International Real Estate

Interim Accounts

30 June 2005

INTERNATIONAL REAL ESTATE PLC

Chairman's Statement

It gives me great pleasure to report on the progress the Group has made in building a property portfolio with a focus on Europe. The Group remains committed to building shareholder value by identifying investment opportunities that produce strong yields and have the potential for capital growth.

The Group has been particularly active in the German market and in the period we completed three acquisitions, including two in Berlin and one in Düren, as well as a further acquisition in Dresden post the reporting period in August 2005 and Berlin in September 2005. The Group is also progressing with its projects in Brussels and continues to analyse additional investment opportunities.

In accordance with previous information, the Company has now successfully transferred its listing from the Official List of the UK Listing Authority to the AIM market London Stock Exchange PLC with effect from 18 April 2005.

Acquisitions

Düren
On 8 June 2005, the Group acquired a 12,996 m² leasehold apartment block in Düren, Germany. The property, located between Aachen and Cologne, comprises three 12 storey buildings with a total of 180 apartments. The current occupancy ratio is 90.0%.

Landsberger Allee, Berlin
On 23 June 2005, the Group acquired the freehold of a 10,739 m² apartment block in Landsberger Allee, Berlin, Germany.

The property comprises seven buildings with a total of 168 apartments. It is well located in Friedrichshain-Kreuzberg, close to Alexanderplatz and Potsdamer Platz, in Central Berlin and has excellent local transport links. The current occupancy ratio is 93.0%.

The properties in Düren and Landsberger Allee were previously announced as trading properties but are now correctly classified as investment properties.

Uhlandstrasse, Berlin
In late June 2005, the Group completed the purchase, at a public auction, of the freehold of a 6,042 m² mixed use property in Uhlandstrasse, Berlin, Germany.

The property is of a classic Berlin design and was constructed around the turn of the 19th century and thoroughly renovated between 1991 and 1992. It is very well situated on the corner of Kurfurstendamm, one of the most prestigious locations in Berlin, and has excellent transportation links. The property comprises of retail outlets on the ground floor and offices and apartments on the upper floors.

Due to the fact that the property has been in administration for several years, only some of the apartments are let. The Group has started a light refurbishment of the vacant areas and is currently negotiating with a number of potential tenants.

Property Portfolio

QPT Tower, Brussels
At the QPT Tower, the Group's 11,255 m² trading property located at Quai aux Pierres de Taille in Brussels, one tenant has given notice to vacate two floors. However, we have renegotiated an extension of the lease with the largest tenant from 2007 to August 2016 and included one of the two floors to become vacant. The net effect of the changes is that we will have one vacant floor taking the occupancy level down to 91.2% whilst the average length of the leases is increased to almost seven years.

The Group continues to examine various opportunities to improve the property and discussions are ongoing with both our architect and the local municipality.

The property continues to be an excellent income generator providing the Group with a strong cash-flow.

Rue du Gouvernement Provisoire, Brussels
Following the acquisition in December 2004 of a 748 m² development site on Rue du Gouvernement Provisoire, a well located site in a mixed residential and commercial area close to the Royal Palace, the Group now expects to receive the building permit during the 4th quarter of 2005 for a residential development of 29 apartments together with 29 underground parking spaces. The gross area to be constructed is 5,166 m² with a net sellable area of 3,374 m² of apartments. We expect to begin the construction work in early 2006 and to complete the development by the end of 2006.

IT Tower, Brussels
In August 2004, the Group transferred the leasehold of the 22,778 m² IT Tower situated on Avenue Louise to a consortium of Irish investors led by Bank of Ireland Private Banking for €71.2 million. In accordance with the transfer agreement, the Group has been working on the completion of the renovation programme as well as the letting of this landmark office tower.

As previously reported, the Group has the possibility of achieving an increase in the sale price, depending on the outcome of the lettings over the three years following the transfer, up to a maximum of €2.2 million. Any increase in the sale price will be receivable at the end of the three-year period (August 2007).

As before, the Brussels property market continues to hold up well against the negative effects of the slowdown in economic activity compared to other European capitals.

Subsequent Events

Dresden
On 26 August 2005, the Group acquired 50% of a 8,150 m² freehold property in Dresden, Germany at a public auction. A private German investor holds the remaining 50%.

The main building, used as a care centre with retail outlets on the ground floor, was constructed in 1877 and completely renovated in 2000. The second building, comprising apartments, was constructed in 2002.

The current occupancy ratio is 89.6%.

Holzmarktstrasse, Berlin
On 8 September 2005, the Group acquired the freehold of 8.025 m² apartment block in Holzmarktsstrasse, Berlin. The property, with a total of 130 apartments and 2 retail units, is part of a larger complex of apartments centrally located just off Alexanderplatz in Berlin Mitte.

