International Real Estate

Annual Report 2004

CONTENTS

QPT Tower
Quai aux Pierres de Taille, Brussels

DIRECTORS AND ADVISERS

Directors	Rolf L Nordström *Chairman*
	Daniel Akselson *Chief Executive Officer*
	John S Lamb *Senior Independent Non-executive*
	Michel Berges *Independent Non-executive*
	Sir Eric Parker *Independent Non-executive*
Secretary	Tom Shannon
Registered Office	34 St James's Street London SW1A 1HD
Registration No.	2101254 – Registered in England and Wales
Stockbrokers	KBC Peel Hunt Limited 111 Old Broad Street London EC2N 1PH
Auditors	BDO Stoy Hayward LLP Chartered Accountants Emerald House, East Street Epsom, Surrey KT17 1HS
Solicitors	Class Law 4th Floor One Great Cumberland Place London W1H 8DQ
	Maclay Murray & Spens 5 Old Bailey London EC4M 7JX
Bankers	HBOS plc
Registrars and Transfer Office	Capita IRG plc The Registry, 34 Beckenham Road Beckenham, Kent BR3 4TU
Share Price Information	The Financial Times Cityline Service: 09068433106

INTERNATIONAL REAL ESTATE PLC

IT IS THE AIM OF INTERNATIONAL REAL ESTATE PLC
to enhance shareholder value through:

- substantial upgrading of property assets;
- active management of our property portfolio;
- a programme of carefully selected property acquisitions and disposals;
- strengthening the Company's returns by working with partners, when and where appropriate;
- increasing earnings per share; and
- increasing net asset value per share.

CHAIRMAN'S STATEMENT

I am pleased to report the results for the year ended 31 December 2004. The key activities during the year were the transfer of our major asset the IT Tower in Brussels, and the acquisition of a plot of land close to the Royal Palace for development.

We continue to be committed to developing our European commercial trading property activities by identifying properties that provide above average yields and opportunities for value enhancement.

Overview:

- Profit on ordinary activities before tax of €6.15 million compared to €0.39 million for 2003
- Earnings per share at 31 December 2004 €0.23 (2003; €0.05)
- Transfer of the leasehold trading property IT Tower in Brussels
- Purchase of 748 m^2 of land on Rue du Gouvernement Provisoire in Brussels, for development of circa 28 apartments and underground parking
- Sale of partnership property Mobius House, Basingstoke
- QPT Tower fully let to high quality tenants with an average length of leases of three years and generating rents of €1.12 million
- Net asset value (NAV) at 31 December 2004 of €2.81 per share (2003 – €2.58 per share)
- Final dividend unchanged at 3p or €0.04 per share (2003 – 3p or €0.05 per share) making a total for the year of 6p per share

Financial Review

Results for the year ended 31 December 2004 show that turnover increased by €59.5 million to €74.6 million (2003 – €15.1 million) mainly due to the transfer of the leasehold of the IT Tower. The pre-tax profit for the year was €6,151,000 (2003 – €390,000) and the profit after taxation €1,686,000 (2003 – €400,000). The tax charge of €4,465,000 is explained in note 7. As a result of the transfer of the IT Tower, the Group has net funds of €27.3 million at 31 December 2004 compared with €35.5 million of net borrowings at 31 December 2003.

Disposals

On 6 August 2004, we announced the transfer of the leasehold property IT Tower in Brussels to a consortium of Irish investors led by Bank of Ireland Private Banking for an amount of €71.2 million. After provisions for costs relating to the transfer, guarantees to complete a defined renovation programme and short term rental guarantees, the disposal produced a pre tax profit of €3.77 million. The Group remains responsible for the completion of the renovation programme and the letting of the property, for a period of three years following completion of the transfer. The terms of the transfer also included provision for an increase in the transfer price, depending on the outcome of the lettings over the three year period, of up to a maximum of circa €2.2 million. Any increase in the transfer price will be received at the end of the three year period when the final transfer price will be established.

Following the transfer of the IT Tower the Group disposed of its investment in Louise Tower Holding B.V.

Property portfolio

The Group continues to investigate various opportunities for a renovating/restructuring programme for the QPT Tower, Brussels. The property is 100% let and is currently generating rents of €1.12 million a year giving a gross yield of 11.9% on cost. The first phase of the programme, until planning permission is received, is expected to take between 12 and 18 months. The Group is in talks with our Architect and the local municipality on how we can improve the use of the adjacent land and improve the parking situation. The building is an excellent income generator providing a strong cash inflow. The average duration of the leases is circa 3 years which comfortably covers the first phase to achieve planning permission.

On 17 December 2004, the Group acquired a 748 m^2 development site on Rue du Gouvernement Provisoire in central Brussels for €1.77 million (including costs) from the City of Brussels. The site is well located in a mixed residential and commercial area, just off Rue Royale and close to the Royal Palace, Central Station, the Belgian Administration quarters and Brussels Centre. We intend to develop the site into luxury apartments for sale. We have filed a building permit application for a building with 28 apartments and parking spaces, terraces and a garden.

Assuming the appropriate planning approval is granted, we expect to begin the construction work in late 2005 and to complete the development by the end of 2006.

As explained in Note 10 of the 2004 Interim report on 23 July 2004, our senior lender Eurohypo AG exercised its rights under the loan agreement to appoint administrative receivers for the General Partner and the nominee corporation holding the property Mobius House in Basingstoke. The Group had a 25% interest in the Basingstoke partnership. The Receivers sold the property for €3.68 million (£2.5 million) in December 2004. After discharging other liabilities, our share of the loss for the year ended 31 December 2004 resulted in a small loss for the Group. Following the sale, the Group has no property interests in the UK.

As previously noted, the Brussels property market continues to hold up well against the negative effects of the slowdown in economic activity compared to other European capitals. Upward pressure on rents in the Central Business District have resulted in a record level of €300/m^2/year.

In addition to the acquisition of the development site on Rue du Gouvernement Provisoire, we have considered a number of property acquisitions and continue to monitor the sector closely as we believe that there is potential for buildings offering top quality space. The investment market is strong with yields of 5.75%-6.25% for AAA rated properties.

Oaktree dispute

A full explanation of the ongoing litigation with our former joint venture partners, Stratford UK Properties LLC ("Oaktree") and Mr Aubrey Glaser, the former Managing Director, is included in Note 26.On the basis of legal advice received, the Board of Directors consider that the Company is unlikely to incur any material loss as a result of the litigation and therefore no provision has been made in the accounts. However, the matter will continue to be kept under review.

We have started legal procedures against Oaktree Capital Management LLC, 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.

Corporate Activity

After due consideration and consultation with our advisors, your Board have decided to move dealing in Company's shares from the Official List of the UK Listing Authority ("Official List") to the Alternative Investment Market of London Stock Exchange plc ("AIM"). The AIM market's regulations provide for greater flexibility for corporate actions and is therefore more appropriate for a company of International Real Estate's nature.

Application has been made for the Company's issued ordinary share capital to be admitted to trading on AIM and for the cancellation of the listing of the Company's existing Ordinary Shares on the Official List. It is intended that admission to trading on AIM will become effective at 8.00 a.m. on 18 April 2005 and that trading in the Company's shares on the Official List will cease at the same time.

The Board is aware that there are circumstances which can prohibit shareholders of Ordinary Shares in the Company from investing in shares quoted on AIM. The shares of a company quoted on AIM cannot be held in Personal Equity Plans or Individual Savings Accounts. Shareholders are advised to review their position in this respect as soon as possible.

