

23 June 2010

REAL ESTATE OPPORTUNITIES PLC
Preliminary Results for the 14 months to 28 February 2010

In November 2009, the Company announced a change in its accounting year end date from 31st December 2009 to 28th February 2010. This was to coincide with the establishment of NAMA and the expected transfer of a number of REO loans and to enable the Company to present REO's financial position more clearly to shareholders.

Financial performance affected by unprecedented market conditions in the UK and Ireland:

- Total portfolio valuation of £1,097 million, reduced by 43% in the 14 month reporting period (a fall of 32% since June 2009)
 - Battersea Power Station valuation of £388 million as at 28 February 2010, reduced by 4% in the 14 months since 31 December 2008 (£406 million), but increased by 6% in the 8 months since 30 June 2009 (£365 million)
 - Net Deficit Value per share (EPRA basis) 178.2 pence compared to a Net Asset Value per share of 104.1 pence at 31 December 2008 (EPRA basis)
- Property income of £44 million for the 14 months to 28 February 2010
- Underlying loss before tax of £929 million reflecting:
 - £811 million fall in valuation
 - £40 million impairment of listed investment of CREO
 - Net financial expenses of £112 million
- Loss after taxation of £828 million (2008: £367 million loss)
- Loss per share 248.2 pence (2008 loss per share: 107.8 pence)
- Cash at £39 million at year end has since been boosted by £28 million from sale of shares in China Real Estate Opportunities plc ("CREO") in March 2010.
- Discussions have been initiated with the Group's various loan instrument holders and NAMA

Balance Sheet Restructuring progressing well:

- New lending terms secured on Battersea Power Station ("BPS") loan facility, subject to completion of legal documentation
- REO's loans with participating NAMA banks have been transferred and a business plan has been submitted to NAMA and is being reviewed
- Loan instrument renegotiations initiated
- Sale of CREO stake completed in March 2010, realising £28 million in cash

Proposed demerger of Battersea Power Station:

- The Board has resolved to pursue a proposal to separate the BPS project from the remainder of the REO portfolio into a new separately listed vehicle, subject to negotiations with relevant stakeholders

Strong operational performance:

- Investment portfolio continues to perform strongly, underpinned by prime locations and high quality tenants
 - Annualised rent roll €48.3 million (2008: €46.8 million)
 - 92% rent roll prepaid quarterly
 - 93% of rent subject to upward only reviews
 - Occupancy 95%, arrears at 3.75%
 - Rent weighted average lease length of 11 years
- Significant progress with Battersea Power Station

- BPS: planning application has been well received and we remain optimistic application will be determined favourably later this year

Ray Horney, Chairman, said:

“It has been an exceptionally challenging period for the Company , as unprecedented conditions in the UK and Ireland impacted real estate valuations, and credit and liquidity remained very limited. However, the Company has worked hard and is confident that it will be able to strengthen the balance sheet as we initiate discussions with certain key holders of loan instruments and continue to deliver a robust operational performance in the investment portfolio. The Board has also resolved to pursue a demerger of Battersea Power Station into a separate listed vehicle in time to coincide with the introduction of a new investor in the project. Whilst uncertainty remains with regard to the economic outlook, the Board remains confident that the quality of the Company’s portfolio and the experience and commitment of management will ensure the Company is on a solid footing as markets recover.”

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Chairman's statement

The fourteen months to 28 February 2010 have remained difficult for the Company, with unprecedented market conditions in Ireland affecting both our operational and financial performance. Irish property values have been severely impacted by constrained credit and the weakness in the Irish economy. This has led to a significant negative revaluation in the Group's Irish portfolio, a significant loss after taxation and a net deficit on shareholder funds. Despite this, management has continued to focus hard on what is within the Company's control, including making progress towards restructuring and strengthening its balance sheet through the sale of assets and renegotiations with lenders.

As part of this balance sheet restructuring, in March 2010, the Company announced that it had sold its 16.9% stake in China Real Estate Opportunities plc ('CREO') for a cash consideration of £27.68 million. Discussions have also commenced with certain key holders of the many loan instruments supporting the business – loans held by NAMA and non-NAMA banks, CULS (Convertible Unsecured Loan Shares), ZDPs (Zero Dividend Preference shares) and the Oriental Loan Note. Although these discussions are at an early stage at the time of this report's preparation, the Board is confident that they can be concluded to the satisfaction of the Group, thereby providing security regarding the forecast cash flow for the foreseeable future.

The Board welcomes the newly formed National Asset Management Agency ("NAMA") in Ireland and the agency has now acquired Group loans amounting to £815 million from the participating banks. The Company is now in dialogue with NAMA regarding the renewal and/or renegotiation of these loans and future funding for the business. We remain hopeful that NAMA will be supportive of the REO portfolio, due to the high quality and location of the Group's assets, as well as its strong tenant base. More widely, we also believe the operations of NAMA will over time improve conditions in the Irish real estate market and will lead to an introduction of much needed liquidity.

In the UK, significant progress has been made on the Battersea Power Station project. In September 2009, the Company lodged the largest planning application ever submitted in central London. Initial consultation to the application has been very encouraging, with English Heritage, The Commission for Architecture and the Built Environment and The Greater London Authority supporting the project in principle. We therefore remain very optimistic that the application will be determined favourably later this year.

We are pleased to announce that new lending terms have been negotiated (subject to completion of legal documentation) with both Lloyds Banking Group (previously Bank of Scotland) and NAMA (previously Bank of Ireland) whereby the existing Battersea Power Station bank facility is to be extended and all outstanding breaches waived. In addition, the Company is also undertaking a global investment roadshow to attract a long term equity partner into the project following the anticipated receipt of planning permission. Due to the quality of the development, the location and the strengthening real estate investment market in London, interest has been very encouraging and we hope to announce significant progress in this regard later in the year.

To facilitate such investment in the Company and the project, the Board has resolved to pursue a proposal to separate the Battersea Power Station project from the remainder of the REO portfolio into a new separate listed vehicle. This important step will help facilitate the necessary equity investment required to develop the project as well as enabling refinancing and restructuring of all the existing liabilities towards new longer term, development based arrangements. The Board also believes that this is extremely positive for stakeholders as the newly formed vehicle will give relevant stakeholders substantial and direct exposure to this unique development project. Subject to the support of the stakeholders, it is hoped the new listing could be achieved before the end of the calendar year.

The Irish economy is expected to report its first quarter-on-quarter growth in Q1 2010 since Q4 2007 while the OECD sees the Irish economy contracting by 0.3% this year but returning to growth of 3.0% in 2011. We believe that whilst there are a number of hurdles to overcome on the

road to recovery the Irish property market may have finally bottomed out and has begun to stabilise. The Board remains confident that the quality of the Group's portfolio and the experience and commitment of management will ensure the Group is set on a solid footing as economic markets recover.

Investment adviser's report

Investment portfolio

The investment portfolio continues to perform well, especially in light of current market conditions. Annualised rent roll was €48.3 million in the period compared to €46.8 million as at 31 December 2008. Portfolio occupancy remains at over 90% and only 3.75% of rent roll is in arrears, which has remained broadly stable in the period. The Company continues to monitor its tenants closely and to date there have been no material indications of defaults. Blue chip tenants such as Vodafone, Merrill Lynch, KPMG and Marks & Spencer account for over 63% of the portfolio by rent. Rent weighted average lease length is approximately 11 years. Given the market environment, this performance is impressive, with intense asset management driving cash flow. This continued strength of operational performance is also underpinned by prime office and retail locations and high quality tenants.

During the period, 12 upward only rent reviews were completed achieving an average increase of 6% on passing rent, with €13.9 million of income reviewed. In particular, the Company successfully completed a rent review with REO's largest tenant by rent, Vodafone (Central Park, County Dublin), at €7.2 million per annum, or 12% above previous passing rent. The new rent is effective from October 2006. The Vodafone lease in Central Park is Ireland's largest single let building at 263,000 square ft and now expires in 2026.

Two other rent reviews were also recently completed in Central Park with Tullow Oil plc, achieving an average increase of 12.8% on passing rent.

In addition, the Group completed a rent review with Bank of Ireland Asset Management (40/42 Mespil Road) in January 2010, resulting in a 9% increase on the previous rent.

Development portfolio

The Company has taken a prudent approach to the timing of its development pipeline, with construction in progress on only one development project. While negotiations are ongoing with NAMA regarding the proposed plans for development properties, including flexibility on start dates, the Company continues to pursue appropriate planning permissions to position the Group for the longer term when the market stabilises and funding becomes more available.

Battersea Power Station

As the Chairman's statement has stated, the Company lodged the largest planning application ever submitted in central London in September 2009. Initial consultation to the application has been very encouraging, with English Heritage, The Commission for Architecture and the Built Environment and The Greater London Authority and many others supporting the project in principle. We therefore remain very optimistic that the application will be determined favourably later this year.

We are also pleased to announce that new lending terms have been negotiated (subject to completion of legal documentation) with both Lloyds Banking Group (previously Bank of Scotland) and NAMA (previously Bank of Ireland) whereby the existing Battersea Power Station bank

facility is to be extended and all outstanding breaches waived. In addition, the Company is undertaking a global investment roadshow to attract a long term equity partner into the project following receipt of planning permission. Due to the quality of the development, the prime location and the strengthening real estate investment market in London, interest has been very encouraging and we hope to announce significant progress in this regard later in the year.

To facilitate such investment in the Company and the project, the Board has resolved to pursue a proposal to separate the Battersea Power Station project from the remainder of the REO portfolio into a new separate listed vehicle. This important step will help facilitate the necessary equity investment required to develop the project plus also enabling refinancing and restructuring of all the existing liabilities towards new longer term, development based arrangements. The Board also believes that this is extremely positive for stakeholders as the newly formed vehicle will give relevant stakeholders substantial exposure to this unique development project. Subject to the support of the stakeholders, it is hoped this new listing could be achieved before the end of the calendar year.

Irish Development Portfolio

Progress within the Irish development portfolio in the period includes:

Central Park

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 Sandymount and Leopardstown, offers a convenient out of town suburban location with excellent public transport links including easy access to the N11 and the Luas (Light Rail Tram System) Green line. Central Park's own Luas stop is due to become operational this year. Construction of Number 1, Central Park, a 17,650 square metre office development, has been completed but will exclude fit out until a pre-letting is secured. We continue to aggressively market this new building and we have recently made formal submissions for four live enquiries.

Montevetro

There is only one REO development currently under construction: Montevetro, on Barrow Street, Dublin 4 (19,500 square metres) and the building continues to be constructed. The cladding is due for final weather-tight by the end of June 2010. We continue to market the building, with a number of live enquiries being addressed currently. The building has direct access to its own DART commuter train station.

Valuations

The total property portfolio value was £1,097 million as at 28 February 2010, down 43% from the 31 December 2008 valuation of £1,910 million. This decrease in the portfolio valuation is due to an average decline of 51% in values across the Irish portfolio in the 14 months to 28 February 2010. This decline is broadly in line with market-wide declines in values in Ireland as the market continued to suffer from the biggest contraction of any developed economy as well as severe instability in its banking sector in the period.

REO's UK portfolio includes Battersea Power Station which represents 89% of the UK portfolio by value. The Power Station fell 4% in value for the 14 months to 28 February 2010 to £388 million, however it increased by 6% in the 8 months from June 2009 from £365 million, as the UK market began to show signs of recovery.

Financial review

In November 2009, the Company announced a change in its accounting year end date from 31 December 2009 to 28 February 2010. This was to coincide with the establishment of NAMA and the expected transfer of a number of REO loans and to enable the Company to present REO's financial position more clearly to shareholders.

