieving an average increase of 21% compared with previous rents. In addition, the Company completed 11 new lettings in the period. Specifically, a rent review was settled with one of REO's largest tenants, Merrill Lynch, at 27% above previous rent, representing a strong result in this market environment. In addition, there is an upcoming rent review with REO's largest tenant by value, Vodafone (Central Park, Co. Dublin). This review is progressing well and is expected to be completed by the end of the financial year.

If economic conditions were to deteriorate further, the Company believes that average occupancy rates for the portfolio could fall but the Company has been actively monitoring tenant progress and currently there are no indications of material tenant defaults, with only 3% of the rent roll in arrears. Particular attention is being paid to rent collections in the knowledge that some small retail tenants may be experiencing trading difficulties as consumer sentiment continues to be impacted by rising unemployment and additional taxation. The Company is working hard to support and work closely with tenants as a result, including temporarily accepting rent payments on a monthly basis rather than quarterly.

Development portfolio

Battersea Power Station

It has been a year since the first masterplan launch for the Battersea Power Station development and over the last twelve months, the masterplan has evolved to take account of many comments received and in close collaboration with Wandsworth Council, the local community, the Mayor and Greater London Authority, English Heritage, CABE, Transport for London and numerous other organisations. This revised detailed masterplan for the landmark UK development was submitted for planning in late July 2009.

The revised masterplan meets all of REO's key objectives of the project: Rafael Vinoly's revised plans ensure that no other building on the site will be taller than the shoulders of the power station, and make sure that the power station remains a dramatic centrepiece of the scheme, particularly in views from around the site and from across the river.

The masterplan includes around 3,700 new homes, 1.5 million square feet of office floorspace, 500,000 square feet of retail, restaurants, a hotel, leisure space and community facilities. It is this mix of uses that is essential to delivering an active place that will bring life to the area. The scheme will also act as a catalyst to the regeneration of the Nine Elms area, which will be greatly enhanced by the plans to extend the Northern Line from Kennington through to Battersea Power Station.

Irish development portfolio

During the period, planning permission was granted to substantially enhance the existing prime investment asset Baggot Buildings, located in Dublin's city centre from 5 storeys to 8 and increasing the area from 8,200 square metres of office space to over 18,000 square metres of office and retail space. Construction is expected to commence in 2014 with completion in 2016. This asset is currently leased to an Irish government agency.

In addition, the Company secured planning permission for an additional office building (13,700 square metres) within its Central Park development, one of REO's most established suburban developments, currently tenanted by companies including Vodafone, Merrill Lynch, First Active and Vivas Healthcare. Central Park, which is strategically located beside the M50 between Sandyford and Leopardstown, offers a convenient out of town suburban location with excellent public transport links including easy access to the N11 and the Luas Green line. Central Park's own Luas stop is due to become operational in the summer of 2010. Construction of Number 1, Central Park (described below) is already well underway.

There are only two developments currently under construction. Due to short-term uncertainty on lettings prospects, Number 1, Central Park, Dublin 18, a 17,650 square metre office development, is expected to be completed later this year but will exclude fit out until a pre-letting is secured. Montevetro, on Barrow Street, Dublin 4 (19,500 square metres) is not expected to be completed until late 2010.

Financial Review

Profit & Loss

Property income amounted to £18 million in the six months to 30 June 2009, representing an increase from £15 million in the prior year six month period due to a positive currency translation impact. After valuation losses and operating expenses, the reported operating loss was £158 million. Net financial expenses increased to £42 million in the period, partly driven by the negative movement in the fair value of financial derivatives of £17 million. After accounting for the Company's share in CREO's after tax loss of £0.5 million, this resulted in a REO loss after taxation for the period of £196 million.

Valuations & Net Asset Value ("NAV")

The value of the portfolio as at 30 June 2009 amounted to £1,622 million, a reported decrease of 15% since 31 December 2008, following a revaluation movement after capitalised costs of 9% and a negative currency translation impact of 8%.

As a consequence of accounting for the fair value of the Group's property portfolio, derivative financial instruments and providing for deferred taxation on the revaluation of the Group's property portfolio, the deficit on the consolidated shareholders funds at 30 June 2009 is £88 million.

The Director's of the Company believe that the Groups net assets calculated in accordance with the European Public Real Estate Association (EPRA) guidelines is a more appropriate measure as it excludes the mark to

market movement on derivative financial instruments and deferred taxation provisions on revaluations. The consolidated net assets of the Company under the EPRA guidelines is £103.3 million at 30 June 2009 (31 December 2008: £347.5 million).

Diluted EPRA NAV per share was 30.9p as at 30 June 2009, representing a reduction of 70% from 104.1p at 31 December 2008.

Debt & Gearing

Bank loans amounting to £556 million and £201 million mature during 2009 and 2010 respectively. The majority of loans due for repayment in 2009 are due at the end of the year and the Company remains confident about reaching agreement on their renewal on broadly similar terms. The loans due in 2009 include a loan of £226 million, with original maturity dates between 2010 and 2011, which is shown as repayable in 2009 as a result of a breach of covenant at 30 June 2009. Discussions are ongoing with the Company's bankers and the Directors are not aware of any issues which would prevent the required waiver being granted. It is not expected that there will be significant new facilities agreed during 2009 but sufficient cash does exist to progress certain development sites towards planning permission.

The overall debt level of £1,405 million, including loan notes and excluding Zero Dividend Preference Shares and Convertible Unsecured Loan Stock, equates to an LTV ratio of 87%. 96% of the Company's debt is on fixed rates and weighted average cost of secured debt is 6.1% per annum. In the event that there is a further decline in property values which would reduce the Group's NAV and could result in breaches in the Group's banking covenants, it is assumed that the existing bank facilities will remain in place and be renewed in such an environment, consistent with recent experience.

