

**Interim Report**

**Real Estate  
Opportunities Limited**

**Six months to 30 June 2003**



If you have any queries about Real Estate Opportunities Limited or any of the other Investment Trusts managed by INVESCO, please contact the Investor Services team on:

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# Real Estate Opportunities Limited

*(Registered in Jersey No. 79679)*

## Key Facts

Real Estate Opportunities Limited is a closed-end investment company incorporated with limited liability in Jersey. The Company's ordinary shares are listed on the London, Dublin and Channel Islands Stock Exchanges.

The Company has a capital structure comprising Ordinary and Zero Dividend Preference shares and units of 7.5% Convertible Unsecured Loan Stock 2011. The Group also has structural gearing in the form of bank borrowings, which totalled £296.8 million at 30 June 2003.

## Investment Objectives

The Company's stated investment objectives at launch were to: meet its banking obligations and satisfy its obligations to its loan stockholders; satisfy the final capital entitlement of the Zero Dividend Preference Shareholders; and provide Ordinary Shareholders with an expected annualised dividend yield of 8.8 per cent. per annum based on the issue price of 100 pence and an increasing net asset value. The Company has currently suspended dividend payments but it is the intention of the Board to re-establish dividend payments as soon as possible although it is anticipated that the rate of dividend will be at a considerably lower level than originally envisaged. In the current circumstances the Board does not envisage paying dividends for the foreseeable future although the restoration of a dividend remains a priority for the Board. The capital growth objectives remain unchanged. The portfolio is now principally invested in the UK and Irish property markets and in the European high yield securities market, including high yield securities issued by investment companies and trusts.

# Real Estate Opportunities Limited

## Financial Information

	<i>At</i> <b>30 June</b> <b>2003</b> <b>£'000</b>	<i>At</i> <i>31 December</i> <i>2002</i> <i>£'000</i>	<i>%</i> <i>Change</i>
Fixed assets	<b>496,184</b>	455,376	+9.0
Net borrowings (including 7.5% Convertible Unsecured Loan Stock 2011)	<b>338,660</b>	324,397	+4.2
Net assets	<b>165,757</b>	147,163	+12.6
<hr/>			
<b>Per Ordinary share</b>			
Net asset value	<b>49.2p</b>	36.3p	+35.5
Share price	<b>37.3p</b>	24.0p	+55.4
Discount	<b>24.2%</b>	33.9%	
<hr/>			
<b>Per Zero Dividend Preference share</b>			
Net asset value	<b>119.0p</b>	114.1p	+4.3
Share price	<b>77.5p</b>	56.3p	+37.7
Discount	<b>34.9%</b>	50.7%	
<hr/>			
Net debt to equity ratio	<b>204.3%</b>	220.4%	
Net debt to equity ratio after allowing for full conversion of 7.5% Convertible Unsecured Loan Stock 2011	<b>89.0%</b>	73.6%	
<hr/>			
	<b>Interim Period Ended</b> <b>30 June</b> <b>2003</b> <b>£'000</b>	<i>30 June</i> <i>2002</i> <i>£'000</i>	
Total income	<b>15,154</b>	22,888	
Net total return before taxation	<b>27,751</b>	(65,074)	

# Real Estate Opportunities Limited

## Chairman's Statement

### Introduction

Following an extremely difficult year for your Company in 2002 the first six months of 2003 have seen better performance of our assets. The Company has also put in place new management arrangements, as announced on 3 April 2003.

As at the period end the net asset value of an Ordinary Share was 49.2p. This represents an increase of 35.5% over the asset value at 31 December 2002. The prices at which the company's securities trade have also improved.

At the end of the period, the Company's assets were primarily properties based in Ireland and the UK. The UK property portfolio comprised properties with an aggregate value of £121.6 million after disposals (31 December 2002 – £128.6 million) and the Irish property portfolio comprised properties with a total value of €489.4 million (31 December 2002 – €454.6 million). The Company's income portfolio was valued at £27.5 million (31 December 2002 – £25.6 million).

### Property Portfolio

I am pleased to report that your Company's property portfolio has remained sound and continues to be underpinned by a sustained rental income flow from strong covenants. This income flow is expected to increase as forthcoming rent reviews continue to result in uplifts. The Company sold 6 properties during the period (five in the UK, and one in the Isle of Man), realising £7.0 million, a net profit of 13% over valuation.

### UK and Offshore Property

The UK property market remains active in spite of press comment about falling rents in prime London and M4 locations. While the occupier markets in the office sector particularly are suffering, the same is not true of retail. Whether it be high streets, shopping centres or retail warehousing, many occupiers are trading well, with some looking to expand.

Within your Company's Portfolio, the June 2003 revaluation has seen a downwards revaluation of the office assets, reflecting the weaker occupier markets, while the retail properties have generally improved in value in response to occupier and investor demand.