Valuations & Net Asset Value ("NAV")

The value of the portfolio as at 28 February 2010 amounted to £1,097 million, a reported decrease of 43% since 31 December 2008, and a decrease of 32% since 30 June 2009.

The deficit on the consolidated shareholders funds at 28 February 2010 is £722 million.

The consolidated net deficit of the Company under the EPRA guidelines is £595 million at 28 February 2010 (31 December 2008 EPRA Net Assets: £347.5 million).

Diluted EPRA deficit per share was -178.2p as at 28 February 2010, representing a significant reduction from 104.1p at 31 December 2008 and from 30.9p at 30 June 2009.

Profit & Loss

Property income amounted to £44 million in the 14 months to 28 February 2010, representing an increase from £32 million in the prior year 12 month period, due to rental income from the additional two month period and the completion of upward rent reviews in the period. After valuation losses and operating expenses, the reported operating loss was £816 million. Net financial expenses were £112 million in the period. This resulted in a REO loss after taxation for the period of £828 million including an income tax credit of £101 million.

Debt & Gearing

Bank loans amounting to £1,072 million and £312 million mature during 2010/2011 and 2011/2012 respectively.

The overall debt level is £1,720 million, including loan notes, Zero Dividend Preference Shares and Convertible Unsecured Loan Stock.

Loan Instrument Restructuring Discussions

As part of its balance sheet restructuring, preliminary discussions have commenced with certain key holders of loan instruments supporting the business – CULS, ZDPs and the Oriental Loan Note – with a view to agreeing a consensual restructuring of the Group's Balance Sheet prior to their repayment date on 31 May 2011. The Board has appointed a restructuring adviser, Talbot Hughes McKillop, to assist in these negotiations.

NAMA

The Company received formal notification from NAMA in March 2010 that it was to acquire certain of REO's loans. These loans are from Allied Irish Bank, Anglo Irish Bank, Bank of Ireland, and Irish Nationwide and amounted to £815 million of a total of £1.49 billion of the Company's outstanding bonds and loans. They were transferred to NAMA during April and May 2010. Since then, the Company has submitted its comprehensive business plan to NAMA and is in negotiations regarding the renewal and/or renegotiation of these loans. We remain confident that NAMA will be supportive of the REO portfolio, due to the quality and location of the Group's development sites as well as its income producing assets.

In relation to non-NAMA debt, although 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 Board is pleased to announce that the outstanding waiver relating to the NAV covenant breach on the Battersea Power Station bank facility of £226 million with Bank of Scotland and Bank of Ireland (now NAMA), has been approved subject to completion of legal documentation. New terms have also been negotiated (also subject to completion of legal documentation) whereby the facility is to be extended until August 2011.

Cash

As at 28 February 2010, the Group had cash, cash equivalents and restricted cash of £39 million, which excludes the disposal of its stake in CREO, which occurred after year-end.

Sale of Investment in Associate

In March 2010, the Group announced it had disposed of its effective 16.9% stake (8,387,941 shares) in CREO, the property company with an established investment and development property portfolio in China, for a cash consideration of £27.68 million. The sale is in line with the Group's strategy to focus on its core portfolio and the proceeds will be used for general working capital purposes.

Going concern

At 28 February 2010, the Group had total borrowings of £1.721 billion. At that date, the Group also had cash and cash equivalents of £21.1 million, restricted cash of £17.7 million and an investment in CREO of £27.7 million which was realised in cash subsequent to the year end. The Group has an investment and development property portfolio valued at £1.1 billion and had a deficit on its shareholders' funds of £722 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.

At 28 February 2010, the Group had aggregate bank loans of £923 million classified as current liabilities. In addition, the Group had aggregate obligations of £371 million due to the holders of its Convertible Unsecured Loan Notes (CULs), its Zero Dividend Preference shares (ZDPs) and the 6.324% Series A and B unsecured loan notes. All of these instruments mature in May 2011 and based on the Group's current financial position, the Group does not have the ability to repay those instruments on their maturity in May 2011.

Each of the CULs and ZDPs mature in May 2011. The liability at 28 February 2010 in respect of the CULs and the ZDPs is £101 and £122 million respectively. In the case of the CULs, interest is paid every six months in the amount of £3.8 million and the next interest payment is due in August 2010.

The Series A and Series B unsecured loan notes in the aggregate amount of £147.8 million mature in May 2011. Interest at the rate of 6.324% per annum is payable half yearly and the next interest payment due date is 31 August 2010 in the amount of £5.0 million.

As required by NAMA, the Group has submitted a detailed business plan which is currently being evaluated by NAMA with a view to seeking its approval of that plan. This evaluation process is currently underway and the Directors believe that the plan will be approved following which NAMA will monitor the Group's subsequent performance to ensure that we adhere to the targets contained in the business plan. Whilst initial communications between NAMA and the Company support the Directors' belief that NAMA will work alongside the Company's other banks to provide support to the operations of the Group, no formal approval of the Group's business plan has been received at this time.

The Battersea Power Station is a major development project in central London. The development costs are currently funded 75% by a consortium of lenders, with the balance financed by the Group. The lenders are currently providing interest roll up on the existing debt. The Battersea

facilities expire in March 2011 and in preparing the Group's business plan, the Directors have assumed that these facilities will be rolled over and renewed on broadly similar terms or alternatively will be re-financed on broadly similar terms. This has been approved by the banks' credit committees but is now subject to the completion of legal documentation.

The key assumptions made in preparing the business plan for the Group for the period to 30 June 2011 include:

- The acceptance by NAMA of the Group's business plan.
- The renewal by NAMA of bank facilities in the amount of £815 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 Series A and Series B loan notes to a standstill on the payment of interest in the period to June 2011.
- Agreement with each of the holders of the CULS, ZDPs and Series A and B notes 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 will be restructured to cap the fees paid in the period to June 2011.
- Planning permission for the proposed development of Battersea Power Station will be granted in 2010.
- It is anticipated the Group's interest in Battersea will be restructured and that an equity partner will be introduced on the Battersea development providing all project financing from January 2011.

Based on the Group's business plan and the key assumptions noted above, the Directors believe 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 the financial statements.

Following the anticipated Battersea restructuring, the Group will continue to have a deficit on its shareholders' equity and, as a consequence, it is anticipated that the Group will require ongoing financial support from NAMA and its non NAMA lenders in the period beyond June 2011.

The Directors of the Company have concluded that the above factors represent material uncertainties. Were the assumptions and objectives not to be achieved, it could cast significant doubt on the ability of the Group 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 cash flow projections, together with the current status of negotiations with NAMA and the Group's other lenders, and assuming the roll over and renewal of expiring facilities and required further waivers are put in place within the required time scales, 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. It is on that basis that the Directors consider it appropriate to prepare the financial statements on a going concern basis. These financial statements do not include any adjustment that would result from the going concern basis of preparation being inappropriate.

Outlook

The fallout from the global economic downturn in 2008-2009 and Ireland's own difficulties in both the economy and banking sector have continued to impact the performance of the business severely, as evidenced in this set of results and the net deficit position. However, the Company has taken some important steps in the period to address the Company's financial position and restructure its balance sheet. While much work remains, the Board remains committed to navigating these challenges to deliver maximum share holder value over the long term.

Approval of Preliminary Announcement

The financial information contained in this preliminary announcement are not the statutory financial statements of the company, drawn up in accordance with the Companies (Jersey) Law 1991 (as amended). The directors approved the preliminary announcement in respect of the financial period ended 28 February 2010 on 22 June 2010.

We understand that our auditors, KPMG, will be drawing attention as an emphasis of matter without qualifying their report with regards to the disclosures in note 2 (a).

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Consolidated and company statement of financial position
As at 28 February 2010
In thousands of pounds sterling

	Note	28 February 2010 Group	31 December 2008 Group	28 February 2010 Company	31 December 2008 Company
Assets					
Investment properties	6	514,995	946,920	-	-
Investment properties under development	6	582,440	963,262	-	-
Investment in subsidiary undertakings	10	-	-	-	296,800
Investment in associate	8	-	85,309	-	30,711
Other investments	9	-	190	-	190
Trade and other receivables	11	6,072	6,855	-	-
Derivative financial instruments	24b	19	273	-	-
Deferred tax assets	14	1,451	5,818	-	-
Restricted cash	12	6,731	12,788	-	-
Total non-current assets		1,111,708	2,021,415	-	327,701
Assets classified as held for sale	9	27,680	-	-	-
Trade and other receivables	11	7,378	20,785	-	255,346
Cash and cash equivalents	12	21,100	55,503	333	437
Restricted cash	12	11,016	26,067	-	-
Total current assets		67,174	102,355	333	255,783
Total assets		1,178,882	2,123,770	333	583,484
Liabilities					
Interest-bearing loans and borrowings	13	650,053	1,271,062	101,101	248,894
Trade and other payables	15	968	3,749	-	113,163
Derivative financial instruments	24b	39,706	39,260	-	-
Deferred tax liabilities	14	26,385	140,150	-	-
Total non-current liabilities		717,112	1,454,221	101,101	362,057
Interest-bearing loans and borrowings	13	1,070,972	440,633	147,786	1,531
Trade and other payables	15	50,271	55,409	12,102	70,374
Derivative financial instruments	24b	62,150	23,985	-	-
Total current liabilities		1,183,393	520,027	159,888	71,905
Total liabilities		1,900,505	1,974,248	260,989	433,962
Net (liabilities) / assets		(721,623)	149,522	(260,656)	149,522
Equity					
Issued share capital	16(a)	3,338	3,338	3,338	3,338
Share premium	16(c)	12	1	12	1
Reserves - other	16(c)	1,480	18,904	1,480	1,480
Currency reserve	16(c)	77,075	143,431	-	-
Retained (losses) / profits		(803,528)	(15,290)	(265,486)	144,703
Total (deficit) / equity attributable to equity holders of the parent		(721,623)	150,384	(260,656)	149,522
Non-controlling interest		-	(862)	-	-
Total (deficit) / equity		(721,623)	149,522	(260,656)	149,522
Net (deficit) / asset value per ordinary share					
Basic (pence)	7	(216.2)	45.1		
Diluted (pence)	7	(216.2)	45.1		
EPRA (pence)	7	(178.2)	104.1		

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

Consolidated and company statement of comprehensive income
For the period ending 28 February 2010
In thousands of pounds sterling

	Note	Period to 28 February 2010	Year to 31 December 2008	Period to 28 February 2010	Year to 31 December 2008
		Group	Group	Company	Company
Continuing operations					
Property income	17	43,863	32,137	-	-
Valuation losses on investment properties and on investment properties under development	6	(810,666)	(281,988)	-	-
Profit on disposal of investment property under development	6	505	1,445	-	-
Management fee	19	(4,017)	(3,447)	-	-
Administrative expenses	20	(6,826)	(13,909)	(1,468)	(2,757)
Impairment of listed investment	9	(40,300)	-	-	-
Other income		1,039	1,147	23	204
Provision against carrying value in subsidiaries	18	-	-	(380,622)	(5,136)
Results from operating activities		(816,402)	(264,615)	(382,067)	(7,689)
Financial income	21	1,281	10,785	4,812	28,944
Financial expenses	21	(113,300)	(132,145)	(32,934)	(38,331)
Net finance costs		(112,019)	(121,360)	(28,122)	(9,387)
Share of loss of associate	8	(593)	(13,236)	-	-
Loss before income tax		(929,014)	(399,211)	(410,189)	(17,076)
Income tax credit	22	101,248	31,978	-	-
Loss for the year		(827,766)	(367,233)	(410,189)	(17,076)
Loss attributable to:					
Owners of the company		(828,628)	(359,643)	(410,189)	(17,076)
Non-controlling interest		862	(7,590)	-	-
Loss for the year		(827,766)	(367,233)	(410,189)	(17,076)
Other Comprehensive Income					
Foreign currency translation differences					
- attributable to shareholders		(26,544)	62,659	-	-
- attributable to associate		(13,579)	38,871	-	-
- attributable to minority interest		-	391	-	-
Share of other reserve movement in associate		(3,267)	4,842	-	-
Other comprehensive (loss) / income for the period, net of income tax		(43,390)	106,763	-	-
Total comprehensive loss for the period		(871,156)	(260,470)	(410,189)	17,076
Total comprehensive loss attributable to:					
Owners of the company		(872,018)	(253,271)	(410,189)	(17,076)
Non-controlling interest		862	(7,199)	-	-
Total comprehensive loss for the period		(871,156)	(260,470)	(410,189)	(17,076)
Loss per ordinary share					
Basic (pence)	23	(248.2)	(107.8)		
Diluted (pence)	23	(248.2)	(107.8)		