Cash

As at 30 June 2009, the Group had cash, cash equivalents and restricted cash of £61 million. The Company has prepared a detailed financial plan for the next 15 months and the key assumptions made in that forecast include the renewal or roll over of the loans due in 2009 and 2010 and the completion of one of a number of transactions to realise £35 million to £40 million in cash, which are presently being explored. On this basis, the Board has reviewed the cash requirements for the business and as long as current market and business conditions prevail, believes that there is adequate working capital to fulfill the needs of the business until November 2010.

There are capital commitments within the business of £72 million which are largely related to the continuing construction of existing developments in Central Park and Montevetro, both of which are in Dublin. These projects have already secured committed bank facilities.

Irish economy commentary

After Ireland's remarkable growth performance in the past ten years, current forecasts for the contraction in the size of the Irish economy for 2009 have repeatedly been revised downwards in the past 9 months as the outlook, both internationally and domestically, deteriorates further and forecasts now predict a contraction of 9% in 2009 or 13.5%⁽¹⁾ over the three years cumulatively from 2008-2010. The drop in output has coincided with a sharp fall in the labour market, with unemployment forecast to reach 17% by the end of next year⁽³⁾. The speed of decline has slowed somewhat in the second quarter of the year with the biggest declines in both output and employment seen in the first few months of 2009. However, the economy is still contracting and to address the situation, the Irish Government has taken some important steps including tax measures to deal with the public finances, alongside the establishment of NAMA to return stability to the banking sector. However, tough decisions lie ahead, including the 2010 Budget in December this year to reduce the significant gap between revenues and expenditure down to a manageable level as it is estimated that a spending adjustment of approximately 9.5%⁽¹⁾ of GDP will be required on the expenditure side. Until this time, the outlook for the Irish economy remains negative.

⁽¹⁾ Source: International Monetary Fund: Ireland Staff Report for the 2009 Article IV Consultation

⁽²⁾ Source: CBRE Commercial Property Market Outlook 2009 Report

⁽³⁾ Source: ESRI, Quarterly Economic Commentary, Spring 2009

⁽⁴⁾ Source: CBRE Bi-Monthly Research Report, July 2009

Principal risks and uncertainties

for the remaining six months of the year

The principal risks and uncertainties that face the business for the remainder of the current financial year are broadly consistent with those outlined on page 24 of the Annual Report for the year ended 31 December 2008. The risks include the following: economy, financial sector, property valuations, recoverability of investment in associate, and future cash flows.

Economy: The general macro environment continues to be very difficult and both Ireland and the UK continue to suffer from contracting GDP, declining asset values, increasing budget deficits and rising unemployment. As a direct consequence of this, lower tenant demand and tenant defaults pose a risk to the Group through lower cash inflows in the near term. Failure to re-let investment properties would also have another adverse impact on property valuations. REO has a well diversified tenant base with the largest occupier, Vodafone, accounting for 13.5% of rental income and overall average occupancy remains strong at over 90%. In addition, our occupational leases are generally long-term contracts, making the income relatively secure. The weakness in the economy may also impact our development assets as demand has weakened and agreeing new leases for current developments, including developments near completion. We now have just two major developments currently underway.

Financial sector – lenders & NAMA: As highlighted in the Chairman's statement, credit remains scarce prior to NAMA becoming fully operational and until the process of removing property loans from the banks is complete and lenders resume lending, confidence in the property market and the economy as a whole will not be fully restored. The Company remains confident that it will continue to have a strong relationship with its lenders and also be able to foster a good working relationship with NAMA and successfully renew its debt due for expiry, once it is established. In the event that property values were to fall significantly further, there would be a risk that the Group could breach its borrowing covenants in the future. However, the Company remains confident that it will be in a position to renegotiate its covenants with its lenders, if required.

Property valuations & NAV: Property valuations continue to decline due to the poor economic environment and instability in the banking sector. This is a reaction to a situation where there are few, if any buyers due to the almost total absence of bank credit. This inactive market has made it difficult for valuers to adjudge property values. In the event that valuations decline further, this may result in a further decline in shareholder funds, which would cause concern in the markets. The deficit on shareholders funds as at 30 June 2009 are £88 million. As a consequence of accounting for the fair value of the Group's property portfolio, derivative financial instruments and providing for deferred taxation on the revaluation of the Group's property portfolio, the deficit on the consolidated shareholders funds at 30 June 2009 is £88 million.

The Director's of the Company believe that the Groups net assets calculated in accordance with the European Public Real Estate Association (EPRA) guidelines is a more appropriate measure as it excludes the mark to market movement on derivative financial instruments and deferred taxation provisions on revaluations. The consolidated net assets of the Company under the EPRA guidelines is £103.3 million at 30 June 2009 (31 December 2008: £347.5 million).

Recoverability of Investment in Associate: The Group has an investment in its associate company, China Real Estate Opportunities plc, which is accounted for under the equity method of accounting at the underlying net asset values of that company which at 30 June 2009 were £404 million. The market value of the Group's investment in CREO at 30 June 2009 was £68 million. The Board believes the net assets are a reasonable reflection of the values achievable in the market.

Liquidity: We have substantial bank facilities that are due to expire at the end of this year and in 2010. We are relying on our lenders, including NAMA to renew those facilities on similar terms. As at 30 June 2009, the overall debt level stood at £1,405 million, including loan notes and excluding Zero Dividend Preference Shares and Convertible Loan stock, equating to an LTV ratio of 87%. As highlighted above, in the event that property values were to fall significantly, resulting in reduced net asset value, the Group could breach its banking covenants in the future. However, the Company remains confident that existing facilities would still remain in place and be renewed, which is consistent with our recent experience. In revising our cash flow forecasts for the next 15 months, we also need to complete a transaction, which would raise funds of £35 to £40 million to support the Company's working capital requirements. Depending on the circumstances prevailing, there are a number of principal alternatives which may be pursued to address this risk including the raising of additional equity and the sale of properties.