During the year the Company purchased, and subsequently cancelled 430,000 of its own ordinary shares at an average price of 87.0p per share. Following the cancellation, the total number of ordinary shares in issue is 6,927,446.

Board

After serving as a non-executive director for over 10 years, and following the Group's repayment of all Century Life debt, Michael Bell decided to resign with effective date 16 February 2005. We thank Michael for his contributions to the Group over the years and wish him well for the future.

International Accounting Standards (IAS)

The Company is currently considering the implications of reporting under IAS with effect from 1 January 2007 for AIM listed companies.

Dividends

Your Board proposes to pay a final dividend of 3 pence per share (€0.04) on 20 May 2005 to shareholders on the register on 22 April 2005. An interim dividend of 3 pence (€ 0.04) was paid on 19 November 2004, making a total for the year of 6 pence per share (€0.08) unchanged from the previous year.

Prospects

The prospects for International Real Estate depend largely on the outcome of the litigation with Oaktree and the Group's property acquisitions and disposals.

The Board is optimistic that the Group is well placed to benefit from the firm underlying demand for prime office space in Brussels. Based on the present property portfolio, projected income is not forecast to be sufficient to cover financing costs and administrative expenses in the short term. We remain committed to locating properties that produce strong yields and have a team in place that has a proven track record to deliver on this strategy.

Rolf L Nordström, Chairman
16 March 2005

REPORT ON CORPORATE GOVERNANCE

As required by the Financial Services Authority Listing Rules, paragraph 12.43A(a), the Board sets out below its application of the principles in the Combined Code and compliance with provisions of the Code.

Company Organisation

The Board comprises two executive Directors including an executive Chairman, and three independent non-executive Directors. The role of Chairman is held by Rolf L Nordström and that of Chief Executive by Daniel Akselson. The senior independent non-executive Director is John Lamb. The Board carries the responsibility for the overall conduct of the business of the Company and Group. It is responsible for the overall Group strategy and management, acquisition and divestment policy, internal control, approval of major capital expenditure projects and significant financing matters. Both regular and ad hoc reports and information are supplied in a timely manner to the Directors prior to each Board meeting. The Board met nine times during the year with all Directors in attendance. The present Board consists of experienced Directors from the property, construction and financial services sectors. The principal committees of the Board are the Audit Committee, the Nominations Committee and the Remuneration Committee.

The Appointment of Directors

All Directors have to retire by rotation every three years and submit themselves for re-election. Each non-executive Director has a separate Letter of Appointment setting out their non-executive duties and remuneration. All Directors are able to take independent professional advice in furtherance of their duties if necessary at the Company's expense. All appointments to the Board are recommended through the Nominations Committee.

The Audit Committee

The Audit Committee comprises all non-executive Directors with Sir Eric Parker holding the position of Chairman, with all executive Directors invited to attend. The Committee reviews the interim and final financial results before they are approved by the Board of Directors. The Audit Committee reviews any changes in accounting practice, major areas of judgement, the going concern assumption, compliance with accounting and regulatory principles, and ensures that the results represent a fair and meaningful assessment of the Company's financial performance and prospects. The Audit Committee reviews and monitors the independence and objectivity of the independent external auditors, the effectiveness of the audit process and the supply of any non-audit services. The auditors present a report to the Audit Committee at the interim and year end and are given the opportunity to speak confidentially to the Committee. The Audit Committee, at least annually, reviews the system of internal controls and the need for an internal audit function in the Company. The Committee met four times during the year and was attended by all members.

The Nominations Committee

The Nominations Committee comprises all non-executive Directors along with Rolf L Nordström, who holds the position of Chairman. The Committee is authorised by and proposes to the Board any new Board appointments whether executive or non-executive directors within the guidelines laid down by the Board as a whole. There were no nominations during the year and therefore the Committee was not required to meet.

The Remuneration Committee

The Remuneration Committee comprises all non-executive Directors with John Lamb holding the position of Chairman. The Directors' Remuneration Report is set out on pages 10 to 12. The Committee met once during the year with all members in attendence.

Investor Relations

Investor relations are managed mainly through the Annual General Meeting of the Company and on an ad hoc basis through enquiry from investors of the Directors of the Company. The Board encourages questions from shareholders at the Annual General Meeting during which the Chairmen of the Audit and Remuneration Committees, Sir Eric Parker and John Lamb respectively, will be available to answer any shareholder questions.

The next Annual General Meeting will take place on 26 April 2005. Details of the business to be considered are contained in the Notice of Meeting, which accompanies this report.

Financial Reporting
A review of the Group's significant property activities during the year is included in the Chairman's Statement on pages 4 to 6. The Board uses this, together with the Report of the Directors on pages 13 and 14 to present a balanced and understandable assessment of the Group's position and prospects. The Directors' responsibility for the financial statements is described on page 15.

Internal Control
The Directors acknowledge their responsibility for the Group's system of internal control and confirm that they have acted in accordance with the recommendations as set out in the Guidance "Internal Controls: Guidance for Directors on The Combined Code". An internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. An ongoing process for identifying, evaluating and managing significant business and financial risks faced by the Group was in place during the financial year and up to the date of signing these financial statements. Procedures include prioritising the Group's objectives and risks, monitoring the effect of change on risks and determining a control strategy for each of the significant risks. A risk management policy document has been prepared for the Board and has also been sent to all senior employees setting out the Board's attitude to risk in the achievement of the business objectives. The quarterly management information includes key risk indicators. The Directors have performed a review of the effectiveness of the Group's internal controls during the period. Key control procedures include:

- the day to day supervision of the business by the executive Directors;
- the annual approval of budget and cash flow forecasts for the following year and quarterly monitoring of performance against budget and forecast through quarterly management accounts and cash reports;
- establishment of lines of responsibility and delegation of authority appropriate to the size of the Group;
- review of all key reports given to the Board including property appraisals, property reviews, cash flow and cash balance reports, quarterly management reports and share register movements;
- establishment of clear procedures and reports for rent and service charge collection and expenditure approvals and payment;
- implementation of a policy to recruit and train good quality staff appropriate to their areas of duty and responsibility and an annual review of staff performance by the executive Directors;
- operation of computer controls and procedures over the security of data held on computer systems, combined with comprehensive disaster recovery arrangements and regular testing by external consultants; and
- the day to day management and consideration of all major business and financial risks for the joint venture partnerships.

All recommendations by the external auditors with regard to improvement and changes to the internal control procedures are considered for implementation by the Directors. Given the current size of the Group, the Directors consider that an internal audit function would not be appropriate, however, this matter is kept under review.

Going Concern
After reviewing detailed cash flow projections, taking into account resources and borrowing facilities, making such further enquiries as they consider appropriate and taking account of their belief that the Oaktree litigation (see note 26 to the accounts) is unlikely to result in a material loss to the company, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Revised Combined Code

The Company has implemented the additional requirements of the revised Combined Code, with exception of code provision A.6 – Performance Evaluation, which applies to the Company in the year ended 31 December 2004. Whilst there has been no formal evaluation of the Board and individual directors performance during the year, informal reviews are performed on an ongoing basis as required.

Statement of Compliance with the Combined Code

Throughout the year, save for those mentioned previously, the Company has been in compliance with the Code provisions set out in section 1 of the Combined Code on Corporate Governance issued by the Financial Services Authority.

By Order of the Board

Tom Shannon, Secretary

London, 16 March 2005

DIRECTORS' REMUNERATION REPORT

This report is prepared in accordance with the requirements of the Companies Act 1985, which also requires that certain information included in the report is subject to audit. The auditable part of the report, as referred to in the Independent Auditors' Report, comprises the table of Directors' remuneration and the Summary of Share Option Rights.