The accompanying notes are an integral part of these financial statements

Consolidated and company statement of changes in deficit / equity
For the period ended 28 February 2010
In thousands of pounds sterling

Group	Share capital	Share premium	Other reserve	Currency reserve	Retained earnings	Total equity reserves attributable to shareholders	Non-controlling interest	Total
Balance at 1 January 2009	3,338	1	18,904	143,431	(15,290)	150,384	(862)	149,522
Total comprehensive income								
Profit or loss	-	-	-	-	(828,628)	(828,628)	862	(827,766)
Other comprehensive income								
Foreign currency translation differences	-	-	-	(40,123)	-	(40,123)	-	(40,123)
Share of reserve movement – associate	-	-	(3,267)	-	-	(3,267)	-	(3,267)
Realisation on transfer of associate to assets available for sale	-	-	(14,157)	(26,233)	40,390	-	-	-
Total other comprehensive income			(17,424)	(66,356)	40,390	(43,390)	-	(43,390)
Total comprehensive income	-	-	(17,424)	(66,356)	(788,238)	(872,018)	862	(871,156)
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 28 February 2010	3,338	12	1,480	77,075	(803,528)	(721,623)	-	(721,623)

Consolidated and company statement of changes in deficit / equity
For the period ended 28 February 2010
In thousands of pounds sterling

Group	Share capital	Share premium	Other reserves	Currency reserve	Retained earnings	Total equity reserves attributable to shareholders	Non-controlling interest	Total
Balance at 1 January 2008	3,338	405,747	14,062	41,901	(56,387)	408,661	6,337	414,998
Total comprehensive income								
Profit or loss	-	-	-	-	(359,643)	(359,643)	(7,590)	(367,233)
Other comprehensive income								
Foreign currency translation differences	-	-	-	101,530	-	101,530	391	101,921
Share of reserve movement – associate	-	-	4,842	-	-	4,842	-	4,842
Total other comprehensive income	-	-	4,842	101,530	-	106,372	391	106,763
Total comprehensive income	-	-	4,842	101,530	(359,643)	(253,271)	(7,199)	(260,470)
Transactions with owners recorded directly in equity								
Contribution by and distribution to owners								
Cancellation of share premium	-	(405,747)	-	-	405,747	-	-	-
Dividend to equity holders	-	-	-	-	(5,007)	(5,007)	-	(5,007)
Conversion of loan stock	-	1	-	-	-	1	-	1
Total transactions with owners	-	(405,746)	-	-	400,740	(5,006)	-	(5,006)
Balance at 31 December 2008	3,338	1	18,904	143,431	(15,290)	150,384	(862)	149,522

Consolidated and company statement of changes in deficit / equity
For the period ended 28 February 2010
In thousands of pounds sterling

Company	Share capital	Share premium	Redemption reserve	Retained earnings	Total equity reserves attributable to shareholders
Balance at 1 January 2009	3,338	1	1,480	144,703	149,522
Total comprehensive income					
Profit or loss	-	-	-	(410,189)	(410,189)
Other comprehensive income					
Total comprehensive income	-	-	-	(410,189)	(410,189)
Transactions with owners recorded directly in equity					
Contribution by and distribution to owners					
Conversion of loan stock	-	11	-	-	11
Total transactions with owners	-	11	-	-	11
Balance at 28 February 2010	3,338	12	1,480	(265,486)	(260,656)

Consolidated and company statement of changes in deficit / equity
For the period ended 28 February 2010
In thousands of pounds sterling

Company	Share capital	Share premium	Redemption reserve	Retained earnings	Total equity reserves attributable to shareholders
Balance at 1 January 2008	3,338	405,747	1,480	(238,961)	171,604
Total comprehensive income					
Profit or loss	-	-	-	(17,076)	(17,076)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(17,076)	(17,076)
Transactions with owners recorded directly in equity					
Contribution by and distribution to owners					
Cancellation of share premium	-	(405,747)	-	405,747	-
Dividend to equity holders	-	-	-	(5,007)	(5,007)
Conversion of loan stock	-	1	-	-	1
Total transactions with owners	-	(405,746)	-	400,740	(5,006)
Balance at 31 December 2008	3,338	1	1,480	144,703	149,522

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

Consolidated statement of cash flows
For the period ended 28 February 2010
In thousands of pounds sterling

	Note	Period to 28 Feb 2010	Year to 31 Dec 2008
Cash flows from operating activities			
Loss for the period		(827,766)	(367,233)
<i>Adjustments for:</i>			
Net financial expense	21	112,019	121,360
Change in fair value of investment properties and investment properties under development	6	810,666	281,988
Profit on disposal of investment property under development	6	(505)	(1,445)
Impairment of listed investment	9	40,300	-
Share of loss in associate	8	593	13,236
Income tax credit	22	(101,248)	(31,978)
		34,059	15,928
Decrease in trade and other receivables		7,231	8,690
Decrease in trade and other payables		(2,482)	(14,669)
Income tax refund / (paid)		979	(1,706)
Net cash from operating activities		39,787	8,243
Cash flows from investing activities			
Proceeds from sale of investment property and investment properties under development		3,716	9,783
Additions to investment properties and investment properties under development		(60,714)	(56,327)
Interest received		1,131	2,788
Movement in restricted cash		18,669	(38,855)
Cash flows from investing activities		(37,198)	(82,611)
Cash flows from financing activities			
Proceeds from bank borrowings		49,433	94,991
Net (payments) / proceeds from financial instruments		(38,515)	10,487
Repayment of bank borrowings		(5,359)	(2,100)
Repayment of 6.324% Series A and B secured loan notes		(1,482)	(294)
Dividends paid		-	(5,007)
Interest paid		(37,983)	(57,867)
Cash flows from financing activities		(33,906)	40,210
Net decrease in cash and cash equivalents		(31,317)	(34,158)
Cash and cash equivalents at start of period		55,503	76,386
Effect of exchange rate fluctuations on cash held		(3,086)	13,275
Cash and cash equivalents at end of period		21,100	55,503

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

1. Reporting Entity

Real Estate Opportunities plc (the "Company") is a property company incorporated in Jersey. The consolidated financial statements of the Company for the 14 month period ended 28 February 2010 (previously 31 December each year) comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and joint ventures.

These consolidated financial statements were approved by the Board of Directors on 22 June 2010.

2. Basis of Preparation

(a) Going Concern

At 28 February 2010, the Group had total borrowings of £1.721 billion. At that date, the Group also had cash and cash equivalents of £21.1 million, restricted cash of £17.7 million and an investment in CREO of £27.7 million which was realised in cash subsequent to the year end. The Group has an investment and development property portfolio valued at £1.1 billion and had a deficit on its shareholders' funds of £722 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.

At 28 February 2010, the Group had aggregate bank loans of £923 million classified as current liabilities. In addition, the Group had aggregate obligations of £371 million due to the holders of its Convertible Unsecured Loan Notes (CULs), its Zero Dividend Preference shares (ZDPs) and the 6.324% Series A and B unsecured loan notes. All of these instruments mature in May 2011 and based on the Group's current financial position, the Group does not have the ability to repay those instruments on their maturity in May 2011.

Each of the CULs and ZDPs mature in May 2011. The liability at 28 February 2010 in respect of the CULs and the ZDPs is £101 and £122 million respectively. In the case of the CULs, interest is paid every six months in the amount of £3.8 million and the next interest payment is due in August 2010.

The Series A and Series B unsecured loan notes in the aggregate amount of £147.8 million mature in May 2011. Interest at the rate of 6.324% per annum is payable half yearly and the next interest payment due date is 31 August 2010 in the amount of £5.0 million.

The Irish Government established the National Asset Management Agency (NAMA) as a key part of the solution to the current banking difficulties in Ireland. NAMA was established on a statutory basis under the aegis of the National Treasury Management Agency (NTMA).

NAMA is an asset management company established to acquire loans from participating institutions. It will manage these assets (hold, dispose, develop or enhance them) with the aim of achieving the best possible return for the Irish tax payer on the acquired loans and on the underlying assets over a seven/ten year time frame.

NAMA is a work out vehicle, not a liquidation vehicle, and can take a longer term view on borrowers and assets if it makes commercial sense to do so. Subsequent to the period end, NAMA acquired Group loans from participating institutions with an aggregate value of £815 million at 28 February 2010. As required by NAMA, the Group has submitted a detailed business plan which is currently

being evaluated by NAMA with a view to seeking its approval to that plan. This evaluation process is currently underway and the Directors believe that the plan will be approved following which NAMA will monitor the Group's subsequent performance to ensure that we adhere to the targets contained in the business plan. Whilst initial communications between NAMA and the Company support the Directors' belief that NAMA will work alongside the Company's other banks to provide support to the operations of the Group, no formal approval of the Group's business plan has been received at this time.

The Battersea Power Station is a major development project in central London. The development costs are currently funded 75% by a consortium of lenders, with the balance financed by the Group. The lenders are currently providing interest roll up on the existing debt. The Battersea facilities expire in March 2011 and in preparing the Group's business plan, the Directors have assumed that these facilities will be rolled over and renewed on broadly similar terms or alternatively will be re-financed on broadly similar terms. This has been approved by the banks' credit committees but is now subject to the completion of legal documentation.

The key assumptions made in preparing the business plan for the Group for the period to 30 June 2011 include:

- The acceptance by NAMA of the Group's business plan.
- The renewal by NAMA of bank facilities in the amount of £815 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 Series A and Series B loan notes to a standstill on the payment of interest in the period to June 2011.
- Agreement with each of the holders of the CULS, ZDPs and Series A and B notes 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 will be restructured to cap the fees paid in the period to June 2011.
- Planning permission for the proposed development of Battersea Power Station will be granted in 2010.
- It is anticipated the Group's interest in Battersea will be restructured and that an equity partner will be introduced on the Battersea development providing all project financing from January 2011.

Based on the Group's business plan and the key assumptions noted above, the directors believe 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 the financial statements.

Following the anticipated Battersea restructuring, the Group will continue to have a deficit on its shareholders' equity and, as a consequence, it is anticipated that the Group will require ongoing financial support from NAMA and its non NAMA lenders in the period beyond June 2011.

The Directors of the Company have concluded that the above factors represent material uncertainties. Were the assumptions and objectives not to be achieved, it could cast significant doubt on the ability of the Group 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 cash flow projections, together with the

current status of negotiations with NAMA and the Group's other lenders, and assuming the roll over and renewal of expiring facilities and required further waivers are put in place within the required time scales, 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. It is on that basis that the Directors consider it appropriate to prepare the financial statements on a going concern basis. These financial statements do not include any adjustment that would result from the going concern basis of preparation being inappropriate.

