



International Real Estate

Interim Accounts

30 June 2006

INTERNATIONAL REAL ESTATE PLC

Chairman's Statement

This has been another exciting period for the Group as it further builds its presence in the German property market. In line with our growth strategy we now have a property investment portfolio with excellent development potential as well as a healthy stream of potential projects. With this, in tandem with a sound balance sheet and good financing ability, we remain optimistic about the future and look forward to further expanding and developing the Group's property portfolio.

Property Portfolio – Germany

As Shareholders will be aware, our major focus is now Germany. Activity levels at our new office in Berlin have remained high, with a number of transactions being initiated during the six month period. We have invested in ongoing work on our existing properties and we are already beginning to see positive results.

As reported in June 2006, the Group acquired 70% of a company which owns a property that consists of 3,295m² of offices and a 12,000m² multi storey car park (420 car parking spaces) in the centre of Hamm. The remaining 30% was bought in August and a refurbishment programme will soon commence.

Other purchases during the period include two properties in Magdeburg. The first, Sudstadthöfe, is located in the southern part of the city and consists of 154 apartments, 8,530m² fully refurbished and 3,544m² in need of refurbishment. The second, a 2,310m² refurbished property in Arndtstraße/Lessingstraße, is located in the central part of the city and consists of 26 apartments and a restaurant unit.

In May, the Group acquired Friedrichstraße 56, a 2,230m² property consisting of 30 apartments and two retail units as well as office space. The property is situated in Berlin Mitte between the former "Checkpoint Charlie" and "Gendarmenmarkt" occupying a first class location; the Group is currently preparing a refurbishment programme.

Refurbishment programmes have also been started at the Group's 90% owned 27,928m² portfolio of seven residential and retail properties in Friedrichshain, Berlin. These are aimed at improving the façades, insulating the roofs and generally upgrading entrance lobbies and lifts; the programme is expected to complete in early 2007.

We continue to refurbish the Group's freehold 6,042m² mixed use property in Uhlandstraße, Berlin to improve the quality of this first class property. Furthermore, we are experiencing improved rental levels for our apartments in Holzmarktstraße, Berlin Mitte, following its renovation programme, and in Düren, the refurbishment programme at our 12,996m² leasehold apartment blocks is on schedule.

Since the end of the period we have acquired an additional six freehold properties in Magdeburg including a centrally located 7,441m² mixed office and residential building in Q12, Hegelstraße and a 2,039m² freehold property in Harnackstraße 3. We have also acquired a 1,047m² freehold property in Berlin located in Schinkestraße. We are working towards improving both the lettings and the technical standards of these properties.

Property Portfolio – Belgium

We expect to receive the building permit for our development of 29 apartments on Rue du Gouvernement Provisoire, close to the Royal Palace in the centre of Brussels, in the near future. The gross area to be constructed is circa 5,166m² with a net sellable area of circa 3,374m² of apartments plus additional parking spaces.

We continue to work on a renovation programme in accordance with the transfer agreement for the 22,778m² IT Tower property in Brussels, which was transferred in August 2004 for €71.2 million. As previously reported, the Group has the ability to achieve an additional upward adjustment to the transfer price, depending on the outcome

of the letting process over the three years following the transfer, up to a maximum of €2.2 million. Any such adjustment will be receivable at the end of the three-year period in August 2007.

Results

The six months to 30 June 2006 pre-tax profits increased to €1.2m (30 June 2005: €0.5m). Total Group assets increased to €85.1m (31 December 2005: €73.8m), and the net asset value per share was €3.61 per share (30 June 2005: €2.88 per share).

Financial Position

Properties held as investments were €67.9m (31 December 2005: €51.7m).

The Group had a cash position as at 30 June 2006 of €8.9m (31 December 2005: €17.1m).

The Group had net borrowings as at 30 June 2006 of €37.0m (31 December 2005: €17.0m)

Dividend

The Board proposes to pay an interim dividend of 4 pence (€0.06) per share (30 June 2005: 3 pence (€0.04)) payable on 27 October 2006, to Shareholders on the register on 29 September 2006.

Outlook

While we see no evidence of the market slowing down, we remain focused on ensuring that, upon completion, improvements to our investment properties offer good value for money and are finished to a high standard. We are working on a number of projects and are happy with the direction the Group is taking.

The management, staff and consultants have worked hard to create the robust business that IRE now is, and I would like to thank them for their contributions. We continue to make progress and I look forward to the coming months with confidence.

Rolf L Nordström, Chairman

6 September 2006

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 2006 set out on pages 4 to 9. 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 International Standards on Auditing (UK and Ireland) 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 2006.