Property continues to be in favour as an investment asset class, particularly by large overseas (mostly German) and smaller private investors who continue to take advantage of historically low interest rates, and long leases.

Within your Company's UK portfolio, the underlying strength of the tenant covenants will continue to support performance, through the rental income stream. There are seven rent reviews due during the second half of 2003 that we expect to generate further increases in income. The geographical and sector diversification of the portfolio provides further stability.

## Real Estate Opportunities Limited

Further opportunities to improve the value of the portfolio exist in both the short and medium term, through negotiations with tenants, refurbishment and potentially redevelopment.

### Ireland

Despite the general continued difficulties in the overall economic environment, the Irish Property Market enjoyed a pick-up in growth in the first six months of 2003. This growth is focusing particularly on the value of good quality investment properties with investors competing strongly for such limited opportunities as become available and against the background of Euro interest rates at an historic low of 2.1%. There is a scarcity of such stock on the investment market as most holders are content to retain their investments and enjoy a secure income flow.

Within the market in general, the retail and residential sectors are buoyant with continued economic growth and low interest rates underpinning consumer demand in terms of both retail sales and also the demand for housing. The office sector has been the weaker sector in the market over the past 2 years. The sector is exhibiting signs of recovery with a total quantity of accommodation taken up in the first 6 months of 2003 of approximately 550,000 sq. ft. and the vacancy rate declining to 14.9% as new construction activity has slowed dramatically. There is a significant difference in the state of the market as between downtown and suburban locations with over 60% of the currently available space located in the suburbs.

Against this background of a return to, albeit modest growth in overall market values, the performance of REO's Irish portfolio has been extremely good with the valuation of some of the more important assets increasing by up to 10% over the period.

Particular highlights during the 6 months were the completion of the Bank of Ireland Asset Management office block on Mespil Road and the continued success of the rent review programme in Stillorgan Shopping Centre.

Despite the recent slowdown in absolute levels of growth, Ireland is still forecast to produce economic growth over the next 3-5 years higher than the average for the E.U. Against this background we believe there are attractive opportunities for REO's development portfolio supporting an investment portfolio that is well let to strong covenants.

### Income Portfolio

Bond markets performed well in the period under review and this has been reflected in the performance of the bond portfolio, which increased in value from £18.5 million to £20.7 million. Many of the Company's holdings of investment companies have negligible market value. A renewed bull market in equities might see some value restored to some of these holdings but we believe this is a distant prospect and there has been little activity in our portfolio over the period.

# Real Estate Opportunities Limited

## Share Buy Backs

The Company's policy of purchasing securities for cancellation continued. 20.81 million Ordinary shares, 2.06 million Zero Dividend Preference shares and 23.50 million CULS units were purchased and cancelled over the period, adding modestly to NAV per share outstanding. The Board will continue to seek to buy back further shares and CULS for cancellation.

## Management arrangements

INVESCO International Limited was formally appointed as manager to the Company on 2 May 2003. The new Manager has been working closely with the Board and Treasury Holdings, our Irish property adviser, on a number of initiatives to generate long term value for investors.

It remains the Company's intention to pursue its claim against its former Manager, Aberdeen Asset Managers Jersey Limited, and associated companies for losses sustained in the Income Portfolio.

## Prospects

Looking forward, I believe that your Company's portfolio is well positioned to produce attractive returns. The restoration of a dividend on the Ordinary shares remains a priority for the Board and we will work towards achieving a stable and sustainable level of income.

**R Y F Horney**  
*Chairman*

25 July 2003

# Real Estate Opportunities Limited

## Analysis of UK Property Portfolio

### Properties with a market value of more than £3,000,000

<b>Location of property</b>	<i>Sector</i>
181/181b Union Street, Aberdeen	Office/Retail
33/49 Victoria Street, Bristol	Office
Eagle Star House, Athol Street, Douglas, Isle of Man	Office
55/63 East Street, Epsom	Office
33/48 Sidwell Street, Exeter	Retail
Equitable Life House, Tunsgate, Guildford	Office/Retail
New Street, St Peter Port, Guernsey	Office
Jellicoe and Vanbrugh Houses, Hedge End, Southampton	Office
Groundwell Industrial Estate, Stephenson Road, Swindon	Industrial

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### Properties with a market value between £1,000,000 to £3,000,000