Failure to complete such a transaction and/or renew those bank facilities due for expiry would have material adverse consequences for the Company. The Directors of the Company have concluded that the above factors represent material uncertainties and failure to achieve the forecast assumptions could cast doubt on the Company's ability to continue as a going concern. However, having discussed the basis of preparation and the assumptions made on the cash flow projections, the Directors have a reasonable expectation that the Group will be able to meet its liabilities as they fall due for the foreseeable future.

Interest rates: Interest is a substantial cost to the Group. The Company uses interest rate and currency swaps to manage its exposure to fixed and floating interest rates. At 30 June 2009, 96% of the Group's gross debt was at fixed interest rates. However, the ongoing difficulties experienced in the banking sector and scarcity of credit may result in lenders seeking higher margins and there is a risk that future interest costs may be higher.

Statement of the directors in respect of the half-yearly financial report

Each of the directors confirm that, to the best of each person's knowledge and belief:

- (a) the condensed interim financial statements comprising the condensed income statement, statement of comprehensive income, the condensed statement of financial position, the condensed statement of changes in equity, the condensed statement of cash flows and related notes 1 to 12 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.
- (b) the interim management report includes a fair review of the information required by:
 - (i) *Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (ii) *Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Ray Horney
Chairman
26 August 2009

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of cashflows, condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly 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 company in accordance with the terms of our engagement letter to assist the company in meeting the requirements of the Transparency (Directive 2004/109/EC) Regulations 2007 ("the TD Regulations") and the Disclosure and Transparency Rules of the UK's Financial Services Authority ("the FSA"). Our review has been undertaken so that we might state to the company 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 company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the TD Regulations and the Disclosure and Transparency Rules of the UK FSA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The directors are responsible for ensuring that the condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly 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. A review of interim financial information consists of making enquiries, 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 half-yearly report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU, the TD Regulations the Disclosure and Transparency Rules of the UK FSA.

Emphasis of matter – going concern and valuation of investment properties and investment properties under development

In forming our conclusion, which is not qualified, we have considered the adequacy of the disclosures made in notes 1 and 2 to the condensed financial statements concerning:

- (i) the impact of current market conditions on the group's ability to continue as a going concern; and
- (ii) the method of valuation of the group's investment properties and investment properties under development.

As set out in note 1 there are a number of material uncertainties which may cast doubt on the ability of the Group to continue as a going concern. These matters include the ability of the Group to successfully negotiate the roll over and renewal of bank loans of £556 million which fall due in 2009 and £201 million which fall due in 2010, realise £35 million to £40 million in cash from the completion of one of a number of corporate transactions and to secure the continuing support from the Group's bankers in the event of future breaches of covenants on other loans in a climate of deteriorating property values.

While the ultimate outcome of these matters cannot be assessed with certainty at this time, the Directors are of the opinion that based on the current stage of negotiations with the Group's bankers it is appropriate to prepare the financial statements on the going concern basis.

The condensed financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

The group's principal assets comprise investment properties and investment properties under development, located in Ireland and the UK, which are being carried in the financial statements at market value.

Given the materiality of these amounts and the inherent subjectivity in such valuations, we draw your attention to note 2 to the financial statements, which highlights that these valuations have been carried out by the Directors using assumptions, and exercising certain judgements, based on market conditions as at 30 June 2009.

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

26 August 2009

Condensed consolidated statement of financial position

As at 30 June 2009

In thousands of pounds sterling

	Note	30 Jun 2009 unaudited	31 Dec 2008 audited
Assets			
Investment properties	2	788,374	946,920
Investment properties under development	2	833,501	963,262
Investment in associate	3	67,980	85,309
Trade and other receivables		5,829	6,855
Derivative financial instruments		-	273
Deferred tax asset	4	8,799	5,818
Other investments – available for sale		325	190
Restricted cash		10,174	12,788
Total non-current assets		1,714,982	2,021,415
Trade and other receivables		16,172	20,785
Cash and cash equivalents		47,604	55,503
Restricted cash		3,225	26,067
Total current assets		67,001	102,355
Total assets		1,781,983	2,123,770
Liabilities			
Interest-bearing loans and borrowings	5	981,186	1,271,062
Trade and other payables		1,058	3,749
Derivative financial instruments		60,324	39,260
Deferred tax liabilities	4	122,707	140,150
Total non-current liabilities		1,165,275	1,454,221
Interest-bearing loans and borrowings	5	640,029	440,633
Trade and other payables		50,513	55,409
Derivative financial instruments		14,269	23,985
Total current liabilities		704,811	520,027
Total liabilities		1,870,086	1,974,248
Net (liabilities) / assets		(88,103)	149,522
Equity			
Issued capital		3,338	3,338
Share premium		12	1
Reserves - other		15,637	18,904
Currency reserve		104,809	143,431
Retained losses		(209,035)	(15,290)
Total (deficit) / equity attributable to equity holders of the parent		(85,239)	150,384
Non controlling interest		(2,864)	(862)
Total (deficit) / equity		(88,103)	149,522
Net (deficit) / asset per ordinary share			
Basic (pence)	6	(25.5)	45.1
Diluted (pence)	6	(25.5)	45.1
Diluted EPRA (pence)	6	30.9	104.1

Condensed consolidated income statement

For the six months ended 30 June

In thousands of pounds sterling

	<i>Note</i>	2009 <i>unaudited</i>	2008 <i>unaudited</i>
Property income	7	18,367	14,765
Other income		1,077	-
Valuation losses on investment properties and on investment properties under development	2	(174,970)	(74,696)
Management fee		(2,087)	(1,333)
Administrative expenses		(501)	(4,974)
Results from operating activities		(158,114)	(66,238)
Financial income		966	31,747
Financial expenses		(42,868)	(35,789)
Net finance costs	8	(41,902)	(4,042)
Share of (loss) / profit of associates	3	(483)	3,797
Loss before income tax		(200,499)	(66,483)
Income tax credit	4	4,554	7,152
Loss for the period		(195,945)	(59,331)
Attributable to:			
Owners of the company		(193,745)	(56,357)
Non-controlling interest		(2,200)	(2,974)
Loss for the period		(195,945)	(59,331)
Loss per ordinary share			
Basic (pence)	9	(58.0)	(16.9)
Diluted (pence)	9	(58.0)	(12.1)

All results derive from continuing operations.