(b) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

(c) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for the following material items:

- derivative financial instruments are measured at fair value;
- available-for-sale financial assets are measured at fair value;
- investment properties and investment properties under development are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

(d) Functional and presentation currency

The Company's functional currency and the presentation currency for the Group is pounds Sterling. All financial information is presented in pounds Sterling, rounded to the nearest thousand, unless otherwise indicated.

(e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future years.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 6– Investment property and investment property under development
- Note 14 – Deferred tax assets and liabilities
- Note 24b - Derivative financial instruments

(f) Changes in accounting policies

With effect from 1 January 2009, the Group has changed its accounting policies in the following areas:

(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, who is the Group's chief operating decision maker. 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:

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.

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.

(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 in equity whereas all non owner changes in equity are presented in the consolidated statement of comprehensive income.

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", China Real Estate Opportunities Limited ("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.

The effect of this change on the Group'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 with no impact on shareholders' equity.

3. Significant accounting policies

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

Associates are those entities for which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Business combinations

A business combination is the bringing together of separate businesses into one reporting entity, in which one entity obtains control of another entity. Control exists when the acquiring Company has the power directly or indirectly to govern the financial and operating policies of an entity so as to obtain the benefits from its activities.

On acquisition by the acquiring entity, the Group measures the identifiable assets and liabilities of the acquired entities at their fair values at the acquisition date in accordance with IFRS 3 "Business Combinations" which is known as the purchase method. From the acquisition date business combinations are accounted for as subsidiaries.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including fair value adjustments arising on consolidation, are translated to Sterling at the foreign exchange rate ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at rates approximating the foreign

exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity and recognised when a subsidiary or associate is disposed of.

(c) **Financial instruments**

(i) **Non-derivative financial assets**

The Group initially recognises loans and receivables and deposits at fair value on the date that they are originated. All other financial assets (including those designated at fair value through profit and loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Restricted cash

Restricted cash comprises restricted cash deposits which are restricted until the fulfilment of certain conditions pursuant to underlying loan agreements.

Available-for-sale financial assets

Financial instruments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss recognised directly in equity except where they are regarded as impairment losses in which case they are recognised in the income statement. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date. If the market for a financial asset is not active, the Company establishes fair value by using a valuation technique for example recent arms length transactions or discounted cash flow analysis.

Financial instruments classified as held for trading or available-for-sale investments are recognised (derecognised) by the Group on the date it commits to purchase (sell) the investments (trade date accounting).

(ii) **Non-derivative financial liabilities**

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented on the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective method.

(iii) **Share capital**

Financial instruments issued by the Group are treated as equity (i.e. forming part of Shareholders' funds) only to the extent that they meet the following conditions:

- They include no contractual obligations on the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group, and
- Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issues are classified as a financial liability. Finance payments associated with financial liabilities are dealt with as part of financial expenses.

Ordinary share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds.

Preference share capital

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends on preference share capital classified as liabilities are recognised in the income statement as interest expense.

(iv) **Derivative financial instruments**

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing and investment activities. In accordance with its treasury policy, the Group does not hold or

issue derivative financial instruments for trading purposes. As the Group's derivatives do not qualify for hedge accounting they are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value, represented by cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(d) Investment property

Investment properties are properties which are held either to earn rental income, for capital appreciation or for both. Investment properties are measured at fair value. External, independent valuers, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, value the portfolio. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for as described in accounting policy [i].

If an investment property becomes owner-occupied, then it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes. When the Group begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured at fair value, and is not reclassified as property, plant and equipment during the redevelopment.

(e) Investment property under development

Property that is being constructed or developed for future use as investment property is classified as investment property under development (development projects) and stated at fair value.

All costs directly associated with the purchase and construction of a property and all subsequent capital expenditures for the development qualifying as acquisition costs are capitalised. Subsequent expenditure is included in the carrying amount of the property when it is probable that future economic benefits associated with them will flow to the Group and the cost of the item can be measured reliably.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property under development is accounted for as described in accounting policy [i].

Borrowing costs are capitalised if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general funds, to the

average rate. The capitalisation of finance costs is suspended if there are prolonged periods when development is interrupted.

(f) Impairment

The carrying amounts of the Group's assets, other than investment property (see accounting policy [d]), and deferred tax assets (see accounting policy [k]), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

If the fair value of a debt instrument classified as available-for-sale increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Dividends

Dividends on preference shares classified as a liability are recognised as a liability and expensed on an accrual basis. Other dividends are recognised as a liability in the period in which they are declared.

(h) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(i) Revenue

Rental income

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives, including rent free periods and payments to tenants, are allocated to the income statement on a straight line basis over the lease term.

(j) Expenses

(i) Service costs and property operating expenses

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

(ii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, changes in the fair value of financial assets and liabilities at fair value through profit and loss and foreign exchange gains and losses.

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

(k) Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(l) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' 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 discrete financial information is available (see note 2(f)(i)).

(m) New standards and interpretations not yet adopted

The Directors have considered all IFRSs and interpretations that have been issued, but which are not yet effective and confirm that they do not believe that they will have a significant impact on how the results of operations and financial position of the Group are prepared and presented.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property

An external independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment and development properties each year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

(i) Investment property

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate, the types of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter notices, have been served validly and within the appropriate time.

(ii) Investment property under development

Properties classified as sites in the course of development were valued according to market value having due regard to the anticipated value on completion less the necessary investment to complete the development, with due allowance for risk and uncertainty.

(b) Investment in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held to maturity investment and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(c) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(d) Derivatives

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting the estimated future cash flows based on the terms of maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values include the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate.

(e) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. Financial Risk Management

The Group has exposure to the following risk arising from use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk Management Framework

The Board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. Information is sought by the Board routinely (debt portfolio and cash flow projections) to enable it to evaluate those risks.

The Group's audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Capital Management

The Group's capital management objectives are:

1. to safeguard the Company's ability to continue as a going concern
2. to grow the assets of the Group and create value for investors
3. maintain significant financial resources to mitigate against financial risk
4. maintain a strong capital base so as to maintain investor, credit and market confidence and to sustain future development of the business

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

Following the fall in property values at 28 February 2010, the Group has a significant deficit on its shareholder equity. The Group is endeavouring to deal with this situation through efficient cash management, balance sheet restructuring and seeking fresh sources of finance. These projects include the search for equity partners at the entity level, such as Battersea, the appointment of advisors who are presently developing proposals for the restructure of the balance sheet, and in the longer term, the introduction of fresh capital into the Group itself.

The directors consider that the Group's capital is made up of share capital and reserves as set out in the statement of changes in equity. There are no externally imposed capital requirements for the Company or any of its subsidiaries.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer, or counterparty to a financial instrument, fails to meet its contractual obligations. The Group's maximum exposure to credit risk is the carrying amount of financial assets recorded in the financial statements. The Group's credit risk is attributable to its trade and other receivables, cash and cash equivalents, listed investments and derivative financial instruments.

(i) Cash and cash equivalents

The Group limits its exposure to credit risk on its investments by placing cash with banks having an S&P rating of AA- or greater. No more than 20% of the total cash is to be placed in any one bank, subject to allowing the 20% to be exceeded if the balance in any one bank is £3 million or less. The Group also retains the option of using the banks covered by the Irish government guarantee scheme.

(ii) Trade and other receivables

Trade and other receivables relate mainly to the Group's tenants and other property related activities. The Group's exposure to credit risk is influenced by the individual characteristics of each tenant. The demographics of the Group's customer base, including the default risk of the industry and the country, in which the customers operate, has less of an influence on credit risk. During the year a rental committee was formed which meets weekly to review and monitor tenant arrears. There are no significant concentrations of credit risk with a single tenant as the Group has a large number of quality tenants who are paying their rentals in advance and some properties are rented subject to deposits, so that in the event of non-payment the Group has recourse to this deposit.

As a result of the deteriorating economic circumstances in 2009 and 2010, the Group has established an allowance for impairment that represents its estimate of incurred losses in respect of rental debtors. This allowance has been provided by the Directors following a detailed review of the ageing of rental debtors taking into account the economic circumstances of the counterparty and the likelihood of recovery, see note 24a.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy on managing liquidity is to ensure that it has sufficient own funding and committed bank facilities in place to meet foreseeable investment opportunities and contractual maturities of financial liabilities, including interest payments, see also note 2(a).

The turmoil in the banking markets and the reduction in the Group's asset values have restricted liquidity and the prospect for sourcing cash readily. As a result the Group is in discussion with its existing lenders about amending the terms of their facilities to improve short term cash flow.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

The Group uses derivatives in order to manage market risks. All such transactions are carried out within guidelines set by the Board.

Note 6. Investment property and investment property under development
In thousands of pounds sterling

	Investment Properties	Investment properties under development	Total
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	514,995	582,440	1,097,435
Properties held in			
UK	45,380	388,000	433,380
Ireland	469,615	194,440	664,055
	514,995	582,440	1,097,435

	Investment Properties	Investment properties under development	Total
Valuation 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
Transfer	(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
Valuation 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
	946,920	963,262	1,910,182

The valuations of the Group's freehold and leasehold interests in the Irish investment properties and investment properties under development were carried out by DTZ Sherry FitzGerald and CB Richard Ellis, qualified professional valuers, acting in the capacity of External Valuer. Each of the valuations was carried out in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation Standards. The valuations were carried out as at 28 February 2010.

The valuers have used the following key assumptions

- The Market Value of Investment Properties has been primarily derived using comparable market transactions on arm's-length terms and an assessment of market sentiment. The aggregate of the net annual rents receivable from the properties and, where relevant, associated costs, have been valued at yields, ranging from 7.0% to 8.5%, which reflect the risks inherent in the net cash flows. Valuations reflect, where appropriate, the type of tenants actually in occupation or likely to be in occupation after letting of vacant accommodation and the market's perception of their creditworthiness and the remaining useful life of the property.
- The Market Value of investment properties under development, which are all classified as sites in the course of development and are expected to be developed between 2011 and 2025, were derived having regard to the anticipated value on completion less the necessary investment to complete the development, (where appropriate using yields ranging from 7.5% to 8.5%), with due allowance for risk and uncertainty or comparable market transactions on an arm's length basis and an assessment of market sentiment.
- Given the significant fall in rents in both retail and office that has been experienced over the past 14 months, a number of properties in the portfolio are considered to be over-rented. To account for this, the element of over-rent has been valued at a higher yield than the element of core income to take account of the fact that the tenants are paying in excess of market yields. The premium applied was between 25 and 100 basis points.

At 28 February 2010 the freehold interest in the property known as Battersea Power Station and 88 Kirtling Street were valued by King Sturge LLP, acting as external valuers. The valuation was carried out in accordance with the Valuation Standards published by the Royal Institute of Chartered Surveyors ("RICS") and the requirements of International Accounting Standard 40 "Investment Property".

This is the second occasion on which King Sturge has reported values, the first being in respect of values at 31 December 2008. The fees paid by Real Estate Opportunities plc have been less than 5% of the total fee income of King Sturge LLP and this situation is not likely to change in the future. The relationship between Real Estate Opportunities plc and King Sturge LLP complies with RICS guidelines and will be reviewed over the period of this valuation instruction.

The properties are classified as sites in the course of development, and were valued to Market Value having regard to the anticipated value on completion less the necessary investment to complete the development, with due allowance for risk and uncertainty.

