International Real Estate

Annual Report 2006

CONTENTS

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	22 Grafton Street, London W1S 4EX
Registration Number	2101254 – Registered in England and Wales
Stockbrokers	KBC Peel Hunt Ltd 111 Old Broad Street London EC2N 1PH
Auditors	BDO Stoy Hayward LLP Chartered Accountants Emerald House, East Street, Epsom Surrey KT17 1HS
Solicitors	Towers & Hamlins 40 Tower Hill London EC1N 4DX
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
Market	AIM: IRE
ISIN Number	GB0006970593
SEDOL	0697059

CHAIRMAN'S STATEMENT

It gives me great pleasure to report on the progress the Group has made towards fulfilling its objective of establishing a European property development Group focused primarily on the German market. During and following the period under review, the Group has maintained its geographical focus, successfully completed a number of substantial property transactions, strengthened its financial position via a two-tranche bond issue and evaluated a pipeline of potential projects in line with its growth strategy.

IRE is a property development and investment Group. Its main targets are properties that have strong development potential and the ability for the Group to gain capital value uplift through the implementation of redevelopment/refurbishment programmes. The Group has a track record in achieving this, with all developments to date reporting positive returns. Once the investment programmes have been completed, the Group is able to implement stable tenant structures and subsequently increase the yields on a property. With a structured and proven investment/development process in place, an established office in Berlin and an increasing staff count, the Group believes it is well positioned to continue to perform and build its portfolio, particularly in Germany.

Property Portfolio – Germany

The Board see Germany as central to its strategy, primarily focussing on the development and investment in residential projects. In property investment terms the country offers significant opportunity for development and the ability for the Group to construct a portfolio that has high capital growth potential. IRE believes that the current low rental environment will transfer into higher rents in the future, which with the correct development initiatives, the Group will benefit from.

In recent years, IRE has built up a presence in Germany, which has been expanded over the reporting period following the conclusion of a number of exciting transactions. The Group now holds circa 282,000 sq m of property in Germany primarily in central Berlin, Magdeburg, Halle and the North Rhine-Westphalia area. It continues to select opportunistic property acquisitions in addition to substantially upgrading existing property assets to further enhance and add value to its portfolio. Once the Group has finished its enhancement programmes and raised the value of the property, selective disposals maybe made if the Board believes such a transaction would benefit shareholders.

IRE has increased its portfolio significantly during the period, with the purchase of both residential and commercial properties. Below are a number of examples of the type of transactions the Group has recently been involved with.

In May 2006, the Group acquired Friedrichstraße 56, a 2,140 sq m development situated in Berlin Mitte, between the former 'Checkpoint Charlie' and 'Gendarmenmarkt'. The property, which consists of 24 apartments, two retail spaces with additional office space, is scheduled to undergo a refurbishment programme.

A number of properties have been acquired in Magdeburg including Sudstadthöfe, a 12,232 sq m development consisting of 154 apartments located in the southern part of the city. Two thirds of this property has been refurnished to a high standard and one third is under refurbishment. The Group has continued to buy properties in the Hegelstraße, Magdeburg's most desirable area. Following the purchase of 3,049 sq m office block, the Group now has 18 properties on or adjacent to Hegelstraße making IRE one of the largest property owners in this area.

A renovation and refurbishment programme is underway at the Group's flagship 6,071 sq m freehold multi-use property in Uhlandstraße, at the corner of Kurfürstendamm. Rental levels at the apartments have generally improved since refurbishment. A refurbishment programme is also nearing completion at the Group's 90% owned 27,928 sq m portfolio of seven residential and retail properties around Bersarinplatz in Freidrichshain, Berlin.

CHAIRMAN'S STATEMENT

CONTINUED

Property Portfolio – Belgium

Following the receipt of the building permit at the end of last year, the development of a 5,166 sq m project consisting of 29 apartments and parking on Rue du Gouvernement Provisoire, close to the Royal Palace in the centre of Brussels, has progressed well. The construction phase is on-going with a full team now on site. The target completion date is mid 2008 with the resulting apartments targeted for sale or tenancy occupancy.

The successful letting of the newly refurbished 22,778 sq m IT Tower property in Brussels, which was transferred in August 2004 for €71.2 million, is nearing completion as is the renovation programme, in accordance with the transfer agreement. This may result in IRE receiving an additional upward adjustment to the transfer price at the end of the agreed three-year period in August 2007. We look forward to further updating shareholders on our progress.

Financials

Results for the year ended 31 December 2006 show revenue of €5.4 million (2005 – €16.2 million), pre-tax profit of €16.8 million (2005 – €4.8 million) and profit after taxation of €11.0 million (2005 – €5.1 million). The Group's cash position at 31 December 2006 was €12.2 million (2005 – €17.1 million). Total net borrowings after taking into account cash balances amounted to €60.0 million (2005 – €17.0 million) Total net assets amounted to €34.5 million (2005 – €24.3 million).

Whilst the Group accounts show a tax charge of €5.8 million, €5.7 million of this charge was in relation to deferred tax following the revaluation of certain properties in Germany.

Post year-end, the Group raised €32 million through a bond issue in a private placement with two European banks via its Dutch subsidiary I.R.E. German Property Holding B.V, in order to further expand its portfolio of mid-size properties with particular focus on Germany. The bonds are dual listed on the OMX Stockholmsbörsen AB and on the OMX Copenhagen Stock Exchange to provide increased liquidity.

Dividend

The Board is proposing a final dividend of 5 pence per share (€0.07) payable on 10 August 2007 to shareholders on the register on 13 July 2007. An Interim dividend of 4 pence (€0.06) was paid on 27 October 2006, making the total for the year of 9 pence (€0.13), up 28.5% on the previous year.

Outlook

The Board is confident that the Group can continue to maximise growth and generate value by utilising its skills in both the identification and development of European property. While competition is naturally increasing, IRE believes that by exploiting its regional knowledge and strong local relationships, it can target and acquire property with strong potential and add value through development and refurbishment programmes as previously demonstrated. The Board remain confident about the future of International Real Estate plc.

Rolf L. Nordström, Chairman
London, 28 June 2007

REPORT ON CORPORATE GOVERNANCE

As a company listed on the Alternative Investment Market (AIM), the Company is not required to give a statement of compliance with the Combined Code. However, the Directors recognise the importance of sound corporate governance and internal control. The following report summarises the procedures in place throughout the year.

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. Board meetings are held approximately once every three months. 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 twice during the year with all Directors in attendance.

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 Committee met once during the year with all non-Executive Directors in attendance.

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 27 July 2007. 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 3 and 4. The Board uses this, together with the Report of the Directors on pages 7 to 9 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 10.

Internal Control
The Directors acknowledge their responsibility for the Group's system of internal control. 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.

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, the Directors have a reasonable expectation that the Group 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.

By Order of the Board

Tom Shannon, Secretary
London, 28 June 2007

REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2006.

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 16 to the accounts.

Review of Business and Future Developments

A summary of the results of the year's trading is given on page 14 and a review of the activities of the Group and of future developments is contained in the Chairman's Statement on pages 3 and 4.

The Group's key performance indicator is considered to be the Net Asset Value (NAV) which at 31 December 2006 was €4.98 per share (31 December 2005 – €3.51 per share).