Condensed consolidated statement of comprehensive income

For the six months ended 30 June

In thousands of pounds sterling

	<i>Note</i>	2009 <i>unaudited</i>	2008 <i>unaudited</i>
Loss for the period		(195,945)	(59,331)
Other comprehensive income			
Foreign currency translation differences for foreign operations		(38,424)	41,596
Share of other reserve movement of associate	3	(3,267)	-
Other comprehensive income for the period, net of income tax		(41,691)	41,596
Total comprehensive income for the period		(237,636)	(17,735)
Attributable to:			
Owners of the company		(235,634)	(15,269)
Non-controlling interest		(2,002)	(2,466)
Total comprehensive income for the period		(237,636)	(17,735)

Condensed consolidated statement of changes in equity

For the 12 months ended 31 December 2008

<i>In thousands of pounds sterling</i>	Share capital	Share premium	Currency reserve	Other reserve	Retained earnings (restated)	Total equity reserves attributable to shareholders	Non controlling interest	Total
Balance at 1 January 2008	3,338	405,747	41,901	14,062	(56,387)	408,661	6,337	414,998
Total comprehensive income for the period								
Profit or loss	-	-	-	-	(56,357)	(56,357)	(2,974)	(59,331)
Other comprehensive income								
Foreign currency translation differences	-	-	41,088	-	-	41,088	508	41,596
Total other comprehensive income	-	-	41,088	-	-	41,088	508	41,596
Total comprehensive income for the period	-	-	41,088	-	(56,357)	(15,269)	(2,466)	(17,735)
Transactions with owners, recorded directly in equity								
Contribution by and distribution to owners								
Cancellation of share premium	-	(405,747)	-	-	405,747	-	-	-
Dividends to equity holders	-	-	-	-	(5,007)	(5,007)	-	(5,007)
Total transactions with owners	-	(405,747)	-	-	400,740	(5,007)	-	(5,007)
Balance at 30 June 2008	3,338	-	82,989	14,062	287,996	388,385	3,871	392,256
Total comprehensive income for the period								
Profit or loss	-	-	-	-	(303,286)	(303,286)	(5,124)	(308,140)
Other comprehensive income								
Foreign currency translation differences	-	-	60,442	-	-	60,442	391	60,833
Share of other reserve movement - associate	-	-	-	4,842	-	4,842	-	4,842
Total other comprehensive income	-	-	60,442	4,842	-	65,284	391	65,999
Total comprehensive income for the period	-	-	60,442	4,842	(303,286)	(238,002)	(861)	(242,735)
Transactions with owners, recorded directly in equity								
Contribution by and distribution to owners								
Conversion of loan stock	-	1	-	-	-	1	-	1
Total transactions with owners	-	1	-	-	-	1	-	1
Balance at 31 Dec 2008	3,338	1	143,431	18,904	(15,290)	150,384	(862)	149,522

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2009

<i>In thousands of pounds sterling</i>	Share capital	Share premium	Currency reserve	Other reserve	Retained earnings (restated)	Total equity reserves attributable to shareholders	Non controlling interest	Total
Balance at 1 January 2009	3,338	1	143,431	18,904	(15,290)	150,384	(862)	149,522
Total comprehensive income for the period								
Profit or loss					(193,745)	(193,745)	(2,200)	(195,945)
Other comprehensive income								
Foreign currency translation differences	-	-	(38,622)	-	-	(38,622)	198	(38,424)
Share of other reserve movement - associate	-	-	-	(3,267)	-	(3,267)	-	(3,267)
Total other comprehensive income	-	-	(38,622)	(3,267)	-	(41,889)	198	(41,691)
Total comprehensive income for the period	-	-	(38,622)	(3,267)	-	(235,634)	(2,002)	(237,636)
Transactions with owners, recorded directly in equity								
Contribution by and distribution to owners								
Conversion of loan stock	-	11	-	-	-	11	-	11
Total transactions with owners	-	11	-	-	-	11	-	11
Balance at 30 June 2009	3,338	12	104,809	15,637	(209,035)	(85,239)	(2,864)	(88,103)

Condensed consolidated statement of cashflows

For the six months ended 30 June

In thousands of pounds sterling

	2009	2008
	unaudited	unaudited
Operating activities		
Loss for the period	(195,945)	(59,331)
Net financial expense	41,902	4,042
Profit on disposal of investment properties under development	(452)	-
Change in fair value of investment properties and investment properties under development	174,970	74,696
Share of loss / (profit) in associate	483	(3,797)
Income tax credit	(4,554)	(7,152)
Operating profit before changes in working capital	16,404	8,458
Income tax refund / (paid)	569	(771)
(Increase) / decrease in trade and other receivables	(1,667)	2,372
(Decrease) / increase in trade and other payables	(62)	9,390
Cash generated from operations	15,244	19,449
Investment activities		
Addition to investment properties and investment properties under development	(20,695)	(22,451)
Proceeds from sale of investment properties under development	3,624	-
Interest received	945	1,668
Movement in restricted cash	21,360	-
Cash flows from investing activities	5,234	(20,783)
Financing activities		
Proceeds from bank borrowings (net)	15,478	32,490
(Payments) / receipts on derivative financial instruments	(6,153)	1,802
Interest paid	(32,588)	(52,538)
Cash flows from financing activities	(23,263)	(18,246)
Net decrease in cash and cash equivalents	(2,785)	(19,580)
Cash and cash equivalents at 1 January	55,503	77,119
Effect of exchange rate fluctuations on cash held	(5,114)	-
Cash and cash equivalents at 30 June	47,604	57,539

Notes to the condensed consolidated interim financial statements

1a. Basis of preparation

The unaudited condensed consolidated interim financial statements of the Company for the six months ended 30 June 2009 comprises the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associate. They are presented in pounds sterling and rounded to the nearest thousand. The report is prepared on the historical cost basis except for the following assets and liabilities which are stated at fair value: derivative financial instruments, financial assets available for sale, investment properties and investment properties under development.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ materially from these estimates. In preparing these interim financial statements, the significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements as at and for the year ended 31 December 2008, except as noted below.