A Remuneration Committee, which consists of all non-executive directors with John Lamb holding the position of Chairman, determines the overall remuneration package for executive Directors. The Committee met once in 2004 and did not take any external advice. The Committee is responsible for advising on remuneration policy in order to attract and retain high quality executives capable of achieving the Group's objectives. The current and intended future policy of the Remuneration Committee is to consider the Directors' performance and the remuneration for similar positions in other comparable companies. Remuneration is reviewed annually and comprises basic salary, bonus, medical insurance, life insurance and permanent health insurance. An element of Directors' remuneration is linked to performance by way of a Bonus Scheme and a Share Incentive Plan described below.

The Company's policy on external directorships is that, provided there is no direct conflict of interest, and that the director has sufficient time to devote to their duties for the Company, the Company does not object to the directors holding other directorships.

Fees for non-executive Directors are determined by the Board on the recommendation of the Chairman based upon comparable market levels. The non-executive Directors have service contracts for an indefinite period that can be immediately terminated by both parties on written notice without compensation. Furthermore, and in accordance with the Articles of Association, all Directors offer themselves for re-election once every three years.

Rolf L Nordström and Daniel Akselson have service contracts which can be terminated by the Company by one year's notice. The contracts contain provisions for compensation on termination of up to one year's remuneration.

No Director holds any share options other than those rights disclosed under the Plan below. Annual bonuses are awarded to key employees predominately on the basis of their individual achievements in relation to their areas of responsibility. In 2004 no bonuses were awarded to executive Directors (2003: €Nil).

Directors' remuneration

Details of the dates of directors' appointments, dates of service contracts and salaries are given in the table below.

	Appointment Date	Letter of appointment/ Service Contract Date	Basic Salaries and Fees	Bonuses	Benefits in Kind	Year ended 31 Dec 2004 Total	Year ended 31 Dec 2003 Total
			€	€	€	€	€
Executive Directors' salaries							
Rolf L Nordström	17-May-96	26-Jun-97	151,616	–	–	151,616	148,835
Daniel Akselson	01-Oct-01	19-Feb-02	214,137	–	–	214,137	211,600
Non-executive Directors' fees							
Sir Eric Parker	25-Mar-98	07-Nov-98	14,720	–	–	14,720	14,450
John Lamb	01-Sep-96	07-Nov-98	14,720	–	–	14,720	14,450
Michael Bell (resigned 16-Feb-05)	09-May-94	07-Nov-98	14,720	–	–	14,720	14,450
Michel Berges	15-Feb-00	15-Mar-00	14,720	–	–	14,720	14,450
			424,633	–	–	424,633	418,235

Sir Eric Parker has a separate consultancy agreement with the Company payable at the rate of €22,080 (£15,000) per annum with effect from 1 January 2001.

Directors' interests

The beneficial interests of the Directors in office at 31 December 2004 in the issued share capital were as follows:

	Ordinary shares of 40p each		
	1 January 2004	31 December 2004	16 March 2005
Rolf L Nordström*	4,382,311	4,382,311	4,382,311
Daniel Akselson	15,000	15,000	15,000
Michael Bell**	5,000	5,000	5,000
Michel Berges	–	–	–
John Lamb	125,000	125,000	125,000
Sir Eric Parker	7,500	7,500	7,500

*As at 31 December 2004 and 16 March 2005, Jermyn Business Limited, a company indirectly beneficially controlled by the Nordström family, held 4,382,311 shares in the Company (63.26%).

**Michael Bell resigned as a non-executive Director on 16 February 2005.

Apart from the interests stated above and the conditional rights in shares granted under the Share Incentive Plan, no Director held any beneficial or non-beneficial interest in any Group Company.

Share Incentive Plan ("the Plan")

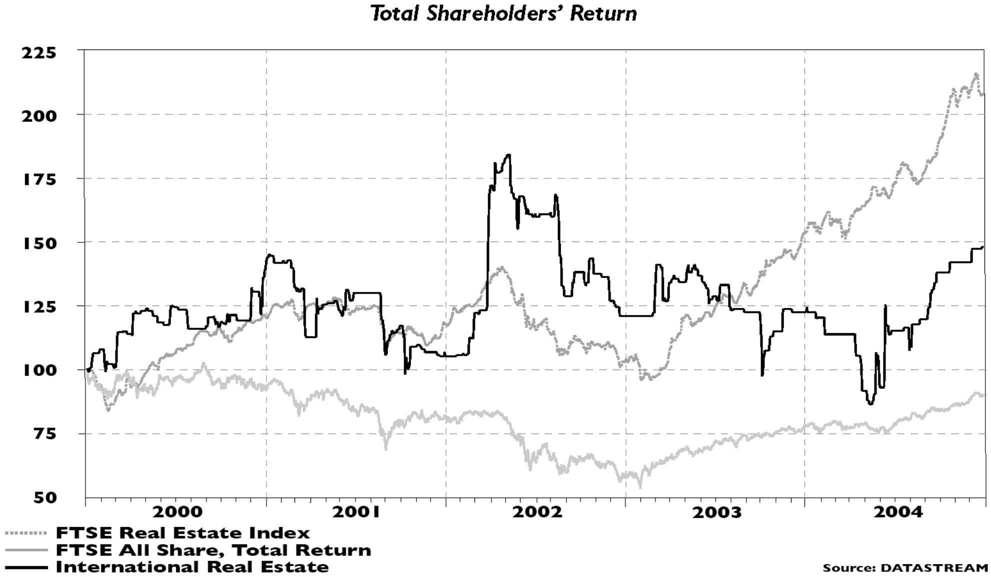
By Ordinary Resolution dated 26 February 1998, the Company established The International Real Estate Plc Share Incentive Plan, whereby International Real Estate Plc may advance sums to the International Real Estate Employee Share Trust ("the Trust") in order for it to subscribe for shares in the Company. Such shares are to be held for the purpose of the Plan and otherwise for the general benefit of the Group's employees. The number of shares in the Company which may be held by the Trust at any time is limited to 5% of the issued ordinary share capital of the Company.

The Trustees of the Trust (acting on the recommendation and with the consent of the Remuneration Committee, but subject always to the exercise of their discretion) may grant conditional rights to acquire shares in the Company to selected employees. Rights which become vested will normally be exercisable after the end of three years only if a three year performance target, determined by the Remuneration Committee on the date the award is made, is exceeded.

The performance targets include the Company's performance relative to 20 comparable listed property companies as well as absolute performance for the development of the adjusted Net Asset Value per share.

In order for all the shares awarded under the Plan to be vested, the relative performance needs to be in the top one third of the comparable companies and the growth in adjusted Net Asset Value to represent at least 20% compounded annually.

To illustrate the performance to date, the chart below shows the Company's share price performance, with dividends re-invested, during the five year period ending on 31 December 2004 against the performance, with dividends reinvested, of the FTSE All Share and FTSE Real Estate indices respectively.



Summary of Share Option Rights

Director	At 1 Jan 2004	At 31 Dec 2004	Date from which exercisable	Expiry Date
Rolf L Nordström	23,333	23,333	9/8/2001	9/8/2008
	31,667	31,667	11/4/2002	9/8/2009
	30,000	30,000	11/4/2003	11/4/2010
Daniel Akselson	50,000	50,000	10/4/2005	10/4/2012
	30,000	30,000	29/5/2006	29/5/2013
Total	165,000	165,000		

The total outstanding share option rights of 165,000 represent 2.38% of the total number of shares currently in issue (6,927,446).

