



International Real Estate

**Interim Accounts**

**30 June 2008**

# **INTERNATIONAL REAL ESTATE PLC**

## **Chairman's Statement**

International Real Estate has continued to progress in its strategy of refurbishing and developing its portfolio of real estate in Germany and Belgium despite challenging market conditions. The Board has taken a fairly cautious approach to new transactions in order to maintain stability for the Group, and will seek value and optimum resale prices through the break-up of individual buildings and the further sale of residential units to occupiers and investors. Despite general bearish market conditions, the geographic regions in which we operate have remained fairly resilient, and the Board sees that there are still real estate investment opportunities in Germany and Belgium that have the potential to generate value through targeted investment initiatives.

### **Property Portfolio - Germany**

Germany still remains the primary area of activity for the Group, with a focus on refurbishment and development of predominantly residential projects. IRE now holds circa 189,500 sq m of German property, primarily in central Berlin and Magdeburg.

The Group has fared well in the German market due to the majority of its investments being located in Berlin, where property values have held up well and where continued strong demand for so called "Eigentumswohnungen", owner occupied apartments, has led to an increase in values during the year. The vacancy ratio for well located refurbished apartments in Berlin has continued to decrease, while the rental values are increasing. Encouragingly, the Group has achieved rental levels for individual apartments 10-15% in excess of estimated values following refurbishment and re-lettings.

The key properties in our Berlin portfolio, situated in popular locations and therefore lending them well to being sold to owner occupiers and investors on an individual basis, have undergone extensive refurbishment. We intend to initiate a partial sale of some of these properties later in the year, both to the investment market and the owner occupier market. Importantly, the estimated cumulative value on a "break-up" basis is well in excess of the last valuations of the properties as a block. It is the Board's intention to pursue further disposals of individual units of our Berlin portfolio in the foreseeable future and we are optimistic that the values that we will achieve will be well in excess of that of the properties as traditional block investments.

Our portfolio in Magdeburg continues to progress well both in terms of occupancy levels and importantly, in terms of rental values, particularly in the desirable Hegelstraße area in central Magdeburg where today, the Group is one of the largest private owners of real estate. It is our intention to continue the enhancement of our portfolio as previously planned.

### **Property Portfolio - Belgium**

There has been encouraging interest in the letting of the Group's circa 27,600 sq m Centre Monnet property and we are currently in negotiations with international as well as local companies regarding new tenancy agreements. We remain optimistic about the potential for this property, the only 100% commercial property in our portfolio, and its circa 50,000 sq m development potential.

The construction works at our residential apartment block on Rue du Gouvernement Provisoire in central Bruxelles are progressing well and we estimate the marketing campaign to sell the apartments individually to commence this autumn. Property prices for centrally located apartments have held up well in the city despite the recent international property market turbulence.

### **Results**

In the six months to 30 June 2008 pre-tax losses were approximately €1.7 million (30 June 2007: €4.8 million profit). The loss was an effect of no sales for the period and continued refurbishment programmes. The Berlin projects are scheduled to be completed before the end of the year, reducing costs and increasing income and thus

improving the result going forward. At 30 June 2008, total Group assets were €223.4 million (31 December 2007: €226.3 million), and the net asset value was €5.86 per share (31 December 2007: €6.18 per share).

### **Financial Position**

As at 30 June 2008, properties held as investments were €198.1 million (31 December 2007: €193.0 million). The Group had cash as at 30 June 2008 of €12.4 million (31 December 2007: €21.6 million) and net borrowings as at 30 June 2008 of €153.5 million (31 December 2007: €128.6 million).

### **Dividend**

The Board does not propose to pay an interim dividend for the first half of 2008 (2007: 5 pence or €0.07 per share). The reason for this is the continuing uncertainties in the financial markets throughout the world. It is the Board's intention to review the position for the full year when hopefully, stability has returned to the markets.

### **Outlook**

I believe the progress and successful development of the Group's property portfolio over the period to continue. The Board remains determined to generate value even when considering the current market conditions and the effect they are having on the sector.

The sale of properties has always been part of our business model, however in the current climate it is often difficult to achieve an optimum price by selling blocks of properties. The Group however intends to capitalise on selling individual apartments, both for owner occupation and also as investments. In addition to this, our acquisition strategy is focused only on properties where we can see synergies with our existing portfolio, as well as the possible resale of individual units.

Finally, I would like to thank the management team and Board for their diligent and hard work under these challenging market conditions, and also to our shareholders for their continued support.

