



# International Real Estate

Annual Report 2007



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# DIRECTORS AND ADVISERS

<b>Directors</b>	Rolf L. Nordström <i>Chairman</i>
	Daniel Akselson <i>Chief Executive Officer</i>
	John S. Lamb <i>Senior Independent Non-Executive</i>
	Michel Berges <i>Independent Non-Executive</i>
	Sir Eric Parker <i>Independent Non-Executive</i>
<b>Secretary</b>	Tom Shannon
<b>Registered Office</b>	22 Grafton Street, London W1S 4EX
<b>Registration Number</b>	2101254 – Registered in England and Wales
<b>Stockbrokers</b>	KBC Peel Hunt Ltd 111 Old Broad Street London EC2N 1PH
<b>Auditors</b>	BDO Stoy Hayward LLP Chartered Accountants 8 Baker Street London W1U 3LL
<b>Solicitors</b>	Trowers & Hamlins 40 Tower Hill London EC1N 4DX
<b>Bankers</b>	HBOS plc
<b>Registrars and Transfer Office</b>	Capita IRG plc The Registry, 34 Beckenham Road Beckenham, Kent BR3 4TU
<b>Share Price Information</b>	The Financial Times Cityline Service: 09068433106
<b>Market</b>	AIM: IRE
<b>ISIN Number</b>	GB0006970593
<b>SEDOL</b>	0697059

# CHAIRMAN'S STATEMENT

I am pleased to report that IRE has had another successful year, despite the challenging conditions faced by the property market in general. Our main focus remains on the German property market, where our Berlin office has been further strengthened to meet the demands created from our growing portfolio. Importantly, we have completed planned refurbishments in the residential and commercial market and we are due to complete the ongoing projects during this and next year. Consequently, IRE is reporting satisfactory financial results and an 11% increase in the dividend for the year.

I am also pleased to report that IRE's efforts have been recognised through the winning of a number of industry awards and various positive press articles. Our latest development, Silver Tower, was featured on rbb, a Berlin TV channel, in favourable news coverage of the Berlin residential market.

## **Property Portfolio – Germany**

IRE has an extensive low risk property portfolio in Germany, amounting to circa 200,000 sq m divided over circa 2,100 apartments and some 50,000 sq m of office and commercial space. Whilst this market has showed signs of a slowdown with decreasing transaction volumes, the Board still sees Germany as central to its strategy, primarily focussing on the development and investment in residential properties.

During the year we have acquired a number of new properties in our target areas and have seen a steady improvement of rental levels for our residential portfolio as well as decreasing vacancy levels within the refurbished portfolio.

Magdeburg continues to be a key focus for us, and in line with this our investments in the city centre have continued during the year. We now have a very well concentrated portfolio occupying some of the city's most sought after addresses, with a lettable area approaching 75,000 sq m. The mix is predominately residential units and offices with commercial units on the ground floor level.

During the period we have, amongst other properties, acquired a circa 5,900 sq m mixed property on Hegelstrasse/Einsteinstrasse/Leibnitzstrasse, a top location in central Magdeburg. The property will now undergo an updating and upgrading programme which will be completed in 2009/10.

The existing projects in Liebigstrasse and the Südstadthöfe project were delayed due to some redesign work in order to comply with local conservation requirements. We are now ready to proceed with the necessary works and anticipate that they will be concluded during 2009.

## **Property Portfolio – Belgium**

We have been active in the Belgium property market for over 20 years, and have built a focussed property portfolio in Belgium, which we believe has excellent potential. This includes the Rue du Gouvernement Provisoire project, where building work is progressing well and the marketing of units is expected to commence during 2008.

Notably, we successfully completed works at the landmark IT Tower in central Brussels according to plan and therefore received an additional payment of circa €2.2 million in accordance with the transfer agreement from August 2004.

During the year we also entered into an agreement with Shell Research SA to acquire its circa 88,000 sq m leasehold site close to Brussels where Monnet Centre International Laboratory, a building with circa 17,425 sq m of lettable space, was erected in 1988. Completion of the acquisition is anticipated to occur in May 2008.