The price payable to the Trustees upon exercise of a long term incentive award is £1.

Should an option holder leave the Company any options granted but not exercised would normally lapse unless decided otherwise by the Board.

The market price of the shares at 31 December 2004 was 102.5 pence. The range during the year was 68.5 pence to 102.5 pence.

During the year no monies have been paid into the Trust. Further details of the plan are given in Note 25 on page 32.

Approved on behalf of the Board
Chairman of the Remuneration Committee

John Lamb
London, 16 March 2005

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 December 2004.

Principal Group activities

The Group's principal activity during the year was property investment and property trading. Details of the principal subsidiary undertakings are set out in note 12(c) to the accounts.

Review of business and future developments

A summary of the results of the year's trading is given on page 17 and a review of the activities of the Group and of future developments is contained in the Chairman's Statement.

Dividends

An interim dividend of 3.0 pence per share was paid on 19 November 2004 (year ended 31 December 2003: 3.0 pence). The Directors recommend a final dividend for the year of 3.0 pence per share payable on 20 May 2005 making a total dividend of 6.0 pence per share for the year (year ended 31 December 2003: 6.0 pence in total).

Directors

The names of the current Directors appear on page 2.

In accordance with the Articles of Association, Rolf L Nordström and Daniel Akselson retire by rotation. The retiring Directors, being eligible, offer themselves for re-election.

At the balance sheet date, Michael Bell, Michel Berges, John Lamb and Sir Eric Parker were non-executive Directors of the Company. The non-executive Directors do not participate in the Share Incentive Plan.

Rolf L Nordström, MBA, aged 50, has been investing in and managing properties in the UK and Europe since the early 1980s and has been Chairman of International Real Estate Plc. since May 1996. He has also been Chairman of the biotech company, Tripep Plc. (publ.), which is listed on the Stockholm Stock Exchange, since September 2001 and Chairman of the international mining and exploration company, MinMet Plc., which is listed on the ESM market in Dublin and traded on the Dublin and London Stock Exchanges since March 2003.

Daniel Akselson, aged 42, has been involved in property investment in Europe since the late 1980s.

Michael Bell (resigned 16 February 2005) is a fellow of the Institute of Actuaries. He is Chairman of Century Group Limited and its wholly owned subsidiary, Century Life Plc. From 1967-1993, he was a partner in the firm of R Watson & Sons, consulting actuaries.

Michel Berges is an experienced banker, director and Chairman of several industrial and service companies and Honorary Director of Fortis Bank (formerly Generale Bank S.A.).

John Lamb qualified as a Chartered Surveyor in 1966. He is Managing Director of Eskmuir Properties Limited, an investment company. He was previously Managing Director of Laing Properties Plc.

Sir Eric Parker, FCA, qualified as a Chartered Accountant in 1956. He joined Trafalgar House Plc. in 1965 and retired as Chief Executive and Deputy Chairman in 1992.

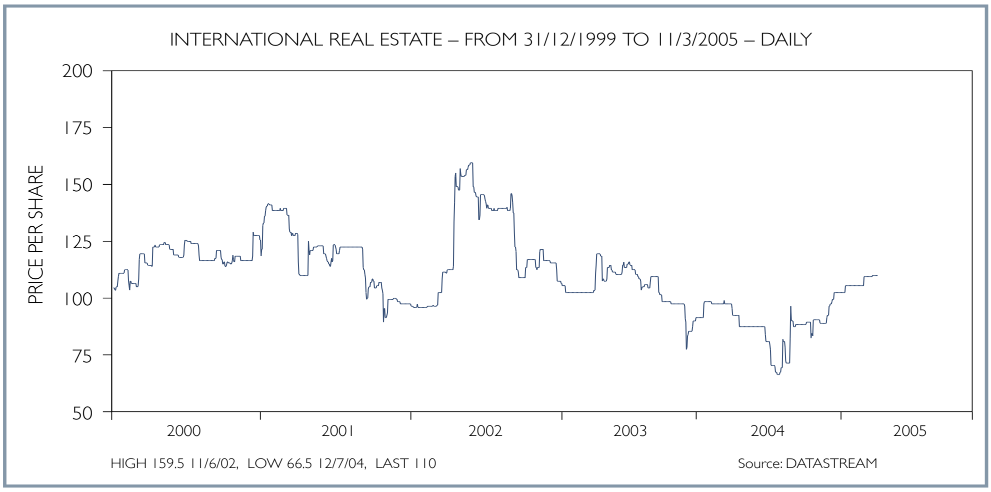
Substantial Shareholdings

The Company was advised of the following disclosable beneficial interests of 3% or more in its issued ordinary share capital.

	31.12.2004	28.2.2005
Jermyn Business Limited	63.26%	63.26%
Butler Finance Limited and associates	7.70%	7.70%

The Directors are not aware of any other disclosable interest in its shares of 3% or more.

Share price development



Purchase of own shares

The Company has shareholders' authority for the purchase of up to 10% of its own shares until 31 March 2005. During the year the Company acquired 430,000 of its own shares for a consideration of €598,000 representing 5.8% of the 7,357,446 issued shares at that time. On 31 December 2004, these 430,000 shares were cancelled resulting in the total Ordinary shares now being in issue of 6,927,446. Conditional upon the Company's admission to trading on the Alternative Investment Market, a Special Resolution is to be proposed at the next Annual General Meeting to grant authority to the Directors to purchase up to 2,000,000 ordinary shares.

Treasury policy

The policy of the Group is to ensure that all cash balances earn a market rate of interest, that interest rate exposures are regularly reviewed and managed using fixed rate debt and hedging instruments where appropriate. Bank relationships are maintained to ensure that sufficient cash and unutilised facilities are available to the Group.

The Group's cash is managed through electronic cash management systems with the Group's clearing bank to maximise interest earned on its balances. Similarly the Group's liquidity is managed through regularly updated annual cash flow forecasts.

Interest rate risks are monitored and reported to the Board at each Board meeting. All uses of derivatives are pre-agreed by the Board prior to implementation.

Interest on existing debt (€7.1m) is all at variable rates.

Creditor payment policy

The Company's current policy concerning the payment of all its trade creditors is to:

a) settle the terms of payment with suppliers when agreeing the terms of each transaction;

b) ensure that suppliers are made aware of the terms of payment; and

c) pay in accordance with its contracted and other legal obligations.

At the end of the current and prior year the Company had no trade creditors.

Auditors

A resolution for the re-appointment of BDO Stoy Hayward LLP will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

Tom Shannon, Secretary
London, 16 March 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the Group's system of internal control and for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL REAL ESTATE PLC

We have audited the financial statements of International Real Estate Plc for the year ended 31 December 2004 on pages 17 to 33. These financial statements have been prepared under the accounting policies set out on pages 22 and 23. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remunereation Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the Corporate Governance Statement reflects the group's compliance with the nine provisions of the 2003 FRC Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Corporate Governance Statement, the unaudited part of the Directors' Remuneration Report and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 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 the Companies Act 1985 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.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion
In our opinion:

- the financial statements give a true and fair view of the state of affairs of the group and the company as at 31 December 2004 and of the profit of the group for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
Epsom

16 March 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	**Year ended 31 December 2004**	Year ended 31 December 2003
		€'000	€'000
Turnover			
Net rental income		**2,466**	3,743
Property sales		**72,101**	11,314
	2	**74,567**	15,057
Cost of sales		**(68,331)**	(11,294)
Gross Profit		**6,236**	3,763
Exceptional charges – Litigation		**(448)**	(81)
Impairment in value of investment property		**–**	(91)
Other administrative expenses		**(2,299)**	(1,744)
Total administrative expenses		**(2,747)**	(1,916)
Other operating income		**–**	83
Operating Profit	3	**3,489**	1,930
Profit on sale of subsidiary undertaking		**3,692**	–
Profit on Ordinary Activities before Interest and Taxation		**7,181**	1,930
Interest receivables and similar income	5	**333**	209
Interest payable and similar charges	6	**(1,525)**	(1,919)
Profit on disposal/movement in fair value of derivatives		**162**	170
Total interest payable		**(1,363)**	(1,749)
Profit on Ordinary Activities before Taxation		**6,151**	390
Tax (charge)/credit on profit on ordinary activities	7	**(4,465)**	10
Profit on Ordinary Activities after Taxation and Profit for the Financial Year		**1,686**	400
Equity dividends	9	**(609)**	(631)
Retained Profit/(Loss) for the Financial Year	22	**1,077**	(231)
Basic and diluted earnings per share	8	**€0.23**	€0.05

The results for the above years reflect the continuing operations of the Group.