BDO Stoy Hayward LLP

Chartered Accountants

Epsom

6 September 2006

INTERNATIONAL REAL ESTATE PLC

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006

	Note	Six month period ended 30.06.2006 €'000 Unaudited	Six month period ended 30.06.2005 €'000 Unaudited	Year ended 31.12.2005 €'000 Audited
Continuing Operations				
Revenue		2,331	1,704	16,166
Cost of Sales	2	914	-	(10,073)
Gross Profit		3,245	1,704	6,093
Other operating income		-	-	2,188
Administration expenses		(1,392)	(881)	(2,309)
Other operating expenses		(18)	(233)	(148)
Operating Profit		1,835	590	5,824
Finance income		245	134	618
Finance costs		(875)	(251)	(1,610)
Profit Before Tax		1,205	473	4,832
Tax (charge)/credit		(129)	(35)	277
Profit for Period		1,076	438	5,109
Attributable to:				
Equity holders of the parent		1,102	438	5,109
Minority interest		(26)	-	-
		1,076	438	5,109

Earnings per Share

From continuing operations

Basic	3	€0.16	€0.06	€0.74
Diluted	3	€0.16	€0.06	€0.74

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE PERIOD ENDED 30 JUNE 2006

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

INTERNATIONAL REAL ESTATE PLC

**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2006**

	30.06.2006 Unaudited €000	30.06.2005 Unaudited €'000	31.12.2005 Audited €'000
Non-Current Assets			
Investment properties	67,921	22,444	51,734
Available for sale investments	2	2	2
	67,923	22,446	51,736
Current Assets			
Inventories	1,963	14,803	1,962
Trade and other receivables	6,321	575	2,997
Cash and cash equivalents	8,937	18,590	17,115
	17,221	33,968	22,074
Total Assets	85,144	56,414	73,810
Current Liabilities			
Other payables	(6,875)	(13,683)	(4,318)
Current tax liabilities	(36)	-	-
Bank loans	(808)	(300)	(21)
Provisions	(404)	(5,452)	(4,146)
	(8,123)	(19,435)	(8,485)
Non-Current Liabilities			
Bank loans	(45,143)	(6,706)	(34,136)
Deferred tax liabilities	(341)	(647)	(326)
Long term provisions	(6,000)	(10,000)	(6,000)
Finance leases	(563)	-	(563)
	(52,047)	(17,353)	(41,025)
Total Liabilities	(60,170)	(36,788)	(49,510)
Net Assets	24,974	19,626	24,300
Equity			
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	12,069	6,695	11,369
Equity Attributable to Equity Holders of the Parent	25,000	19,626	24,300
Minority Interest	(26)	-	-
Total Equity	24,974	19,626	24,300

INTERNATIONAL REAL ESTATE PLC

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006**

		Six month period ended 30.06.2006 Unaudited	Six month period ended 30.06.2005 Unaudited	Year ended 31.12.2005 Audited
	Note	€'000	€'000	€'000
Net cash (outflow)/inflow from operating activities	5	(3,016)	6,692	6,984
Investing activities				
Interest received		106	134	372
Acquisition of investment properties		(16,187)	(22,444)	(48,946)
Net cash used in investing activities		(16,081)	(22,310)	(48,574)
Financing activities				
Dividends paid		-	(287)	(609)
Interest paid		(875)	(139)	(2,109)
Repayments of borrowings		(306)	(60)	(7,066)
New bank loans raised		12,100	-	34,157
Net cash generated by/(used in) financing activities		10,919	(486)	24,373
Net decrease in cash and cash equivalents		(8,178)	(16,104)	(17,217)
Cash and cash equivalents at beginning of year		17,115	34,332	34,332
Effect of foreign exchange rate change		-	362	-
Cash and cash equivalents at end of period		8,937	18,590	17,115

INTERNATIONAL REAL ESTATE PLC

NOTES TO THE ACCOUNTS

FOR THE PERIOD ENDED 30 JUNE 2006

1. Accounting Policies

The interim financial information for the six months ended 30 June 2006 and that for the equivalent period in 2005 is unaudited. The comparative financial information for the full year ended 31 December 2005 does not represent 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 and did not contain a statement under section 237(2)-(3) of the Companies Act 1985.

In preparing the statutory financial statements for the year ended 31 December 2005, the Group adopted International Accounting Standards ("IASs") for the first time. Accordingly, this is the first interim financial information for the Group that has been prepared in accordance with IFRS. The comparative information for the six months ended 30 June 2005 has been adjusted accordingly. As with the Group financial statements for the year ended 31 December 2005, the only adjustment found to be necessary relates to IAS 10 where dividends are now accounted for when they become legally payable, not when proposed.

The interim financial information has been prepared in accordance with the accounting policies and presentation required by those International Financial Reporting Standards, incorporating IASs and Interpretations (collectively "IFRS"), which are expected to be endorsed by the EC and applicable for use in the company's annual financial statements for the year ended 31 December 2006.

2. Cost of Sales

Included in costs of sales are provision releases of €3.7m (30 June 2005 €nil, 31 December 2005 €2.8m) representing the utilisation of provisions charged to cost of sales in previous periods in connection with property disposals. Such provisions relate to agreed refurbishment works, rental guarantees, legal costs, environmental and other obligations.