<b>Location of property</b>	<i>Sector</i>
69-75 Sycamore Road, Amersham	Retail
112 High Street, Ayr	Retail
Thameside House, High Street, Brentford	Office
157/159 Preston Road, Brighton	Office
Devonshire House, Elmfield Road, Bromley	Office
Jubilee House, Church Road, Burgess Hill	Office/Retail
Units 137/138 Cambridge Science Park, Cambridge	Research
31/33 Newport Road, Cardiff	Office
Boundary House, County Square, Chelmsford	Office
79/80 North Street, Chichester	Retail
Duracell House, Gatwick Road, Crawley	Industrial
Alhambra House, St Michael's Road, Croydon	Office
50/56 Bridge Street, Evesham	Retail
116-124 Fleet Road, Fleet	Retail
123 Blythswood Street, Glasgow	Office
1/3 Eastgate Street, Gloucester	Retail
Western House, Mendy Street, High Wycombe	Office
Hyde Park House, Crown Street, Ipswich	Office
31,32 & 33 Cattlemarket, Loughborough	Retail
Chadderton Industrial Estate, Manchester	Industrial
1a Bridlesmithgate & 2 Victoria Street, Nottingham	Retail
Langley House, Church Lane, Oxted	Office
Langwood House, High Street, Rickmansworth	Office
Ryder House, Bath Road, Slough	Office
Crest House, Thames Street, Weybridge	Office

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# Real Estate Opportunities Limited

## Properties with a market value between £1,000,000 to £3,000,000

<b>Location of property</b>	<i>Sector</i>
Adelaide House, Adelaide Street, St Albans	Office
Stanmore House, Church Road, Stanmore	Office/Retail
Units 7-10 International Business Centre, Brooklands Close, Sunbury On Thames	Industrial
St George's House, Church Street, Twickenham	Office
Units 15 & 16 Chesford Grange and 6 Hardwick Grange, Warrington	Industrial
Units 3-7, Denny End Industrial Estate, Pembroke Avenue, Waterbeach	Industrial
74-80 Peach Street, Wokingham	Office/Retail

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## Properties with a market value between £500,000 to £1,000,000

<b>Location of property</b>	<i>Sector</i>
25/26 Berkeley Square, Bristol	Office
105 High Street, Eltham	Retail
116-124 Fleet Road, Fleet, Hampshire	Retail
170 High Street, Hounslow	Retail
28/29 George Street, Hove	Retail
31 Stricklandgate, Kendal	Retail
17 Market Place, Kingston Upon Thames	Retail
Unit 11, Sydenham Industrial Estate, Leamington Spa	Industrial
122 High Street, Winchester	Retail
38 Stonegate, York	Retail

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## Properties with a market value below £500,000

<b>Location of property</b>	<i>Sector</i>
10/11 King Street, Whitehaven, Cumbria	Retail
54/54A Whiteladies Road and 87, 89, 91 & 93 Alma Road, Clifton, Bristol, Avon	Office/Residential
1/3 Tyburn Lane, Harrow	Office

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# Real Estate Opportunities Limited

## Analysis of Irish Property Portfolio

### Properties with a market value above £10,000,000

<b>Location of property</b>	<i>Sector</i>
Marks & Spencer, Merchant's Quay Shopping Centre, Cork	Retail
Stillorgan Shopping Centre, Stillorgan, Dublin	Retail
40/41 Mespil Road, Dublin 4	Office
Baggot Building, Upper Baggot Street, Dublin 2	Office
Block A/B/C/D Russell Court, Dublin 2	Office
Tedcastle Site, North Wall Quay, Dublin 1	Development

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### Properties with a market value between £1,000,000 to £10,000,000

<b>Location of property</b>	<i>Sector</i>
Lands at Lehaunstown Lane, Cabinteely, Co. Dublin	Development
Land at Balgaddy, Clondalkin	Development
Lands at Kinsealy, Co Dublin	Development
35 Henry Street, Dublin	Retail
Charlemont House, Charlemont Place, Dublin 2	Office
3 College Green, Dublin 2	Office/Development
Land at Glendruid, Cabinteely, Co Dublin	Development
Crescent Hall, Mount Street Crescent, Dublin 2	Office
113/115 Sheriff Street, Dublin 1	Development
41 St Stephen's Green, Dublin 2	Office
Lands at East Mountain, Howth, Dublin 13	Development
16 Westmoreland Street, Dublin 2	Retail

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### Properties with a market value between £500,000 to £1,000,000

<b>Location of property</b>	<i>Sector</i>
Rere 22, St Stephen's Green, Dublin 2	Development
37 & 50 Woodlands Drive and 26 & 27 Beaufield Park, Stillorgan, Dublin	Residential
8 Lenehan's Mall, Stillorgan, Dublin	Retail

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### Property with a market value below £500,000

<b>Location of property</b>	<i>Sector</i>
18 Fleet Street, Dublin 2	Retail

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# Real Estate Opportunities Limited