There were no recognised gains or losses other than the profit for both the current and preceding years.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2004

	Notes	31 December 2004		31 December 2003	
		€'000	€'000	€'000	€'000
Fixed Assets					
Investment properties	10		–		848
Other tangible assets	11		–		10
Investments	12(a)		2		2
			2		860
Current Assets					
Stock – trading properties	13	12,732		56,169	
Debtors	14	1,104		1,438	
Cash at bank and in hand	15	34,332		4,718	
		48,168		62,325	
Current Liabilities					
Creditors: amounts falling due within one year					
– Borrowings		(240)		(1,993)	
– Other		(10,998)		(3,177)	
	16	(11,238)		(5,170)	
Net Current Assets			36,930		57,155
Total Assets Less Current Liabilities			36,932		58,015
Creditors: amounts falling due after more than one year					
– Borrowings	17		(6,826)		(38,211)
– Other	17		(10,000)		–
Provisions for Liabilities and Charges					
Deferred taxation	20		(612)		(789)
Net Assets			19,494		19,015
Capital and Reserves					
Called up share capital	21		4,408		4,683
Share premium account	22(a)		7,957		7,957
Capital redemption reserve	22(a)		566		291
Profit and loss account	22(a)		6,563		6,084
Equity Shareholders' Funds			19,494		19,015

The financial statements were approved by the Board of Directors on 16 March 2005 and were signed on its behalf by:

Rolf L Nordström
Daniel Akselson
} Directors

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2004

	Notes	**31 December 2004**		31 December 2003	
		€'000	**€'000**	€'000	€'000
Fixed Assets					
Investment properties	10		**–**		848
Other tangible assets	11		**–**		10
Investments	12(b)		**546**		576
			546		1,434
Current Assets					
Debtors	14	**16,059**		18,257	
Cash at bank and in hand		**337**		233	
		16,396		18,490	
Current Liabilities					
Creditors: amounts falling due within one year					
– Borrowings		**–**		(983)	
– Other		**(3,508)**		(2,860)	
	16	**(3,508)**		(3,843)	
Net Current Assets			**12,888**		14,647
Net Assets			**13,434**		16,081
Capital and Reserves					
Called up share capital	21		**4,408**		4,683
Share premium account	22(b)		**7,957**		7,957
Capital redemption reserve	22(b)		**566**		291
Profit and loss account	22(b)		**503**		3,150
Equity Shareholders' Funds			**13,434**		16,081

The financial statements were approved by the Board of Directors on 16 March 2005 and were signed on its behalf by:

Rolf L Nordström } Directors
Daniel Akselson }

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2004

	Year ended 31 December 2004	Year ended 31 December 2003
	€'000	€'000
Profit for the financial year	**1,686**	400
Equity dividends	**(609)**	(631)
Purchase of own shares	**(598)**	–
Net increase/(reduction) in Shareholders' Funds	**479**	(231)
Opening Shareholders' Funds	**19,015**	19,246
Closing Shareholders' Funds	**19,494**	19,015

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	**Year ended 31 December 2004**		Year ended 31 December 2003	
		€'000	**€'000**	€'000	€'000
Net cash inflow from operating activities	23(a)		**65,565**		5,290
Returns on investments and servicing of finance					
Interest paid		**(1,348)**		(1,826)	
Interest received		**333**		83	
			(1,015)		(1,743)
Taxation paid			**(2)**		(33)
Acquisitions and disposals					
Net cash disposed of with subsidiary undertaking			**(873)**		–
Equity dividends paid			**(624)**		(770)
Cash inflow before financing			**63,051**		2,744
Financing					
Repayment of amounts borrowed		**(32,790)**		(904)	
Purchase of own shares		**(598)**		–	
			(33,388)		(904)
Increase in cash			**29,663**		1,840
Reconciliation of net cash flow to movement in net debt					
Increase in cash			**29,663**		1,840
Cash outflow from decrease in debt			**32,790**		904
Movement in net debt			**62,453**		2,744
Non cash movements			**–**		5,493
Exchange movements			**299**		162
Net debt at 1 January			**(35,486)**		(43,885)
Net debt at 31 December	23(b)		**27,266**		(35,486)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2004

1 Accounting Policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards. The accounting policies have been applied consistently throughout the current and preceding year.

(b) Basis of consolidation

The consolidated accounts include the audited financial statements of the Company and its subsidiaries.

The results of the subsidiaries are consolidated from their effective dates of acquisition and up to their effective date of disposal.

(c) Joint arrangement

The Company has entered into a partnership for the acquisition of investment properties.

In accordance with FRS9 "Associates and joint ventures", the Group treats its investment in the partnership as a joint arrangement and accounts for its share of the individual items of income, expenditure, assets, liabilities and cash flows.

(d) Turnover

Turnover represents sales of properties, lease surrenders and rents receivable net of rental expenses, excluding value added tax. Property sales are recognised in the period within which there is an unconditional exchange of contracts or an irrevocable undertaking to sell.

(e) Investment properties

In accordance with SSAP 19 "Accounting for Investment Properties" no depreciation is provided on investment properties. The Directors consider that this departure from the requirement of the Companies Act 1985 for all properties to be depreciated is necessary for the financial statements to show a true and fair view, since depreciation is reflected in the market valuation and cannot be separately identified.

Market value is based on professional valuations at 31 December annually. Any surplus or deficit arising on revaluation is transferred to the revaluation reserve except for permanent diminutions in value below historic cost which are written off to the profit and loss account.

(f) Tangible fixed assets

Depreciation is provided on a straight line basis at the following annual rates in order to write off each asset over its estimated useful life:

Fixtures, fittings and equipment – 33%

No depreciation is provided on investment properties (see (e) above).

(g) Trading properties

Properties held for resale are stated at the lower of cost and market value. Cost includes acquisition expenses and refurbishment expenditure in respect of major works and attributable interest and overheads.

1 Accounting Policies (continued)

(h) Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

In relation to non-UK subsidiaries, where UK GAAP adjustments result in recognition of profits or losses in periods different from those of the subsidiaries' financial statements on which the foreign taxes are charged, then deferred tax liabilities or assets are set up and recognised on the resultant profits or losses.

Deferred tax is not provided on un-remitted earnings where there is no binding commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax assets and liabilities are not discounted.

(i) Financial instruments

Derivative instruments utilised by the Group include interest rate cap and collar arrangements. These instruments are used for hedging purposes to alter the risk profile of an existing exposure of the Group in line with the Group's risk management policies. Amounts payable or receivable in respect of interest rate cap and collar arrangements are recognised as adjustments to interest expense over the period of the contracts.