The Valuers' opinion of market value was primarily derived using comparable recent market transactions on arms length terms. Buildings within the development which would normally be valued on the basis of estimated trading receipts, such as hotels and licensed premises have been valued

having regard to the potential net income generated by the use of the properties, capitalised with reference to comparable market transactions.

In preparing advice on Battersea Power Station and 88 Kirtling Street, the valuers were provided with professional assistance from the Group's architects, cost consultants, planning consultants and legal advisors.

The valuation is dated 13 May 2010 and is subject to various Special Assumptions contained within the valuation report, in particular that the local transport infrastructure is improved via an extension to the Northern Line; that debt funding is available for a project of this size on commercially acceptable terms; and that the s106 and s278 planning obligations will be agreed in accordance with the advice provided by the Directors of the Company. S106 and s278 obligations are agreed between the local planning authority and the developer and can be both financial and physical and relate to obligations to provide community, transport and recreation facilities as well as affordable housing amongst other things. These assumptions are all material to the valuation of the property.

The primary source of evidence for valuations should be recent, comparable market transactions on arms length terms. The current economic environment means that there have been few transactions for the types of property owned by REO. Consequently, there is a greater degree of uncertainty in respect of the figures reported by our valuers. Until the number and consistency of comparable transactions increases, this situation is likely to remain the same.

Included in the gross value, before impairments, of investment property under development is loan interest of £130.9 million (31 December 2008: £90.5 million).

Included in additions for the year are project development and project management fees payable to Treasury Holdings of £14.9 million (31 December 2008: £12.4 million). See note 26 for further details.

The Group's properties are secured against interest bearing loans and borrowings as detailed in note 13.

During the period the Group disposed of investment property under development and realised a profit of £0.5 million (2008: £1.4 million).

Note 7. Net asset value per share
In thousands of pounds sterling

(i) Basic and diluted net (deficit) / asset value	2010	2008
Net (deficit) / asset value attributable to shareholders	(721,623)	150,384
Number of ordinary shares in issue (000's)	333,804	333,792
Basic and diluted net (deficit) / asset value per share (Pence)	(216.2)	45.1

(ii) EPRA net (deficit) / asset value	2010	2008
Net (deficit) / asset value	(721,623)	150,384
Fair value of financial instruments	101,807	62,806
Deferred tax	24,934	134,332
EPRA net (deficit) / asset value	(594,882)	347,522
Number of ordinary shares in issue (000's)	333,804	333,792
EPRA net (deficit) / asset value per share (Pence)	(178.2)	104.1

At 28 February 2010 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.

The EPRA NAV per share excludes the mark to market adjustment on derivative financial instruments and deferred taxation on revaluations.

Note 8. Investment in associates
In thousands of pounds sterling

Movement in investment in associates:

	CREO plc		Other		Total	
	2010	2008	2010	2008	2010	2008
At the beginning of the period / year	85,309	54,832	-	-	85,309	54,832
Shares acquired for cash	-	-	110	-	110	-
Adjustment for (decrease) / increase in proportional shareholding	(3,154)	1,965	-	-	(3,154)	1,965
Share of loss for the period / year	(483)	(13,236)	(110)	-	(593)	(13,236)
Foreign exchange translation differences attributable to associate	(13,579)	38,871	-	-	(13,579)	38,871
Share of other reserve movement of associate	(113)	2,877	-	-	(113)	2,877
Transfer to assets classified as available for sale (note 9)	(67,980)	-	-	-	(67,980)	-
At end of period / year	-	85,309	-	-	-	85,309

On 16 September 2009 a group company purchased one third of the shares in Rushrid Limited and Lakoca Limited (referred to under the “other” column above) from a third party. The remaining two thirds of both companies is held by Treasury Holdings, a related company, and consequently the Group has accounted for its interest in both companies as investments in associates.

Summary of financial information for CREO, not adjusted for percentage of ownership held by the Group

2010	Ownership	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenues	Expenses	Profit / (loss)
China Real Estate Opportunities plc (“CREO”)	16.93%	-	-	-	-	-	-	55,907	(58,760)	(2,853)
2008	Ownership	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenues	Expenses	Profit / (loss)
China Real Estate Opportunities plc (“CREO”)	17.58%	955,704	117,111	1,072,815	(497,238)	(90,316)	(587,554)	81,166	(161,443)	(80,277)

Company

At the beginning of the period / year

Disposal

At end of period / year

	2010	2008
At the beginning of the period / year	30,711	30,711
Disposal	(30,711)	-
At end of period / year	<u>-</u>	<u>30,711</u>

During the period ended 28 February 2010, the parent company disposed of its investment in China Real Estate Opportunities plc ("CREO") to other group companies realising a loss of £12.5 million on the transaction.

Note 9. Other investments
In thousands of pounds sterling

(a) Assets classified as held for sale

Group	2010	2008
Valuation at start of the period / year	-	-
Transfer from investment in associate (note 8)	67,980	-
Impairment loss on remeasurement of CREO shares	(40,300)	-
Valuation at end of the period / year	<u>27,680</u>	-

The Group's investment in CREO is carried at its net realisable value and is presented as held for sale following the commitment of the Group's management to sell the shares held in CREO. On 8 March 2010 CREO announced a tender offer inviting shareholders to sell their shares in CREO at a price of £3.30 per share. The Group undertook to tender its shares in CREO pursuant to the tender offer. This transaction was completed on 22 March 2010 realising cash of £27.7 million.

(b) Other listed investments

Company and Group	2010	2008
Valuation at start of the period / year	190	586
Fair value movement	-	(396)
Disposal	(190)	-
Valuation at end of the period / year	<u>-</u>	<u>190</u>

During the year all of the other listed investments of the Group were disposed of, realising a profit of £0.05 million which is recognised in the statement of comprehensive income.

Note 10. Investment in subsidiary undertakings
In thousands of pounds sterling

Company

	2010	2008
At start of the period / year	296,800	301,262
Additions in the period / year	942	674
Provision against carrying value in subsidiaries (note 18)	(297,742)	(5,136)
At end of the period / year	-	296,800

The Company increased its investment in Decocter Limited by £0.04 million and in Havenview Investments Limited by £0.9 million during the period (2008: £0.7 million).

During the period ended 28 February 2010 a provision of £297.7 million was made against the carrying value of all Group companies to write down their carrying value to their estimated recoverable amount of £nil.

Details of the Group's subsidiary undertakings are set out in note 28.

Note 11. Trade and other receivables
In thousands of pounds sterling

	Group 2010	Group 2008	Company 2010	Company 2008
Trade and other receivables – current				
Trade receivables	2,448	5,228	-	-
Deferred lease incentives	304	324	-	-
Accrued income	1,198	7,898	-	-
Other receivables and prepayments	554	4,364	-	-
Other loans	2,844	2,805	-	-
Derivative financial instruments	30	166	-	-
Loans to subsidiary undertakings	-	-	-	255,346
	7,378	20,785	-	255,346
Trade and other receivables – non current				
Deferred lease incentives	6,072	6,855	-	-
	6,072	6,855	-	-

Note 12. Cash and cash equivalents
In thousands of pounds sterling

	Group 2010	Group 2008	Company 2010	Company 2008
Cash at bank	8,647	11,284	333	437
Bank deposit balances	12,453	44,219	-	-
Total cash and cash equivalents in the statement of cash flows	21,100	55,503	333	437
Restricted cash – non current	6,731	12,788	-	-
Restricted cash - current	11,016	26,067	-	-
Total restricted cash	17,747	38,855	-	-
Total cash	38,847	94,358	333	437

At 28 February 2010, there were restricted cash deposits of £18 million (31 December 2008: £39m), which were restricted until the fulfilment of certain conditions pursuant to underlying loan agreements.

Note 13. Interest bearing loans and borrowings
In thousands of pounds sterling

	Group 2010	Group 2008	Company 2010	Company 2008
Non-current liabilities				
Bank loans secured on Irish property assets (i)	93,442	340,308	-	-
7.5% Convertible Unsecured Loan Stock (ii)	101,101	101,112	101,101	101,112
Senior loan (iii)	333,391	357,176	-	-
6.324% Series A and B secured loan notes (iv)	-	147,782	-	147,782
Bank loans secured on UK property assets (v)	-	214,189	-	-
Zero dividend preference share ("ZDP") (vi)	122,119	110,495	-	-
	650,053	1,271,062	101,101	248,894
Current liabilities				
Bank loans secured on Irish property assets (i)	680,288	439,102	-	-
6.324% Series A and B secured loan notes (iv)	147,786	1,531	147,786	1,531
Bank loans secured on UK property assets (v)	242,898	-	-	-
	1,070,972	440,633	147,786	1,531

(i) The bank loans on Irish properties are secured by floating charges over the Castle Market Holdings Limited Group and Havenview Investments Limited Group, fixed charges over the Irish investment properties and investment properties under development, a guarantee and indemnity from the Company and various smaller guarantees from Mr John Ronan, Treasury Holdings and certain subsidiaries. The majority of the loans have now been transferred from the banks to the National Asset Management Agency (NAMA), a body set up by the Irish government to facilitate the introduction of liquidity to the Irish economy and restore stability to the banking sector

Of the £680m bank loans secured on Irish properties which are current, £640m are loans with NAMA participating banks which have been transferred to NAMA. The Company has submitted a business plan to NAMA regarding the renegotiation of these loans, including extensions and waiver of any covenant breaches. Within that plan it is proposed that facilities which have expired or are short term will be renewed on conditions similar to existing terms.

(ii) Interest on the 7.5% Convertible Unsecured Loan Stock 2011 ("CULS") is payable by equal half yearly instalments on 28 February and 31 August each year. The CULS units are ordinarily convertible at the option of the holder between 1 April and 30 April in each year to 2011 on the basis of one ordinary share for each CULS unit converted.

(iii) Pursuant to a Senior Loan Agreement (the 'Senior Loan') entered into between CMH CMBS Borrower Limited (the 'Borrower'), a wholly owned subsidiary of CMH (a subsidiary of the Group), and Opera Finance (CMH) plc (the 'Issuer'), the Issuer entered into an agreement to advance the proceeds of a €375m Commercial Mortgage Backed Floating Rate Note repayable in 2015 to the Borrower. The Issuer, a special purpose vehicle, is not a CMH group company.

The Senior Loan constitutes a limited recourse obligation of the Borrower as to principal and full recourse obligation of the Borrower as to interest and is secured by, among other things, a first legal mortgage over 14 properties held by CMH subsidiaries. Interest is payable quarterly in arrears.

The Senior Loan is due for repayment in full by the Borrower in January 2013.

(iv) Pursuant to an agreement to purchase the shares in companies owning the Battersea Power Station on 29 December 2006 the Company issued £100m 6.324% Series A Secured Loan Notes due for repayment in 2011 and £50m 6.324% Series B Secured Loan Notes due for repayment in 2011. The Series A and Series B Notes (the 'Loan Notes') are due for repayment on 31 May 2011. The principal repayments due in the 14 months to 28 February 2010 were £3,062,000 (2008: £294,000). Interest on the series B notes is payable twice yearly in arrears on 28 February and 31 August. Interest on the series A notes is made by amortising half yearly payments to 28 February 2011.

Security in respect of the loan notes, representing secondary fixed and floating charges over all of the assets in REO (Bund) Limited and subsidiaries, ranks behind the security granted to the Bank of Scotland pursuant to the Bank Facility.

The Loan Notes are subject to a call option pursuant to which the Company may redeem the Loan Notes for cash at any time following completion. In addition, under the terms of the acquisition agreement, the holders have certain rights on redemption to subscribe for new ordinary shares in the Company.