## Income Portfolio

<i> Holding</i>	<i> Description</i>	<i>Market Value £'000</i>	<i>% of Total Investment Company Portfolio Assets</i>	<i>% of Total Income Portfolio Assets</i>	<i>% of Total Fixed Assets</i>
275,000	Aberdeen Global Income	2,014	36.6	7.3	0.41
2,500,000	Premier Pacific Income Fund NPV	750	13.6	2.7	0.16
2,250,000	Exeter Financials Fund	608	11.1	2.2	0.12
1,500,000	Technology & Income Zero Div Preference	488	8.9	1.7	0.10
921,810	Aberdeen Convertible Income Trust	300	5.5	1.1	0.06
1,078,500	Premier Recovery Trust Zero Dividend Preference Shares	237	4.3	0.8	0.05
1,852,830	BFS US Special Opps Units	213	3.9	0.8	0.05
7,980,000	Investment Trust of Investment Trust Preference Income	209	3.8	0.8	0.04
2,250,000	St Davids Invest Trust Package Units	118	2.2	0.4	0.03
5,680,000	Investec European	107	2.0	0.4	0.02
2,000,000	Gartmore Absolute Growth & Income Trust	90	1.6	0.3	0.02
3,550,000	New Star Enhanced Income	62	1.1	0.2	0.01
7,000,000	European Monthly Income Trust	61	1.1	0.2	0.01
1,100,000	Technology & Income Trust 9% Conv Unsecured Loan Stock 2009	55	1.0	0.2	0.01
259,500	Morley Absolute Growth	45	0.8	0.2	0.01
1,213,891	Royal London UK Equity & Income Trust	24	0.4	0.1	–
2,065,000	Britannic UK Income	22	0.4	0.1	–
1,510,860	Premier Recovery Trust	19	0.3	0.1	–
3,500,000	Framlington Global Financial & Income Fund	18	0.3	0.1	–
3,188,029	Enhanced Zero Trust	14	0.3	0.1	–
	Top Twenty Investment Company Investments	5,454	99.2	19.8	1.10
	Other Investment Company Investments	45	0.8	0.2	0.01
	<b>Total Investment Company Investments</b>	<b>5,499</b>	<b>100.0</b>	<b>20.0</b>	<b>1.11</b>

# Real Estate Opportunities Limited

<i>Holding</i>	<i>Description</i>	<i>Market Value</i> £'000	<i>% of Total Bond Portfolio</i> Assets	<i>% of Total Income Portfolio</i> Assets	<i>% of Total Fixed Assets</i>
2,500,000	ABB International Finance Ltd 10% 29/05/09 GBP	2,500	12.1	9.1	0.50
3,500,000	Preem Holdings 10.625% 31/03/11 Euro	2,314	11.2	8.4	0.47
2,000,000	County Hotels Group 8.5% 10/09/07 GBP	1,770	8.5	6.4	0.35
3,000,000	ONO Finance 15/07/10 Euro	1,649	8.0	6.0	0.33
1,500,000	AES 8.375% Notes 01/03/11 GBP	1,365	6.6	5.0	0.28
1,500,000	Chelsea Village 8.875% 17/12/07 GBP	1,295	6.3	4.7	0.26
4,500,000	Banco Hipotecario Nacional 10.75% Emtn 06/02/04 Euro	1,174	5.7	4.3	0.24
2,500,000	London International Exhibition Centre 7.71% 25/11/15 GBP	1,164	5.6	4.2	0.23
1,000,000	Greycoat 9.5% 30/09/2003 GBP	1,009	4.9	3.7	0.20
1,400,000	Colt Telecom Group 7.625% 15/12/09 Euro	867	4.2	3.2	0.17
1,000,000	Luxfer Holdings 10.125% 01/05/09 GBP	825	4.0	3.0	0.17
3,000,000	Buenos Aires (Prov of) 10.75% Bds 03/03/05 Euro	773	3.7	2.8	0.16
4,000,000	Worldcom 6.75% 15/05/08 Euro	738	3.5	2.7	0.15
1,000,000	Calpine Canada Energy Finance 8.875% 15/10/11 GBP	713	3.4	2.6	0.14
1,000,000	BSN Financing 10.25% 01/08/09 Euro	691	3.3	2.5	0.14
50,000	British Airways 6.75% Cumulative Preference Shares Euro	575	2.8	2.1	0.12
500,000	Big Food Group 9.75% 30/06/12 GBP	474	2.3	1.7	0.10
800,000	Petroplus International Funding 10.5% 15/10/10 Euro	470	2.3	1.7	0.09
1,000,000	Argentina Euro Bond 10% 25/06/07	295	1.4	1.1	0.06
255,645	Texon International New 10% Bonds 01/02/08 Euro	50	0.2	0.2	0.01
104,000	Dynea International 12.25% 15/08/10 Euro	41	0.1	0.1	0.01
<b>Total Bond Investments</b>		<b>20,752</b>	<b>100.0</b>	<b>75.5</b>	<b>4.18</b>
Other Investments		1,222		4.5	0.25
<b>Total Income Portfolio Investments</b>		<b>27,473</b>	<b>n/a</b>	<b>100.0</b>	<b>5.54</b>
<b>Income Portfolio as at 30 June 2003</b>		<b>£'000</b>	<b>%</b>		
Total Investment Company Investments		5,499	20.0		
Total Bond Investments		20,752	75.5		
Other Investments		1,222	4.5		
		<b>27,473</b>	<b>100.0</b>		