The Monnet Centre International Laboratory is located with direct access to the motorway in Louvain la Neuve, close to the University Campus in Wallonie, which is approximately 20 minutes from Brussels. It was previously used by Shell Research SA as a research centre and includes high-class laboratories, offices and ancillary premises. Following completion of the acquisition, we will have the possibility to further develop the property and revitalise an old planning permission to extend the property with circa 50,000 sq m of laboratories, offices and storage. With its infrastructure and access, we believe that this development has the potential to add significant value to the Group.

# CHAIRMAN'S STATEMENT

CONTINUED

## Strategy

The Group's primary strategy is to purchase properties in need of refurbishment, which are subsequently refurbished and re-let at a higher rate as well as purchase vacant properties with a view to reorganize and extending them.

This strategy naturally leads to a relatively low initial cash-flow requirement. However, a healthy increase in cash-flow and enhancement of the underlying property values from the various projects are later achieved as the schemes are finalised and re-let. Once the cycle has been completed, we evaluate the future retention policy for each individual property.

An example of this strategy in action was our investment in a portfolio of properties in Duren, purchased in 2005 for circa €1.8 million. We carried out a careful refurbishment programme whereby we reinvested the existing cash-flow generated by the properties together with some additional funds. The total purchase and investment programme came to circa €2.2 million. Following this, we sold the properties for €5.6 million to a German investor. However, the majority of the results from this investment have been released to the income statement in previous periods as a consequence of the Group's IFRS accounting policies.

## Results

Results for the year ended 31 December 2007 show revenue of €8.9 million (2006 – €5.4 million), pre-tax profit of €7.5 million (2006 – €16.8 million) and profit after taxation of €9.4 million (2006 – €11.0 million). Included within operating profit are unrealised property revaluation gains, release of provisions totalling €7.8 million (2006 – €1.1 million) and the additional payment to IRE of €2.2 million in connection with the finalisation of the IT Tower project. The Group's cash position as at 31 December 2007 was €21.6 million (2006 – €12.2 million). Total net borrowings after taking into account cash balances amounted to €128.6 million (2006 – €60.0 million). Total net assets amounted to €42.8 million (2006 – €34.5 million). Whilst gearing has increased, we anticipate a robust cash-flow from the Group's property portfolio in Germany. The Group accounts show a tax credit of €1.9 million which was mainly in relation to a reduction in the deferred tax provision following the lower tax rates from 2008 in Germany.

In May 2007 IRE German Property Holding BV, a Dutch subsidiary company, issued bonds in the amount of €32 million in a private placement. The bonds were subsequently listed on the OMX Nordic Exchange Stockholm and the OMX Nordic Exchange Copenhagen. The bonds were issued with the purpose of refinancing shareholder loans from IRE plc and a bridging loan from a bank.

## Dividend

The Board is proposing a final dividend of 5 pence per share (€0.07 eurocents) payable on 14 April 2008 to shareholders on the register on 14 March 2008. An Interim dividend of 5 pence (€0.07 eurocents) was paid on 19 October 2007, making a total dividend for the year of 10 pence (€0.14 eurocents), up 11% from 9 pence (€0.13 eurocents) on the previous year.

## Outlook

Naturally, the turbulence in the world-wide financial markets will affect the Group's business to a degree. However, the Board remains confident that we will be able to progress the development of the Group. Our property portfolio in Germany has a low risk profile and is generating an increasing cash-flow following completion of the various projects, whilst our new project in Belgium offers significant potential.

I would like to take this opportunity to thank my fellow directors, the staff, consultants and all the other people who have worked so hard and diligently during the year. I look forward to reporting on our progress throughout the year.



Rolf L. Nordström, Chairman  
London, 29 February 2008

# REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2007.

## **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 18 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 indicators are considered to be the Net Asset Value (NAV) which at 31 December 2007 was €6.18 per share (31 December 2006 – €4.98 per share) and gearing, which at 31 December 2007 was 300% (31 December 2006 – 174%).