The principal business risks identified by the Group are considered to be upward movements in interest rates, which the Group has countered by securing long term fixed rates, and exposure to the German property market.

Post Balance Sheet Events

Details of post balance sheet events are given in note 29.

Dividends

The Directors recommend a final dividend for the year of 5.0 pence (€0.07) per ordinary share to be paid on 10 August 2007 to ordinary shareholders on the register on 13 July 2007 which, together with the interim dividend of 4.0 pence (€0.06) paid on 27 October 2006 makes a total of 9.0 pence (€0.13) per share for the year (2005 – 7.0 pence) (€0.10).

Directors

The names of the current Directors appear on page 2. All Directors served throughout the year.

Mr Michel Berges and Daniel Akselson retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election.

At the balance sheet date Michel Berges, John Lamb and Sir Eric Parker were non-Executive Directors of the Company.

Rolf L. Nordström, MBA, aged 52, 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.

Daniel Akselson, aged 45, has been involved in property investment in Europe since the late 1980s.

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 and since 2006 the non-Executive Chairman of Summit Germany Limited. 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.

Directors' Interests

The Directors (including the families of) who held office at 31 December 2006 had the following direct or indirect interests in the issued share capital:

	Ordinary shares of 40p each	
	1 January 2006	31 December 2006
Rolf L. Nordström (including the family of)	5,237,379	5,491,879
Daniel Akselson	65,000	100,000
Michel Berges	–	–
John Lamb	125,000	125,000
Sir Eric Parker	7,500	7,500

Directors' Share Options

Summary of share option rights

Director	At 1 Jan 2006	Exercised	Waived	At 31 Dec 2006	Date from Which Exercisable	Expiry Date
Daniel Akselson	25,000	25,000	–	–	29/05/2006	29/05/2013
Total	**25,000**	**25,000**	**–**	**–**		

No share options were granted or waived during the year ended 31 December 2006.

Upon the exercise of any right to share options, a total of £1 is payable to the trustees. Gains of £50,750 were realised by Directors on the exercise of share options during the year (2005 – £65,000).

The market price of the shares at 31 December 2006 was 275 pence. The range during the year was 160 pence to 275 pence.

Substantial Shareholdings

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

	28 June 2007
Jermyn Business Ltd.	79.28%

Jermyn Business Ltd. is a company indirectly beneficially controlled by the family of Rolf L. Nordström.
Rolf L. Nordström has no direct or indirect ownership of Jermyn Business Limited. The Directors are not aware of any other disclosable interest in the company's shares of 3% or more.

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 is all at fixed rates. Further details regarding the use of financial instruments and their associated risks are given in notes 19, 20 and 21.

Supplier Payment Policy

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

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment; and
- 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

BDO Stoy Hayward LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

By Order of the Board

Tom Shannon, Secretary
London, 28 June 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 1985. The Directors have chosen to prepare financial statements for the Group and the Company in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

PROPERTY PORTFOLIO

AT 28 JUNE 2007

	Lettable Area m²	Tenure	Ownership
Uhlandstraßsse 175, Berlin	6,071	Freehold	100%
Landsberger Allee 88-102, Berlin	10,861	Freehold	100%
Bersarinplatz 1-4ff, Berlin	25,321**	Freehold	90%
Friedrichstraße 56, Berlin	2,140	Freehold	100%
Holzmarktstraße 69,73,75, Berlin	8,025	Freehold	100%
Andreasstraße 20, Berlin	7,707	Freehold	100%
Schinkestraße 4-5, Berlin	1,047	Freehold	100%
Wriezener Karree 1-11, Berlin	12,948	Freehold	100%
Frankfurter Allee 163-167/ Ruschestraße 2-1/Dottistraße 7, Berlin	13,770	Freehold	100%
Fanninger Straße 69/ Gernotstraße 37, Berlin Fanninger Straße 71/ Gernotstraße 1/3, Berlin	3,918	Freehold	100%
Weitlingstraße 90/92, Rupprechtstraße 1, Berlin	1,875	Freehold	100%
Giselastraße 8/ Rupprechtstraße 10, 11, Berlin	2,168	Freehold	100%
Lehndorffstraße 31, Berlin	344	Freehold	100%
Scheffelstraße 10a/11/12, Berlin	1,613	Freehold	100%
Am Tierpark 1-3/ Alt-Friedrichsfelde 41-43, Berlin	10,956	Freehold	100%
Landsberger Allee 390, 392, Berlin	6,897	Freehold	100%
Tschaikowskistraße 13, Berlin	3,060	Freehold	100%
Lange Straße 27, Berlin	0*	Freehold	100%
Sub-Total Berlin	**118,721**		
Hansering 1/Leipziger Straße, Halle	1,530†	Freehold	100%
Tallamtstraße 1, Halle	2,128†	Freehold	100%
Am Bruchsee 22, 24, 26, Halle	7,399†	Freehold	100%
Lise-Meitner-Straße 21, 23, 25, Halle	7,516†	Freehold	100%
Richard-Paulick-Straße 14-19, Halle	14,004†	Freehold	100%
Richard-Paulick-Straße 20-22, Halle	7,053†	Freehold	100%
Stolberger Straße 1, 2, 3, Halle	6,662†	Freehold	100%
Tangermünder Straße 2, 4, Halle	4,308†	Freehold	100%
Zscherbener Straße 12-15, Halle	9,397†	Freehold	100%
Sub-Total Halle	**59,997**		
Kästner Passage, Dresden	3,950**	Freehold	50%
Fischmarkt 4a, Erfurt	1,317†	Freehold	100%
Thomas-Münzer-Straße 10, Görlitz	625	Freehold	100%
Gutenbergstraße 58, Potsdam	1,323	Freehold	100%
Niedergasse 46, Stolberg	270	Freehold	100%
Rue du Gouvernement Provisoire, Brussels	0*	Freehold	100%
Sub-Total others	**7,485**		