# Real Estate Opportunities Limited

## Group Statement of Total Return (Incorporating the Revenue Account)

	<i>Six months ended 30 June 2003</i> <i>(Unaudited)</i>		
	<i>Revenue</i> <i>£'000</i>	<i>Capital</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
Gains on investments	—	6,058	6,058
Gains on investment and development properties – Group	—	12,424	12,424
– Joint Venture	—	177	177
Exchange rate movements	(899)	10,935	10,036
Other gains	—	3,886	3,886
Income	15,154	—	15,154
Management fee	(625)	(1,874)	(2,499)
Other expenses	(1,512)	—	(1,512)
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<b>Net return before finance costs and taxation</b>	<b>12,118</b>	<b>31,606</b>	<b>43,724</b>
Share of operating profit/(loss) in Joint Venture	2,324	(17)	2,307
Interest payable and similar charges	(3,194)	(13,582)	(16,776)
– Group	(736)	(768)	(1,504)
– Joint Venture	(3,930)	(14,350)	(18,280)
<hr/>			
<b>Return on ordinary activities before tax</b>	<b>10,512</b>	<b>17,239</b>	<b>27,751</b>
Tax on ordinary activities	(948)	—	(948)
<hr/>			
<b>Return on ordinary activities after tax for the financial period</b>	<b>9,564</b>	<b>17,239</b>	<b>26,803</b>
Net appropriations in respect of non-equity shares	—	(2,584)	(2,584)
Dividends on Ordinary shares	—	—	—
Minority interest	—	1	1
<hr/>			
<b>Transfer to/(from) reserves</b>	<b>9,564</b>	<b>14,656</b>	<b>24,220</b>
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<b>Return per ordinary share – note 3</b>			
Ordinary shares – basic and diluted	4.5p	7.0p	11.5p
Zero Dividend Preference shares	—	4.9p	4.9p

The revenue column of this statement is the profit and loss account of the Group. All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

# Real Estate Opportunities Limited

## Group Statement of Total Return (Incorporating the Revenue Account)

	Six months ended		Year ended	
	30 June 2002		31 December 2002	
	(Unaudited)		(Audited)	
	Revenue	Capital	Total	Total
	£'000	£'000	£'000	£'000
Losses on investments	—	(82,336)	(82,336)	(110,555)
Gains/(losses) on investment and development properties – Group	—	7,947	7,947	1,503
– Joint Venture	—	(2,098)	(2,098)	(4,102)
Exchange rate movements	692	10,073	10,765	11,810
Other gains	—	—	—	—
Income	22,888	—	22,888	38,585
Management fee	(1,321)	(3,962)	(5,283)	(9,533)
Other expenses	(999)	—	(999)	(2,116)
<b>Net return before finance costs and taxation</b>	<b>21,260</b>	<b>(70,376)</b>	<b>(49,116)</b>	<b>(74,408)</b>
Share of operating profit/(loss) in Joint Venture	664	—	664	912
Interest payable and similar charges – Group	(3,837)	(11,511)	(15,348)	(29,295)
– Joint Venture	(658)	(616)	(1,274)	(1,954)
	(4,495)	(12,127)	(16,622)	(31,249)
<b>Return on ordinary activities before tax</b>	<b>17,429</b>	<b>(82,503)</b>	<b>(65,074)</b>	<b>(104,745)</b>
Tax on ordinary activities	(745)	—	(745)	(2,202)
<b>Return on ordinary activities after tax for the financial period</b>	<b>16,684</b>	<b>(82,503)</b>	<b>(65,819)</b>	<b>(106,947)</b>
Net appropriations in respect of non-equity shares	—	(2,963)	(2,963)	(4,922)
Dividends on Ordinary shares	(6,269)	—	(6,269)	(6,269)
Minority interest	—	(17)	(17)	199
<b>Transfer to/(from) reserves</b>	<b>10,415</b>	<b>(85,483)</b>	<b>(75,068)</b>	<b>(117,939)</b>
<b>Return per ordinary share – note 3</b>				
Ordinary shares – basic and diluted	6.0p	(30.8)p	(24.8)p	(43.8)p
Zero Dividend Preference shares	—	4.6p	4.6p	9.4p