The 6.324% Series A and B loan notes are due for repayment in May 2011 but are shown as current following the non-payment of certain outstanding loan interest and capital payments due at 28 February 2010. All amounts have subsequently been paid. Discussions with this lender have been initiated regarding the renegotiation of the terms of this facility.

(v) The Sterling loan facility agreements with the Governor and Company of the Bank of Scotland are for the purpose of financing the companies owning the Battersea Power Station and related properties. These loans are guaranteed by the Company and certain subsidiaries of the Group. The borrowings are secured by debentures over the assets of the subsidiary companies.

Of the £243 million Sterling loan facility which is current, £210 million pertains to the Lloyds/NAMA loan facility that was in breach of a loan to value covenant as at 28 February 2010, Credit approval has been received, subject to completion of legal documentation, for new lending terms subsequent to year end including an extension on the facility and waiver of any breaches.

(vi) The following are the rights attaching to the ZDP Shares

(a) As to dividends:

The ZDP shares carry no right to receive dividends from the revenue or any other profits of the company.

(b) As to winding-up, after the payment of the Company's liabilities in full:

The holders of the ZDP shares are entitled to an amount equal to 100p per ZDP share as increased each day from 22 June 2001 up to and including 31 May 2011 at the daily compound rate, which results in a fixed entitlement of 235.51p on 31 May 2011.

(c) As to voting:

The ZDP Shareholders shall not have the right to attend or vote at any general meeting of the Company unless the business of the meeting includes any resolution to vary, modify or abrogate any of the special rights attached to the ZDP shares, or any resolution to wind up the Company.

At any meeting when such business is to be conducted, such holders shall be entitled to vote in relation to that business only. When entitled to vote, each holder present, in person or proxy, shall have 1 vote in respect of each share held.

Note 14. Deferred tax assets and liabilities
In thousands of pounds sterling

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010	2008	2010	2008	2010	2008
Derivative financial instruments	(1,451)	(5,818)	-	-	(1,451)	(5,818)
Investment property and investment property under development	-	-	26,385	140,150	26,385	140,150
	(1,451)	(5,818)	26,385	140,150	24,934	134,332

Movement in temporary differences during the period:

	Derivative financial instruments	Investment property and investment property under development	Total
At 1 January 2009	(5,818)	140,150	134,332
Effect of rate change (note 22)	-	17,912	17,912
Recognised in income statement (note 22)	3,979	(122,425)	(118,446)
Foreign currency movements	388	(9,252)	(8,864)
At 28 February 2010	(1,451)	26,385	24,934
At 1 January 2008	4,736	124,554	129,290
Effect of rate change (note 22)	-	13,528	13,528
Recognised in income statement (note 22)	(9,691)	(31,609)	(41,300)
Foreign currency movements	(863)	33,677	32,814
At 31 December 2008	(5,818)	140,150	134,332

Unrecognised deferred tax assets and liabilities

Deferred tax assets have not been recognised in respect of the following items:

	2010	2008
Tax losses	28,963	26,156
Revaluation of investment properties and investment properties under development	71,563	12,951
Derivative financial instruments	15,197	2,616
	115,723	41,723

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom.

There were no unrecognised deferred tax liabilities at 28 February 2010 (31 December 2008: £nil).

Note 15. Trade and other payables
In thousands of pounds sterling

	Group 2010	Group 2008	Company 2010	Company 2008
Trade and other payables - current				
Interest accruals	18,760	18,503	11,567	10,308
Capital accruals	9,874	17,792	-	-
Other creditors and accruals	10,583	10,523	535	764
Rentals received in advance	7,066	4,521	-	-
Current tax payable	3,988	4,070	-	-
Loans from subsidiary undertakings	-	-	-	59,302
	50,271	55,409	12,102	70,374
Trade and other payables – non current				
Accrued interest Series A and B Secured loan notes 2011	-	2,668	-	2,668
Provisions	968	1,081	-	-
Loans from subsidiary undertakings	-	-	-	110,495
	968	3,749	-	113,163

Note 16. Share capital and reserves
In thousands of pounds sterling

16 (a) Share capital

	2010	2008
Authorised		
600,000,000 ordinary shares of 1p	6,000	6,000
	6,000	6,000
Allotted, called up and fully paid		
333,803,916 (2008: 333,792,816) ordinary shares of 1p	3,338	3,338
	3,338	3,338
Presented as equity:		
333,803,916 (2008: 333,792,816) ordinary shares of 1p	3,338	3,338
	3,338	3,338

Transactions – current period

On 3 June 2009 11,100 ordinary shares were issued on the conversion of 11,100 £1 unsecured loan notes at par.

Transactions – prior period

On 14 February 2008 a scheme of arrangement was approved (“the scheme”) by the Royal Court of Jersey in order to cancel the ZDP shares and issue in exchange New ZDP shares in REO Securities Limited, a subsidiary of the Company. On 18 February 2008 REO Securities Limited was listed on the London Stock Exchange and 57,755,782 New ZDP shares were issued at 0.001p per New ZDP share. These new ZDP shares were issued on a one for one basis in exchange for the cancelled ZDP shares in the Company.

Although the ZDP shares are entitled to pre-determined capital repayment on the ZDP repayment date, being 31 May 2011, this is not guaranteed.

In order for REO Securities Limited to have sufficient assets to repay the ZDP shares, Real Estate Opportunities plc and REO Securities Limited entered into an arrangement pursuant to an Undertaking Agreement whereby the net assets of Real Estate Opportunities plc will effectively be made available to meet the repayment entitlement of the ZDP shares on the Repayment Date, 31 May 2011.

Pursuant to the Undertaking Agreement, Real Estate Opportunities plc agreed to contribute to REO Securities Limited (by way of gift, capital contribution or otherwise) such an amount as will result in REO Securities Limited having sufficient assets to satisfy the then current or, as the case may be, final capital entitlement of the ZDP shares on the Redemption Date or any earlier winding up of REO Securities Limited.

The impact of the scheme on share premium and retained earnings is described in note 16c.

The rights attached to the ZDP shares are set out in note 13.

If the Company were wound up, the ordinary shareholders would be entitled to the surplus assets of the company after payment of all creditors.

Holders of ordinary shares are entitled to attend and vote at all general meetings of the Company.

In addition their separate approval as a class is required for certain proposals which would be likely to affect their position, including any material change in the Company's investment policy, any variation of the winding up provisions in its Articles of Association or any issue of shares, or securities convertible or exchangeable into shares, other than where the Ordinary Share Test (as defined in the Articles of Association) is satisfied.

16 (b) Dividends

	2010	2008
Dividends paid (1.5p per share)	-	5,007

There were no dividends declared or paid in the period ended 28 February 2010.

16 (c) Reserves

(i) Share premium

Pursuant to a scheme in 2008, the entire amount of share capital standing to the credit of the Company's share premium account was cancelled and used to eliminate the deficit in the Company's revenue reserves. The impact of this was to reduce share premium by £405.7 million and to increase the Company retained earnings by £405.7 million.

In the 14 month period ended 28 February 2010, the only movement to the share premium account arose from the conversion of 11,100 unsecured loan notes into ordinary share capital (note 16a).

(ii) Other reserves

Other reserves consist of a redemption reserve of £1.48 million (2008: £1.48 million) which comprises the nominal value of ordinary shares repurchased.

(iii) Currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The decrease in the translation reserve arises as a result of translating the financial statements of the group's Irish subsidiaries. The functional currency of these subsidiaries is Euro, which depreciated by some 6.7% against Stg during the period.

Note 17. Segment reporting
In thousands of pounds sterling

As required by IFRS 8, Operating Segments, the segment analysis below follows the information provided to the Board of Directors – who is the chief operating decision maker. 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

At 28 February 2010

	Investment properties	Investment properties under development	Investment properties	Investment properties under development	Total
	Ireland		UK		
Revenue	41,812	-	2,051	-	43,863
Valuation losses on properties	(317,906)	(428,699)	(60,541)	(3,520)	(810,666)
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

At 31 December 2008

	Investment properties	Investment properties under development	Investment properties	Investment properties under development	Total
	Ireland		UK		Total
Revenue	30,609	-	1,528	-	32,137
Valuation losses on properties	(106,389)	(74,389)	(13,999)	(87,202)	(281,979)
Property assets	899,170	557,262	47,750	406,000	1,910,182
Capital expenditure	9,661	53,464	1,152	37,202	101,479

(b) Reconciliation of reportable segment profit or loss

	2010	2008 (restated)
Revenue		
Total revenue for reported segments	43,863	32,137
Profit or loss		
Valuation losses on properties	(810,666)	(281,988)
Total loss per reportable segments	(766,803)	(249,851)
Other profit or loss – unallocated amounts		
Other income	1,544	2,592
Management fee	(4,017)	(3,447)
Administrative expenses	(6,826)	(13,909)
Other expenses	(40,300)	-
Financial income	1,281	10,785
Financial expenses	(113,300)	(132,145)
Share of loss of associate	(593)	(13,236)
Consolidated loss before income tax	(929,014)	(399,211)

Included in total segment revenue is rental income from 4 tenants in the Irish segment each of whom contribute more than 10% of total revenue.

Note 18. Provision against subsidiary companies
In thousands of pounds sterling

Company

	2010	2008
Provision against carrying value in subsidiaries (Note 10)	297,742	5,136
Provision against intercompany lending	82,880	-
	<u>380,622</u>	<u>5,136</u>

During the period ended 28 February 2010, a provision of £82.9 million was made against the carrying value of loans to Group companies which wrote down their carrying value to their estimated recoverable amount of £nil.

Note 19. Management fees
In thousands of pounds sterling

	2010	2008	2010	2008
	Group	Group	Company	Company
Management fee	4,017	3,447	-	-
	4,017	3,447	-	-

Treasury Holdings acts as Investment Adviser to the Group in relation to the Irish Property Portfolio and as Investment Adviser to the Group's Global Property Assets (the Property Portfolio excluding the Irish Property Portfolio). Both agreements continue until terminated by either party on 12 months written notice or on shorter notice in the event of breach of contract or insolvency. Under the agreements Treasury Holdings is entitled to receive:

(i) a Base Fee which is generally payable quarterly in arrears at the rate of 0.5% per annum of the value of the Group's assets.

(ii) a Performance Fee in respect of the period ended 28 February 2010 based on the percentage increase in total net asset value of the ordinary shares in the Company in the period. The performance fee for the period was £nil (2008: £nil).

(iii) a Development Fee based on 1.5% of the actual construction costs from the commencement date for each and every property designated as a Development Property to be paid quarterly in arrears in equal proportions over the period of the development. Any shortfall or overpayment shall be paid/repaid on submission of a final statement based on actual construction costs. The development fees for the period were £13 million (2008: £12million).

(iv) a Project Management Fee based on 1.5% of the actual construction costs from the commencement date for each and every property designated as a Development Property to be paid quarterly in arrears in equal proportions over the period of the development. Any shortfall or overpayment shall be paid/repaid on submission of a final statement based on actual construction costs. The project management fees for the period were £1.9 million (2008: £0.4 million).

Note 20. Other expenses
In thousands of pounds sterling

	2010	2008	2010	2008
	Group	Group	Company	Company
General expenses	5,362	11,276	1,052	1,697
Directors' fees (see below)	292	250	292	250
Auditor's remuneration				
- for audit services	283	335	50	50
- for tax advisory services	310	611	50	84
- for other services	36	96	-	37
Other professional fees	543	1,341	24	639
	<u>6,826</u>	<u>13,909</u>	<u>1,468</u>	<u>2,757</u>

In addition, the auditor charged £nil (2008: £96,000) for non-audit services which have either been capitalised or included as part of the issue costs of the loans in accordance with the Group's accounting policies.