PROPERTY PORTFOLIO

CONTINUED

	Lettable Area m^2	Tenure	Ownership %
Hegelstraße 4, Magdeburg	3,049†	Freehold	100%
Hegelstraße 15, Magdeburg	1,000†	Freehold	100%
Hegelstraße 17, Magdeburg	1,534†	Freehold	100%
Hegelstraße 26, Magdeburg	2,649	Freehold	100%
Hegelstraße 32, Magdeburg	1,003†	Freehold	100%
Hegelstraße 36, Magdeburg	1,686	Freehold	100%
Hegelstraße/Q 12, Magdeburg	7,510	Freehold	100%
Liebigstraße 9, Magdeburg	1,437	Freehold	100%
Liebigstraße 9a, Magdeburg	956	Freehold	100%
Liebigstraße 10, Magdeburg	1,240	Freehold	100%
Einsteinstraße 2, Magdeburg	1,167	Freehold	100%
Breiter Weg 224, Magdeburg	1,930	Freehold	100%
Breiter Weg 229a, Magdeburg	1,010	Freehold	100%
Breiter Weg 231, 232, Magdeburg	2,159†	Freehold	100%
Breiter Weg 232a, Magdeburg	3,386†	Freehold	100%
Otto von Guericke-Straße 48, Magdeburg	1,483†	Freehold	100%
Geißler Straße 1, Magdeburg	1,089†	Freehold	100%
Harnackstraße 3, Magdeburg	2,164	Freehold	100%
Südstadthöfe, Magdeburg	8,687	Freehold	100%
Südstadthöfe, Phase II, Magdeburg	3,545	Freehold	100%
Arndtstraße I7, Magdeburg	2,310	Freehold	100%
Goethestraße 1/Olvenstedter Straße, Magdeburg	2,852†	Freehold	100%
Große Diesdorfer Straße 23/24, Magdeburg	4,066†	Freehold	100%
Immermannstraße 33, Magdeburg	1,112†	Freehold	100%
Albert-Vater-Straße 87, Magdeburg	1,232†	Freehold	100%
Herderstraße 13, Magdeburg	998	Freehold	100%
St-Michael Straße 57, Magdeburg	641	Freehold	100%
Liebknechtstraße 36, Magdeburg	651†	Freehold	100%
Braunschweiger Straße 3, Magdeburg	1,095†	Freehold	100%
Gustav-Adolf-Straße 37, Magdeburg	1,242†	Freehold	100%
Zollstraße 11, Magdeburg	1,371	Freehold	100%
Sub-Total Magdeburg	**66,254**		
Miesheimer Weg 1-3, Düren	12,996	Lease until 2050	100%
An der Kreuzkirche 10, 17, 19, Herne	13,198†	Freehold	100%
Poststraße 4, Hamm	3,295	Freehold	100%
Sub-Total NRW	**29,489**		
Total	**281,946**		

*Plot of land: Lange Straße 27– 410m^2. Rue du Gouvernement Provisoire 748m^2.

**IRE plc share of Lettable Area.

† Acquired 2007.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF INTERNATIONAL REAL ESTATE PLC

We have audited the Group and Parent Company financial statements (the 'financial statements') of International Real Estate Plc for the year ended 31 December 2006 which comprise the Consolidated Income Statement, the Consolidated and Company Statement of Recognised Income and Expense, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, 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 regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Directors' Report and the Report on Corporate Governance. 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company'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 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.

Opinion
In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2006 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Epsom, 28 June 2007

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	**Year ended 31 December 2006**	Year ended 31 December 2005
		€'000	€'000
Revenue	3	**5,365**	16,166
Cost of sales		**(4,793)**	(10,073)
Gross Profit		**572**	6,093
Other operating income	3	**20,695**	2,188
Administration expenses		**(3,052)**	(2,309)
Other operating expenses		**(1,932)**	(148)
Operating Profit	7	**16,283**	5,824
Finance income	7	**292**	618
Profit on sale of subsidiaries	8	**2,656**	–
Finance costs	9	**(2,445)**	(1,610)
Profit Before Tax		**16,786**	4,832
Tax (charge)/credit	10	**(5,785)**	277
Profit for the Year	26	**11,001**	5,109
Attributable to:			
Equity holders of the Parent		**10,500**	5,109
Minority interest		**501**	–
		11,001	5,109
Earnings per Share			
Basic	12	**€1.59**	€0.74
Diluted	12	**€1.59**	€0.74

CONSOLIDATED AND COMPANY STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 31 DECEMBER 2006

There is no difference between the profit for the periods shown and the total recognised income and expense for the respective periods. Reconciliations of movements in total equity are given in note 26 to the financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2006

	Notes	**31 December 2006**	31 December 2005
		€'000	€'000
Non-Current Assets			
Investment properties	13	**112,036**	51,734
Available for sale investments	14	**2**	2
		112,038	51,736
Current Assets			
Inventories	15	**1,962**	1,962
Trade and other receivables	19	**2,884**	2,997
Cash and cash equivalents		**12,168**	17,115
		17,014	22,074
Total Assets		**129,052**	73,810
Current Liabilities			
Other payables		**(6,692)**	(4,281)
Current tax liabilities		**(37)**	–
Bank loans		**(8,474)**	(21)
Provisions	24	**(9,011)**	(4,146)
Finance leases	28	**(37)**	(37)
	23	**(24,251)**	(8,485)
Non-Current Liabilities			
Bank loans	21	**(63,688)**	(34,136)
Deferred tax liabilities	22	**(6,056)**	(326)
Long-term provisions	24	**–**	(6,000)
Finance leases	28	**(561)**	(563)
		(70,305)	(41,025)
Total Liabilities		**(94,556)**	(49,510)
Net Assets		**34,496**	24,300
Equity			
Share capital	25	**4,408**	4,408
Share premium account		**7,957**	7,957
Capital redemption reserve		**566**	566
Retained earnings	26	**21,064**	11,369
Equity Attributable to Equity Holders of the Parent	26	**33,995**	24,300
Minority interest		**501**	–
Total Equity		**34,496**	24,300

The financial statements were approved by the Board of Directors and authorised for issue on 28 June 2007. They were signed on its behalf by:

Rolf L. Nordström
Daniel Akselson
} Directors

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2006

	Notes	31 December 2006	31 December 2005
		€'000	€'000
Non-Current Assets			
Investments in subsidiaries	16	**546**	546
		546	546
Current Assets			
Trade and other receivables	19	**9,121**	14,002
Cash and cash equivalents		**5,453**	689
		14,574	14,691
Total Assets		**15,120**	15,237
Current Liabilities	23	**(1,315)**	(1,321)
Total Liabilities		**(1,315)**	(1,321)
Net Assets		**13,805**	13,916
Equity			
Share capital	25	**4,408**	4,408
Share premium account		**7,957**	7,957
Capital redemption reserve		**566**	566
Retained earnings	26	**874**	985
Equity Attributable to Equity Holders of the Parent		**13,805**	13,916
Total Equity	26	**13,805**	13,916

The financial statements were approved by the Board of Directors and authorised for issue on 28 June 2007.
They were signed on its behalf by:

Rolf L. Nordström
Daniel Akselson } Directors

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	**Year ended 31 December 2006**		Year ended 31 December 2005	
		€'000	**€'000**	€'000	€'000
Net Cash Inflow from Operating Activities	27(a)		**(3,075)**		6,984
Investing Activities					
Interest received		**273**		372	
Acquisition of investment properties		**(39,627)**		(48,946)	
Sale of subsidiary undertaking		**4,687**		–	
Purchase of subsidiary undertakings		**(2,031)**		–	
Net Cash Used in Investing Activities			**(36,698)**		(48,574)
Financing Activities					
Dividends paid		**(805)**		(609)	
Interest paid		**(2,374)**		(2,109)	
Repayments of borrowings		**(21)**		(7,066)	
New bank loans raised		**38,026**		34,157	
Net Cash Generated by Financing Activities			**34,826**		24,373
Net Decrease in Cash and Cash Equivalents			**(4,947)**		(17,217)
Cash and Cash Equivalents at Beginning of Year			**17,115**		34,332
Cash and Cash Equivalents at End of Year			**12,168**		17,115

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	**Year ended 31 December 2006**		Year ended 31 December 2005	
		€'000	**€'000**	€'000	€'000
Net Cash Inflow from Operating Activities	27(b)		**4,895**		168
Investing Activities					
Interest received		**683**		1,084	
Net Cash Generated by Investing Activities			**683**		1,084
Financing Activities					
Interest paid		**(9)**		(291)	
Dividends paid		**(805)**		(609)	
Net Cash Used in Financing Activities			**(814)**		(900)
Net Increase in Cash and Cash Equivalents			**4,764**		352
Cash and Cash Equivalents at Beginning of Year			**689**		337
Cash and Cash Equivalents at End of Year			**5,453**		689

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2006

1 Accounting Policies

(a) Basis of accounting

The financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS's) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The separate financial statements of the Company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The financial statements of the Group and Company have been prepared on the historical cost basis, except for the revaluation of investment properties and financial instruments. The principal accounting policies of the Group and Company are set out below.