# Real Estate Opportunities Limited

## Summarised Group Balance Sheet

	<b>30 June 2003 (Unaudited) £'000</b>	<b>30 June 2002 (Unaudited) £'000</b>	<b>31 December 2002 (Audited) £'000</b>
<b>Fixed assets</b>			
Investment and development properties	<b>462,531</b>	412,779	424,945
<b>Investments</b>			
Share of gross assets in Joint Venture	<b>66,641</b>	59,893	60,276
Share of gross liabilities in Joint Venture	<b>(60,461)</b>	(52,766)	(55,402)
Interest in Joint Venture	<b>6,180</b>	7,127	4,874
Listed investments	<b>27,473</b>	87,300	25,557
	<b>496,184</b>	507,206	455,376
<b>Current assets</b>			
Debtors due after one year	<b>40,000</b>	41,185	40,000
Debtors due within one year	<b>2,822</b>	7,984	5,680
Cash at bank	<b>59,384</b>	154,606	27,271
	<b>102,206</b>	203,775	72,951
<b>Creditors: amounts falling due within one year</b>	<b>(40,501)</b>	(19,918)	(29,631)
<b>Net current assets</b>	<b>61,705</b>	183,857	43,320
<b>Total assets less current liabilities</b>	<b>557,889</b>	691,063	498,696
<b>Creditors: amounts falling due after one year</b>			
7.5% Convertible Unsecured Loan Stock 2011	<b>(101,200)</b>	(124,435)	(124,398)
Bank loans	<b>(289,135)</b>	(368,411)	(225,451)
	<b>(390,335)</b>	(492,846)	(349,849)
<b>Provisions for liabilities and charges</b>	<b>(1,797)</b>	(1,433)	(1,684)
<b>Net assets</b>	<b>165,757</b>	196,784	147,163
<b>Capital and reserves</b>			
Called up share capital	<b>2,548</b>	3,262	2,776
Share premium account	<b>311,713</b>	327,918	319,695
Capital reserve — realised	<b>(87,820)</b>	(44,927)	(76,819)
Capital reserve — unrealised	<b>(115,142)</b>	(119,149)	(129,540)
Property revaluation reserve	<b>8,839</b>	6,094	(2,419)
Redemption reserve	<b>12,201</b>	6,945	9,389
Revenue reserve	<b>33,475</b>	16,915	24,139
Total shareholders' funds	<b>165,814</b>	197,058	147,221
Minority interests	<b>(57)</b>	(274)	(58)
<b>Capital employed</b>	<b>165,757</b>	196,784	147,163
<b>Net asset value per share – note 4</b>			
Ordinary shares	<b>49.2p</b>	47.0p	36.3p
Zero Dividend Preference shares	<b>119.0p</b>	109.2p	114.1p

# Real Estate Opportunities Limited

## Group Cash Flow Statement

	<i>Six months to 30 June 2003 (Unaudited) £'000</i>	<i>Six months to 30 June 2002 (Unaudited) £'000</i>	<i>Year to 31 December 2002 (Audited) £'000</i>
<b>Operating activities</b>			
Investment income received	1,873	13,549	21,961
Cash received from tenants	15,397	10,739	19,712
Overheads and other cash payments	(2,218)	(3,492)	(5,525)
Net cash inflow from operating activities	15,052	20,796	36,148
<b>Returns on investments and servicing of finance</b>	(7,591)	(12,858)	(28,825)
<b>Taxation</b>	(1,118)	(1,307)	(1,729)
<b>Capital expenditure and financial investment</b>	(188)	53,514	76,805
<b>Equity dividends paid</b>	—	(12,538)	(12,538)
<b>Cash inflow before financing</b>	6,155	47,607	69,861
<b>Financing</b>			
New debt	150,824	15,810	21,284
Repayment of debt	(91,952)	—	(146,317)
Cost of issue of debt	(5,331)	—	—
Repurchase of Convertible Unsecured Loan Stock 2011	(19,312)	—	—
Costs from issue of new shares	(60)	(20)	(20)
Repurchase of own shares	(8,210)	(11,660)	(20,406)
Net cash inflow/(outflow) from financing	25,959	4,130	(145,459)
<b>Increase/(decrease) in cash</b>	32,114	51,737	(75,598)
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase/(decrease) in cash in the period	32,114	51,737	(75,598)
Cash movement from increase in debt	(34,229)	(15,810)	125,033
Change in net debt resulting from cash flows	(2,115)	35,927	49,435
Non-cash cancellation of Convertible Unsecured Loan Stock 2011	(3,886)	—	—
Conversion of Convertible Unsecured Loan Stock 2011 to Ordinary shares	—	—	37
Exchange rate movements	(8,262)	(7,233)	(7,724)
Net debt at start of period	(324,397)	(366,145)	(366,145)
<b>Net debt at end of period</b>	(338,660)	(337,451)	(324,397)