The fees of the Directors of the Company for the 14 month period were as follows:

	2010	2008
Non-executive		
R Horney	93	80
R Barrett	18	15
K Jenkins	41	35
JP Jenkinson	41	35
G Milne	41	35
M Richardson	41	35
G Leech (resigned)	8	15
R Tincknell	9	-
	<u>292</u>	<u>250</u>

The Directors' fees authorised by the Articles of Association are up to a maximum of £500,000 per annum.

On 26 June 2009 Mr Leech resigned from the board. On the same date Mr Tincknell was appointed to the board.

Note 21: Financial income and expenses
In thousand of pounds sterling

	2010 Group	2008 Group	2010 Company	2008 Company
(a) Recognised in income statement				
Interest income on bank deposits	1,231	2,847	1	62
Net gain on disposal of available for sale assets	50	-	50	-
Dividend income	-	-	-	28,882
Cash receipts on derivatives	-	7,938	-	-
Foreign exchange gain	-	-	4,761	-
Finance income	1,281	10,785	4,812	28,944
Interest expense on bank loans repayable, other than by instalment, wholly within 5 years	(41,859)	(53,859)	-	-
Interest expense on bank loans repayable by instalment, within 5 years	-	(12,998)	-	-
Interest on 7.5% Convertible Unsecured Loan Stock 2011	(8,843)	(7,586)	(8,843)	(7,586)
Interest on 6.324% Series A and B loan notes 2011	(11,268)	(9,747)	-	-
Interest in respect of Zero Dividend Preference shares	(11,624)	(9,140)	-	(1,082)
Interest on intercompany advance	-	-	(11,624)	(8,058)
Other interest	(55)	(241)	-	-
Foreign exchange loss	-	-	-	(21,605)
Fair value movements on derivatives	(41,538)	(75,974)	-	-
Cash payment on derivatives	(38,515)	-	-	-
Net loss on disposal of available for sale assets	-	-	(12,467)	-
Interest capitalised	40,402	37,400	-	-
Finance expense	(113,300)	(132,145)	(32,934)	(38,331)
Net finance expense recognised in income statement	(112,019)	(121,360)	(28,122)	(9,387)
<i>The above financial income and expense includes the following in respect of assets/(liabilities) not at fair value through income statement</i>				
Total interest income on financial assets	1,281	2,847	1	28,944
Total interest expense on financial liabilities (excluding interest capitalised)	(71,762)	(56,171)	(20,467)	(38,331)
(b) Recognised directly to equity				
Foreign currency translation differences	(40,233)	101,921	-	-
Finance expense recognised directly to equity	(40,233)	101,921	-	-
Attributable to:				
- Equity holders of the company	(40,233)	101,530	-	-
- Non controlling interest	-	391	-	-
Finance income recognised in other comprehensive income, net of tax	(40,233)	101,921	-	-

Note 22. Group taxation
In thousands of pounds sterling

	2010	2008
(a) Recognised in the income statement		
Current tax expense		
Current year credit	(714)	(2,464)
Adjustment for prior periods	-	(1,742)
	<u>(714)</u>	<u>(4,206)</u>
Deferred tax		
Fair value movement of derivatives	3,979	(9,691)
Effect of change in tax rates (i)	17,912	13,528
Valuation losses on investment properties and on investment properties under development	(122,425)	(31,609)
	<u>(100,534)</u>	<u>(27,772)</u>
Income tax credit	(101,248)	(31,978)
Share of income tax (credit) / charge of equity accounted investees	(787)	1,318
Total income tax credit	(102,035)	(30,660)

	2010	2010	2008	2008
(b) Reconciliation of effective tax rate				
Loss for the period / year		(827,766)		(370,284)
Total income tax credit		(102,035)		(30,660)
Loss excluding income tax		(929,801)		(400,944)
Notional tax on profit before tax, calculated at the rate applicable to the profits in the jurisdiction concerned	21.9%	(203,990)	16.0%	(64,108)
Non-deductible expenses	(0.8%)	7,420	(1.9%)	7,811
Unutilised tax losses	(0.4%)	3,430	(0.4%)	1,559
Over provision in prior period	0.1%	(596)	0.4%	(1,742)
Change in tax rates during the period	(1.9%)	17,912	(3.4%)	13,529
Temporary differences not recognised	(7.9%)	73,789	(3.0%)	12,291
Current tax credit for the year		(102,035)		(30,660)

(i) Effect of changes in tax rates

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 on or after that date was increased from 22% to 25%. This change in rate has 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 in the period to 28 February 2010.

With effect from 15 October 2008, the capital gains tax rate which applies to disposals of investment properties and investment properties under development on or after that date was increased from 20% to 22%. This change has had the effect of increasing the total deferred tax being provided for in respect of the investment properties and investment properties under development by £13.5 million in the year to 31 December 2008.

As a collective investment fund under the Collective Investment Funds (Jersey) Law 1988, the Company and its Jersey subsidiaries were entitled to exempt company status in Jersey under the provisions of article 123(A) of the Income Tax (Jersey) Law 1961 on payment of an annual fee of £600 per company. The Company and its Jersey subsidiaries obtained exempt company status for the period ended 31 December 2008 and accordingly, income and capital gains of the Company, other than Jersey source income (excluding bank deposit interest), were exempt from taxation in Jersey for the financial period to 31 December 2008.

With effect from 3 June 2008, the income tax rate for new companies in Jersey was reduced from 20% to 0% and exempt company status for all new companies was abolished. The existing exempt company status of the Company and its Jersey subsidiaries remained in place until 31 December 2008 at which time they moved to a 0% rate of income tax. As a result, income and capital gains of the Company were subject to taxation in Jersey at a rate of 0% for the financial period to 28 February 2010.

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 and its Jersey subsidiaries may apply for international service entity status under the Goods and Services Tax (International Services Entities) (Jersey) Regulations 2008 on payment of an annual fee of £100 per company and be treated as being outside the scope of GST. The Company and its Jersey subsidiaries have all been granted international service entity status for the year ended 28 February 2010.

Note 23: Earnings per share
In thousands of pounds sterling

(i) Basic and diluted loss per share	2010	2008
Loss attributable to equity holders	(828,628)	(359,643)
Weighted average number of ordinary shares		
Issued shares at beginning of year	338,804	333,791
Effect of shares issued during the year	6	1
Weighted average number of ordinary shares (000's)	<u>333,810</u>	<u>333,792</u>
Loss per share (Pence)	<u>(248.2)</u>	<u>(107.8)</u>

For the period ended 28 February 2010 there was no difference between basic and diluted loss per share as the effect of all potentially dilutive securities was anti-dilutive.

(ii) EPRA loss per share	2010	2008
Loss attributable to equity holders	(828,628)	(359,643)
Revaluation movement on investment properties and on investment properties under development	810,666	281,988
Movement in fair value of derivative financial instruments	41,538	75,974
Profit on disposal of investment property under development	(505)	(1,445)
Deferred tax	(100,534)	(27,772)
Minority interest in respect of above	-	8,922
EPRA loss	<u>(77,463)</u>	<u>(21,976)</u>
Weighted average number of ordinary shares (000's)	<u>333,810</u>	<u>333,792</u>
EPRA loss per share (Pence)	<u>(23.2)</u>	<u>(6.6)</u>

The European Public Real Estate Association (EPRA) issued Best Practice Policy Recommendations in November 2006, which gives guidelines for performance measures. 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.

Note 24. Financial instruments
(A) Credit risk
In thousands of pounds sterling

The maximum exposure to credit risk at period end / year end was:

	Group 2010	Group 2008	Company 2010	Company 2008
Assets classified as held for sale	27,680	190	-	190
Cash current balances	8,647	11,284	333	437
Cash deposit balances	12,453	44,219	-	-
Restricted cash	17,747	38,855	-	-
Derivative financial instruments	49	439	-	-
Trade and other receivables	6,591	19,427	-	-
Loans to subsidiary undertakings	-	-	-	255,346
	73,167	114,114	333	255,973

Included in trade and other receivables are rental debtors with the following aged profile:

	2010 Gross	2010 Impairment	2010 Net	2008 Gross	2008 Impairment	2008 Net
Group						
Not past due	1,003	-	1,003	3,985	-	3,985
Past due 0-120 days	1,113	(148)	965	578	-	578
Past due > 120 days	1,674	(1,194)	480	665	-	665
	3,790	(1,342)	2,448	5,228	-	5,228

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	2010	2008
Group		
Balance at start of period / year	-	-
Impairment loss recognised	1,342	-
Balance at end of period / year	1,342	-

Note 24. Financial instruments
(B) Liquidity risk
In thousands of pounds sterling

The table below represents the maturity profile of contracted undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal flows. Where the interest payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates implied by the yield curve at the reporting date. Where payment obligations are in foreign currencies, the spot exchange rate ruling at the balance sheet date is used.

Debt Repayment schedule as at 28 February 2010 – Group

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	2010	2011	2012	2013	2014	> 5 Years
Zero Dividend Preference shares (average interest rate 8.6%)	122,119	136,021	-	136,021	-	-	-	-
Convertible Loan Stock (fixed interest rate 7.5%)	101,101	110,580	7,583	102,997	-	-	-	-
Series A and B Secured Loan notes (fixed interest rate 6.324%)	147,786	171,143	171,143	-	-	-	-	-
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	-	-	-	-	-
	1,770,390	1,949,533	1,232,893	354,451	355,807	327	327	5,728

Debt Repayment schedule as at 28 February 2010 - Company

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	2010	2011	2012	2013	2014	> 5 Years
Convertible Loan Stock (fixed interest rate 7.5%)	101,101	110,580	7,583	102,997	-	-	-	-
Series A and B Secured Loan notes (fixed interest rate 6.324%)	147,786	171,143	171,143	-	-	-	-	-
Trade and other payables	12,102	12,102	12,102	-	-	-	-	-
	260,989	293,825	190,828	102,997	-	-	-	-

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

	2010	2011	2012	2013	2014	> 5 Years	Expected cash flows	Carrying amount
Interest rate swaps assets	30	10	9	-	-	-	49	49
Interest rate swaps (liability)	(68,748)	(24,002)	(18,169)	(239)	(239)	(253)	(116,650)	101,856
							(116,601)	(101,807)

<i>Disclosed as:</i>	2010
Included in current assets	30
Included in non-current assets	19
Included in current liabilities	(62,150)
Included in non-current liabilities	(39,706)
Balance at end of year	<u>(101,807)</u>

	2010	2011	2012	2013	2014	> 5 Years	Total
Variable to fixed average interest rate	6.5%	6.5%	4.0%	0.0%	0.0%	5.8%	5.8%

The above variable to fixed average interest percentages are based on the variable interest rate as adjusted for the impact of the interest rate swap arrangements entered into by the Group.