These financial statements are presented in euros because that is the currency of the primary economic environment in which the Group operates.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the original combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(c) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets acquired, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets that are classified as held for resale in accordance with IFRS 5 'Non Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(d) Joint ventures

A subsidiary undertaking has entered into an arrangement whereby it has a 50% interest in an investment property.

In accordance with IAS 31 'Interests in Joint Ventures', the Group treats its investment in the property as a jointly controlled asset and accounts for its share of the individual items of income, expenditure, assets, liabilities and cash flows.

1 Accounting Policies (continued)

(e) Revenue recognition

Revenue comprises rental income and income received from the sale of trading properties net of VAT and other sales related taxes.

Rental income is recognised when due under the terms of the lease. Revenue from sale of properties is recognised in the period within which there is an unconditional exchange of contracts.

Interest income is accrued on a time basis, by reference to the balance on deposit and the interest rate applicable.

(f) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Separate regard is given to the land and building elements of leases, where relevant.

The Group as lessor

All arrangements in the current and prior year have been classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are recognised on a straight-line basis over the term of the relevant lease.

(g) Foreign currencies

The individual financial statements of each Group Company are presented in the currency of the primary economic environment in which it operates. For the purpose of the individual and consolidated financial statements, the results and financial position of each Group Company are expressed in euros, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(h) Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

(i) Retirement benefit costs

Payments to the personal pension schemes of certain employees and Directors are charged as an expense as they fall due.

(j) Taxation

The tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1 Accounting Policies (continued)

(j) Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(k) Investment property

Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss as part of other operating income for the period in which they arise.

Where an investment property is held under a headlease it is initially recognised as an asset as the sum of the premium paid on acquisition and the present value of the minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the Balance Sheet as a finance lease obligation.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes acquisition expenses and refurbishment expenditure in respect of major works and attributable interest and overheads.

(m) Financial instruments

Financial assets and financial liabilities are recognised on the Group and Company balance sheet when the Group or Company becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are measured initially at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

Investments

Investments classified as available-for-sale are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Impairment losses recognised in profit or loss are not subsequently reversed through profit or loss.

In the Company accounts, investments in subsidiary undertakings are stated at cost less any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1 Accounting Policies (continued)

(m) Financial instruments (continued)

Derivative financial instruments
The Group's activities expose it primarily to the financial risks in changes in interest rates.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provides written principles on the use of financial derivatives. Derivative instruments utilised by the Group include, from time to time, 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.

Changes in fair value of derivative financial instruments are recognised in the income statement as they arise.

(n) Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the the balance sheet date, and are discounted to present value where the effect is material.

(o) Dividends
Dividends are recognised when they become legally payable. In the case of interim dividends, this is when paid.
In the case of final dividends, this is when approved by the Shareholders at the AGM.

(p) Accounting standards issued not yet adopted
The following new standards and interpretations, which have been issued by the IASB and the IFRIC, are effective for future periods and have not been adopted early in these financial statements. A description of these standards and interpretations, together with (where applicable) an indication of the effect of adopting them, is set out below.

Standards and interpretations that may affect the Group's reported results or financial position
IFRIC 10 'Interim Financial Reporting and Impairment' was issued in July 2006 and is effective for periods beginning on or after 1 November 2006. IFRIC 10 prohibits impairment losses recognised in Interim Reports from being reversed in the next annual financial statements. However, it is not possible to quantify the financial affects of adopting this IFRIC in advance.

Amendment to IAS 23 'Borrowing Costs' was issued in May 2007 and is effective for accounting periods beginning on or after 1 January 2009. The amendment requires borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset to be added to the cost of that asset.

The Group currently adopts a policy of expensing all borrowing costs in the period in which they are incurred. It is not currently possible to quantify the financial effect of adopting this amendment.

Standards and interpretations that are not expected to affect the Group's reported results or financial position
IFRIC 7 'Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies' was issued in November 2005 and is effective for annual periods beginning on or after 1 March 2006. It clarifies how to account for non-monetary assets and deferred tax when hyperinflation is first identified.

IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' was issued in November 2006 and is effective for annual periods beginning on or after 1 March 2006. IFRIC 11 clarifies the accounting for share based transactions which fall within the scope of IFRS 2.

IFRIC 12 'Service Concession Arrangements' was issued in November 2006 and is effective for annual periods beginning on or after 1 January 2008. IFRIC 12 prohibits private sector operators from recognising as their own those infrastructure assets which are owned by the grantor.

IFRS 7 'Financial Instruments: Disclosures and Amendment to IAS 1: Capital Disclosures' were issued in August 2005 and are effective for annual periods beginning on or after 1 January 2007. They revise and enhance previous disclosures required by IAS 32 Financial Instruments: Disclosures and Presentation and IAS 30 Disclosures in the Financial Statements of Banks and similar Financial Institutions.

IFRS 8 'Operating Segments' was issued in November 2006 and is effective for annual periods beginning on or after 1 January 2009. It requires portable operating segments to be based on the entity's own internal reporting structure. It also extends the scope and disclosure requirements of IAS 14 Segmental Reporting. The adoption of IFRS 8 will not affect the results or net assets of the Group.

1 Accounting Policies (continued)

(p) Accounting standards issued not yet adopted (continued)

Status of EU-endorsement

Entities in EU Member States which report in accordance with EU-endorsed IFRS can only apply IFRSs and IFRICs where the endorsement process has been completed at the date of approval of their financial statements. Of the standards and interpretations listed above, the following had not yet been endorsed by the European Union at the date these financial statements were authorised for issue:

- IFRS 8 Operating Segments;
- IFRIC 12 Service Concession Arrangements; and
- Amendment to IAS 23 Borrowing Costs.

These are expected to be endorsed during 2007.

2 Critical Accounting Judgements and Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in note 1, management has made judgements in relation to property valuations and provisions which have a significant effect on the amounts recognised in the financial statements. Further details are given in note 13 and 24.

3 Revenue and Other Income

An analysis of the Group's revenue is as follows:

	Year ended 31 December 2006	Year ended 31 December 2005
	€'000	€'000
Investment property rental income	**5,147**	2,368
Trading property rental income	**218**	998
Sale of property	**–**	12,800
	5,365	16,166
Other operating income	**20,695**	2,188
Finance income	**292**	618
Profit on sale of subsidiaries	**2,656**	–
	29,008	18,972

Other operating income represents the increase in fair value of investment properties recognised during the period. Further details are given in note 13.