The financial information included in the interim financial statements is unaudited and does not constitute statutory accounts as defined in Companies (Jersey) Law 1991, (as amended).

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2008.

The condensed consolidated interim financial statements were approved by the Board of Directors on 26 August 2009.

Significant accounting policies

Except as described below, the accounting policies applied by the Group in these condensed interim financial statements are the same as those applied by the Group in its audited financial statements as at and for the year ended 31 December 2008.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

(i) Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows:

Comparative segment information has been re-presented in conformity with the transitional requirements of IFRS 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Group’s other components. An operating segment’s operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discreet financial information is available.

(ii) Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements (2007)*, which became effective as of 1 January 2009. As a result the Group presents in the consolidated statement of changes in equity all owner changes

Notes to the condensed consolidated interim financial statements

in equity whereas all non owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in the condensed interim financial statements as of and for the six months period ended on 30 June 2009.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(iii) Restatement – accounting for properties under development - CREO

Consistent with “Improvement to IFRSs (2008)” which amends IAS 40 “Investment Property”, CREO has changed its accounting policy regarding the accounting treatment for properties under development. According to this amendment, investment properties which are under construction will be carried at fair value. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously in CREO such properties were carried at fair value, with valuation gains and losses recorded in the revaluation reserve in the equity and the profit and loss respectively. The corresponding figures in CREO for the previous period or period end have been restated.

The effect of this change on REO’s financial statements is an adjustment of £3.8 million between revaluation reserve and retained earnings at 1 January 2008 and an adjustment of £3.4 million between revaluation reserve and profit and loss at 31 December 2008. This is a cumulative adjustment of £7.2 million to retained earnings and revaluation reserve at 31 December 2008.

1b. Going concern

At 30 June 2009 the Group had total borrowings of £1,621 million. At that date, the Group had cash, cash equivalents and restricted cash of £61 million and a deficit on consolidated shareholders equity of £88 million. The Group has an investment and development property portfolio valued at £1,622 million.

The Group’s future operating performance will be affected by general economic, financial and business conditions, many of which are beyond the Group’s control. The Group’s bank borrowings are mainly provided by financial institutions operating in Ireland and the United Kingdom. These financial institutions continue to face financial difficulty and in many cases are being supported by Government. A significant deterioration in the economic environment in Ireland and the United Kingdom could have a material adverse impact on the value of our property portfolio, our shareholders equity and as a consequence on our ability to obtain longer term debt or equity financing required to meet our longer term financing and liquidity requirements beyond 2010.

REO has prepared a financial plan for the period to 31 December 2010. A number of key assumptions have been made in preparing this plan, including: bank facilities that are due in 2009 and 2010 amounting to £556 million and £201 million respectively will be rolled over and renewed on broadly similar terms; if there are further declines in values which may result in breaches of loan facility covenants, it is assumed that the existing facilities will remain in place and be renewed, as is consistent with recent experience; and the Group will realise £35 million to £40 million in cash following the completion of one of a number of corporate transactions that are currently being explored. Based on these assumptions, the Board believes that there is adequate cash and cash equivalents to meet its working capital requirements until November 2010.

The loans due in 2009 include a loan of £226 million, with original maturity dates between 2010 and 2011. This is shown as repayable in 2009 as a result of a breach of covenant at 30 June 2009. Discussions are ongoing with the company’s bankers and the directors are not aware of any issues which would prevent the required waiver being granted.

The Directors of the Company have concluded that the above factors represent material uncertainties. Failure to deliver on the forecast assumptions may cast significant doubt on the ability of the Company to continue as a going concern and it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, having discussed the basis of preparation and the assumptions underlying the Group’s cashflow projections together with assessing the current status of negotiations with the Group’s current lenders, and assuming the rollover and renewal of expiring

Notes to the condensed consolidated interim financial statements

facilities and required further waivers are put in place within the required timescales, the Directors of the Company have a reasonable expectation that the Company will be able to meet its liabilities as they fall due for at least twelve months from the approval of these financial statements. It is on this basis that the Directors consider it appropriate to prepare the financial statements on a going concern basis. These unaudited interim financial statements do not include any adjustment that would result from the going concern basis of preparation being inappropriate.