Where the derivative instrument no longer represents a hedge because either underlying exposure has been disposed of or the effectiveness of the hedge has been otherwise undermined, it is restated at fair value and any change in value is taken directly to the profit and loss account.

(j) Foreign exchange translation

Assets and liabilities denominated in foreign currencies are translated into Euro at the rate of exchange ruling at the year end. The results of subsidiary undertakings and joint arrangements not reporting in Euro are translated into Euro using the temporal method. Exchange differences are dealt with in the profit and loss account.

(k) Leases

Amounts payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

2 Segmental Analysis

		Year ended 31 December 2004			Year ended 31 December 2003	
	Turnover	**Operating (Loss)/Profit**	**Net (Liabilities)/ Assets**	Turnover	Operating (Loss)/Profit	Net (Liabilities)/ Assets
United Kingdom	**€'000**	**€'000**	**€'000**	€'000	€'000	€'000
Investment	**921**	**(664)**	**(781)**	–	(288)	(245)
Trading	**–**	**(1,529)**	**(258)**	–	(1,405)	(387)
	921	**(2,193)**	**(1,039)**	–	(1,693)	(632)
Continental Europe						
Trading	**73,646**	**5,682**	**20,533**	15,057	3,623	19,647
	74,567	**3,489**	**19,494**	15,057	1,930	19,015

3 Operating Profit

Group	Year ended 31 December 2004	Year ended 31 December 2003
	€'000	€'000
This is stated after charging:		
Depreciation of tangible fixed assets and amortisation of investments	**10**	27
Operating lease rentals – land and buildings	**87**	85
Auditors' remuneration – group audit	**61**	91
– company audit	**16**	18
– tax fees	**34**	77
– other	**10**	2

4 Employees

	Year ended 31 December 2004	Year ended 31 December 2003
	No.	No.
(a) The average number of employees during the year was as follows:		
Administrative and management		
Executive Directors	**2**	2
Non-executive Directors	**4**	4
Other employees	**2**	2
	8	8

	€'000	€'000
(b) Wages and salaries	**595**	571
Social security costs	**50**	50
	645	621

(c) Details of Directors' remuneration are given in the Director's Remuneration Report on pages 10 to 12.

5 Interest receivable and similar income

	Year ended 31 December 2004	Year ended 31 December 2003
	€'000	€'000
Interest receivable	**333**	72
Gain on foreign exchange	**–**	137
	333	209

6 Interest payable and similar charges

	Year ended 31 December 2004	Year ended 31 December 2003
	€'000	€'000
Bank loans and overdrafts	**(1,395)**	(1,919)
Loss on foreign exchange	**(130)**	–
	(1,525)	(1,919)

7 Tax on Profit on Ordinary Activities

	Year ended 31 December 2004	Year ended 31 December 2003
	€'000	€'000
The tax charge on the profit on ordinary activities for the year was as follows:		
UK Corporation tax at 30.00% (2003 – 30.00%)	–	–
Adjustment in respect of prior year	(74)	(10)
Overseas tax	(4,565)	–
Current tax charge	(4,639)	(10)
Deferred taxation: timing difference	174	20
	(4,465)	10

The standard rate of tax for the year based on the UK standard of corporation tax is 30%. The current tax charge is different to the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 December 2004	Year ended 31 December 2003
	€'000	€'000
Profit on ordinary activities before tax	6,151	390
Tax on profit on ordinary activities at standard rate	(1,845)	(117)
Expenses not deductible for tax purposes	(3,701)	(149)
Capital allowances in excess of depreciation	7	65
UK losses not recognised	(568)	(142)
Utilisation of tax losses brought forward	1,055	242
Differences between Overseas tax rates	(536)	(31)
Overseas (losses)/profits not recognised	(80)	132
Adjustment in respect of prior year	(74)	(10)
Sale of subsidiary not taxed	1,103	–
	(4,639)	(10)

Under FRS19 the Group is required to make full provision for deferred tax in respect of timing differences. No discounting has been applied. The deferred tax relates solely to operations in Belgium and has been provided at 33.99% (31 December 2003 – 33.99%), the current Belgian tax rate.

8 Earnings per share

	Year ended 31 December 2004	Year ended 31 December 2003
Earnings per share are calculated as follows:		
Profit for the year	€1,685,504	€400,306
Weighted average number of shares in issue	7,321,612	7,357,446
Basic and diluted earnings per share	**€0.23**	€0.05

9 Equity dividends

	Year ended 31 December 2004	Year ended 31 December 2003
	€'000	€'000
Interim paid of €0.04 (3.0p) per share (31 December 2003 – €0.05 (3.0p))	**303**	318
Proposed final dividend of €0.04 (3.0p) per share (31 December 2003 – €0.04 (3.0p))	**306**	313
	609	631

10 Investment Properties

Group and Company	Long Leasehold
	€'000
Valuation	
At 1 January 2004	**848**
Disposals	**(848)**
At 31 December 2004	**–**

On 23 July 2004 the senior lender, Eurohypo AG, used its right to exercise its power under the loan agreement to appoint administrative receivers for the general partner and the nominee corporation holding the property Mobius House in Basingstoke. The property was sold on 23 December 2004.

The historical cost of the Company's interest in the investment property is €–nil (2003 – €2,404,685).

11 Other Tangible Fixed Assets

Group and Company	Fixtures, Fittings and Equipment	**Total**
	€'000	**€'000**
Cost		
At 1 January 2004	427	**427**
Additions	–	**–**
At 31 December 2004	**427**	**427**
Depreciation		
At 1 January 2004	417	**417**
Charge for year	10	**10**
At 31 December 2004	**427**	**427**
Net book values		
At 31 December 2004	–	**–**
At 31 December 2003	10	**10**

12 Fixed Asset Investments

(a) **Group**

	Listed Investments	Total
	€'000	**€'000**
Cost		
At 1 January 2004	2	**2**
At 31 December 2004	**2**	**2**
Amortisation/provision for impairment		
At 1 January 2004	–	**–**
Charge for the year	–	**–**
At 31 December 2004	–	**–**
Net book values		
At 31 December 2004	**2**	**2**
At 31 December 2003	2	**2**

(b) **Company**

	Shares in Subsidiary Undertakings	Listed Investments	Total
	€'000	€'000	**€'000**
Cost			
At 1 January 2004	685	2	**687**
At 31 December 2004	**685**	**2**	**687**
Provision/amortisation			
At 1 January 2004	111	–	**111**
Disposals	30	–	**30**
Charge for the year	–	–	**–**
At 31 December 2004	**141**	**–**	**141**
Net book values			
At 31 December 2004	**544**	**2**	**546**
At 31 December 2003	574	2	**576**

The market value of listed investments at 31 December 2004 was €3,000 (2003 – €2,000).

(c) The Company's principal operating subsidiaries at 31 December 2004 were as follows:

	Nature of Business	Percentage shareholding of Ordinary Shares	Country of Incorporation/Operation
Touquet Properties Limited	Property trading	100	Great Britain
Finlaw Forty-Nine Limited	Property trading	100	Great Britain
Touquet Europe B.V.	Property trading	100	Netherlands

These companies' operations are included in the Consolidated Financial Statements.

(d) The Company is a limited partner in the Criterion-Stratford Umbrella Limited Partnership whose principal place of business is 31st Floor, City Point, 1 Ropemaker Street, London EC2Y 9AW. The Company accounts for its share of the assets, liabilities and cash flows of the Partnership.