4 Business and Geographical Segments

For management purposes, the Group is currently organised into two operating divisions – Investment Properties and Trading Properties. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

	Investment Properties Year ended 31 December 2006	**Trading Properties Year ended 31 December 2006**	**Consolidated Year ended 31 December 2006**	Investment Properties Year ended 31 December 2005	Trading Properties Year ended 31 December 2005	Consolidated Year ended 31 December 2005
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Revenue						
Continental Europe	**5,147**	**218**	**5,365**	2,577	13,589	16,166
Total revenue	**5,147**	**218**	**5,365**	2,577	13,589	16,166
Segment result	**454**	**118**	**572**	(1,422)	7,515	6,093
Administration expenses	**(2,993)**	**(59)**	**(3,052)**	(2,267)	(42)	(2,309)
Other operating expenses	**(1,932)**	**–**	**(1,932)**	(148)	–	(148)
Other operating income	**20,695**	**–**	**20,695**	2,188	–	2,188
Operating profit	**16,224**	**59**	**16,283**	(1,649)	7,473	5,824
Finance income	**292**	**–**	**292**	618	–	618
Profit on sale of subsidiary	**2,656**	**–**	**2,656**	–	–	–
Finance costs	**(2,445)**	**–**	**(2,445)**	(1,419)	(191)	(1,610)
Profit before tax	**16,727**	**59**	**16,786**	(2,450)	7,282	4,832
Tax (charge)/credit	**(5,785)**	**–**	**(5,785)**	277	–	277
Profit for the year from continuing operations	**10,942**	**59**	**11,001**	(2,173)	7,282	5,109

	Investment Properties Year ended 31 December 2006	**Trading Properties Year ended 31 December 2006**	**Consolidated Year ended 31 December 2006**	Investment Properties Year ended 31 December 2005	Trading Properties Year ended 31 December 2005	Consolidated Year ended 31 December 2005
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Balance Sheet						
Assets						
Segment assets	**127,090**	**1,962**	**129,052**	71,848	1,962	73,810
Liabilities						
Segment liabilities	**(94,556)**	**–**	**(94,556)**	(49,510)	–	(49,510)

4 Business and Geographical Segments (continued)

Geographical segments

The Group's operations are located in Belgium and Germany. All investment properties are located in Germany and all trading properties are located in Belgium.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales Revenue by Geographical Market	
	Year ended 31 December 2006	Year ended 31 December 2005
	€'000	€'000
Belgium	**218**	13,589
Germany	**5,147**	2,577
	5,365	16,166

5 Profit for the Year

	Year ended 31 December 2006	Year ended 31 December 2005
	€'000	€'000
Profit for the year has been arrived at after charging/(crediting)		
Net foreign exchange gains	**(18)**	(283)
Operating lease rentals	**19**	90
Staff costs	**666**	614
Auditors' remuneration – Group audit services	**48**	43
– Company audit services	**16**	20
– taxation services	**76**	71

6 Staff Costs

(a) The average number of employees (including Executive Directors) for both the Group and the Company was:

	Group		Company	
	31 December 2006	31 December 2005	**31 December 2006**	31 December 2005
Executive Directors	**2**	2	**2**	2
Non-Executive Directors	**3**	3	**3**	3
Other employees	**7**	1	**1**	1
	12	6	**6**	6

6 Staff Costs (continued)

(b) The aggregate remuneration for both the Group and the Company comprised:

	Group		Company	
	31 December 2006	31 December 2005	**31 December 2006**	31 December 2005
	€'000	€'000	**€'000**	€'000
Wages and salaries	**600**	559	**377**	422
Social security cost	**44**	41	**38**	37
Other pension costs	**22**	14	**–**	–
	666	614	**415**	459

The Executive Directors comprise the key management personnel of the Group and Company in both the current and previous years.

The total amounts for the Directors' remuneration was as follows:

	Year ended 31 December 2006	Year ended 31 December 2005
	€'000	€'000
Executive Directors		
Emoluments	**366**	369
Pension contributions	**22**	14
Gains on exercise of share options	**51**	65
	439	448
Non-Executive Directors		
Emoluments	**44**	44
	44	44

Remuneration of the highest paid Director during the year was €190,000 (2005 – €208,000) plus pension contributions of €22,000 (2005 – €14,000) and gains on exercise of share options of €50,750 (2005 – €65,000).

In addition to the amounts shown above, Sir Eric Parker has a separate consultancy agreement with the Company payable at the rate of €22,034 (2005 – €21,960) per annum with effect from 1 January 2001.

7 Finance Income

	Year ended 31 December 2006	Year ended 31 December 2005
	€'000	€'000
Interest on bank deposits	**255**	335
Gain on foreign exchange	**18**	283
Gain on revaluation of interest rate collar	**19**	–
	292	618

8 Profit on Sale of Subsidiaries

On 16 January 2006 the group acquired 100% of the ordinary share capital of Harbour View Finance Limited, a non-trading company, for a cash consideration of €0.531 million. This investment was subsequently disposed of on 3 July 2006 for a cash consideration of €2.750 million realising a profit on disposal of €2.219 million.

In May 2006, the group acquired a 50% investment in Inter Alpha Immobilien GmbH and its wholly owned subsidiary Uni-Center GmbH, for a cash consideration of €1.500 million. This investment was subsequently disposed of in July 2006 for a cash consideration of €1.937 million realising a profit on disposal of €0.437 million.

The trading results of these subsidiaries in the periods from acquisition to disposal were not significant.

9 Finance Costs

	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
Bank loans and overdrafts	**(2,374)**	(1,610)
Amortisation of loan issue costs	**(71)**	–
	(2,445)	(1,610)

10 Tax

	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
Current tax charge	**(55)**	(9)
Deferred tax	**(5,730)**	286
	(5,785)	277

Corporation tax is calculated at 30% (2005 – 30%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
Profit on ordinary activities before tax	**16,786**	4,832
Tax on profit on ordinary activities at standard rate	**(5,036)**	(1,450)
Expenses not deductible for tax purposes	**(124)**	(64)
Capital allowances in excess of depreciation	**7**	4
Increase in UK losses	**(130)**	(172)
Differences between overseas tax rates	**578**	19
Increase in overseas losses	**(826)**	200
Property revaluation not taxed	**–**	76
Non taxable income	**–**	11
Sale of subsidiary not taxed	**–**	1,653
Adjustment in respect of prior year deferred tax	**(254)**	–
Tax (charge)/credit for the year	**(5,785)**	277

11 Dividends

	Year ended 31 December 2006 €'000	Year ended 31 December 2005 €'000
Amounts recognised as distributions to equity holders in the period		
Final dividend for the year ended 31 December 2005 of €0.06 (4.0p) (2004 – €0.04 (3.0p)) per share	**403**	306
Interim dividend for the year ended 31 December 2006 of €0.06 (4.0p) (2005 – €0.04 (3.0p)) per share	**402**	303
	805	609
Proposed final dividend for the year ended 31 December 2006 of €0.07 (5.0p) per share (2005 – €0.06 (4.0p))	**485**	415

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

12 Earnings per Share

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

Earnings

	Year ended 31 December 2006	Year ended 31 December 2005
Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity holders of the parent	**€11,000,746**	€5,109,314

Number of shares

	Year ended 31 December 2006	Year ended 31 December 2005
Weighted average number of Ordinary Shares for the purposes of basic and diluted earnings per share	**6,927,446**	6,927,446
Basic and diluted earnings per share	**€1.59**	€0.74

13 Investment Property – Group

Fair value	**Year ended 31 December 2006**	Year ended 31 December 2005
	€'000	€'000
At 1 January	**51,734**	–
Additions during the year	**36,033**	49,546
Additions resulting from business combinations	**3,574**	–
Increase in fair value during the year	**20,695**	2,188
At 31 December	**112,036**	51,734

The fair value of the Group's investment property portfolio at 31 December 2006 has been assessed by the Directors using independent professional valuations where available.