# Real Estate Opportunities Limited

## Notes to the Interim Accounts

- The interim results have been prepared in accordance with applicable accounting standards, with the Statement of Recommended Practice for Financial Statements of Investment Trust Companies and using accounting policies consistent with those used in the accounts for the year ended 31 December 2002. The financial information for the year ended 31 December 2002 has been abridged from accounts on which the Company's auditors gave an unqualified opinion.
- The UK, Channel Islands and Isle of Man investment properties were revalued by Allsop & Co., Chartered Surveyors and the Irish investment and development properties were revalued by DTZ Sherry Fitzgerald, professional valuers, all as at 30 June 2003.
- The basic revenue return per Ordinary share is based on the revenue return on ordinary activities after tax of £9,564,000 (2002 – £16,684,000) and on 210,659,858 (2002 – 277,774,386) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

The basic capital gains/(loss) per Ordinary share is based on the capital return on ordinary activities after tax and appropriations in respect of accrued premium payable on redemption of the Zero Dividend Preference shares of £14,656,000 (2002 – loss of £85,483,000) and on 210,659,858 (2002 – 277,774,386) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

The return per Zero Dividend Preference share is based on the gross appropriation for the accrued premium payable on redemption of the shares of £2,874,000 (2002 – £3,364,000) and on 59,145,561 (2002 – 73,701,657) Zero Dividend Preference shares, being the weighted average number of shares in issue during the period.

- The net asset value per Ordinary share is based on the net assets attributable to the Ordinary shareholders of £97,001,000 (2002 – £120,327,000) and on 197,033,424 (2002 – 256,211,886) Ordinary shares in issue at the end of the period.

The net asset value per Zero Dividend Preference share is based on the net assets attributable to the Zero Dividend Preference shareholders of £68,756,000 (2002 – £76,457,000) and on 57,755,782 (2002 – 70,000,000) Zero Dividend Preference shares in issue at the end of the period.

- In the period the Company purchased the following for cancellation:

	<i>Number</i>	<i>Amount (£)</i>
Ordinary shares	20,808,473	6,738,762
Zero Dividend Preference shares	2,060,000	1,470,917
7.5% Convertible Unsecured Loan Stock 2011	23,198,425	19,560,277

- Summary reconciliation of shareholders' funds

	<b>30 June 2003 (unaudited) £'000</b>	<i>30 June 2002 (unaudited) £'000</i>	<i>31 December 2002 (audited) £'000</i>
Opening shareholders' funds	<b>147,163</b>	280,549	280,549
Purchase of own shares	<b>(8,210)</b>	(11,660)	(20,369)
Total recognised gains/(losses)	<b>26,804</b>	(65,836)	(106,748)
Dividends – Ordinary shares	—	(6,269)	(6,269)
Capital employed	<b>165,757</b>	196,784	147,163
Equity shareholders' funds	<b>97,001</b>	120,327	78,931
Non-equity shareholders' funds	<b>68,756</b>	76,457	68,232
	<b>165,757</b>	196,784	147,163

Equity shareholders' funds represents the interests of the Ordinary shareholders. Non-equity shareholders' funds represents the interests of the Zero Dividend Preference shareholders.

## Real Estate Opportunities Limited

### 7. Reserves

	<i>Share Premium account £'000</i>	<i>Capital reserve - realised £'000</i>	<i>Capital reserve - unrealised £'000</i>	<i>Property revaluation reserve £'000</i>	<i>Redemption reserve £'000</i>	<i>Revenue reserve £'000</i>
Balance as at 1 January 2003	319,695	(76,819)	(129,540)	(2,419)	9,389	24,139
Purchase of own shares	(7,982)	—	—	—	—	—
Transfer of share capital purchased to redemption reserve	—	—	—	—	228	(228)
Net accrued redemption premium on Zero Dividend Preference shares	—	(2,584)	—	—	2,584	—
Surplus on revaluation of investment and development properties	—	—	—	11,624	—	—
Deficit on revaluation of investment and development properties of the Joint Venture	—	—	—	177	—	—
Net gain on realisation of investment and development properties — Group	—	800	—	—	—	—
Net loss on realisation of investments	—	(8,341)	—	—	—	—
Unrealised gains on investments	—	—	14,398	—	—	—
Net gain on buy back of Convertible Unsecured Loan Stock 2011	—	3,886	—	—	—	—
Exchange differences	—	11,479	—	(543)	—	—
Expenses taken to capital account	—	(16,241)	—	—	—	—
Retained net revenue for the period	—	—	—	—	—	9,564
<b>Balance as at 30 June 2003</b>	<b>311,713</b>	<b>(87,820)</b>	<b>(115,142)</b>	<b>8,839</b>	<b>12,201</b>	<b>33,475</b>