Notes to the condensed consolidated interim financial statements

2. Investment properties and investment properties under development

In thousands of pounds sterling

	Investment Property	Investment property under development	Total
At 1 January 2009	946,920	963,262	1,910,182
Additions	1,853	36,016	37,869
- subsequent expenditure	1,853	36,016	37,869
Disposals	-	(3,207)	(3,207)
Deficit on revaluation	(68,703)	(106,267)	(174,970)
Currency translation adjustment	(91,696)	(56,303)	(147,999)
At 30 June 2009	788,374	833,501	1,621,875
Properties held in			
UK	42,935	365,000	407,935
Ireland	745,439	468,501	1,213,940
Valuation at 30 June 2009	788,374	833,501	1,621,875

	Investment Property	Investment property under development	Total
At 1 January 2008	922,661	853,777	1,776,438
Additions	15,248	90,666	105,914
- property acquisitions	4,435	-	4,435
- subsequent expenditure	10,813	90,666	101,479
Transfers	(60,428)	60,428	-
Disposals	(23,620)	(948)	(24,568)
Deficit on revaluation	(120,388)	(161,600)	(281,988)
Currency translation adjustment	213,447	120,939	334,386
At 31 December 2008	946,920	963,262	1,910,182
Properties held in			
UK	47,750	406,000	453,750
Ireland	899,170	557,262	1,456,432
Valuation at 31 December 2008	946,920	963,262	1,910,182

Notes to the condensed consolidated interim financial statements

2. Investment properties and investment properties under development (Continued)

Valuation of investment properties and investment properties under development

The group's principal assets comprise investment properties and investment properties under development, located in Ireland and the UK, which are being carried in the financial statements at fair value.

These valuations have been carried out by the Directors, with input from the Investment Adviser, using assumptions, and exercising certain judgements, based on market conditions as at 30 June 2009.

Further details of the assumptions used in the valuations are set out in the Investment Adviser's report.

Notes to the condensed consolidated interim financial statements

3. Investment in associate

In thousands of pounds Sterling

Associate	Country of operation	Ownership	
		30 June 2009	31 Dec 2008
China Real Estate Opportunities plc ("CREO")	Peoples Republic of China	16.93%	17.58%

The Group has accounted for its interest in CREO as an associate as the Company has significant influence over CREO's operating and financial policies as a result of the Group's shareholding and Treasury Holdings' shareholding and the fact that there are common directors between REO and CREO. CREO is a Jersey incorporated company focused on real estate investment and development in China. As a result of CREO's transactions with its shareholders during the period, REO's shareholding in CREO's ordinary share capital has decreased to 16.93%.

Included in the consolidated financial statements are the following items that represent the Group's interests in the assets and liabilities, revenues and expense of the associate.

Summary of financial information	30 June 2009	31 Dec 2008 restated
Non-current assets	137,785	168,013
Current assets	12,539	20,588
Non-current liabilities	(68,400)	(87,414)
Current liabilities	(13,944)	(15,878)
Net assets	67,980	85,309
Income	9,465	9,832
Expenses	(9,948)	(23,068)
Net loss	(483)	(13,236)

Movement in investment in associate	30 June 2009	31 Dec 2008 restated
At the beginning of the period / year	85,309	54,832
Adjustment for (decrease) / increase in proportional shareholding	(3,154)	1,965
Share of loss for the period / year	(483)	(13,236)
Share of (losses) / gains of currency reserves	(13,579)	38,871
Share of (losses) / gains in other reserve	(113)	2,877
At end of period / year	67,980	85,309

(i) Carrying value

The market value of the Group's shareholding in CREO at 30 June 2009 was £23 million (31 December 2008: £17 million).

As the market value of the REO investment in the shares of CREO at 30 June 2009 was less than the carrying amount of CREO in the consolidated balance sheet of REO, the investment in CREO was subject to an impairment test in accordance with IAS 36, comparing the carrying amount to the recoverable amount of the asset. The Group has established the fair value less costs to sell of CREO based on the market value at 30 June 2009 together with the recoverable amount under value in use. In arriving at their estimate of value in use of CREO, the Directors have had regard to the underlying assets of CREO, principally comprising investment properties stated at market value and appraised at 30 June 2009 by external professional valuers.

Notes to the condensed consolidated interim financial statements

(i) Carrying value (Continued)

The fair value of each of CREO's investment properties and investment properties under development individually is determined at each balance sheet date based on a market value basis using a combination of methodologies, namely direct comparison, discounted cash flow and residual approach. These methodologies are based upon estimates of future results and a set of assumptions as to income and expenses of the property and future economic conditions. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

As the value in use is not less than the carrying amount of CREO in the consolidated financial statement, in the opinion of the Directors, no impairment has arisen.

Notes to the condensed consolidated interim financial statements

4. Taxation

In thousands of pounds sterling

(a) Recognised in the income statement

For the six months ended

	30 June 2009	30 June 2008
Current tax expense		
(Charge) / credit for the period	(933)	5,186
Adjustment in respect of prior periods	-	1,400
	(933)	6,586
Deferred tax expense		
Fair value movement of financial derivatives	3,778	(7,383)
Effect of change in tax rate (i)	(17,180)	-
Valuation losses on investment properties and on investment properties under development	18,889	7,949
	5,487	566
Income tax credit	4,554	7,152
Share of income tax of equity accounted investees	787	(1,654)
Total income tax credit	5,341	5,498

(b) Recognised in the statement of financial position

Deferred tax assets and liabilities are attributable to the following:

At 30 June 2009 and 31 December 2008

	Assets		Liabilities		Net	
	30 June 2009	31 Dec 2008	30 June 2009	31 Dec 2008	30 June 2009	31 Dec 2008
Derivative financial instruments	(8,799)	(5,818)	-	-	(8,799)	(5,818)
Investment property	-	-	122,707	140,150	122,707	140,150
	(8,799)	(5,818)	122,707	140,150	113,908	134,332

Movement in temporary differences during the period:

2009	Derivative financial instruments	Investment property	Total
At start of period	(5,818)	140,150	134,332
Effect of rate change	-	17,180	17,180
Recognised in profit and loss	(3,778)	(18,889)	(22,667)
Foreign currency movements	797	(15,734)	(14,937)
Balance at end of the period	(8,799)	122,707	113,908
2008	Derivative financial instruments	Investment property	Total
At start of year	4,736	124,554	129,290
Effect of rate change	-	13,528	13,528
Recognised in profit and loss	(9,691)	(31,609)	(41,300)
Foreign currency movements	(863)	33,677	32,814
Balance at end of the year	(5,818)	140,150	134,332