One investment property is held under a ground lease expiring in 2050. All other investment properties represent freehold interests.

The Group has pledged all of its investment property to secure general banking facilities granted to the Group.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to €5.15 million (31 December 2005 – €2.6 million). Direct operating expenses arising on the investment property in the period amounted to €2.99 million (31 December 2005 – €1.70 million).

At 31 December 2006 the Group had outstanding capital commitments in relation to ongoing refurbishment programmes of €43,000 (31 December 2005 – Nil).

14 Investments

Available-for-sale investments

	Year ended 31 December 2006	Year ended 31 December 2005
	€'000	€'000
Cost	**2**	2

The investments included above represent investments in listed equity securities that present the Group with opportunity for return through dividend income and trading gains. The fair values of these securities – based on quoted market prices at the year end – are not materially different to book value and thus no adjustment has been made.

15 Inventories

Inventories comprising trading properties with a carrying amount of €2.0 million (2005 – €2.0 million) have been pledged as security for certain of the Group's bank loans.

16 Subsidiaries – Company

	Year ended 31 December 2006	Year ended 31 December 2005
	€'000	€'000
Cost at 1 January and 31 December	**687**	687
Provisions at 1 January and 31 December	**(141)**	(141)
Net book value at 31 December	**546**	546

The Company's principal subsidiaries at 31 December 2006 were as follows:

	Nature of Business	Percentage Shareholding of Ordinary Shares	Country of Incorporation/Operation
Touquet Europe BV	Holding Company	100	Netherlands
IRE German Property Holding BV	Holding Company	100	Netherlands
Gopro Holding BV	Holding Company	100	Netherlands
IT Tower Conference and Services BVBA	Property Investment	100	Belgium
Omega Swed BV	Property Investment	100	Netherlands
German Property I BV	Property Investment	100	Netherlands
German Property II BV	Property Investment	100	Netherlands
IRE 1 Immobilien GmbH	Property Investment	100	Germany
IRE 2 Immobilien GmbH	Property Investment	100	Germany
IRE 3 Immobilien GmbH	Property Investment	100	Germany
IRE 4 Immobilien GmbH	Property Investment	100	Germany
IRE 5 Immobilien GmbH	Property Investment	100	Germany
IRE 6 Immobilien GmbH	Property Investment	100	Germany
IRE 7 Immobilien GmbH	Property Investment	100	Germany
IRE 8 Immobilien GmbH	Property Investment	100	Germany
IRE 9 Immobilien GmbH	Property Investment	100	Germany
IRE 10 Immobilien GmbH	Property Investment	100	Germany
IRE 11 Immobilien GmbH	Property Investment	100	Germany
IRE 12 Immobilien GmbH	Property Investment	100	Germany
Bersarinplatz GmbH	Property Investment	90	Germany

The 10% minority interest in Bersarinplatz is held by a private investor, Mr. Christopher Nordström, acting independently.

The investment in Touquet Europe BV is held directly. All other investments are held indirectly through subsidiaries.

17 Acquisition of subsidiary

On 16 January 2006 the Group acquired 100% of the issues share capital of Havenzicht Rotterdam NV for a cash consideration of €1,240,000. Subsequently, on 15 August 2006, the Group acquired 100% of Alpha Dutch Holdings BV for a cash consideration of €1. Both entities are holding companies which together, through their jointly held subsidiary undertakings, have a 100% interest in an investment property in Hamm, Germany. There was no material movement in the book values of the assets of the companies acquired between 16 January 2006 and 15 August 2006. The acquisitions can be summarised as follows:

	Havenzicht Rotterdam NV	Alpha Dutch Holdings BV	Subsidiaries	Total book value	Fair value adjustments	**Total fair value**
	€'000	€'000	€'000	€'000	€'000	**€'000**
Net assets acquired						
Investment property	–	–	4,383	4,383	(809)	**3,574**
Current assets	3,813	473	1,353	5,639	–	**5,639**
Current liabilities	(52)	(1,357)	(6,564)	(7,973)	–	**(7,973)**
	3,761	(884)	(828)	2,049	(809)	**1,240**
Goodwill						–
Total cash consideration						**1,240**

Havenzicht Rotterdam NV, Alpha Dutch Holdings BV and their subsidiaries contributed €0.82 million revenue and €0.46 million to the Groups's profit before tax for the period between the date of acquisition and the balance sheet date.

18 Joint Venture Arrangements

IRE 4 Immobilien GmbH has a 50% interest in a jointly controlled investment property. The consolidated financial statements include the following amounts in relation to this jointly controlled asset.

	31 December 2006	31 December 2005
	€'000	€'000
Non current assets	**3,769**	3,839
Current assets	**553**	587
Current liabilities	**(567)**	(114)
Non current liabilities	**(3,575)**	(3,575)
Income	**599**	203
Expense	**(735)**	(160)

19 Trade and Other Receivables

	Group		**Company**	
	31 December 2006	31 December 2005	**31 December 2006**	31 December 2005
	€'000	€'000	**€'000**	€'000
Amounts falling due within one year				
Trade receivables	**507**	2,019	**22**	16
Amounts owed by Group undertakings	**–**	–	**9,071**	13,945
Other debtors	**739**	67	**8**	17
Prepayments	**1,638**	911	**20**	24
	2,884	2,997	**9,121**	14,002

The Group's principal financial assets comprise cash and trade receivables. In the opinion of the Directors, the book value of these financial assets approximate to their fair value at the balance sheet date.

Amounts owed by Group undertakings bear interest at 5.3% (2005 – 8%). During the year interest charged totalled €0.82 million (2005 – €1.14 million).

The amounts shown for trade receivables represent the Group's maximum credit risk exposure at the balance sheet date.

The Group has no significant concentration of credit risk, with exposure spread over a large number of lessees.

Included within other debtors is a loan to Daniel Akselson for €400,000 (2005 – Nil). The loan is repayable on demand and is interest free in lieu of rent payable for office space used by the Group.

20 Cash and Cash Equivalents

The Group and Company cash balances include €135,000 held in Sterling (2005 – €43,000). All other balances in both financial periods are held in Euros.

Surplus cash balances are held on short term deposit earning market rates of interest.

21 Bank Overdrafts and Loans – Group

	Year ended 31 December 2006	Year ended 31 December 2005
	€'000	€'000
Bank loans	**72,162**	34,157
	72,162	34,157

The borrowings are repayable as follows:		
On demand or within one year	**8,474**	21
In the second year	**3,453**	492
In the third to fifth years inclusive	**5,376**	1,477
After five years	**54,859**	32,167
	72,162	34,157
Less: Amount due for settlement within 12 months	**8,474**	21
Amount due for settlement after 12 months	**63,688**	34,136

All borrowings, in both financial periods, are denominated in Euros.