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

## **Dividends**

The Directors recommend a final dividend for the year of 5.0 pence (€0.07) per ordinary share to be paid on 14 April 2008 to ordinary shareholders on the register on 14 March 2008 which, together with the interim dividend of 5.0 pence (€0.07) paid on 19 October 2007 makes a total of 10 pence (€0.13) per share for the year (2006 – 9.0 pence) (€0.13).

## **Directors**

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

Mr John Lamb and Rolf L. Nordström 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 53, 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 46, CEO since October 2001, 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.

## **Financial Instruments**

Details of financial instruments and their associated risks are given in note 14.

# REPORT OF THE DIRECTORS

CONTINUED

## **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.

## **Going Concern**

Taking into account resources and borrowing facilities and 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.

## **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, 29 February 2008

# 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

AS AT 29 FEBRUARY 2008

<b>Berlin</b>		Lettable Area m <sup>2</sup>	Tenure	Ownership
Uhlandstraße 175	Berlin	6,095	Freehold	100%
Landsberger Allee 88-102	Berlin	10,738	Freehold	100%
Bersarinplatz 1-4ff	Berlin	25,096**	Freehold	90%
Friedrichstraße 56	Berlin	2,124	Freehold	100%
Holzmarktstraße 69, 73, 75	Berlin	8,026	Freehold	100%
Andreasstraße 20	Berlin	7,684	Freehold	100%
Schinkestraße 4-5	Berlin	1,047	Freehold	100%
Wriezener Karree 1-11	Berlin	13,041	Freehold	100%
Frankfurter Allee 163-167/ Ruschestraße 2-1/Dottistraße 7	Berlin	13,854	Freehold	100%
Fanninger Straße 69/ Gernotstraße 37				
Fanninger Straße 71/ Gernotstraße 1/3	Berlin	3,862	Freehold	100%
Weitlingstraße 90/92, Rupprechtstraße 1	Berlin	1,875	Freehold	100%
Giselastraße 8/ Rupprechtstraße 10, 11	Berlin	2,168	Freehold	100%
Lehndorfstraße 31	Berlin	344	Freehold	100%
Scheffelstraße 10a/11/12	Berlin	1,613	Freehold	100%
Am Tierpark 1-3				
Alt-Friedrichsfelde 41-43	Berlin	10,931	Freehold	100%
Landsberger Allee 390, 392	Berlin	6,897	Freehold	100%
Lange Straße 27	Berlin	0*	Freehold	100%
<b>Sub-Total Berlin</b>		<b>115,935</b>		

<b>Magdeburg</b>		Lettable Area m <sup>2</sup>	Tenure	Ownership
Hegelstraße 4	Magdeburg	2,382	Freehold	100%
Hegelstraße 15	Magdeburg	1,076	Freehold	100%
Hegelstraße 17	Magdeburg	1,534	Freehold	100%
Hegelstraße 26	Magdeburg	2,710	Freehold	100%
Hegelstraße 32	Magdeburg	1,013	Freehold	100%
Hegelstraße 36	Magdeburg	1,686	Freehold	100%
Hegelstraße/Q 12	Magdeburg	7,510	Freehold	100%
Liebigstraße 6	Magdeburg	1,379 <sup>†</sup>	Freehold	100%
Liebigstraße 9	Magdeburg	1,437	Freehold	100%
Liebigstraße 9a	Magdeburg	956	Freehold	100%
Liebigstraße 10	Magdeburg	1,349	Freehold	100%
Einsteinstraße 2	Magdeburg	1,167	Freehold	100%
Einsteinstraße 13, 13a, 13b	Magdeburg	5,898 <sup>†</sup>	Freehold	100%
Breiter Weg 224	Magdeburg	1,914	Freehold	100%
Breiter Weg 229a	Magdeburg	1,018	Freehold	100%
Breiter Weg 231, 232	Magdeburg	2,159	Freehold	100%
Breiter Weg 232a	Magdeburg	3,386	Freehold	100%