These financial statements include on a consolidated basis the results and financial position of the Group's 15% and 25% interest in the 'Criterion-Stratford' partnership. Accordingly advantage has been taken of the exemptions provided by Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993.

13 Trading Properties

	Group		Company	
	31 December 2004	31 December 2003	**31 December 2004**	31 December 2003
	€'000	€'000	**€'000**	€'000
Properties held for resale	**12,732**	56,169	**–**	–

Included in the cost above is €233,000 (2003 – €731,000) of capitalised finance costs.

14 Debtors

	Group		Company	
	31 December 2004	31 December 2003	**31 December 2004**	31 December 2003
	€'000	€'000	**€'000**	€'000
Amounts falling due within one year				
Trade debtors	**123**	887	**9**	–
Amounts owed by group undertakings	**–**	–	**15,055**	17,840
Other debtors	**640**	99	**587**	7
Prepayments and deferred expenditure	**341**	452	**408**	410
	1,104	1,438	**16,059**	18,257

15 Cash at bank and in hand

Included in cash at bank and in hand is an amount of €7.4m (2003 – nil) held in a restricted fund for the purposes of a property renovation programme over the next three years.

16 Creditors – Amounts falling due within one year

	Group		Company	
	31 December 2004	31 December 2003	**31 December 2004**	31 December 2003
	€'000	€'000	**€'000**	€'000
Bank loans and overdrafts (note 18)	**240**	1,993	**–**	983
Amounts owed to group undertakings	**–**	–	**1,432**	1,543
Corporation tax	**83**	11	**–**	–
Social security and other taxes	**54**	39	**34**	23
Other creditors	**2,475**	1,163	**1,637**	658
Accruals and deferred income	**8,092**	1,655	**111**	327
Proposed dividend	**294**	309	**294**	309
	11,238	5,170	**3,508**	3,843

17 Creditors – Amounts falling due after more than one year

	Group		Company	
	31 December 2004	31 December 2003	**31 December 2004**	31 December 2003
	€'000	€'000	**€'000**	€'000
Bank loans (note 18)	**6,826**	38,211	**–**	–
Accruals and deferred income	**10,000**	–	**–**	–
	16,826	38,211	**–**	–

18 Borrowings

	Group		Company	
	31 December 2004	31 December 2003	**31 December 2004**	31 December 2003
	€'000	€'000	**€'000**	€'000
Falling due within one year				
Bank loans and overdrafts	**240**	1,993	**–**	983
Falling due after more than one year				
Bank and other loans				
– repayable between one and two years	**240**	1,172	**–**	–
– repayable between two and five years	**720**	3,636	**–**	–
– repayable other than by instalments in five years or more	**5,446**	30,799	**–**	–
– repayable by instalments in five years or more	**420**	2,604	**–**	–
	6,826	38,211	**–**	–
	7,066	40,204	**–**	983

Bank and other loans are secured by legal mortgages on the trading property.

Amounts repayable after five years or more are due between five and seven years from the balance sheet date. The interest rate on this amount is 2.96% (with a margin of 1%).

19 Financial instruments

Interest rate risk profile of financial liabilities	**Weighted average interest rate % 31 December 2004**	**31 December 2004**	Weighted average interest rate % 31 December 2003	31 December 2003
		€'000		€'000
The interest rate profile of the financial liabilities of the Group at 31 December 2004 was as follows:				
Floating rate borrowings	**2.96%**	**7,066**	3.22%	40,204

The weighted average interest rate figures include the applicable margin paid on individual loans.

Floating rate borrowings bear interest based on LIBOR, EURIBOR or the average variable mortgage rate set by leading mortgage lenders.

Floating rate borrowings of €7.1 million (2003 – €39.2 million) were covered by interest rate cap and/or floor agreements, expiring 2006.

The maturity profile of these financial liabilities is given in Note 18.

	31 December 2004	31 December 2003
	€'000	€'000
The Group held the following financial assets as at 31 December 2004:		
Listed investments	**2**	2
Cash deposits	**34,332**	4,718
	34,334	4,720

The fair values of financial assets and financial liabilities:

A valuation was performed by the Directors as at 31 December 2004 and 31 December 2003 to calculate the market value of the Group's debt instruments on a replacement basis taking into account the prevailing interest rates for the respective periods of the appropriate debt instruments. The valuations are as follows:

Financial liabilities	Book value 31 December 2004	Fair value 31 December 2004	Book value 31 December 2003	Fair value 31 December 2003
	€'000	€'000	€'000	€'000
Borrowings	7,066	7,066	40,204	40,204
Interest rate caps and collars	–	18	–	100
Non-hedging financial instruments	–	–	531	531
	7,066	7,084	40,735	40,835

The functional currency of the Group's European operations is Euro, and no foreign currency monetary assets and liabilities are held. The functional currency of the UK operations is Sterling. The net euro monetary assets at 31 December 2004 in the UK are €14,858,000 (31 December 2003 – €17,571,000).

In October 2004 the Interest Rate Collar facility held with ING BHF-Bank was terminated at a monetary cost of €369,000 (31 December 2003 – €531,000). The movement of €162,000 has been written back to the profit and loss account during the year, reflecting the profit on disposal.

The exemption available under FRS 13, "Derivatives and Other Financial Instruments: Disclosures", not to disclose short term debtors and creditors has been taken.

Details of the Group's treasury policy are given in the Report of the Directors on pages 13 and 14.

20 Deferred Taxation

	31 December 2004	31 December 2003
	€'000	€'000
The amount provided and the liability for deferred taxation was as follows:		
Group		
As at 1 January	789	816
Credit during the year	(174)	(21)
Foreign exchange differences	(3)	(6)
As at 31 December	612	789

	31 December 2004	31 December 2003
	€'000	€'000
The amount of deferred tax assets not provided in the accounts is as follows:		
Capital allowances in excess of depreciation	28	34
UK losses not recognised	812	209
Overseas losses not recognised	133	–
Capital losses not utilised	1,435	1,186
	2,408	1,429

Within the Group, there are capital losses amounting to €4,784,000 (2003 – €4,399,000).

21 Called up Share Capital

	31 December 2004 Number of shares	31 December 2003 Number of shares	31 December 2004	31 December 2003
Ordinary shares of 40p each:				
Authorised	**9,953,805**	9,953,805	**€6,335,000**	€6,335,000
Allotted and fully paid	**6,927,446**	7,357,446	**€4,408,430**	€4,682,572

Purchase of own shares

During the year ended 31 December 2004, 430,000 ordinary shares were purchased and subsequently cancelled at prices ranging from 82.5p per share to 89.55p per share, with an average of 87.0p per share. The total cost of the purchases was €598,000, which has been charged against distributable reserves.