The current occupancy ratio is 90.1%.

Litigation
A full explanation of the ongoing litigation with our Joint Venture Partners, Stratford UK Properties LLC ("Oaktree") and Mr Aubrey Glaser, the former Managing Director, is included in Note 5 'Contingent liabilities' in the attached Interim Report. On the basis of legal advice received, the Board of Directors considers that the Group is unlikely to incur any material loss as a result of the Oaktree litigation and therefore no provision has been included in the accounts; however the matter will be kept under review.

Cash and borrowings
The Group had a net funds balance at 30 June 2005 of €11.6m compared to €27.3m at 31 December 2004. The decrease is mainly a result of the recent acquisitions made in Germany.

Results
The six months to 30 June 2005 resulted in a pre-tax profit of €473,000 (30 June 2004: pre-tax loss €145,000), after the release of accruals for rental guarantees granted on property sales in prior periods of €1,322,000 (30 June 2004: Nil). The net asset value as at 30 June 2005 was €2.88 per share (31 December 2004: €2.85 per share). The Board proposes to pay an interim dividend of 3.0 pence (4.5 eurocents) per share (30 June 2004: 3.0 pence or 4.5 eurocents per share) payable on 11 November 2005, to shareholders on the register on 14 October 2005.

The outlook for the second half of the year will depend largely on the outcome of any disposals or acquisitions. The overall rental income is expected to be sufficient to cover our financing costs and a proportion of administrative expenses.

Finally, I would like to take this opportunity to thank my fellow directors, the management team and all of our staff and consultants who have worked so hard and diligently during the period

Rolf L Nordström, Chairman

22 September 2005

Independent review report to International Real Estate Plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2005 on pages 5 to 11. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom by auditors of fully listed companies. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

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

BDO STOY HAYWARD LLP
Chartered Accountants
Epsom

22 September 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2005

	Note	Six month period ended 30.06.2005 €'000 Unaudited	Six month period ended 30.06.2004 €'000 Unaudited As restated	Year ended 31.12.2004 €'000 Audited As restated
Turnover				
Net rental income		**382**	1,586	2,466
Other income		**1,322**	-	-
Property sales		**-**	-	72,101
		1,704	1,586	74,567
Cost of sales		**-**	-	(68,331)
Gross Profit		**1,704**	1,586	6,236
Exceptional charges - Litigation		**(170)**	(453)	(448)
Exceptional charges - Other		**(63)**	-	-
Other administrative expenses		**881)**	793)	(2,299)
Total administrative expenses		**(1,114)**	(1,246)	(2,747)
Other operating income		**-**	2	-
Operating Profit		**590**	342	3,489
Profit on sale of subsidiary undertaking		**-**	-	3,692
Operating Profit and Profit on Ordinary Activities before Interest and Taxation		**590**	342	7,181
Interest receivable and similar income		**134**	32	333
Interest payable and similar charges		**(251)**	(742)	(1,525)
Movement in fair value of derivatives		**-**	223	162
Total interest payable		**(251)**	(519)	(1,363)
Profit/(Loss) on Ordinary Activities before Taxation		**473**	(145)	6,151
Tax charge on profit/(loss) on ordinary activities		**(35)**	(26)	(4,465)
Profit/(Loss) on Ordinary Activities after Taxation and Profit/(Loss) for the Financial Period		**438**	(171)	1,686
Equity dividends paid	**1**	**(287)**	(308)	(624)
Retained Profit/(Loss) for the Financial Period		**151**	(479)	1,062
Basic and diluted earnings/(loss) per share	**2**	**€ 0.06**	(€ 0.02)	€ 0.23

The results for the above periods reflect the continuing operations of the group.
There are no recognised gains or losses in any of the above periods other than the profit/loss for the periods.

