

29 October 2010

**REAL ESTATE OPPORTUNITIES PLC**  
**Interim Results for the 6 months to 31 August 2010**

**Significant progress made with balance sheet restructuring:**

- Agreement reached with banks to extend the Battersea Power Station loan facility to 31 August 2011 on terms previously announced
- Agreement reached with the holder of the Series A and Series B loan notes to defer all principal and interest payments due until 31 May 2011
- Agreement reached provisionally with an informal committee comprising larger holders of the 7.5% Convertible Unsecured Loan Stock and the Zero Dividend Preference Shares as previously announced
- The Group continues its engagement with NAMA on the finalisation of the business plan

**Market conditions challenging, but showing initial signs of stabilisation:**

- Portfolio value stabilising, with total portfolio valuation at £1,050 million, down 4.3%, with Battersea Power Station valuation up 1.8% since February 2010
- Property income of £17 million, reduced from £18 million in H1 2009
- Loss after tax reduced to £45 million, from £196 million in H1 2009
- Loss per share reduced to 13.6 pence, from loss per share of 58.0 pence in H1 2009
- Cash balances remain consistent at £39 million (includes cash equivalents and restricted cash)

**Continued strong operational performance:**

- Investment portfolio continues to perform strongly, underpinned by prime locations and high quality tenants:
  - Annualised rent roll €40.6 million (H1 2009: €41.1 million)
  - 92% rent roll prepaid quarterly
  - 91% of rent subject to upward only reviews
  - Occupancy levels at 95%, arrears at 5%
  - Rent weighted average lease length up at 12 years

**Decision regarding the planning application for Battersea Power Station anticipated in the near future:**

- Design now supported by influential bodies such as The Commission for Architecture and the Built Environment, English Heritage and The Greater London Authority
- Significant interest from prospective investors during the global investment roadshow
- Continued commitment to demerge the Battersea Power Station project from the remainder of the REO portfolio, subject to negotiations with relevant stakeholders

Ray Horney, Chairman, said:

“As we continue to manage the business through these challenging market conditions, I am pleased to announce the significant progress made towards the financial restructuring of the Group. I am grateful to our lenders for their ongoing support and pleased that the Group can begin to move forward on a solid footing. Plans are also advancing for the development of the Battersea Power Station, with a decision regarding the planning application anticipated in the near future and we look forward to updating you in due course.”

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## CHAIRMAN'S STATEMENT

The period from 1 March 2010 has seen significant progress made towards agreeing a balance sheet restructuring of the Group. This restructuring will provide the Group with a firm platform for the future.

### Restructuring

As signalled in the annual report issued in June, the Group has instigated a number of restructuring initiatives. The Board believes that these will reposition the Group to benefit, in due course, from the continuing stabilisation in the Irish and UK commercial property markets and the forecast resumption of moderate growth in the wider Irish and UK economies<sup>(1)</sup>.

The Group has reached outline agreement with the holder of the Series A and Series B loan notes (the "OLNs") and an adhoc informal committee of holders of both the Group's 7.5% Convertible Unsecured Loan Stock (CULS) and the Zero Dividend Preference Shares (ZDPs) (together the "Committee") on the terms of a financial restructuring of REO which will also enable the demerger of the Battersea Power Station. The terms of the financial restructuring include the deferral of all principal and interest payments due on the OLN's until 31 May 2011 and are subject to the Group meeting key milestones. The proposals with the Committee involve an equitisation of the CULS and ZDPs into equity of the demerged Battersea Power Station subsidiary and REO. The key milestones include the receipt of approvals to the restructuring from Lloyds Banking Group ("LBG") and the National Asset Management Agency ("NAMA"); the passing of resolutions approving the proposals at meetings of the ordinary shareholders, CULS and ZDPs no later than 31 January 2011; and the granting of planning permission in respect of Battersea Power Station by 31 May 2011.

The outline agreement reached with the Committee means that, together with the support of Treasury Holdings and the Directors, the Group has reached outline agreement with 59.5% of the CULS and 59.8% of the ZDPs.

The Group has also renegotiated the loan facilities relating to Battersea Power Station with both LBG (previously Bank of Scotland) and NAMA (previously Bank of Ireland), extending the existing facility to 31 August 2011 and waiving all outstanding breaches. The extension and waiver agreement is conditional upon the Group affecting a compromise by 29 October 2010 with the holders of the CULS. In addition, prior to the 28 February 2011, the Group will need either to conclude agreements with OLN's, CULS and ZDPs or extend their maturities to no earlier than 30 September 2011.

### NAMA

NAMA's advisers have completed their review of the Group's comprehensive business plan submitted to NAMA in early May 2010. The Group continues to seek broad approval from the board of NAMA for the business plan.

### Battersea Power Station

The Group's planning application on the Battersea Power Station project is now scheduled for determination by London Borough of Wandsworth in the near future. This transformational project, which is one of the largest ever proposed in London, now has support from various bodies such as The Commission for Architecture and the Built Environment, English Heritage and The Greater London Authority. Based on the above, the Group remains confident that a favourable decision will be achieved.

The global investment roadshow undertaken to introduce a long term equity partner into a demerged Battersea Power Station vehicle has so far attracted significant interest from prospective investors. Successful completion of this process will assist in procuring the necessary investment required to develop the project, together with refinancing and restructuring of all existing liabilities associated with the development. Subject to the necessary stakeholder support, the Group anticipates that this new vehicle will be listed in 2011.

### Property Portfolio & Business Activity

The value of the property portfolio as at 31 August 2010 amounted to £1,050 million, a reported decrease of 4.3% since 28 February 2010. This reported decrease in the portfolio valuation is due to a revaluation adjustment, after capitalised costs of

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<sup>(1)</sup> Sources:

- ESRI, Quarterly Economic Commentary, Autumn 2010
- UK Treasury, Forecasts for the UK economy, October 2010

£45m, of 3.5% on average across the portfolio since 28 February 2010, which has been further impacted as the euro has weakened significantly against sterling in the six months to 31 August 2010.

The Group's UK portfolio, which is primarily comprised of Battersea Power Station, increased by 1.6% in the period, whilst the Irish portfolio values declined on average by 8.2% in the period, primarily due to negative currency translation impact.

Despite current market conditions, the Group's investment portfolio continues to perform strongly, with occupancy levels remaining at 95% and a rent weighted average lease length of 12 years.

Continuing pro-active management of the portfolio and tenant monitoring has provided stability of income during a period of rental value deflation, with no material defaults to date. The strength of operational performance is also underpinned by prime office and retail locations, together with the diversity of high quality tenants such as Vodafone, Merrill Lynch, KPMG and Marks & Spencer.

In July 2010, the Group successfully completed a rent review, determined at arbitration, with Marks & Spencer (Patrick Street, Cork), resulting in a significant increase on the previous rent, with the new rent being effective from July 2009.

The Group continues to adopt a prudent approach towards the timing of its development pipeline, as discussions progress with NAMA, with construction in progress on only one development project. However, as part of its longer term development strategy, the Group continues to seek appropriate planning permissions which will enable it to maximise longer term growth but only once stability and liquidity return to the market.