Rolf L Nordström, Chairman  
30 September 2008

**INTERNATIONAL REAL ESTATE PLC**

**CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008**

	Note	Six month period ended 30.06.2008 €000	Six month period ended 30.06.2007 €000	Year ended 31.12.2007 €000
		Unaudited	Unaudited	Audited
Revenue		5,877	9,175	14,304
Cost of Sales	2	(1,925)	(1,303)	(1,473)
<b>Gross Profit</b>		<b>3,952</b>	<b>7,872</b>	<b>12,831</b>
Other operating income		702	963	6,128
Administration expenses		(1,624)	(1,598)	(4,544)
Other operating expenses		-	(34)	(34)
<b>Operating Profit</b>		<b>3,030</b>	<b>7,203</b>	<b>14,381</b>
Finance income		256	162	484
Finance costs		(4,957)	(2,567)	(7,367)
<b>(Loss)/Profit Before Tax</b>		<b>(1,671)</b>	<b>4,798</b>	<b>7,498</b>
Tax (charge)/credit		(129)	(242)	1,854
<b>(Loss)/Profit for Period</b>		<b>(1,800)</b>	<b>4,556</b>	<b>9,352</b>
Attributable to:				
Equity holders of the parent		(1,948)	4,605	9,330
Minority interest		148	(49)	22
		<b>(1,800)</b>	<b>4,556</b>	<b>9,352</b>

**Earnings per Share**

From continuing operations

Basic	3	(€0.26)	€0.66	€1.35
Diluted	3	(€0.26)	€0.66	€1.35

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE  
FOR THE PERIOD ENDED 30 JUNE 2008**

There is no difference between the loss/profit for the periods shown in the Consolidated Income Statement and the total recognised income and expense for the respective periods.

**INTERNATIONAL REAL ESTATE PLC**

**CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2008**

	Note	30.06.2008 Unaudited €000	30.06.2007 Unaudited €000	31.12.2007 Audited €000
<b>Non-Current Assets</b>				
Investment properties	5	198,086	161,370	193,011
		<b>198,086</b>	161,370	193,011
<b>Current Assets</b>				
Inventories		4,526	2,565	2,938
Trade and other receivables		8,364	10,775	8,796
Cash and cash equivalents		12,440	6,464	21,566
		<b>25,330</b>	19,804	33,300
<b>Total Assets</b>		<b>223,416</b>	181,174	226,311
<b>Current Liabilities</b>				
Trade and other payables		(10,896)	(29,718)	(27,829)
Current tax liabilities		(31)	(37)	(65)
Bank loans		(17,595)	(8,474)	(18,050)
Provisions		(1,250)	(2,346)	(1,250)
Finance leases		(38)	-	-
		<b>(29,810)</b>	(40,575)	(47,194)
<b>Non-Current Liabilities</b>				
Bank loans		(117,332)	(64,339)	(101,179)
Bond		(31,015)	(30,892)	(30,941)
Deferred tax liabilities		(4,079)	(6,316)	(4,158)
Finance leases		(575)	-	-
		<b>(153,001)</b>	(101,547)	(136,278)
<b>Total Liabilities</b>		<b>(182,811)</b>	(141,122)	(183,472)
<b>Net Assets</b>		<b>40,605</b>	39,052	42,839
<b>Equity</b>				
Share capital		4,408	4,408	4,408
Share premium account		7,957	7,957	7,957
Capital redemption reserve		566	566	566
Retained earnings		27,003	25,669	29,385
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>39,934</b>	38,600	42,316
<b>Minority Interest</b>		<b>671</b>	452	523
<b>Total Equity</b>		<b>40,605</b>	39,052	42,839

**INTERNATIONAL REAL ESTATE PLC**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2008**

	Note	Six month period ended 30.06.2008 Unaudited €000	Six month period ended 30.06.2007 Unaudited €'000	Year ended 31.12.2007 Audited €'000
<b>Net cash (outflow)/inflow from operating activities</b>	<b>6</b>	<b>(2,972)</b>	14,108	15,190
<b>Investing activities</b>				
Interest received		69	162	351
Acquisition of investment properties		(16,129)	(54,030)	(84,838)
Disposal of investment properties		-	5,420	9,437
<b>Net cash used in investing activities</b>		<b>(16,060)</b>	(48,448)	(75,050)
<b>Financing activities</b>				
Dividends paid		(434)	-	(1,009)
Interest paid		(4,819)	(2,567)	(7,143)
Repayments of borrowings		(1,322)	(340)	(1,352)
Proceeds of bank borrowings		17,094	651	48,468
Proceeds of bond issue (net of issue costs)		-	30,892	30,892
Finance lease payments		(613)	-	(598)
<b>Net cash generated by financing activities</b>		<b>9,906</b>	28,636	69,258
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(9,126)</b>	(5,704)	9,398
<b>Cash and cash equivalents at beginning of year</b>		<b>21,566</b>	12,168	12,168
<b>Cash and cash equivalents at end of period</b>		<b>12,440</b>	6,464	21,566

## INTERNATIONAL REAL ESTATE PLC

### NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2008

#### 1. Accounting Policies

##### Basis of accounting

The interim financial information has been neither audited nor reviewed by the Group's auditors. The comparatives for the full year ended 31 December 2007 are not the Company's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2)-(3) of the Companies Act 1985.