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2005

	Note	**30.06.2005**	30.06.2004	31.12.2004
	Note	**€'000**	€'000	€'000
Fixed Assets		Unaudited	Unaudited	Audited
			As restated	As restated
Investment properties		**22,444**	894	-
Other tangible assets		**-**	5	-
Investments		**-**	2	2
		22,444	901	2
Current Assets				
Stock - trading properties		**14,803**	57,566	12,732
Debtors		**575**	1,405	1,104
Cash at bank and in hand		**18,590**	3,047	34,332
		33,968	62,018	48,168
Current Liabilities				
Creditors: amounts falling due within one year				
- Borrowings		**(300)**	(2,127)	(240)
- Other		**(18,827)**	(3,559)	(10,711)
		(19,127)	(5,686)	(10,951)
Net Current Assets		**14,841**	56,332	37,217
Total Assets Less Current Liabilities		**37,285**	57,233	37,219
Creditors: amounts falling due after more than one year				
- Borrowings		**(6,706)**	(37,645)	(6,826)
- Other		**(10,000)**	-	(10,000)
Provisions for liabilities and charges:				
Deferred taxation		**(647)**	(750)	(612)
Net Assets		**19,932**	18,838	19,781
Capital and Reserves				
Called up share capital		**4,408**	4,683	4,408
Share premium account	**3**	**7,957**	7,957	7,957
Capital redemption reserve	**3**	**566**	291	566
Profit and loss account	**3**	**7,001**	5,907	6,850
Equity Shareholders' Funds		**19,932**	18,838	19,781

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2005

	Six month period ended 30.06.2005	Six month period ended 30.06.2004	Year ended 31.12.2004
	€'000	€'000	€'000
	Unaudited	Unaudited	Audited
		As restated	As restated
Profit/(Loss) for the financial period	**438**	(171)	1,686
Equity dividends paid	**(287)**	(308)	(624)
Purchase of own shares	**-**	-	(598)
Net increase/(reduction) in Shareholders' funds	**151**	(479)	464
Opening Shareholders' funds	**19,781**	19,317	19,317
Closing Shareholders' funds	**19,932**	18,838	19,781

CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2005

	Notes	**Six month period ended 30.06.2005 Unaudited €'000**	Six month period ended 30.06.2004 Unaudited €'000	Year ended 31.12.2004 Audited €'000
Net cash inflow/(outflow) from operating activities	**4 (a)**	**6,775**	(207)	65,565
Returns on investments and servicing of finance				
Interest paid		**(139)**	(696)	(1,348)
Interest received		**134**	32	333
		(5)	(664)	(1,015)
Taxation paid		**(83)**	-	(2)
Acquisitions and disposals				
Purchase of investment properties		**(22,444)**	-	-
Net cash disposed of with subsidiary undertaking		**-**	-	(873)
		(22,444)	-	(873)
Equity dividends paid		**(287)**	(308)	(624)
Cash (outflow)/inflow before financing		**(16,044)**	(1,179)	63,051
Financing				
Repayment of amounts borrowed		**(60)**	(485)	(32,790)
Purchase of own shares		**-**	-	(598)
		(60)	(485)	(33,388)
(Decrease)/increase in cash	**4 (b)**	**(16,104)**	(1,664)	29,663
Reconciliation of net cash flow to movement in net funds				
(Decrease)/increase in cash		**(16,104)**	(1,664)	29,663
Cash outflow from decrease in debt		**60**	485	32,790
Movement in net funds		**(16,044)**	(1,179)	62,453
Exchange movements		**362**	(60)	299
Net funds/(debt) at 1 January		**27,266**	(35,486)	(35,486)
Net funds/(debt) at end of period	**4 (b)**	**11,584**	(36,725)	27,266

NOTES TO THE ACCOUNTS

1 Preparation of the interim financial information

This financial information for the six months ended 30 June 2005 has not been audited, nor has that for the equivalent period in 2004.

This financial information has been prepared on the basis of the accounting policies set out in the full accounts for the year ended 31 December 2004, with the exception of the policy on proposed dividends. Following FRS 21 "Events after the balance sheet date" dividends declared after the balance sheet date are no longer recognised as a liability in the balance sheet and are accounted for when paid, not proposed. Accordingly, dividends declared after the balance sheet date have not been recognised in the interim financial information at 30 June 2005 and the comparative figures have been restated accordingly.

The financial information contained in this report does not constitute statutory accounts within the meaning of S240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2004 have been delivered to the Registrar of Companies. The audit report on those accounts was unqualified and did not contain any statements under section 237 of the Companies Act.

2 Earnings per share

	Six month period ended 30.06.2005	Six month period ended 30.06.2004	Year ended 31.12.2004
Earnings per share are calculated as follows:			
Profit/(loss) for the period	**€438,000**	(€171,000)	(€1,686,000)
Weighted average number of shares in issue	**6,927,446**	7,357,446	7,321,612
Basic and diluted earnings per share	**€ 0.06**	(€0.02)	(€ 0.23)

3 Reserves

	Share Premium Account	**Capital Redemption Reserve**	**Profit and Loss Account**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
At 1 January 2005 – as restated	7,957	566	6,850	**15,373**
Retained profit for the financial period	-	-	151	**151**
	7,957	**566**	**7,001**	**15,524**