## **Outlook**

Your Group's performance continues to be adversely impacted by the weak underlying economic environment, together with constrained liquidity in the banking sector.

However, commercial property markets should respond in due course to wider economic conditions, with both Irish and British economies forecast to resume moderate rates of growth in the foreseeable future<sup>(1)</sup>. Ongoing capital enhancement of the banking sector and the operational impact of NAMA should also help restore confidence in the commercial property market.

The Board is particularly encouraged by the significant progress which has been made during this period on the balance sheet restructuring of the Group's debt. However, having regard to the reduced market capitalisation of the Group's ordinary shares and the high administrative costs associated with their primary listing in London, the Group is considering proposals to transfer from primary listing to standard listing which is equivalent status to the CULS and ZDPs listings.

The Board believes that the strategies currently being pursued by the Group, combined with the quality of its portfolio and senior management, should ensure that the Group is better positioned to benefit from a return to a period of financial stability and growth.

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<sup>(1)</sup> Sources:

- ESRI, Quarterly Economic Commentary, Autumn 2010
- UK Treasury, Forecasts for the UK economy, October 2010

## **INVESTMENT ADVISER'S REPORT**

### **INVESTMENT PORTFOLIO**

As noted in the Chairman's Statement, REO's investment portfolio continues to perform strongly, with occupancy rates remaining at 95% and only 5% of rent roll in arrears, generating an annualised rent roll of €40.6 million. Rent weighted average lease length is approximately 12 years.

Continuing pro-active management of the portfolio and tenant monitoring has provided stability of income during a period of rental value deflation, with no material defaults to date. The strength of operational performance is also underpinned by prime office and retail locations, together with the diversity of high quality tenants such as Vodafone, Merrill Lynch, KPMG and Marks & Spencer.

As noted in the Chairman's Statement, the Group successfully completed a rent review, determined at arbitration, with Marks & Spencer (Patrick Street, Cork), resulting in a significant increase on the previous rent, with the new rent being effective from July 2009.

The Group will continue to actively manage the portfolio to improve income and position the portfolio to benefit from continuing stabilisation in the commercial property market.

### **DEVELOPMENT PORTFOLIO**

#### **Battersea Power Station**

As outlined in the Chairman's Statement, the planning application on the above project, which has garnered support from various relevant bodies, is now scheduled for determination by the London Borough of Wandsworth in the near future.

Renegotiation of the loan facilities relating to the above has also been completed and the global investment roadshow undertaken to introduce a long term equity partner into a demerged Battersea Power Station vehicle has so far attracted significant interest from prospective investors, with the intention that this new vehicle will be listed in 2011, subject to the necessary stakeholder support.

#### **Irish Development Portfolio**

Progress within the Irish development portfolio in the period includes:

##### **Central Park**

The Group's prime suburban development, which is strategically located beside the M50 Motorway between Sandyford and Leopardstown, is currently tenanted by companies such as Vodafone, Merrill Lynch, First Active and Tullow Oil plc. The development's own LUAS (Light Rail Tram System) stop which connects Central Park with the City Centre became operational in October 2010. Following formal submissions, the Group continues to hold discussions with potential tenants for Number 1, Central Park, a 17,650 square metre office development, which completed construction in November 2009.

##### **Montevetro**

This is the only REO development currently under construction – a contemporary 19,500 square metre commercial development on Barrow Street, Dublin 4, with construction of interior works due for completion in December 2010. Marketing of this building, which has direct access to its own DART commuter train station, is under way and we are seeing encouraging interest from potential tenants.

## VALUATIONS

The value of the portfolio as at 31 August 2010 amounted to £1,050 million, a reported decrease of 4.3% from the 28 February 2010 valuation of £1,097 million.

### Valuation Methodology

Investment properties and investment properties under development are stated at fair value in accordance with GAAP at 31 August 2010. As previously indicated in the Group's June 2009 Interim Management Report, the Group has commissioned Treasury Holdings, in its capacity as Group Investment Adviser, to undertake these valuations for the interim period only. The primary source of evidence for property valuations should be recent, comparable market transactions on arm's length terms. However, the valuation of the Group's property portfolio is inherently subjective in the present market environment due to the continuing low volume of comparable transactions.

		Valuation Feb '10 '000	Valuation Aug '10 '000	% Change
Irish Investment Properties	Euro	526,061	510,589	-2.9%
Irish Investment Properties under development	Euro	217,811	228,885	5.1%
<b>Irish Properties</b>	Euro	743,872	739,474	-0.6%
<b>UK Properties</b>	GBP	433,380	440,440	1.6%

**Irish Investment Properties:** The value of Irish investment properties has declined on average by 2.9% in the six months to 31 August 2010.

The Directors believe that, with due allowance for risk and uncertainty, and in the absence of comparable market transactions, the factors above indicate that this six month decrease in Irish investment properties is appropriate when compared with SCS IPD index for Irish investment property valuation decline of 3.5% in the second quarter of 2010.

**Irish Development Properties:** The value of Irish properties under development, which are classified as sites in the course of development, has increased on average by 5.1% in the six months to 31 August 2010, primarily due to ongoing capital expenditure on the Montevetro project. Excluding this project, development values on other Irish properties have decreased on average by 5%.

The basis for these values was consistent with that used at 28 February 2010, whereby market values are derived having regard to the anticipated future yields on completion, less the necessary development costs to completion, with due allowance for risk and uncertainty and market sentiment.

Market sentiment continues to be negatively weighted in the six months under review due to continuing uncertainty as the market waits to assess the operational impact of NAMA and constrained liquidity in the banking sector.

The Directors believe that the decrease in Irish development property values, excluding Montevetro, of 5% 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 Properties:** The value of the UK property portfolio has increased by 1.6% in the 6 month period to 31 August 2010. Despite the UK market reporting more activity than its Irish counterpart, there are still very few comparable arms length transactions to the property types owned by REO.

UK property market value has therefore been based on the methodology applied at 28 February 2010 and adjusted for movements in projected value and building costs, resulting in a 1.8% increase in the value of the land used for the proposed development at Battersea Power Station.

The value of other UK assets has remained constant, with valuations undertaken on the same basis as determined by external independent valuers at 28 February 2010.

## **FINANCIAL REVIEW**

### **Valuations & Net Asset Value (“NAV”)**

As noted above, the value of the portfolio as at 31 August 2010 amounted to £1,050 million, a reported decrease of 4.3% since 28 February 2010.

The deficit on the consolidated shareholders funds at 31 August 2010 is £755 million.

The consolidated net deficit of the Group under the EPRA guidelines is £624 million at 31 August 2010 (28 February 2010 EPRA net deficit: £595 million).

Diluted EPRA deficit per share was -186.9p as at 31 August 2010, representing an increase in the deficit from -178.2p at 28 February 2010.

### **Profit & Loss**

Property income amounted to £17 million in the six months to 31 August 2010, representing a decrease from £18 million in the prior year six month period primarily due to negative currency translation impact. After valuation losses and operating expenses, the reported operating loss was £2 million (6 months ended 30 June 2009: £158 million). Net financial expenses were £46 million in the period (6 months ended 30 June 2009: £42 million), whilst profit on disposal of investment in CREO was £26m. This has resulted in a REO loss after taxation for the period of £45 million (6 months ended 30 June 2009: £196 million), including an income tax credit of £2 million.