22 Reserves

(a) **Group**

	Share Premium Account	Investment Revaluation Reserve	Capital Redemption Reserve	Profit and Loss Account	**Total**
	€'000	€'000	€'000	€'000	**€'000**
At 1 January 2004	7,957	–	291	6,084	**14,332**
Retained profit for the financial year	–	–	–	1,077	**1,077**
Purchase of own shares (see note 21)	–	–	275	(598)	**(323)**
At 31 December 2004	**7,957**	**–**	**566**	**6,563**	**15,086**

(b) **Company**

	Share Premium Account	Investment Revaluation Reserve	Capital Redemption Reserve	Profit and Loss Account	**Total**
	€'000	€'000	€'000	€'000	**€'000**
At 1 January 2004	7,957	–	291	3,150	**11,398**
Retained loss for the financial year	–	–	–	(2,049)	**(2,049)**
Purchase of own shares (see note 21)	–	–	275	(598)	**(323)**
At 31 December 2004	**7,957**	**–**	**566**	**503**	**9,026**

No profit and loss account is presented by the parent Company as permitted by Section 230 of the Companies Act 1985. The loss for the parent company for the financial year was €1.44m (2003 profit – €1.34m)

23 Cash Flow Statement

(a) **Reconciliation of operating profit to operating cash flows**

	31 December 2004	31 December 2003
	€'000	€'000
Operating profit	**3,489**	1,930
Depreciation and amortisation charges	**10**	27
Impairment in value of investment property	**–**	91
Decrease in stock	**43,437**	4,084
Decrease/(increase) in debtors	**910**	(12)
Increase/(Decrease) in creditors	**17,719**	(830)
Net cash inflow from operating activities	**65,565**	5,290

(b) **Analysis of net debt**

	At 1 January 2004	Cash Flow	Other non-cash movements	Exchange movements	**At 31 December 2004**
	€'000	€'000	€'000	€'000	**€'000**
Cash at bank and in hand	4,718	29,663	–	(49)	**34,332**
Debt due within one year	(1,993)	–	1,753	–	**(240)**
Debt due after one year	(38,211)	32,790	(1,753)	348	**(6,826)**
	(35,486)	**62,453**	**–**	**299**	**27,266**

24 Guarantees and financial commitments

(a) The Company has provided guarantees in respect of a loan entered into in a joint arrangement. At 31 December 2004 the amount guaranteed by the Group amounted to €576,000 (2003 – €1,040,000). The Company has received a conter-indemnity from Stratford UK Properties LLC for this amount.

(b) At 31 December 2004 the Group has annual commitments under opertation leases in respect of land and buildings which expire:

	31 December 2004	31 December 2003
	€'000	€'000
Over five years	**87**	85

(c) At 31 December 2004 the Group had capital commitments in respect of contracted refurbishment works of €794,000 (2003 – €391,000).

25 Share Incentive Plan

The Company has established The International Real Estate PLC Share Incentive Plan (the Plan), whereby the Company may advance sums to the International Real Estate Employee Share Trust (the Trust) in order to subscribe for shares in the Company. Such shares are to be held for the purpose of the Plan.

The Trustees of the Trust in exercising its discretion may grant rights to acquire shares in the Company to selected employees. Rights which become vested will normally be exercisable after the end of three years if a three year performance target, determined by the Remuneration Committee on the date the award is made, is exceeded.

The initial market value of shares over which a long-term incentive award may be granted to an individual in any year cannot exceed the amount of their basic annual salary.

The maximum awards in aggregate which may be granted in any one year will be limited to 2% of the Company's issued ordinary share capital.

The number of shares which may be issued for the purposes of the Plan, when added to shares issued or over which options to subscribe for shares have been granted under any other relevant employee share scheme, may not exceed 3% of the issued ordinary share capital in any period of three years, subject to an overall limit of 5% in any period of ten years.

The details of the number of rights granted to Executive Directors during the year are given in the Directors' Remuneration Report on pages 10 to 12.

26 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. This Agreement purported to give Oaktree the right (inter alia) to require the Company to buy out Oaktree's 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 Oaktree's share on the basis set out above, which on current estimates at 31 December 2004, in certain circumstances, could cost the Company approximately €17.8 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 €412,000 (£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.

27 Conversion Rates

	2004	2003
Sterling/Euro annual average exchange rate (£=€)	**1.4720**	1.4450
Sterling/Euro annual closing rate (£=€)	**1.4150**	1.4150

1 sq.m. = 10,764 sq.ft. approximately
1 sq.ft. = 0.093 sq.m. approximately

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 5 Old Bailey, London, EC4M 7JX on 26 April 2005 at 1.00pm to transact the following business:

Ordinary Business

1. To receive and adopt the Report of the Directors, the Directors' Remuneration Report and the audited Financial Statements for the year ended 31 December 2004.
2. To declare a final dividend.
3. To re-elect Rolf L Nordström who retires by rotation, as a Director.
4. To re-elect Daniel Akselson who retires by rotation, as a Director.
5. To re-appoint BDO Stoy Hayward LLP as auditors and to authorise the Directors to determine their remuneration.

Special Business

To consider and, if thought fit, to pass the following as ordinary and special resolutions respectively:

Ordinary Resolution

6. THAT the Directors be and hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 ('the Act') in substitution for any existing authority to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum nominal amount of £1,210,544 provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may prior to the expiry of such authority make an offer or agreement under which the relevant securities in pursuance of such an offer or agreement as if the authority conferred by this Resolution had not expired.

Special Resolutions

7. THAT the Directors be and hereby empowered, pursuant to Section 95 of the Act, to allot securities (as defined in Section 94(2) of the Act) pursuant to the authority conferred by Resolution 6 above as if Section 89(1) of the Act did not apply to such allotment provided that this power shall be limited to:

   7.1 the allotment of equity securities in connection with an offer for securities, open for acceptance for a period fixed by the Directors, by way of rights, open offer or otherwise to holders of Ordinary Shares and such other equity securities as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached to them (but subject to such exclusions or other arrangements necessary or expedient to deal with fractional entitlements that would otherwise arise or with the legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or any stock exchange in any territory or otherwise however); and

   7.2 any other allotment (otherwise than pursuant to paragraph 8.1 above) of equity securities up to the aggregate nominal value of £138,549;

   and shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution, but so that the Directors shall be entitled to make, at any time prior to the expiry of the power hereby conferred, any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot securities in pursuance of such offer or agreement as if the powers hereby conferred had not expired.

8. THAT conditional upon the delisting of the Company's entire issued share capital ('the shares') from the official list of the United Kingdom Listing Authority and the re admission of the shares to trading on the Alternative Investment Market of the London Stock Exchange plc and in substitution for any existing authorities, the Company is, pursuant to Section 166 of the Act, hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Act) of ordinary shares of 40p each in the capital of the Company ('ordinary shares') provided that:

   8.1 the maximum number of ordinary shares hereby authorised to be purchased is 2,000,000 ordinary shares;

8.2 the minimum price which may be paid for ordinary shares is 40p per ordinary share;

8.3 the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share derived from the London Stock Exchange Daily Official list for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased;

8.4 the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract to purchase will be executed wholly or partly after the expiry of such authority, and may make the purchase of ordinary shares in pursuance of any such contract; and

8.5 the authority hereby conferred shall expire on 26 April 2006.

34 St James's Street
London SW1A 1HD
Secretary

By Order of the Board
Tom Shannon,

16 March 2005

NOTES:

A member who is entitled to be present and vote at the above Meeting may appoint one or more proxies to attend and vote on a poll on his/her behalf. Any proxy need not be a member of the Company. Forms of proxy (and the power of attorney or other authority, if any, upon which it is signed) must be deposited with the Company's registrars, Capita IRG plc, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the appointed time of the meeting. Completion of the form of proxy does not preclude the member from attending the meeting and voting thereat. If the appointer is a corporation (which includes a limited company) the form must be under its common seal or under the hand of its attorney or duly authorised officer.

The following documents are available for inspection during normal business hours at the Company's registered office on any weekday except Saturdays and Bank holidays, and at the place of meeting for a period of fifteen minutes.

1. The Register of Directors' Interest.
2. Copies of all contracts of service whereunder Directors of the Company are employed by the Company or any of its subsidiaries.
3. The Memorandum and Articles of Association of the Company.

Artists impression of proposed project,
Rue du Gouvernement Provisoire, Brussels

34 St James's Street
London SW1A 1HD

Registered in England and Wales
No 2101254