# Real Estate Opportunities Limited

## Corporate Information

### Directors

Raymond Y F Horney, *Chairman*  
Richard J Barrett  
Keith A Jenkins  
J Philip Jenkinson  
Garth P D Milne  
David O Moon  
Martin W Richardson  
John B Ronan  
Patrick A Teahon

### Secretary and Registered Office

Aztec Financial Services Limited  
Forum House  
Grenville Street  
St. Helier  
Jersey JE2 4UF

**Registered Number:** 79679

### Manager

INVESCO International Limited  
40 Esplanade  
St. Helier  
Jersey JE4 2PH

### Investment Adviser

INVESCO Asset Management Limited  
30 Finsbury Square  
London EC2A 1AG

### UK Property Adviser

INVESCO Real Estate Limited  
10 Mount Row  
London W1K 3SD

### Irish Property Adviser

Treasury Holdings Limited  
The Warehouse  
35 Barrow Street  
Dublin 4  
Ireland

### Registrar

Capita IRG (Offshore) Limited  
Victoria Chambers  
Liberation Square  
1/3 Esplanade  
St Helier  
Jersey JE2 3QA

### UK Stockbroker

UBS Warburg Limited  
1/2 Finsbury Avenue  
London EC2M 2PP

### Irish Stockbroker

NCB Stockbrokers Limited  
3 George's Dock  
International Financial Services Centre  
Dublin 1  
Ireland

### Auditors

KPMG  
45 Esplanade  
St. Helier  
Jersey JE4 8WQ

### Solicitors and Advocates

Mourant du Feu & Jeune  
22 Grenville Street  
St. Helier  
Jersey JE4 8PX

Herbert Smith  
Exchange House  
Primrose Street  
London EC2A 2HS

A&L Goodbody  
International Financial Services Centre  
North Wall Quay  
Dublin 1  
Ireland

# Real Estate Opportunities Limited

## Independent Review Report to Real Estate Opportunities Limited

### Introduction

We have been instructed by the Group to review the financial information for the six months ended 30 June 2003 set out on pages 11 to 16 and 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.

This report is made solely to the Group in accordance with the terms of our engagement to assist the Group in meeting the requirements of the Listing Rules of the Financial Services Authority, the Irish Stock Exchange and The Channel Islands Stock Exchange. Our review has been undertaken so that we might state to the Group those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group for our review work, for this report, or for the conclusions we have reached.

### 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 Listing Rules of the Financial Services Authority, the Irish Stock Exchange and The Channel Islands Stock Exchange which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

### Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information issued by the United Kingdom Auditing Practices Board. A review consists principally of making enquiries of 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 is substantially less in scope than an audit performed in accordance with the United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

### Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2003.

25 July 2003

**KPMG**  
Chartered Accountants  
Jersey

# Real Estate Opportunities Limited

## Specialist Funds Managed by INVESCO

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### Investing for Income, Income Growth and Capital Growth

- City Merchants High Yield Trust plc
  - INVESCO City and Commercial Trust plc
  - INVESCO Income Growth Trust plc
  - Keystone Investment Trust plc
  - Perpetual Income and Growth Investment Trust plc\*
- 

### Investing in Smaller Companies

- INVESCO Continental Smaller Companies Trust plc
  - INVESCO English and International Trust plc
  - INVESCO Perpetual UK Smaller Companies Investment Trust plc\*
  - INVESCO techMARK Enterprise Trust plc
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### Investing Outside the UK

- INVESCO Asia Trust plc
  - INVESCO Japan Discovery Trust plc
  - INVESCO Perpetual European Investment Trust plc\*
  - Perpetual Japanese Investment Trust plc\*
- 

### Investing in Property

- Real Estate Opportunities Limited
- 

### Split Capitalisation Funds

- INVESCO Geared Opportunities Trust plc
  - INVESCO Recovery Trust 2005 plc
- 

### Investing for High Income

- INVESCO Leveraged High Yield Fund Limited
- 

Most of the INVESCO specialist funds listed above are eligible for inclusion in the INVESCO Investment Trust ISA and the INVESCO Investment Trust Saving Scheme. The trusts marked with an \* are available through the INVESCO PERPETUAL Investment Trust ISA and the INVESCO Perpetual Investment Trust Savings and Investment Plan. In addition, most of the above trusts are available for PEP and/or ISA transfers via the Schemes listed above.

Keystone Investment Trust is available as an ISA investment via the INVESCO PERPETUAL Investment Trust ISA product or as a savings plan via the INVESCO Investment Trust Saving Scheme. Please contact our Investor Services Team on 0800 085 8677 if you would like more information about the investment trusts or other specials funds listed above. Further details are also available on the following website: [www.invesco.co.uk/investmenttrusts](http://www.invesco.co.uk/investmenttrusts)



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**INVESCO Asset Management Limited**  
**is a member of**  
**AMVESCAP Group**  
**and is authorised and regulated by the**  
**Financial Services Authority**