Administrative expenses in the comparable six month periods have been significantly influenced by movements in the provision for bad debts of £4m.

### **Cash**

As at 31 August 2010, the Group had cash, cash equivalents and restricted cash of £39 million (28 February 2010: £39 million).

### **Debt & Gearing**

Bank loans amounting to £975 million mature during 2010/11. Overall debt level, which includes OLN, CULS and ZDPs, amounts to £1,663 million.

The Group continues to work closely with other lenders, which exist outside NAMA's remit, to renew debt facilities where required.

### **Going Concern**

At 31 August 2010, the Group's borrowings totalled £1.66 billion. At that date, the Group had an investment and development portfolio which it valued at £1.05 billion, together with cash and cash equivalents of £20 million, and restricted cash of £19 million. The deficit on shareholders' funds was £755 million.

The Group's future operating performance will be affected by general economic, financial and business conditions, many of which remain beyond the Group's control.

At 31 August 2010, the Group had aggregate bank loans of £975 million classified as current liabilities.

In addition, the Group had obligations of £375 million due to the holders of its CULS, ZDPs and the OLN, all of which mature in May 2011. Based on its current financial position, and as previously announced, the Group is unable to repay those instruments on their maturity.

The liabilities due to holders of the CULS and ZDPs at 31 August 2010 amounted to £101 million and £128 million respectively, with a principal amount of £146 million due to the holder of the OLN at this date.

Interest payments of £3.8 million and £5.0 million due at 31 August 2010 to the holders of the CULS and OLN's respectively were not made at this date.

The Group has reached outline agreement with the holder of the OLN's and the Committee, as defined in the Chairman's Statement, on the terms of a financial restructuring of REO which will also enable the demerger of the Battersea Power Station. The terms of the financial restructuring includes the deferral of all principal and interest payments due on the OLN's until 31 May 2011 and an equitisation of the CULS and ZDP's into equity of the demerged Battersea Power Station subsidiary and REO. The terms are subject to the Group meeting the key milestones outlined in the Chairman's Statement.

The Group has also renegotiated the loan facilities relating to Battersea Power Station with both LBG (previously Bank of Scotland) and NAMA (previously Bank of Ireland), extending the existing facility to 31 August 2011 and waiving all outstanding breaches. The extension and waiver agreement is conditional upon the Group effecting a compromise by 29 October 2010 with the holders of the CULS. In addition, prior to the 28 February 2011, the Group will need either to conclude agreement with the OLN's, CULS and ZDP's or extend their maturities to no earlier than 30 September 2011.

NAMA's advisers have completed their review of the Group's comprehensive business plan submitted to NAMA in early May 2010. The Group continues to seek broad approval from the board of NAMA for the business plan.

The key assumptions made in preparing the Group's business plan for the period to 31 October 2011 include:

- Broad approval by NAMA of the Group's business plan.
- The renewal by NAMA of bank facilities in the amount of £780 million on broadly similar terms.
- The agreement of NAMA to defer interest payments.
- The provision by NAMA of working capital facilities.
- The agreement of the holders of the CULS and OLN's to a standstill on the payment of interest in the period to 31 October 2011.
- Agreement with each of the holders of the CULS, ZDP's and OLN's whereby the capital amounts due on maturity in May 2011 will not represent a cash outflow for REO.
- Certain of the Group's fee arrangements with Treasury Holdings will be restructured to cap the fees paid in the period to 31 October 2011.
- Planning permission for the proposed development of Battersea Power Station will be granted in the near future.
- It is anticipated that the Group's interest in Battersea Power Station will be restructured and that an equity partner will be introduced on the Battersea development providing all project financing in 2011.
- The ability of the Group to raise further capital after its debt facilities have been renegotiated and its interest in Battersea Power Station has been restructured.

Based on the Group's current business plan and the key assumptions noted above, the Board believes that the Group will have sufficient cash and cash equivalents to meet its liquidity requirements for at least twelve months from the date of approval of this report.

The Directors of the Company have concluded that the above factors represent material uncertainties. Failure to achieve the above assumptions and objectives could cast significant doubt on the Group's ability 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.

However, having discussed the assumptions and basis of preparation supporting the Group's cash flow projections, together with the advanced status of negotiations with the Group's key lenders, the Directors of the Company have a reasonable expectation that the Group will be able to meet its liabilities as they fall due for the foreseeable future.

On this basis, the Directors consider it appropriate to prepare the financial statements on a going concern basis. No adjustment which would result from a change in the going concern basis of preparation has been included in the financial statements.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties that face the business include the following:

### **Liquidity**

The Group is reliant upon NAMA and other key lenders to renew expiring bank facilities, both at the end of this year and in 2011, on broadly similar terms to those currently in existence. Further potential declines in property values could result in future breaches of banking covenants.

At present, the Group is engaged in advanced negotiations with certain key holders of loan instruments (NAMA, CULS, ZDPs, OLN) with a view to restructuring the Group's balance sheet and debt profile in order to ensure the optimal financial structure to drive future liquidity.

The Group's ability to continue as a going concern is contingent upon successful completion of the above negotiations, together with the satisfactory renewal of expiring loan facilities.

### **Economy**

General economic data and indicators in 2010 have produced a mixed picture of both Irish and UK economic performance. Forecasts of a modest return to growth in 2011 have been tempered by ongoing concerns about continued vulnerability on sovereign debt, high levels of unemployment and on-going crystallisation of banking losses. Consequently, the Group continues to be exposed to risks associated with lower tenant demand, failure to renew expiring leases, tenant defaults and demand for development assets. Economic recovery remains fragile and further market dislocation may impact upon the Group's performance.

### **Financial sector – Lenders & NAMA**

Liquidity remains scarce as the market awaits the finalisation of loan transfers to NAMA. Confidence in the property market will not be fully restored until the above process is complete and lenders resume lending. The Group's ability to ensure that no borrowing covenants are breached would be at risk from significant further declines in property values.

### **Property Valuations & NAV**

Continued inactivity in the property market, combined with an almost complete absence of new lending facilities, has led to difficulty in conducting property valuations. However, there are indications that values have stabilised in 2010. Further declines in property values would result in a negative impact on the Group's shareholders' funds, which currently shows a deficit of £755 million at 31 August 2010.

The consolidated net deficit under the EPRA guidelines is £624 million at 31 August 2010 (28 February 2010: £595 million).

### **Interest Rates**

The Group attempts to manage and mitigate its exposure to rising interest rates by using interest rate swaps. The Group's ability to refinance expiring bank facilities may be compromised by financing shortages and/or potential lenders seeking increased margins, thereby exposing the Group to further interest costs.