The weighted average interest rates paid were as follows:

	Year ended 31 December 2006	Year ended 31 December 2005
	%	%
Bank loans	**4.64**	3.36

Bank loans at 31 December 2006 and 2005 are arranged at fixed rates, thus exposing the Group to fair value interest rate risk.

The weighted average period for which interest rates are fixed is 9.7 years (2005 – 9.6 years).

The Directors estimate the fair value of the Group's borrowings as follows:

	Year ended 31 December 2006	Year ended 31 December 2005
	€'000	€'000
Bank loans	**72,162**	34,157
	72,162	34,157

The other principal features of the Group's borrowings are as follows:

At 31 December 2006 the Group had nineteen principal bank loans (2005 – five):

(i) a loan of €10.500 million (2005 – €10.500 million). The loan was taken out on 5 August 2005. Repayments commence in January 2007 and will continue until June 2015. The loan is secured over certain of the Group's properties. The loan carries interest rate at 4.950%.

(ii) a loan of €1.764 million (2005 – Nil). The loan was taken out on 26 January 2006. Repayments commenced in February 2006 and will continue until January 2016. The loan is secured over certain of the Group's properties. The loan carries interest rate at 4.690%.

(iii) a loan of €4.095 million (2005 – €4.200 million). The loan was taken out on 20 October 2005. Repayments commenced in October 2005 and will continue until July 2012. The loan is secured over certain of the Group's properties. The loan carries interest rate at 4.096%.

21 Bank Overdrafts and Loans – Group (continued)

(iv) a loan of €15.676 million (2005 – €12.082 million). The loan was taken out on 21 December 2005. Repayments commence in January 2007 and will continue until December 2012. The loan is secured over certain of the Group's properties. The loan carries interest rate at 4.360%. This loan is held in a joint partnership for which the Group holds 90%. Undrawn facilities under this loan arrangement at 31 December 2006 were €0.736 million (2005 – €4.330 million) expiring between one and two years.

(v) a loan of €3.707 million (2005 – €3.800 million). The loan was taken out on 31 October 2005. Repayments commenced in January 2006 and will continue until October 2012. The loan is secured over certain of the Group's properties. The loan carries interest rate at 4.244%.

(vi) a loan of €0.850 million (2005 – €Nil). The loan was taken out on 31 December 2006. Repayments commence in January 2007 and will continue until December 2016. The loan is secured over certain of the Group's properties. The loan carries interest rate at 4.820%.

(vii) a loan of €1.400 million (2005 – €Nil). The loan was taken out on 31 December 2006. Repayments commence in January 2007 and will continue until December 2016. The loan is secured over certain of the Group's properties. The loan carries interest rate at 4.350%.

(viii) a loan of €3.575 million (2005 – €3.575 million). The loan was taken out on 21 December 2005. Repayments commence in October 2007 and will continue until October 2010. The loan is secured over certain of the Group's properties. The loan carries interest rate at 4.196%. This loan is held in a joint partnership for which the Group holds 50%. Undrawn facilities under this loan arrangement at 31 December 2006 were €0.150 million (2005 – €0.150 million) expiring between one and two years.

(ix) a loan of €4.667 million (2005 – €Nil). The loan was taken out on 1 July 2006. Repayments commence in January 2007 and will continue until June 2016. The loan is secured over certain of the Group's properties. The loan carries interest rate at 5.207%.

(x) a loan of €1.367 million (2005 – €Nil). The loan was taken out on 1 July 2006. Repayments commence in January 2007 and will continue until June 2016. The loan is secured over certain of the Group's properties. The loan carries interest rate at 5.207%.

(xi) a loan of €0.894 million (2005 – €Nil). The loan was taken out on 1 September 2006. Repayments commenced in September 2006 and will continue until July 2016. The loan is secured over certain of the Group's properties. The loan carries interest rate at 4.850%.

(xii) a loan of €5.500 million (2005 – €Nil). The loan was taken out on 1 October 2006. Repayments commence in January 2007 and will continue until August 2016. The loan is secured over certain of the Group's properties. The loan carries interest rate at 4.930%.

(xiii) a loan of €0.236 million (2005 – €Nil). The loan was taken out on 1 October 2006. Repayments commence in January 2007 and will continue until August 2016. The loan is secured over certain of the Group's properties. The loan carries interest rate at 4.720%.

(xiv) a loan of €0.500 million (2005 – €Nil). The loan was taken out on 1 October 2006. Repayments commence in January 2007 and will continue until August 2016. The loan is secured over certain of the Group's properties. The loan carries interest rate at 4.720%.

(xv) a loan of €1.113 million (2005 – €Nil). The loan was taken out on 1 November 2006. Repayments commenced in December 2006 and will continue until October 2016. The loan is secured over certain of the Group's properties. The loan carries interest rate at 4.918%.

(xvi) a loan of €2.349 million (2005 – €Nil). The loan was taken out on 1 November 2006. Repayments commenced in December 2006 and will continue until October 2016. The loan is secured over certain of the Group's properties. The loan carries interest rate at 4.95%.

(xvii) a loan of €1.860 million (2005 – €Nil). The loan was taken out on 21 November 2006. Repayments commence in December 2006 and will continue until November 2016. The loan is secured over certain of the Group's properties. The loan carries interest rate at 5.104%.

(xviii) a loan of €5.109 million (2005 – €Nil). The loan was taken out on 1 July 2006. The loan is secured over certain of the Group's properties and is renewable on an annual basis. The loan carries interest rate at 5.750%.

(xix) a loan of €7.000 million (2005 – €Nil). The loan was taken out on 3 March 2006 and was repaid in February 2007. The loan is secured over certain of the Group's properties. The loan carries interest rate at 7.000%.

22 Deferred Tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period:

	Revaluation	Tax losses	Total
	€'000	€'000	€'000
At 1 January 2005	–	612	612
Credit to income	580	(866)	(286)
At 1 January 2006	580	(254)	326
Charge/(credit) to income	5,476	254	5,730
At 31 December 2006	6,056	–	6,056

At the balance sheet date, the Group and Company had unused United Kingdom capital tax losses amounting to €5,386,000 (2005 – €5,266,000).

23 Current Liabilities

	Group		Company	
	31 December 2006	31 December 2005	**31 December 2006**	31 December 2005
	€'000	€'000	**€'000**	€'000
Bank loans and overdrafts (note 21)	**8,474**	21	**–**	–
Finance lease creditor (note 28)	**37**	37	**–**	–
Amounts owed to Group undertakings	**–**	–	**1,120**	1,120
Corporation tax	**37**	–	**–**	–
Social security and other taxes	**64**	95	**26**	30
Other creditors	**2,239**	685	**63**	10
Provisions (note 24)	**9,011**	4,146	**–**	–
Accruals and deferred income	**4,389**	3,501	**106**	161
	24,251	8,485	**1,315**	1,321

Amounts owed to Group undertakings accrue interest at 5.3% (2005 – 8%). During the year interest charged totalled €159,000 (2005 – €68,000).