3. Earnings per share

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

<i>Earnings</i>	Six month period ended 30.06.2006	Six month period ended 30.06.2005	Year ended 31.12.2005
Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity holders of the parent	€1,102,303	€438,605	€5,109,314
<i>Number of shares</i>	Six month period ended 30.06.2006	Six month period ended 30.06.2005	Year ended 31.12.2005
Weighted average number of Ordinary Shares for the purposes of basic and diluted earnings per share	6,927,446	6,927,446	6,927,446
Basic and diluted earnings per share	€0.16	€0.06	€ 0.74

4. Dividends

	Six month period ended 30.06.2006	Six month period ended 30.06.2005	Year ended 31.12.2005
	€000	€'000	€'000
Amounts recognised as distributions to equity holders in the period			
Final dividend for the year ended 31 December 2004 of €0.04 (3.0p) (2003 - €0.04 (3.0p)) per share	-	306	306
Interim dividend for the year ended 31 December 2005 of €0.04 (3.0p) (2004 - €0.05 (3.0p)) per share	-	-	303
Final dividend for the year ended 31 December 2005 of €0.06 (4.0p) (2004 - €0.04 (3.0p)) per share	402	-	-
	402	306	609
Proposed interim dividend for the year ending 31 December 2006 of €0.06 (4.0p) (2005 - €0.04 (3.0p)) per share	404	303	303

5. Notes to the Cash Flow Statement

	Six month period ended 30.06.2006	Six month period ended 30.06.2005	Year ended 31.12.2005
	€000	€'000	€'000
Operating profit	1,835	590	5,824
Adjustments for:			
Increase in fair value of investments	-	-	(2,188)
Decrease in provisions	(3,742)	-	(7,654)
Operating cash flows before movements in working capital	(1,907)	590	(4,018)
(Increase)/decrease in inventories	(1)	(2,071)	10,770
(Increase)/decrease in receivables	(3,324)	529	(1,893)
Increase in payables	2,216	7,727	2,125
Cash (used in)/generated from operations	(3,016)	6,775	6,984
Income taxes paid	-	(83)	-
Net cash (outflow)/inflow from operating activities	(3,016)	6,692	6,984

6. Post Balance Sheet Events

Details of post balance sheet events are given in the Chairman's Statement on pages 1 and 2.

INTERNATIONAL REAL ESTATE PLC

PROPERTY PORTFOLIO 6 SEPTEMBER 2006

Property	Lettable Area m ²	Tenure	Ownership Share %
BERLIN			
Uhlandstraße 175, Berlin	6,071	Freehold	100
Landsberger Allee 88-92, 96-102, Berlin	10,738	Freehold	100
Holzmarktstraße 69,73,75, Berlin	8,017	Freehold	100
Bersarinplatz 1-4 ff, Berlin	27,928	Freehold	90
Landsberger Allee 390- 392, Berlin	6,897	Freehold	100
Lange Straße 27, Berlin	0 *	Freehold	100
Friedrichstraße 56, Berlin	2,230	Freehold	100
Tschaikowskistraße 13, Berlin	2,030	Freehold	100
Schinkestraße, 4,5,Berlin	1,047	Freehold	100
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Sub-total	64,958		
MAGDEBURG			
Südstadthöfe, Magdeburg	12,075	Freehold	100
Liebigstraße 9, Magdeburg	1,437	Freehold	100
Liebigstraße 9a, Magdeburg	956	Freehold	100
Liebigstraße 10, Magdeburg	1,240	Freehold	100
Arndtstraße 17, Magdeburg	2,310	Freehold	100
Breiter Weg 224, Magdeburg	1,990	Freehold	100
Breiter Weg 229a, Magdeburg	1,010	Freehold	100
Hegelstraße 36, Magdeburg	1,686	Freehold	100
Zollstraße 11, Magdeburg	1,371	Freehold	100
Q12, Hegelstraße, Magdeburg	7,441	Freehold	100
Harnackstraße 3, Magdeburg	2,039	Freehold	100
Herderstraße 13, Magdeburg	998	Freehold	100
St Michaelsstraße 57, Magdeburg	641	Freehold	100
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Sub-total	35,194		

INTERNATIONAL REAL ESTATE PLC

PROPERTY PORTFOLIO 6 SEPTEMBER 2006 (CONTINUED)

Property	Lettable Area m ²	Tenure	Ownership Share %
OTHER			
Pfaffendorfer Straße 23, Leipzig	889	Freehold	100
Delitzscher Straße 120, Leipzig	606	Freehold	100
Delitzscher Straße 124, Leipzig	901	Freehold	100
Lützner Straße 116, Leipzig	621	Freehold	100
Lützner Straße 118, Leipzig	1,383	Freehold	100
Miesheimer Weg 1-3, Düren	12,996	Leasehold *	100
Kästner Passage, Dresden	8,073	Freehold	50
Niedergaße 46, Stollberg	270	Freehold	100
Thomas-Müntzer-Straße 10, Görlitz	625	Freehold	100
Poststraße 4, Hamm	15,295	Freehold	100
Rue du Gouvernement Provisoire, Brussels	0 **	Freehold	100
Sub-total	41,659		
TOTAL	141,811		

* Ground lease until 2050, indexed lease presently at €39,000 per annum

** Pieces of land

Lange Straße 27 – 410 m²

Rue Gouvernement Provisoire 748 m²