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

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

- (a) the condensed consolidated interim financial statements comprising the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 15 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  
27 October 2010

# Independent Review Report to Real Estate Opportunities, plc

## 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 31 August 2010 which comprises the condensed consolidated statement of financial position, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cashflows 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 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 31 August 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU, the TD Regulations and 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 approval by the National Asset Management Agency ('NAMA') of the Group's business plan, the renewal of existing borrowing facilities, the deferral of interest and restructuring of capital payments on financial instruments, the receipt of planning permission on the Group's Battersea property, the restructuring of the Group's investment in Battersea and the expectation that the Group will raise capital subsequent to the renegotiation of its debts and the restructuring of its interest in the Battersea property. 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 discussions with the various involved parties, 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 condensed financial statements, which highlights that these valuations have been carried out solely by the Directors using assumptions, and exercising certain judgements, based on market conditions as at 31 August 2010.

Sean O'Keefe  
For and on behalf of KPMG  
Chartered Accountants  
Registered Auditor  
Dublin, Ireland

27 October 2010

## Condensed consolidated statement of financial position

As at 31 August 2010

*In thousands of pounds sterling*

	Note	31 August 2010 unaudited	28 February 2010 audited
<b>Assets</b>			
Investment properties	2	466,574	514,995
Investment properties under development	2	583,784	582,440
Trade and other receivables		5,470	6,072
Derivative financial instruments		-	19
Deferred tax asset	4	1,630	1,451
Restricted cash		18,277	6,731
<b>Total non-current assets</b>		<b>1,075,735</b>	<b>1,111,708</b>
Assets classified as held for sale	3	-	27,680
Trade and other receivables		6,528	7,378
Cash and cash equivalents		20,643	21,100
Restricted cash		551	11,016
<b>Total current assets</b>		<b>27,722</b>	<b>67,174</b>
<b>Total assets</b>		<b>1,103,457</b>	<b>1,178,882</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	5	313,347	650,053
Provisions		842	968
Derivative financial instruments		74,236	39,706
Deferred tax liabilities	4	22,619	26,385
<b>Total non-current liabilities</b>		<b>411,044</b>	<b>717,112</b>
Interest-bearing loans and borrowings	5	1,349,300	1,070,972
Trade and other payables	6	62,555	50,271
Derivative financial instruments		35,771	62,150
<b>Total current liabilities</b>		<b>1,447,626</b>	<b>1,183,393</b>
<b>Total liabilities</b>		<b>1,858,670</b>	<b>1,900,505</b>
<b>Net liabilities</b>		<b>(755,213)</b>	<b>(721,623)</b>
<b>Equity</b>			
Issued share capital	7	3,340	3,338
Share premium	7	216	12
Other reserves		1,480	1,480
Currency reserve		114,844	77,075
Retained losses		(875,093)	(803,528)
<b>Total deficit attributable to equity holders of the parent</b>		<b>(755,213)</b>	<b>(721,623)</b>
<b>Net deficit per ordinary share</b>			
Basic (pence)	8	(226.1)	(216.2)
Diluted (pence)	8	(226.1)	(216.2)
Diluted EPRA (pence)	8	(186.9)	(178.2)

## Condensed consolidated statement of comprehensive income

For the six months ended 31 August 2010

	<i>Note</i>	<b>31 August 2010 unaudited</b>	<b>30 June 2009 unaudited</b>
<i>In thousands of pounds sterling</i>			
<b>Property income</b>	9	<b>17,359</b>	18,367
Other income		<b>620</b>	625
Valuation losses on investment properties and on investment properties under development	2	<b>(39,427)</b>	(174,970)
Profit on disposal of investment property		<b>244</b>	452
Profit on disposal of investment in CREO	3	<b>26,233</b>	-
Management fee		<b>(1,102)</b>	(2,087)
Administrative expenses	10	<b>(5,522)</b>	(501)
<b>Loss from operating activities</b>		<b>(1,595)</b>	<b>(158,114)</b>
Finance income		<b>83</b>	966
Finance expenses		<b>(45,903)</b>	(42,868)
<b>Net finance costs</b>	11	<b>(45,820)</b>	<b>(41,902)</b>
Share of loss of associates, net of income tax		<b>-</b>	(483)
<b>Loss before income tax</b>		<b>(47,415)</b>	<b>(200,499)</b>
Income tax credit	4	2,083	4,554
<b>Loss for the period</b>		<b>(45,332)</b>	<b>(195,945)</b>
<b>Other comprehensive income</b>			
Foreign currency translation differences		<b>37,769</b>	(38,424)
Share of other reserve movement of associate		<b>-</b>	(3,267)
<b>Other comprehensive income / (loss), net of income tax</b>		<b>37,769</b>	<b>(41,691)</b>
<b>Total comprehensive loss for the period</b>		<b>(7,563)</b>	<b>(237,636)</b>
<b>Loss attributable to:</b>			
Owners of the company		<b>(45,332)</b>	(193,745)
Non-controlling interest		<b>-</b>	(2,200)
<b>Loss for the period</b>		<b>(45,332)</b>	<b>(195,945)</b>
<b>Total comprehensive loss attributable to:</b>			
Owners of the company		<b>(7,563)</b>	(235,634)
Non-controlling interest		<b>-</b>	(2,002)
<b>Total comprehensive loss for the period</b>		<b>(7,563)</b>	<b>(237,636)</b>
<b>Loss per ordinary share</b>			
Basic (pence)	12	<b>(13.6)</b>	(58.0)
Diluted (pence)	12	<b>(13.6)</b>	(58.0)

## Condensed consolidated statement of changes in equity

For the audited 14 months period ended 28 February 2010 (in thousand of pounds sterling)

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

<b>Balance at 1 July 2009</b>	<b>3,338</b>	<b>12</b>	<b>15,637</b>	<b>104,809</b>	<b>(209,035)</b>	<b>(85,239)</b>	<b>(2,864)</b>	<b>(88,103)</b>
<b>Total comprehensive income</b>								
Profit or loss	-	-	-	-	(634,883)	(634,883)	2,864	(632,019)
<b>Other comprehensive income</b>								
Foreign currency translation differences	-	-	-	(1,501)	-	(1,501)	-	(1,501)
Realisation on transfer of associate to assets available for sale	-	-	(14,157)	(26,233)	40,390	-	-	-
Total other comprehensive income			(14,157)	(27,734)	40,390	(1,501)	-	(1,501)

Total comprehensive income	-	-	(14,157)	(27,734)	(594,493)	(636,384)	2,864	(633,520)
<b>Transactions with owners recorded directly in equity</b>								
<b>Contribution by and distribution to owners</b>								
Total transactions with owners	-	-	-	-	-	-	-	-
<b>Balance at 28 February 2010</b>	<b>3,338</b>	<b>12</b>	<b>1,480</b>	<b>77,075</b>	<b>(803,528)</b>	<b>(721,623)</b>	<b>-</b>	<b>(721,623)</b>