24 Provisions

	Year ended 31 December 2006
	€'000
At 1 January	**10,146**
Utilisation of provision	**(1,135)**
At 31 December	**9,011**
Included in current liabilities	**9,011**
Included in non-current liabilities	**–**
At 31 December	**9,011**

Provisions represent the management's best estimates, based on past experience, of the Group's liability for guarantees and commitments granted in relation to property disposals in the current and preceding year. Such provisions relate to agreed refurbishment works, rental guarantees, legal costs, environmental and other obligations. The provisions are expected to be utilised over the period to 31 December 2008.

There are a number of inherent estimation uncertainties in determining the appropriate level of provisions, including matters such as timing and extent of refurbishment required and level of lettings achieved.

25 Share Capital

	31 December 2006	31 December 2005
Authorised:		
9,953,805 Ordinary Shares at 40p each	**£3,981,522**	£3,981,522
Issued and fully paid:		
6,927,446 Ordinary Shares at 40p each	**€4,408,430**	€4,408,430

26 Retained Earnings and Total Equity

	Retained Earnings		Total Equity			
	Group	Company	Parent	Minority	**Total**	Company
			€'000	€'000	**€'000**	€'000
Balance at 1 January 2005	6,869	809	19,800	–	**19,800**	13,740
Dividends paid	(609)	(609)	(609)	–	**(609)**	(609)
Net profit for the year	5,109	785	5,109	–	**5,109**	785
Balance at 1 January 2006	11,369	985	24,300	–	**24,300**	13,916
Dividends paid	(805)	(805)	(805)	–	**(805)**	(805)
Net profit for the year	10,500	694	10,500	501	**11,001**	694
Balance at 31 December 2006	**21,064**	**874**	**33,995**	501	**34,496**	**13,805**

No profit and loss account is presented by the parent Company as permitted by Section 230 of the Companies Act 1985.

The following describes the nature and purpose of each reserve within total equity for both the Group and Company.

Share Premium:	Amount subscribed for share capital in excess of nominal value.
Capital Redemption:	Amount transferred from share capital on redemption of issued shares in 2004.
Retained Earnings:	Cumulative net gains and losses recognised in the income statement.

27 Notes to the Cash Flow Statement

(a) Group

	31 December 2006	31 December 2005
	€'000	€'000
Operating profit	**16,283**	5,824
Adjustments for:		
Increase in fair value of investment properties	**(20,695)**	(2,188)
Decrease in provisions	**(1,135)**	(7,654)
Operating cash flows before movements in working capital	**(5,547)**	(4,018)
Decrease in inventories	**–**	10,770
Decrease/(increase) in receivables	**113**	(1,893)
Increase in payables	**2,359**	2,125
Cash generated from operations	**(3,075)**	6,984
Income taxes paid	**–**	–
Net cash from operating activities	**(3,075)**	6,984

(b) Company

	31 December 2006	31 December 2005
	€'000	€'000
Operating profit/(loss)	**20**	(8)
Adjustments for:		
Operating cash flows before movements in working capital		
Decrease in receivables	**4,881**	2,057
Decrease in payables	**(6)**	(1,881)
Net cash from operating activities	**4,895**	168

28 Lease Arrangements

Operating leases

The Group as lessor

Property rental income earned during the year was €5.36 million (2005 – €3.37 million) net of operating expenses of €2.99 million (2005 – €2.93 million).

At the balance sheet date, the Group had contracted with its commercial tenants for the following future minimum lease payments under non-cancellable operating leases:

	31 December 2006	31 December 2005
	€'000	€'000
Within one year	**499**	176
In the second to fifth years inclusive	**722**	422
After five years	**170**	561
	1,391	1,159

In addition to the future minimum lease payments shown above, at the balance sheet date, the Group had cancellable lease arrangements with its residential tenants. Based on the current level of lettings remaining stable, these arrangements are expected to generate rental income of approximately €5.56 million in the year ended 31 December 2007.

The Group as lessee

	31 December 2006	31 December 2005
	€'000	€'000
Minimum lease payments under operating leases recognised in income for the year	**–**	29

Operating lease payments represent rentals payable by the Group for certain of its office properties.

Leases are negotiated for a term of one year and rentals are fixed for a term of one year.

Finance leases

One of the Group's investment properties is held under a head lease. In accordance with IAS 40, this is accounted for as a finance lease with the sum of the present value of the minimum ground rent payments being included in the Balance Sheet as a finance lease obligation.

Future lease payments are due as follows:

	Minimum Lease Payments 2006	**Interest 2006**	**Present Value 2006**	Minimum Lease Payments 2005	Interest 2005	Present Value 2005
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Not later than one year	**39**	**2**	**37**	39	2	37
Later than one year and not later than five years	**156**	**29**	**127**	156	29	127
Later than five years	**1,521**	**1,087**	**434**	1,521	1,085	436
	1,716	**1,118**	**598**	1,716	1,116	600

The present value of the future lease payments which, in the opinion of the Directors represents fair value at the balance sheet date is analysed as:

	2006	2005
	€'000	€'000
Current liabilities	**37**	37
Non-current liabilities	**561**	563
	598	600

The net book value of the property held under the above finance lease arrangement at 31 December 2006 is €6.1 million (2005 – €5.1 million).

29 Post Balance Sheet Events

IRE German Property Holding BV has in a private placement issued bonds, in the amount of €32 million, with the purpose of refinancing shareholder loans from IRE plc and a bridge loan from a bank. The bonds are secured on the related properties and the bondholders do not have legal recourse against IRE plc.

On 23 May 2007 the bonds were dual listed on the OMX Stockholmbörsen AB and on the OMX Copenhagen Stock Exchange.

Through the bond issue IRE plc has released €17.3 million cash, €7.1 million was used to repay a bridging facility, €5.8 million has been allocated for planned refurbishment projects on existing properties and the remaining €1.8 million was used to pay the costs associated with the bond issue.

The Senior bond carries a fixed interest rate of 7.7326% and the Junior bond carries a fixed interest rate of 8.5%. Interest on both tranches is payable annually in arrears.

The bonds are scheduled to be repaid in full at maturity on 1 March 2015, subject to the Company not exercising its right to early repayment.

30 Controlling Party

The controlling party is Jermyn Business Ltd, a company indirectly beneficially controlled by the family of Rolf L. Nordström.

Rolf L. Nordström has no direct or indirect ownership of Jermyn Business Limited.

31 Conversion Rates

	2006	2005
Sterling/Euro annual average exchange rate (£=€)	**1.467**	1.464
Sterling/Euro annual closing rate (£=€)	**1.484**	1.451

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 the Stafford Hotel, 16-18 St. James's Place, London SW1A 1NJ on 27 July 2007 at 12.00pm to transact the following business:

Ordinary Business

1. To receive and adopt the Report of the Directors and the audited Financial Statements for the year ended 31 December 2006.
2. To declare a dividend.
3. To re-elect Michel Berges 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 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 27 July 2008.

22 Grafton Street
London W1S 4EX

By Order of the Board

Tom Shannon, Secretary
28 June 2007

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.

22 Grafton Street
London W1S 4EX

Registered in England and Wales
No 2101254