The interim financial information has been prepared in accordance with the accounting policies and presentation required by International Financial Reporting Standards, incorporating International Accounting Standards and Interpretations (collectively "IFRS") as endorsed by the European Union.

The interim report is presented and prepared in a form consistent with that which has been adopted in the Company's annual accounts having regard to the accounting standards applicable to such accounts.

#### 2. Cost of Sales

There are no release of provisions included in cost of sales (30 June 2007 €6.0m, 31 December 2007 €7.8m) representing the utilisation and release of provisions charged to cost of sales in previous periods in connection with property disposals.

#### 3. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

<i>Earnings</i>	<b>Six month period ended 30.06.2008</b>	Six month period ended 30.06.2007	Year ended 31.12.2007
Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity holders of the parent	<b>(€1,799,766)</b>	€4,556,106	€9,351,995
<i>Number of shares</i>	<b>Six month period ended 30.06.2008</b>	Six month period ended 30.06.2007	Year ended 31.12.2007
Weighted average number of Ordinary Shares for the purposes of basic and diluted earnings per share	<b>6,927,446</b>	6,927,446	6,927,446
Basic and diluted earnings per share	<b>(€0.26)</b>	€0.66	€ 1.35
Net asset value per share	<b>€5.86</b>	€5.64	€ 6.18

#### 4. Dividends

	Six month period ended 30.06.2008	Six month period ended 30.06.2007	Year ended 31.12.2007
	€000	€'000	€'000
Amounts recognised as distributions to equity holders in the period			
Final dividend for the year ended 31 December 2006 of €0.07 (5.0p) (2005 - €0.06 (4.0p)) per share	-	-	505
Interim dividend for the year ended 31 December 2007 of €0.07 (5.0p) (2006 - €0.06 (4.0p)) per share	-	-	504
Final dividend for the year ended 31 December 2007 of €0.07 (5.0p) (2006 - €0.07 (5.0p)) per share	434	-	-
	<b>434</b>	-	<b>1,009</b>

The Board proposes not to pay an interim dividend for the first half of 2008) (2007 - €0.07 (5.0p)) per share	-	485	504
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Final dividend for the year ended 31 December 2007 of €0.07 (5.0p) (2006 - €0.06 (5.0p)) per share was paid on 14 April 2008.

#### 5. Investment Property

	Six month period ended 30.06.2008	Six month period ended 30.06.2007	Year ended 31.12.2007
	€000	€'000	€'000
Fair value			
At 1 January	193,011	112,036	112,036
Additions during the period – property acquisitions	15,605	53,791	77,048
Additions during the period – refurbishment expenditure	1,672	-	7,790
Transfers/disposals during the period	(12,509)	(5,420)	(7,174)
Increase in fair value during the period	307	963	3,311
At end of period	<b>198,086</b>	161,370	193,011

## 6. Notes to the Cash Flow Statement

	Six month period ended 30.06.2008	Six month period ended 30.06.2007	Year ended 31.12.2007
	€000	€000	€000
(Loss)/profit for the period	<b>(1,800)</b>	4,556	9,352
Adjustments for:			
Increase in fair value of investment properties	<b>(307)</b>	(963)	(3,311)
Decrease in provisions	-	(6,665)	(7,761)
Finance income	<b>(256)</b>	(162)	(484)
Finance costs	<b>4,957</b>	2,567	7,367
Income tax credit/(expense)	<b>129</b>	242	(1,854)
Gain on sale of investment property	-	-	(2,263)
Operating cash flows before movements in working capital	<b>2,723</b>	(425)	1,046
Increase in inventories	<b>(1,588)</b>	(603)	(976)
Decrease/(increase) in receivables	<b>432</b>	(7,891)	(5,912)
(Decrease)increase in payables	<b>(4,425)</b>	23,027	21,048
Cash (used)/generated from operations	<b>(2,858)</b>	14,108	15,206
Income taxes paid	<b>(114)</b>	-	(16)
Net cash (outflow)/inflow from operating activities	<b>(2,972)</b>	14,108	15,190