**For the unaudited 6 months period ended 31 August 2010** (in thousand of pounds sterling)

Group	Share capital	Share premium	Other reserves	Currency reserve	Retained earnings	Total equity reserves attributable to owners of the company	Non-controlling interest	Total
<b>Balance at 1 March 2010</b>	<b>3,338</b>	<b>12</b>	<b>1,480</b>	<b>77,075</b>	<b>(803,528)</b>	<b>(721,623)</b>	<b>-</b>	<b>(721,623)</b>
Reclassification (note 7)	-	-	14,157	26,233	(40,390)	-	-	-
<b>Restated Balance</b>	<b>3,338</b>	<b>12</b>	<b>15,637</b>	<b>103,308</b>	<b>(843,918)</b>	<b>(721,623)</b>	<b>-</b>	<b>(721,623)</b>
<b>Total comprehensive income</b>								
Profit or loss	-	-	-	-	(45,332)	(45,332)	-	(45,332)
<b>Other comprehensive income</b>								
Foreign currency translation differences	-	-	-	37,769	-	37,769	-	37,769
Total other comprehensive income	-	-	-	37,769	-	37,769	-	37,769
Total comprehensive income	-	-	-	37,769	(45,332)	(7,563)	-	(7,563)
Reclassified to profit			(14,157)	(26,233)	14,157	(26,233)	-	(26,233)
<b>Transactions with owners recorded directly in equity</b>								
<b>Contribution by and distribution to owners</b>								
Conversion of loan stock	2	204	-	-	-	206	-	206
Total transactions with owners	2	204	-	-	-	206	-	206
<b>Balance at 31 August 2010</b>	<b>3,340</b>	<b>216</b>	<b>1,480</b>	<b>114,844</b>	<b>(875,093)</b>	<b>(755,213)</b>	<b>-</b>	<b>(755,213)</b>

## Condensed consolidated statement of cashflows

For the six months ended 31 August 2010

*In thousands of pounds sterling*

	<b>31 August 2010 unaudited</b>	<b>30 June 2009 unaudited</b>
<b>Operating activities</b>		
Loss for the period	(45,332)	(195,945)
Net financial expense	45,820	41,902
Profit on disposal of investment of CREO	(26,233)	-
Profit on disposal of investment properties under development	(244)	(452)
Change in fair value of investment properties and investment properties under development	39,427	174,970
Share of loss in associate	-	483
Income tax credit	(2,083)	(4,554)
<b>Operating profit before changes in working capital</b>	<b>11,355</b>	<b>16,404</b>
Decrease / (increase) in trade and other receivables	1,165	(1,667)
Decrease in trade and other payables	(2,225)	(62)
<b>Changes in Working Capital</b>	<b>(1,060)</b>	<b>(1,729)</b>
Income tax refund	145	569
<b>Net Cash from Operating Activities</b>	<b>10,440</b>	<b>15,244</b>
<b>Investing activities</b>		
Addition to investment properties and investment properties under development	(28,531)	(20,695)
Proceeds from sale of listed investment	27,680	-
Proceeds from sale of investment properties under development	3,113	3,624
Interest received	110	945
Movement in restricted cash	(2,391)	21,360
<b>Cash flows from investing activities</b>	<b>(19)</b>	<b>5,234</b>
<b>Financing activities</b>		
Proceeds from bank borrowings	15,294	18,886
Repayment of bank borrowings	(4,565)	(3,408)
Payments on derivative financial instruments	(16,396)	(6,153)
Interest paid	(3,840)	(32,588)
<b>Cash flows from financing activities</b>	<b>(9,507)</b>	<b>(23,263)</b>
Net increase / (decrease) in cash and cash equivalents	914	(2,785)
Cash and cash equivalents at 1 January	21,100	55,503
Effect of exchange rate fluctuations on cash held	(1,371)	(5,114)
<b>Cash and cash equivalents</b>	<b>20,643</b>	<b>47,604</b>

## Notes to the condensed consolidated interim financial statements

### 1a. Basis of preparation

Real Estate Opportunities plc (the “Company”) is a property company incorporated in Jersey.

The unaudited condensed consolidated interim financial statements of the Company as at and for the six months ended 31 August 2010 comprises the Company and its subsidiaries (together referred to as the “Group”). The consolidated statement of comprehensive income, the consolidated statement of cashflows and the consolidated statement of changes in equity have been prepared for the 6 months ended 31 August 2010 and the comparative period is the 6 months ended 30 June 2009. The change in period is a result of the Company changing its financial year end to 28 February in 2010. The statement of financial position has been prepared as at 31 August 2010 and the comparative is from the 14 month audited financial statements as at 28 February 2010.

The Group’s consolidated financial statements are presented in pounds sterling and rounded to the nearest thousand. They are prepared on the historical cost basis except for the following assets and liabilities which are stated at fair value: derivative financial instruments, 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 14 month period ended 28 February 2010.

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*, as adopted by the EU. 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 14 month period ended 28 February 2010.

The condensed consolidated interim financial statements were approved by the Board of Directors on 27 October 2010.

#### Significant accounting policies

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 14 month period ended 28 February 2010. There are no new accounting policies that are applicable in the period.

### 1b. Going concern

At 31 August 2010, the Group’s borrowings totalled £1.66 billion. At that date, the Group had an investment and development portfolio which it valued at £1.05 billion, together with cash and cash equivalents of £20 million, and restricted cash of £19 million. The deficit on shareholders’ funds was £755 million.

The Group’s future operating performance will be affected by general economic, financial and business conditions, many of which remain beyond the Group’s control.

## Notes to the condensed consolidated interim financial statements (continued)

### 1b. Going concern (continued)

At 31 August 2010, the Group had aggregate bank loans of £975 million classified as current liabilities.

In addition, the Group had obligations of £375 million due to the holders of its CULS, ZDPs and the OLN, all of which mature in May 2011. Based on its current financial position, and as previously announced, the Group is unable to repay those instruments on their maturity.

The liabilities due to holders of the CULS and ZDPs at 31 August 2010 amounted to £101 million and £128 million respectively, with a principal amount of £146 million due to the holder of the OLN at this date.

Interest payments of £3.8 million and £5.0 million due at 31 August 2010 to the holders of the CULS and OLN respectively were not made at this date.

The Group has reached outline agreement with the holder of the OLN and the Committee, as defined in the Chairman's Statement, on the terms of a financial restructuring of REO which will also enable the demerger of the Battersea Power Station. The terms of the financial restructuring includes the deferral of all principal and interest payments due on the OLN until 31 May 2011 and an equitisation of the CULS and ZDPs into equity of the demerged Battersea Power Station subsidiary and REO. The terms are subject to the Group meeting the key milestones outlined in the Chairman's Statement.

The Group has also renegotiated the loan facilities relating to Battersea Power Station with both Lloyds Banking Group (previously Bank of Scotland) and NAMA (previously Bank of Ireland), extending the existing facility to 31 August 2011 and waiving all outstanding breaches. The extension and waiver agreement is conditional upon the Group affecting a compromise by 29 October 2010 with the holders of the CULS. In addition, prior to the 28 February 2011, the Group will need either to conclude agreements with the OLN, CULS and ZDPs or extend their maturities to no earlier than 30 September 2011.

NAMA's advisers have completed their review of the Group's comprehensive business plan submitted to NAMA in early May 2010. The Group continues to seek broad approval from the board of NAMA for the business plan.