Notes to the condensed consolidated interim financial statements

4. Taxation (Continued)

- (i) With effect from 8 April 2009, the capital gains tax rate which may apply to disposals of the investment properties and investment properties under development in Ireland on or after that date was increased from 22% to 25%. This change in rate had the effect of increasing the total deferred tax being provided for in respect of the investment properties and investment properties under development by £17.2 million in the period.
- (ii) In accordance with the Income Tax (Jersey) Law 1961 the income tax rate for companies in Jersey was reduced from 20% to 0% with effect from 3 June 2008. Exempt company status for all new companies was abolished. The Company's 2008 exempt company status remained in place until 31 December 2008. On 1 January 2009 the Company moved to a 0% rate of income tax and accordingly income, other than Jersey source income (excluding bank deposit interest), is taxed at 0%.
- (iii) With effect from 6 May 2008, a 3% Goods and Services Tax ("GST") was introduced under the Goods and Services Tax (Jersey) Law 2007. The Company may apply for an exemption under the Goods and Services Tax (International Service Entities) (Jersey) Regulations 2008 on payment of an annual fee of £100. The Company has been granted international service entity status for the year 2009.

Notes to the condensed consolidated interim financial statements

5. Financing

(a) Interest Bearing Loans and borrowings

In thousands of pounds sterling

Non – current liabilities	30 June 2009	31 Dec 2008
7.5% Convertible Unsecured loan Stock 2011	101,101	101,112
Series A and B Secured Loan notes fixed at 6.324%	149,312	147,782
Zero Dividend Preference Shares	115,315	110,495
Bank loans secured on UK property assets	-	214,189
Senior loan	319,538	357,176
Bank loans secured on Irish property assets	295,920	340,308
	981,186	1,271,062

Current liabilities	30 June 2009	31 Dec 2008
Bank loans secured on UK property assets	226,969	-
Series A and B Secured Loan notes fixed at 6.324%	-	1,531
Bank loans secured on Irish property assets	413,060	439,102
	640,029	440,633

(b) Maturity analysis

In thousands of pounds sterling

The following tables set out the maturity profile of the Group's debt.

30 June 2009	Carrying amount	Contractual cash flows	< 1 year	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	> 5 yrs
7.5% Convertible Unsecured loan Stock 2011	101,101	111,855	7,583	104,272	-	-	-	-
Series A and B Secured Loan notes fixed at 6.324%	149,312	177,745	13,148	164,597	-	-	-	-
Zero Dividend Preference Shares	115,315	136,021	-	136,021	-	-	-	-
Variable rate debt fixed with interest rate swaps	1,131,403	1,278,310	588,470	228,887	36,340	419,969	206	4,438
Variable rate debt	124,084	129,816	128,835	252	729	-	-	-
Provisions	949	949	38	38	38	38	38	759
Trade and other payables	50,622	50,622	50,513	109	-	-	-	-
	1,672,786	1,885,318	788,587	634,176	37,107	420,007	244	5,197

Notes to the condensed consolidated interim financial statements

(b) Maturity analysis (Continued)

In thousands of pounds sterling

31 December 2008	Carrying amount	Contractual cash flows	< 1 year	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	> 5 yrs
7.5% Convertible Unsecured loan Stock 2011	101,112	119,438	7,583	7,583	104,272	-	-	-
Series A and B Secured Loan notes fixed at 6.324%	147,782	182,822	11,679	13,035	158,108	-	-	-
Zero Dividend Preference Shares	110,495	136,021	-	-	136,021	-	-	-
Variable rate debt fixed with interest rate swaps	1,259,996	1,467,858	445,538	224,356	288,201	35,332	469,210	5,221
Variable rate debt	96,380	105,015	81,284	22,861	870	-	-	-
Provisions	1,081	1,081	34	34	34	34	34	911
Trade and other payables	54,007	54,007	51,339	2,668	-	-	-	-
	1,770,853	2,066,242	597,457	270,537	687,506	35,366	469,244	6,132

Notes to the condensed consolidated interim financial statements

6. Net (deficit) /asset value

In thousands of pounds sterling

(i) Basic Net (deficit) / Asset Value

	30 June 2009	31 Dec 2008
Net (deficit) / asset value attributable to shareholders	(85,239)	150,384
Number of ordinary shares in issue ('000)	333,804	333,792
Basic net (deficit) / asset value per share (Pence)	(25.5)	45.1

(ii) Diluted Net Asset Value

	30 June 2009	31 Dec 2008
Net (deficit) / asset value attributable to shareholders	(85,239)	150,384
Potential Conversion of Convertible Unsecured loan Stock 2011	-	-
Adjusted net (deficit) / asset value	(85,239)	150,384
Diluted number of ordinary shares in issue ('000)	333,804	333,792
Diluted net (deficit) / asset value per share (Pence)	(25.5)	45.1

At 30 June 2009 and 31 December 2008 there was no difference between basic and diluted NAV per share as the effect of all potentially dilutive securities was anti dilutive.

(iii) Diluted EPRA Net Asset Value

	30 June 2009	31 Dec 2008
Adjusted (deficit) / net asset value	(85,239)	150,384
Fair value of financial instruments	74,593	62,806
Deferred tax	113,908	134,332
EPRA net asset value	103,262	347,522
Diluted number of ordinary shares in issue ('000)	333,804	333,792
Diluted EPRA net asset value per share (Pence)	30.9	104.1

The EPRA NAV per share excludes the mark to market movement on derivative financial instruments and deferred taxation on revaluations and is calculated on a fully diluted basis.

Notes to the condensed consolidated interim financial statements

7. Segment reporting

As required by IFRS 8, *Operating Segments*, the segment analysis below follows the information provided to the Board of Directors. The Group's identified reportable segments are the geographical locations in which it operates, analysed between investment properties and investment properties under development, which are generally managed by separate teams.