Debt Repayment schedule as at 31 December 2008 – Group

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	2009	2010	2011	2012	2013	> 5 Years
Zero Dividend Preference shares (average interest rate 8.6%)	110,495	136,021	-	-	136,021	-	-	-
Convertible Loan Stock (fixed interest rate 7.5%)	101,112	119,438	7,583	7,583	104,272	-	-	-
Series A and B Secured Loan notes (fixed interest rate 6.324%)	149,313	182,822	11,679	13,035	158,108	-	-	-
Variable rate debt fixed with interest rate swaps	1,257,898	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	-	-	-	-
	1,770,286	2,066,242	597,457	270,537	687,506	35,366	469,244	6,132

Debt Repayment schedule as at 31 December 2008 - Company

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	2009	2010	2011	2012	2013	> 5 Years
Convertible Loan Stock (fixed interest rate 7.5%)	101,112	119,438	7,583	7,583	104,272	-	-	-
Series A and B Secured Loan notes (fixed interest rate 6.324%)	149,313	182,822	11,679	13,035	158,108	-	-	-
Trade and other payables	183,537	183,537	180,869	2,668	-	-	-	-
	433,962	485,797	200,131	23,286	262,380			

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

	2009	2010	2011	2012	2013	> 5 Years	Expected cash flows	Carrying amount
Interest rate swaps assets	166	102	80	46	44	1	439	439
Interest rate swaps (liability)	(27,942)	(16,869)	(12,816)	(7,198)	(6,626)	(91)	(71,542)	(63,245)
							<u>(71,103)</u>	<u>(62,806)</u>

Disclosed as:

Included in current assets

2008

166

Included in non-current assets

273

Included in current liabilities

(23,985)

Included in non-current liabilities

(39,260)

Balance at end of year

(62,806)

	2009	2010	2009	2012	2013	> 5 Years	Total
Variable to fixed average interest rate	6.3%	5.5%	5.3%	4.7%	4.6%	5.8%	5.5%

Note 24. Financial instruments
(C) Interest rate risk
In thousands of pounds sterling

The Group finances its operations through a mixture of retained profits, bank borrowings, senior loan, secured loan notes, Convertible Unsecured Loan Stock and Zero Dividend Preference shares. The Group borrows in the desired currencies at both fixed and floating rates and uses interest rate instruments to generate the desired interest rate profile and to manage the Group's exposure to interest rate fluctuations. Clear guidelines exist for the Group's ratio of fixed to variable rate debt and management regularly reviews the interest profile against these guidelines. At 28 February 2010 89% (31 December 2008: 87%) of the Group's financial liabilities were at effective fixed rates, as the Group has entered into interest rate swap agreements on some of its variable rate debt, and the remainder were at floating rates of interest.

Upward movements in interest rates, associated with higher interest rate expectations, increases the value of the Group's interest rate swaps that provide protection against such moves. The converse is true for downward movements in the yield curve.

Interest rate profile including effect of derivatives	Group 2010	Group 2008	Company 2010	Company 2008
Fixed rate liabilities				
Convertible Unsecured Loan Stock fixed at 7.5%	101,101	101,112	101,101	101,112
Series A and B Secured Loan notes fixed at 6.324%	147,786	149,313	147,786	149,313
Zero Dividend Preference shares	122,119	110,495	-	-
Loans from subsidiary undertakings	-	-	-	169,797
Total liabilities at fixed rates	371,006	360,920	248,887	420,222
Fixed rate assets				
Cash on deposit	(12,453)	(44,219)	-	-
Restricted cash	(17,747)	(38,855)	-	-
Loans to subsidiary undertakings	-	-	-	(255,346)
Total assets at fixed rates	(30,200)	(83,074)	-	(255,346)
Net liabilities at fixed rates	340,806	277,846	248,887	164,876
Weighted average interest rate of the fixed rate financial liabilities	6.2%	6.1%	-	-
Weighted average period for which interest rates on the fixed financial liabilities are fixed (years)	1.25	2.4	-	-
Variable rate liabilities				
Euro Senior loan	333,391	357,176	-	-
Sterling bank loans	242,898	214,189	-	-
Euro bank loans	773,730	779,410	-	-
Derivative financial instruments (swapped at rates between 4% and 8.5%)	(1,274,785)	(1,254,395)	-	-
Total liabilities at variable rates	75,234	96,380	-	-
Variable rate assets				
Cash at bank	(8,647)	(11,284)	(333)	(437)
Net liabilities / (assets) at variable rates	66,587	85,096	(333)	(437)

The Group has interest rate swaps with a nominal value of £1,275 million (31 December 2008: £1,254 million) maturing within the next five years (see ageing analysis). Under these swaps the Group pays interest at variable rates of EURIBOR plus a margin and receives interest at fixed rates between 4.0% and 8.5%.

Sensitivity Analysis

At 28 February 2010, it is estimated that an increase of one percentage point in interest rates would have decreased the Group's annual profit before tax by £0.7 million (31 December 2008: decrease of £0.9 million) and a decrease of one percentage point in interest rates would have increased the Group's profit before tax by £0.7 million (31 December 2008: increase of £0.9 million). There would have been no effect on amounts recognised directly to equity. The sensitivity has been calculated by applying the interest rate change to the variable borrowings, net of interest rate swaps, at the period end

Note 24. Financial instruments
(D) Currency risk
In thousands of pounds sterling

The Group is exposed to foreign currency risk on assets, liabilities and earnings that are denominated in a currency other than Sterling.

The Group has two significant overseas subsidiary groups, Castle Market Holdings Limited ('CMH') and Havenview Investments Limited ("Havenview"), both located in Ireland. Both of these groups have assets, liabilities, revenues and expenses that are denominated in euro and consequently can be significantly affected by movements in the Euro/Sterling exchange rate. The currency risk on these overseas investments is naturally hedged through foreign currency denominated borrowings.

The Board's policy is to match, to a significant extent, euro rental income and euro interest cost, while also financing a significant portion of the euro portfolio by euro denominated borrowings.

The table below shows the carrying amounts of the Group's euro denominated assets and liabilities in Euro.

	2010 Euro	2008 Euro
Assets	972,343	1,646,923
Liabilities	(1,538,347)	(1,421,412)
Net balance sheet exposure	(566,004)	225,511

The following significant exchange rates applied during the year

	Reporting date spot		
	2010	2008	2007
EURO/GBP – rate at year end	1.1202	1.0499	1.3636
Euro (depreciation) / appreciation for the year	(6.70%)	23.01%	8.13%

Sensitivity analysis

The euro has depreciated by 6.7% against Sterling during the period ending 28 February 2010. A 10% strengthening of Sterling against the Euro at 31 December would have decreased equity and decreased annual loss by the amounts shown below. This analysis assumes other variables, in particular interest rates, remain constant.

The analysis is performed on the same basis for the year ended 31 December 2008.

In thousands of pounds Sterling

	2010	2010	2008	2008
	Equity	Profit	Equity	Profit
10% Strengthening	50,527	28,987	(19,538)	17,211

A 10% weakening of Sterling against the Euro would have had an equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

Note 24. Financial instruments
(E) Fair value
In thousands of pounds sterling

The fair values together with the carrying amounts shown on the balance sheet are as follows:

Group	2010		2008	
	Carrying amount	Fair Value	Carrying amount	Fair Value
The fair values of financial assets and liabilities, together with carrying amounts shown in the statement of financial position, are as follows:				
Liabilities carried at amortised cost				
Convertible Unsecured Loan stock fixed at 7.5%	(101,101)	(21,231)	(101,112)	(38,423)
Series A and B Secured Loan Notes fixed at 6.324%	(147,786)	(161,792)	(149,313)	(156,600)
Zero Dividend Preference shares	(122,119)	(11,551)	(110,495)	(21,947)
Sterling loans	(242,898)	(246,117)	(214,189)	(209,686)
Euro Senior loan	(333,391)	(324,706)	(357,176)	(322,638)
Bank and other loans	(773,730)	(773,730)	(779,410)	(779,410)
Trade and other payables	(47,251)	(45,251)	(55,088)	(55,088)
	(1,768,276)	(1,584,378)	(1,766,783)	(1,583,792)
Liabilities carried at fair value				
Derivative financial instruments	(101,856)	(101,856)	(63,245)	(63,245)
	(101,856)	(101,856)	(63,245)	(63,245)
Assets carried at amortised cost				
Trade and other receivables	6,592	6,592	19,427	19,427
Bank current balances	8,647	8,647	11,284	11,284
Bank deposits balances	12,453	12,453	44,219	44,219
Restricted cash	17,747	17,747	38,855	38,855
	45,439	45,439	113,785	113,785
Assets carried at fair value				
Derivative financial instruments	49	49	439	439
Listed investments – held for sale	27,680	27,680	190	190
	27,729	27,729	629	629
Company	2010		2008	
	Carrying amount	Fair Value	Carrying amount	Fair Value
The fair values of financial assets and liabilities, together with carrying amounts shown in the statement of financial position, are as follows:				
Liabilities carried at amortised cost				
Convertible Unsecured Loan stock fixed at 7.5%	(101,101)	(21,231)	(101,112)	(38,423)
Series A and B Secured Loan Notes fixed at 6.324%	(147,786)	(161,792)	(149,313)	(156,600)
Trade and other payables	(12,102)	(12,102)	(183,537)	(183,537)
	(260,989)	(195,125)	(433,962)	(378,560)
Assets carried at amortised cost				
Trade and other receivables	-	-	255,346	255,346
Bank current balances	333	333	437	437
	333	333	255,783	255,783
Assets carried at fair value				
Listed investments – held for sale	-	-	190	190
	-	-	190	190

Interest rates used to determine fair values

	2010	2008
Derivatives	0.6%-2.8%	2.7%-3.7%
Loans and borrowings	4.8%-5.75%	5.5%-7.25%

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been identified as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within level 1, that are observable for the asset or liability

Level 3: inputs for the asset or liability that are not based on observable market data (unobserved inputs)

28 February 2010	Level 1	Level 2	Total
Held for sale financial assets	27,680	-	27,680
Derivative financial instruments	-	49	49
	27,680	49	27,729
Derivative financial liabilities	-	(101,856)	(101,856)
	-	(101,856)	(101,856)

31 December 2008	Level 1	Level 2	Total
Held for sale financial assets	190	-	190
Derivative financial instruments	-	439	439
	190	439	629
Derivative financial liabilities	-	(63,245)	(63,245)
	-	(63,245)	(63,245)

Note 25. Contingencies, guarantees and capital commitments
In thousands of pounds sterling

(a) Capital commitments

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

	2010	2008
Contracted for	47,535	86,470
Authorised not contracted	-	2,632
	<u>47,535</u>	<u>89,102</u>

These commitments are expected to be settled in the following financial year.

(b) Financial guarantees

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Group considers these to be insurance arrangements, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

The Group has no other outstanding guarantees or financial commitments.

(c) Contingencies

There are no contingencies in the Group, the outcome of which could have a material effect on the Group's financial position.

Note 26. Related parties

The Group has related party relationships with its subsidiaries (see note 28) and CREO (notes 8 and 9).

Treasury Holdings acts as investment advisor for all of the Group's property assets. The terms upon which Treasury Holdings were appointed are set out in note 19.

Pursuant to the Investment Advisor Agreement, Treasury Holdings earned an investment management fee of £4.0million (2008: £3.4m). In addition to the fees payable to Treasury Holdings disclosed in Note 19, project development and project management fees of £11.1million (2008: £12.4million) were paid to a company within the Treasury Holdings Group. Unpaid fees amounted to £3.8 million at 28 February 2010. (31 December 2008: £nil).

Fees of £608,000 (2008: £150,000) 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 28 February 2010 amounted to £152,000 (31 December 2008: £nil).

There was no performance fee payable during the period ended 28 February 2010 (2008: £nil).

Note 27. Post balance sheet events

Sale of CREO shares

Pursuant to a tender offer from CREO, the Group sold its interest in CREO on 8 March 2010 for £3.30 per share. The disposal of these shares raised £27 million in cash.

Series A and B loan notes

At 28 February 2010 there was an amount of £6.5 million owing in respect of the Series A and B Loan notes. This comprised interest due of £5 million and capital repayments of £1.5 million. These amounts were paid on 30 April 2010.

Sale of Heather cottage

This property was sold for £2.5 million in May 2010. Contracts are currently being exchanged. The proceeds will be used in part repayment of the outstanding debt amounting to £2.7 million