The key assumptions made in preparing the Group's business plan for the period to 31 October 2011 include:

- Broad approval by NAMA of the Group's business plan.
- The renewal by NAMA of bank facilities in the amount of £780 million on broadly similar terms.
- The agreement of NAMA to defer interest payments.
- The provision by NAMA of working capital facilities.
- The agreement of the holders of the CULS and OLN to a standstill on the payment of interest in the period to 31 October 2011.
- Agreement with each of the holders of the CULS, ZDPs and OLN whereby the capital amounts due on maturity in May 2011 will not represent a cash outflow for REO.
- Certain of the Group's fee arrangements with Treasury Holdings will be restructured to cap the fees paid in the period to 31 October 2011.
- Planning permission for the proposed development of Battersea Power Station will be granted in the near future.
- It is anticipated that the Group's interest in Battersea Power Station will be restructured and that an equity partner will be introduced on the Battersea development providing all project financing in 2011.
- The ability of the Group to raise further capital after its debt facilities have been renegotiated and its interest in Battersea Power Station has been restructured.

Based on the Group's current business plan and the key assumptions noted above, the Board believes that the Group will have sufficient cash and cash equivalents to meet its liquidity requirements for at least twelve months from the date of approval of this report.

The Directors of the Company have concluded that the above factors represent material uncertainties. Failure to achieve the above assumptions and objectives could cast significant doubt on the Group's ability 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.

## Notes to the condensed consolidated interim financial statements (continued)

### **1b. Going concern (continued)**

However, having discussed the assumptions and basis of preparation supporting the Group's cash flow projections, together with the advanced status of negotiations with the Group's key lenders, the Directors of the Company have a reasonable expectation that the Group will be able to meet its liabilities as they fall due for the foreseeable future.

On this basis, the Directors consider it appropriate to prepare the financial statements on a going concern basis. No adjustment which would result from a change in the going concern basis of preparation has been included in the financial statements.

### **1c. Financial Risk Management**

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the period ended 28 February 2010.

## Notes to the condensed consolidated interim financial statements (continued)

### 2. Investment properties and investment properties under development

*In thousands of pounds sterling*

	<b>Unaudited</b>		
	<b>Investment Property</b>	<b>Investment property under development</b>	<b>Total</b>
Valuation at 1 March 2010	514,995	582,440	1,097,435
Additions	1,844	42,828	44,672
Disposals	(2,846)	-	(2,846)
Deficit on revaluation	(12,216)	(27,211)	(39,427)
Currency translation adjustment	(35,203)	(14,273)	(49,476)
Valuation at 31 August 2010	<b>466,574</b>	<b>583,784</b>	<b>1,050,358</b>
<b>Properties held in</b>			
UK	45,440	395,000	440,440
Ireland	421,134	188,784	609,918
	<b>466,574</b>	<b>583,784</b>	<b>1,050,358</b>

	<b>Audited</b>		
	<b>Investment Properties</b>	<b>Investment properties under development</b>	<b>Total</b>
Valuation at 1 January 2009	946,920	963,262	1,910,182
Additions	4,333	90,962	95,295
Disposals	-	(3,211)	(3,211)
Deficit on revaluation	(378,447)	(432,219)	(810,666)
Currency translation adjustment	(57,811)	(36,354)	(94,165)
Valuation at 28 February 2010	<b>514,995</b>	<b>582,440</b>	<b>1,097,435</b>
<b>Properties held in</b>			
UK	45,380	388,000	433,380
Ireland	469,615	194,440	664,055
	<b>514,995</b>	<b>582,440</b>	<b>1,097,435</b>

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 31 August 2010.

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 (continued)

### 3. Other investments

*In thousands of pounds Sterling*

#### Assets classified as held for sale

<b>Group</b>	<b>31 August 2010 unaudited</b>	<b>28 February 2010 audited</b>
Carrying amount at start of the period	27,680	-
Transfer from investment in associate	-	67,980
Impairment loss on remeasurement of CREO shares	-	(40,300)
Disposal	(27,680)	-
Carrying amount at end of the period	<u>-</u>	<u>27,680</u>

During the period the Group disposed of its investment in China Real Estate Opportunities (“CREO”) realising cash of £27.7 million, and resulting in a gain on sale of:

Carrying amount of investment sold	27,680
Proceeds on disposal	(27,680)
Foreign currency translation reserve reclassified	<u>26,233</u>
Gain on disposal	<u>26,233</u>

## Notes to the condensed consolidated interim financial statements (continued)

### 4. Taxation

*In thousands of pounds sterling*

#### (a) Recognised in the income statement

*For the six months ended*

	<b>31 August 2010 unaudited</b>	<b>30 June 2009 unaudited</b>
<b>Current tax expense</b>		
Charge for the period	(37)	(933)
<b>Deferred tax credit / (expense)</b>		
Fair value movement of financial derivatives	300	3,778
Effect of change in tax rate (i)	-	(17,180)
Valuation losses on investment properties and on investment properties under development	1,820	18,889
	<b>2,120</b>	<b>5,487</b>
Income tax credit before share of income tax of equity accounted investees	<b>2,083</b>	<b>4,554</b>
Share of income tax of equity accounted investees	-	787
Total income tax credit	<b>2,083</b>	<b>5,341</b>

#### (b) Recognised in the statement of financial position

Deferred tax assets and liabilities are attributable to the following:

*At 31 August 2010 and 28 February 2010*

	Assets		Liabilities		Net	
	31 Aug 2010	28 Feb 2010	31 Aug 2010	28 Feb 2010	31 Aug 2010	28 Feb 2010
Derivative financial instruments	(1,630)	(1,451)	-	-	(1,630)	(1,451)
Investment property and investment property under development	-	-	22,619	26,385	22,619	26,385
	<b>(1,630)</b>	<b>(1,451)</b>	<b>22,619</b>	<b>26,385</b>	<b>20,989</b>	<b>24,934</b>

Movement in temporary differences during the period:

#### 31 August 2010 - unaudited

At 1 March 2010  
Recognised in profit and loss  
Foreign currency movements  
At 31 August 2010

Derivative financial instruments	Investment and development property	Total
(1,451)	26,385	24,934
(300)	(1,820)	(2,120)
121	(1,946)	(1,825)
<b>(1,630)</b>	<b>22,619</b>	<b>20,989</b>

#### 28 February 2010 - audited

At 1 January 2009  
Effect of rate change  
Recognised in profit and loss  
Foreign currency movements  
At 28 February 2010

Derivative financial instruments	Investment property	Total
(5,818)	140,150	134,332
-	17,912	17,912
3,979	(122,425)	(118,446)
388	(9,252)	(8,864)
<b>(1,451)</b>	<b>26,385</b>	<b>24,934</b>

## Notes to the condensed consolidated interim financial statements (continued)

### 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 £18 million at 28 February 2010.
- (ii) Income and capital gains of the company are subject to taxation in Jersey at a rate of 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 period ended 28 February 2010 and for the period ended 31 August 2010.