The relevant revenue, assets and capital expenditure are set out below.

(a) Information about reportable segments

In thousands of pounds sterling

At 30 June 2009

	Investment properties	Investment properties under development -	Investment properties	Investment properties under development	
	Ireland		UK		Total
Revenue	17,506	-	861	-	18,367
Valuation losses on properties	(63,092)	(46,340)	(5,611)	(59,927)	(174,970)
Property assets	745,439	468,501	42,935	365,000	1,621,875
Capital expenditure	1,057	17,090	796	18,926	37,869

At 30 June 2008

	Investment properties	Investment properties under development	Investment properties	Investment properties under development	Total
	Ireland		UK		Total
Revenue	14,064	-	701	-	14,765
Valuation losses on properties	(13,995)	(33,502)	(7,018)	(20,181)	(74,696)
Property assets	932,688	411,899	53,540	450,000	1,848,127
Capital expenditure	12,386	15,667	-	14,181	42,234

Notes to the condensed consolidated interim financial statements

7. Segment reporting (Continued)

(b) Reconciliation of reportable segment profit or loss

For the six months ended 30 June

In thousands of pounds sterling

	2009	2008
Revenue		
Total revenue for reported segments	18,367	14,765
Profit or loss		
Valuation losses on properties	(174,970)	(74,696)
Total loss per reportable segments	(156,603)	(59,931)
Other profit or loss – unallocated amounts		
Other income	1,077	-
Management fee	(2,087)	(1,333)
Administrative expenses	(501)	(4,974)
Financial income	966	31,747
Financial expenses	(42,868)	(35,789)
Share of (loss) / profit of associate	(483)	3,797
Consolidated loss before income tax	(200,499)	(66,483)

Notes to the condensed consolidated interim financial statements

8. Finance income and expense

In thousands of pounds sterling

For the six months ended 30 June	2009	2008
Finance income		
Interest income on bank deposits	966	1,612
Fair value movements on derivatives	-	28,333
Cash receipts on derivatives	-	1,802
	966	31,747
Finance expenses		
Interest expense on bank loans	(29,075)	(27,485)
Interest on 7.5% Convertible Unsecured Loan Stock 2011	(3,793)	(3,793)
Interest on Zero Dividend Preference Shares	(4,820)	(4,486)
Interest on 6.324% Series A and B loan notes 2011	(4,828)	(4,825)
Foreign exchange loss	-	(8,130)
Fair value movement on derivatives	(11,088)	-
Cash payments on derivatives	(6,153)	-
Capitalised interest	16,889	12,930
	(42,868)	(35,789)
Net finance costs	(41,902)	(4,042)

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing and investment activities. The fair value of these interest rate swaps is the estimated amount the group would receive or pay to terminate the swaps at the balance sheet date. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. The fair value movement in the current period in comparison with 2008 is therefore a function of the decreased interest rates from one period to the next.

Notes to the condensed consolidated interim financial statements

9. Loss per share

In thousands of pounds sterling

(i) Basic loss per share for the six months ended

	30 June 2009	30 June 2008
Loss attributable to ordinary shareholders	(193,745)	(56,357)
Weighted average number of ordinary shares ('000)		
Issued shares at beginning of period	333,792	333,791
Effect of shares issued during the period	9	-
Weighted average number of ordinary shares	<u>333,801</u>	<u>333,791</u>
Basic loss per share (Pence)	<u>(58.0)</u>	<u>(16.9)</u>

(ii) Diluted earnings per share for the six months ended

	30 June 2009	30 June 2008
Loss attributable to ordinary shareholders	(193,745)	(56,357)
Effect of interest on Convertible Unsecured loan Stock 2011	-	3,793
Loss attributable to ordinary shareholders (diluted)	<u>(193,745)</u>	<u>(52,564)</u>
Weighted average number of ordinary shares at 30 June – diluted ('000)	333,801	333,791
Effect of potential conversion of Convertible Unsecured Loan Stock 2011	-	101,112
Weighted average number of ordinary shares (diluted) at 30 June	<u>333,801</u>	<u>434,903</u>
Diluted loss per share (Pence)	<u>(58.0)</u>	<u>(12.1)</u>

For the period ended 30 June 2009, there was no difference between the basic and diluted loss per share as the effect of any potentially dilutive securities was anti-dilutive.

(iii) Diluted EPRA earnings per share for the six months ended

	30 June 2009	30 June 2008
Loss attributable to ordinary shareholders diluted	(193,745)	(52,564)
Valuation movement on investment properties and on investment properties under development	174,970	74,696
Profit on disposal of property	(452)	-
Movement in fair value of financial instruments	11,088	(28,333)
Deferred tax	(5,487)	1,089
Minority interest in respect of above	2,599	(2,748)
	<u>(11,027)</u>	<u>(7,860)</u>
Weighted average number of ordinary shares (diluted) at 30 June ('000)	333,801	434,903
Diluted EPRA loss per share (Pence)	<u>(3.3)</u>	<u>(1.8)</u>

An EPRA measure has been included to assist comparison between European property companies. The EPRA earnings excludes investment property and investment property under development revaluations, gains on disposals, movements on derivative financial instruments and their related tax consequences.

Notes to the condensed consolidated interim financial statements

10. Commitments

Future capital expenditure, contracted for and approved by the Directors, but not provided for in these interim financial statements, is as follows:

In thousands of pounds sterling

	30 June 2009	31 Dec 2008
Contracted for	68,362	86,470
Authorised not contracted	3,164	2,632
	<u>71,526</u>	<u>89,102</u>

11. Related parties

Pursuant to the Investment Advisor Agreements, Treasury Holdings received investment management fees and development fees of £7.7 million (30 June 2008: £7.6 million) in respect of the Irish and Global Property Portfolios. No accrual was made in either period for a performance fee.

12. Subsequent events

There are no significant events that have taken place since the period end.