4 Cash Flow Statement

(a) Reconciliation of operating profit to operating cash flows

	Six month period ended 30.06.2005	Six month period ended 30.06.2004	Year ended 31.12.2004
	€'000	€'000	€'000
Operating profit	**590**	342	3,489
Depreciation and amortisation charges	**-**	4	10
(Increase)/decrease in trading properties	**(2,071)**	(1,397)	43,437
Decrease in debtors	**529**	32	910
Increase in creditors	**7,727**	812	17,719
Net cash inflow/(outflow) from operating activities	**6,775**	(207)	65,565

(b) Analysis of net funds

	At 1 January 2005	Cash Flow	Other non-cash movements	Exchange movements	**At 30 June 2005**
	€'000	€'000	€'000	€'000	**€'000**
Cash at bank and in hand	34,332	(16,104)	**-**	362	**18,590**
Debt due within one year	(240)	-	(60)	-	**(300)**
Debt due after one year	(6,826)	60	60	-	**(6,706)**
	27,266	(16,044)	-	362	**11,584**

5 Contingent Liabilities

By a circular dated 11 February 1998, the Company announced its entry into a limited partnership with Stratford UK Properties LLC ('Oaktree'), an entity owned by Oaktree Capital Management LLC which is based in the United States of America. On 30 March 2000 a Supplemental Agreement ('Agreement') was entered into with Oaktree purporting to vary the terms of the partnership. It was executed on behalf of the Company, by the then Managing Director, Aubrey Glaser, and the then Company Secretary without the knowledge or approval of the Board. This Agreement purported to give Oaktree the right *(inter alia)* to require the Company to buy out the Oaktree share of the partnership on terms highly beneficial to Oaktree in the event of a change of control of the Company or the departure or non involvement in management of the Chairman (who had no knowledge of the Agreement) or Aubrey Glaser.

In June 2001 Oaktree purported to invoke the terms of the Agreement requiring the Company to buy out the Oaktree share on the basis set out above, which on current estimates at 30 June 2005, in certain circumstances, could cost the Company approximately €19.9 million, increasing annually at a rate of 25% compounded monthly thereafter.

The Company claims the Agreement is unenforceable and accordingly on 10 July 2001 the Company issued proceedings in the High Court for an order that the Agreement be set aside. On the Company’s application for summary judgement Mr. Justice Hart found in favour of the Company and made a declaration that the Agreement was unenforceable against it. The decision was reversed by the Court of Appeal, but the House of Lords granted leave to appeal. The appeal was heard on 10 and 11 May 2004 and was dismissed by the House of Lords. This decision means that the case will now go to full trial, being unsuitable for summary proceedings. On the basis of legal advice it has received, the Board of Directors continues to believe that the Company is unlikely to incur a material loss as a result of the Agreement and therefore no provision has been included in the accounts for this contingent liability, but the matter will be kept under review.

In September 2001 the Company received a claim from Mr. Glaser for compensation for loss of office totalling €410,000 (£280,000). The Company is vigorously defending this claim and having regard to the legal advice received by the Company, no provision has been included in the accounts.

The Company has initiated legal procedures against Oaktree Capital Management, Mr Sean Armstrong, Mr Russell Bernard and Mr Aubrey Glaser for damages in respect to their conduct in attempting to enter into an Agreement harmful to the Company in the Courts of California, USA. At a recent hearing, an application by the defendants to have the case dismissed failed and the parties were ordered to mediate the claim within four months. If this does not produce a settlement, then the matter will proceed to a hearing.

A claim has been made against the Company’s former solicitors, City Law Partnership, seeking damages for negligence concerning the way in which City Law Partnership acted for the Company in connection with the Agreement.

PROPERTY SCHEDULE

at 30 June 2005

Location	Type	Freehold or Leasehold	Lettable m²	Occupancy %	Ground Rent pa
INTERNATIONAL REAL ESTATE PLC **WHOLLY OWNED**					
INVESTMENT PROPERTIES					
Miesheimer Weg 1-3 Düren, Germany	Residential	Leasehold until 2050	12,996	90	€ 39,000
Landsberger Alle Berlin, Germany	Residential	Freehold	10,739	93	n/a
Uhlandstrasse Berlin, Germany	Residential/ Retail/Office	Freehold	6,042	36	n/a
Sub-Total			29,777		
STOCK - TRADING PROPERTIES					
Quai Aux Pierres de Taille Brussels, Belgium	Office	Freehold	11,695	100	n/a
Rue du Gouvernement Provisoire Brussels, Belgium Development site of 748m² for 28 apartments and undergound parking	Land	Freehold			n/a
Sub-Total			11,695		
Total, wholly owned properties:			**41,472**		