## Notes to the condensed consolidated interim financial statements (continued)

### 5. Financing

#### (a) Interest Bearing Loans and borrowings

*In thousands of pounds sterling*

	<b>31 August 2010</b>	<b>28 February 2010</b>
	unaudited	audited
<b>Non – current liabilities</b>		
7.5% Convertible Unsecured loan Stock 2011	-	101,101
Zero Dividend Preference Shares	-	122,119
Senior loan	307,639	333,391
Bank loans secured on Irish property assets	5,708	93,442
	<b>313,347</b>	<b>650,053</b>

	<b>31 August 2010</b>	<b>28 February 2010</b>
	unaudited	audited
<b>Current liabilities</b>		
Bank loans secured on UK property assets	251,448	242,898
Series A and B Secured Loan notes fixed at 6.324%	146,253	147,786
Bank loans secured on Irish property assets	723,167	680,288
7.5% Convertible Unsecured loan Stock 2011	100,895	-
Zero Dividend Preference Shares	127,537	-
	<b>1,349,300</b>	<b>1,070,972</b>

As highlighted in the Chairman's Statement, the Group has submitted its business plan to NAMA and continues to engage on the finalisation of that plan. It is the Directors' expectation that a significant portion of the maturity profile of the above interest bearing loans and borrowings may subsequently be re-classified as non-current liabilities.

#### (b) Maturity Analysis

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

<b>31 August 2010</b> (unaudited)	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>&lt; 1 yr</b>	<b>1-2 yrs</b>	<b>2-3 yrs</b>	<b>3-4 yrs</b>	<b>4-5 yrs</b>	<b>&gt; 5 yrs</b>
7.5% Convertible Unsecured loan Stock 2011	100,895	106,571	106,571	-	-	-	-	-
Series A and B Secured Loan notes fixed at 6.324%	146,253	159,572	159,572	-	-	-	-	-
Zero Dividend Preference Shares	127,537	136,021	136,021	-	-	-	-	-
Variable rate debt fixed with interest rate swaps	1,160,483	1,249,689	908,831	13,980	321,795	259	259	4,565
Variable rate debt	129,139	137,401	137,401	-	-	-	-	-
Provisions	877	877	35	35	35	35	35	702
Trade and other payables	58,350	58,350	58,350	-	-	-	-	-
	<b>1,723,534</b>	<b>1,848,481</b>	<b>1,506,781</b>	<b>14,015</b>	<b>321,830</b>	<b>294</b>	<b>294</b>	<b>5,267</b>

## Notes to the condensed consolidated interim financial statements (continued)

### (b) Maturity analysis (continued)

*In thousands of pounds sterling*

The following table indicates the periods in which the cash flows associated with derivatives are expected to occur.

<b>31 August 2010</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>&lt; 1 yr</b>	<b>1-2 yrs</b>	<b>2-3 yrs</b>	<b>3-4 yrs</b>	<b>4-5 yrs</b>	<b>&gt; 5 yrs</b>
Interest rate swap liability	110,007	115,015	40,102	34,695	23,874	12,420	3,924	-

<b>28 February 2010 (audited)</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>&lt; 1 yr</b>	<b>1-2 yrs</b>	<b>2-3 yrs</b>	<b>3-4 yrs</b>	<b>4-5 yrs</b>	<b>&gt; 5 yrs</b>
7.5% Convertible Unsecured loan Stock 2011	101,101	110,580	7,583	102,997	-	-	-	-
Series A and B Secured Loan notes fixed at 6.324%	147,786	159,576	159,576	-	-	-	-	-
Zero Dividend Preference Shares	122,119	136,021	-	136,021	-	-	-	-
Variable rate debt fixed with interest rate swaps	1,210,289	1,329,339	925,276	42,766	355,769	289	289	4,950
Variable rate debt	141,844	155,199	82,570	72,629	-	-	-	-
Provisions	968	968	38	38	38	38	38	778
Trade and other payables	46,283	46,283	46,283	-	-	-	-	-
	<b>1,770,390</b>	<b>1,937,966</b>	<b>1,221,326</b>	<b>354,451</b>	<b>355,807</b>	<b>327</b>	<b>327</b>	<b>5,728</b>

The following table indicates the periods in which the cash flows associated with derivatives are expected to occur.

<b>28 February 2010</b>	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>&lt; 1 yr</b>	<b>1-2 yrs</b>	<b>2-3 yrs</b>	<b>3-4 yrs</b>	<b>4-5 yrs</b>	<b>&gt; 5 yrs</b>
Interest rate swap asset (current and non-current)	49	49	30	10	9	-	-	-
Interest rate swap (liability)	(101,856)	(116,650)	(68,748)	(24,002)	(18,169)	(239)	(239)	(253)

## Notes to the condensed consolidated interim financial statements (continued)

### 6. Trade and other payables - current

*In thousands of pounds sterling*

	<b>31 August 2010 unaudited</b>	<b>28 February 2010 audited</b>
Interest accruals	34,138	18,760
Capital Accruals	7,557	9,874
Other Creditors and accruals	10,249	10,583
Rentals received in advance	6,441	7,066
Current tax payable	4,170	3,988
	<b>62,555</b>	<b>50,271</b>

### 7. Share Capital and Reserves

*In thousands of pounds sterling*

*Share Capital and Share Premium*

	<b>31 August 2010 unaudited</b>	<b>28 February 2010 audited</b>
Balance at beginning of period	3,338	3,338
CULS converted into ordinary shares in the period	2	-
Balance at the end of the period	<b>3,340</b>	<b>3,338</b>

During the period 205,668 CULS were converted into ordinary shares of £0.01 each. This resulted in an increase in share premium to £216k.

#### *Currency and Other Reserves*

Amounts of currency and other reserves relating to the associate were presented with retained earnings in the previous period. During the current period they have been presented separately and re-classified to profit on disposal of the associate.

## Notes to the condensed consolidated interim financial statements (continued)

### 8. Net deficit value

*In thousands of pounds sterling*

#### (i) Basic net deficit

	<b>31 August 2010</b> unaudited	<b>28 February 2010</b> audited
Net deficit attributable to shareholders	(755,213)	(721,623)
Number of ordinary shares in issue ('000)	334,010	333,804
<b>Basic net deficit per share (pence)</b>	<b>(226.1)</b>	<b>(216.2)</b>

At 31 August 2010 and 28 February 2010 there was no difference between basic and diluted NAV per share as the effect of all potentially dilutive securities was anti dilutive.

#### (ii) EPRA net deficit

	<b>31 August 2010</b> unaudited	<b>28 February 2010</b> audited
Net deficit	(755,213)	(721,623)
Fair value of derivative financial instruments	110,007	101,807
Deferred tax assets and liabilities	20,989	24,934
EPRA net deficit	(624,217)	(594,882)
Diluted number of ordinary shares in issue ('000)	334,010	333,804
<b>Diluted EPRA net deficit per share (pence)</b>	<b>(186.9)</b>	<b>(178.2)</b>

The EPRA NAV per share excludes the fair value of derivative financial instruments and deferred taxation assets and liabilities on revaluations and is calculated on a fully diluted basis.

## Notes to the condensed consolidated interim financial statements (continued)

### 9. Segment reporting

As required by IFRS 8 *Operating Segments*, the segment analysis below follows the information provided to the Board of Directors which is the Chief Operating Decision Maker (“CODM”). 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. This segmental information is set out on the same basis and using the same comparatives as the statement of financial position and the statement of comprehensive income.

#### (a) Information about reportable segments

*In thousands of pounds sterling*

	Investment properties	Investment properties under development -	Investment properties	Investment properties under development	
	Ireland		UK		Total
<b><u>At 31 August 2010 - unaudited</u></b>					
Revenue*	16,585	-	774	-	17,359
Valuation (losses)/gains on properties*	(12,904)	(15,404)	688	(11,807)	(39,427)
<b><u>At 31 August 2010 - unaudited</u></b>					
Property assets	421,134	188,784	45,440	395,000	1,050,358
Capital expenditure*	1,235	24,021	609	18,807	44,672

	Investment properties	Investment properties under development	Investment properties	Investment properties under development	Total
	Ireland		UK		Total
<b><u>At 30 June 2009 - unaudited</u></b>					
Revenue*	17,506	-	861	-	18,367
Valuation losses on properties*	(63,092)	(46,340)	(5,611)	(59,927)	(174,970)
<b><u>At 28 February 2010 - audited</u></b>					
Property assets	469,615	194,440	45,380	388,000	1,097,435
Capital expenditure**	2,808	48,797	1,525	42,165	95,295

\* For the 6 month period

\*\* For the 14 month period ended 28 February 2010

## Notes to the condensed consolidated interim financial statements (continued)

### 9. Segment reporting (Continued)

#### (b) Reconciliation of reportable segment profit or loss

For the six months ended 31 August

*In thousands of pounds sterling*

	<b>31 August 2010</b> unaudited	<b>30 June 2009</b> unaudited
<b>Revenue</b>		
Total revenue for reported segments	17,359	18,367
<b>Profit or loss</b>		
Valuation losses on properties	(39,427)	(174,970)
<b>Total loss per reportable segments</b>	<b>(22,068)</b>	<b>(156,603)</b>
<b>Other profit or loss – unallocated amounts</b>		
Other income	620	625
Profit on disposal of investment property	244	452
Profit on Disposal of investment in CREO	26,233	-
Management fee	(1,102)	(2,087)
Administrative expenses	(5,522)	(501)
Financial income	83	966
Financial expenses	(45,903)	(42,868)
Share of loss of associate	-	(483)
<b>Consolidated loss before income tax</b>	<b>(47,415)</b>	<b>(200,499)</b>

### 10. Administration Expenses

*In thousands of pounds Sterling*

	<b>31 August 2010</b> unaudited	<b>30 June 2009</b> unaudited
Administration Expenses	<b>5,522</b>	<b>501</b>

Included in administration expenses in the comparative period is a credit of £3.6m in relation to the write-back of a bad debt provision which was recovered in the period.

## Notes to the condensed consolidated interim financial statements (continued)

### 11. Finance income and expense

*In thousands of pounds sterling*

<b>For the six months ended</b>	<b>31 August 2010</b> unaudited	<b>30 June 2009</b> unaudited
<b>Finance income</b>		
Interest income on bank deposits	83	966
	<b>83</b>	<b>966</b>
<b>Finance expenses</b>		
Interest expense on bank loans	(14,064)	(29,075)
Interest on 7.5% Convertible Unsecured Loan Stock 2011	(3,791)	(3,793)
Interest on Zero Dividend Preference Shares	(5,527)	(4,820)
Interest on 6.324% Series A and B loan notes 2011	(4,798)	(4,828)
Fair value movement on derivatives	(14,404)	(11,088)
Cash payment due on derivatives	(21,546)	(6,153)
Other Interest	(619)	-
Capitalised interest	18,846	16,889
	<b>(45,903)</b>	<b>(42,868)</b>
<b>Net finance costs</b>	<b>(45,820)</b>	<b>(41,902)</b>

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 end of the reporting period. The gain or loss on remeasurement to fair value is recognised immediately in the statement of comprehensive income. The fair value movement in the current period in comparison with 2009 is therefore a function of the decreased interest rates from one period to the next.

## Notes to the condensed consolidated interim financial statements (continued)

### 12. Loss per share

*In thousands of pounds sterling*

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

	<b>31 August 2010</b>	<b>30 June 2009</b>
	unaudited	unaudited
Loss attributable to ordinary shareholders	<b>(45,332)</b>	<b>(193,745)</b>
Weighted average number of ordinary shares ('000)		
<b>Issued shares at beginning of period</b>	333,804	333,792
Effect of shares issued during the period	34	9
<b>Weighted average number of ordinary shares</b>	<b>333,838</b>	<b>333,801</b>
<b>Basic loss per share (pence)</b>	<b>(13.6)</b>	<b>(58.0)</b>

For the period ended 31 August 2010 and 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.

#### (ii) Diluted EPRA earnings/ (loss) per share for the six months ended

	<b>31 August 2010</b>	<b>30 June 2009</b>
	unaudited	unaudited
Loss attributable to ordinary shareholders diluted	(45,332)	(193,745)
Valuation movement on investment properties and on investment properties under development	39,427	174,970
Profit on disposal of property	(244)	(452)
Movement in fair value of financial instruments	14,404	11,088
Deferred tax	(2,120)	(5,487)
Non-Controlling interest in respect of above	-	2,599
	<b>6,135</b>	<b>(11,027)</b>
<b>Weighted average number of ordinary shares (diluted) at 31 August 2010 ('000)</b>	<b>333,838</b>	<b>333,801</b>
<b>Diluted EPRA gain/ (loss) per share (pence)</b>	<b>1.9</b>	<b>(3.3)</b>

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 (continued)

### 13. 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*

	<b>31 August 2010</b>	<b>28 February 2010</b>
Contracted for	32,921	47,535
Authorised not contracted	-	-
	<b>32,921</b>	<b>47,535</b>

### 14. Related parties

Pursuant to the Investment Adviser Agreements, Treasury Holdings earned investment management fees of £1.1m (30 June 2009: £2.1m) and project development and management fees of £6.4m (30 June 2009: £5.6m) in respect of the Irish and Global Property Portfolios. The project development and management fees are capitalised in the period they are incurred. Unpaid fees amounted to £2.5 million at 31 August 2010 (28 February 2010: £3.8 million).

Fees of £332,093 for the 6 month period ended 31 August 2010 (30 June 2009: £260,543) in respect of accounting and administrative services, taxation advice, legal advice and investor relations were payable to Treasury Holdings in respect of agreements with the Company. Fees unpaid at 31 August 2010 amounted to £110,248 (28 February 2010: £152,000).

There was no performance fee payable during the period ended 31 August 2010 (30 June 2009: £nil).

### 15. Subsequent events

As highlighted in the Chairman's Statement, there have been a number of significant events since the end of the reporting period;

- REO has renegotiated the loan facilities relating to Battersea Power Station with both Lloyds Banking Group and NAMA extending the existing facility to 31 August 2011 and waiving all outstanding breaches subject to certain conditions.
- As noted in the Chairman's Statement, the Group has reached outline agreement with the holder of the OLN's and an ad hoc informal committee of holders of both the CULS and ZDPs (together the "Committee") on the terms of a financial restructuring of REO which will also enable the demerger of the Battersea Power Station. The terms of the financial restructuring includes the deferral of all principal and interest payments due on the OLN's until 31 May 2011 and are subject to the Group meeting the key milestones outlined in the Chairman's Statement. The proposals with the Committee involve an equitisation of the CULS and ZDPs into equity of the demerged Battersea Power Station subsidiary and REO.