<b>Magdeburg (continued)</b>		Lettable Area m <sup>2</sup>	Tenure	Ownership
Otto von Guericke-Straße 48	Magdeburg	1,370	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 17	Magdeburg	2,281	Freehold	100%
Goethestraße 1/Olvenstedter Straße	Magdeburg	2,774	Freehold	100%
Große Diesdorfer Straße 23/24	Magdeburg	4,066	Freehold	100%
Immermannstraße 33	Magdeburg	1,111	Freehold	100%
Albert-Vater-Straße 87	Magdeburg	1,225	Freehold	100%
Herderstraße 13	Magdeburg	999	Freehold	100%
St-Michael Straße 57	Magdeburg	641	Freehold	100%
Liebkechtstraße 36	Magdeburg	656	Freehold	100%
Braunschweiger Straße 3	Magdeburg	1,038	Freehold	100%
Gustav-Adolf-Straße 37	Magdeburg	1,242	Freehold	100%
Zollstraße 11	Magdeburg	1,371	Freehold	100%
<b>Sub-Total Magdeburg</b>		<b>72,833</b>		
<b>Germany – Other</b>				
		Lettable Area m <sup>2</sup>	Tenure	Ownership
Hansering 1/Leipziger Straße	Halle	1,844	Freehold	100%
Talamtstraße 1	Halle	2,111	Freehold	100%
Poststraße 4	Hamm	3,295	Freehold	100%
Kästner Passage	Dresden	3,950**	Freehold	50%
Fischmarkt 4a	Erfurt	1,356	Freehold	100%
Gutenbergstraße 58	Potsdam	1,438	Freehold	100%
Merzdorfer Straße 15-17		539	Freehold	100%
<b>Sub-Total Germany – Other</b>		<b>14,533</b>		
<b>Belgium</b>				
		Lettable Area m <sup>2</sup>	Tenure	Ownership
Centre Monnet		17,425 <sup>†</sup>	Leasehold	100%
Rue du Gouvernement Provisoire	Brussels	0*	Freehold	100%
<b>Sub-Total Belgium</b>		<b>17,425</b>		
<b>Total</b>		<b>220,726</b>		

\*Plot of land: Lange Straße 27–410m<sup>2</sup>. Rue du Gouvernement Provisoire – 748m<sup>2</sup>.

\*\*IRE plc share of Lettable Area.

<sup>†</sup> Contracts exchanged / completion scheduled for 2008.

# 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 2007 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 Report of the Directors and the property portfolio. 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 2007 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 2007;
- 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  
London, 29 February 2008

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Year ended 31 December 2007 €'000	Year ended 31 December 2006 €'000
Revenue	3	8,884	5,365
Cost of sales	4	3,947	(4,793)
<b>Gross Profit</b>		<b>12,831</b>	572
Other operating income	3	6,128	20,695
Administration expenses		(4,544)	(3,052)
Other operating expenses		(34)	(1,932)
<b>Operating Profit</b>	6	<b>14,381</b>	16,283
Finance income	8	484	292
Profit on sale of subsidiaries	9	–	2,656
Finance costs	10	(7,367)	(2,445)
<b>Profit Before Tax</b>		<b>7,498</b>	16,786
Tax credit/(charge)	11	1,854	(5,785)
<b>Profit for the Year</b>	28	<b>9,352</b>	11,001
Attributable to:			
Equity holders of the Parent		9,330	10,500
Minority interest		22	501
		<b>9,352</b>	11,001
<b>Earnings per Share</b>			
Basic	13	€1.35	€1.59
Diluted	13	€1.35	€1.59

## CONSOLIDATED AND COMPANY STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 31 DECEMBER 2007

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 28 to the financial statements.

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	31 December 2007 €'000	31 December 2006 €'000
<b>Non-Current Assets</b>			
Investment properties	15	193,011	112,036
Available for sale investments	16	–	2
		<b>193,011</b>	112,038
<b>Current Assets</b>			
Inventories	17	2,938	1,962
Trade and other receivables	21	8,796	2,884
Cash and cash equivalents		21,566	12,168
		<b>33,300</b>	17,014
<b>Total Assets</b>		<b>226,311</b>	129,052
<b>Current Liabilities</b>			
Trade and other payables	25	(27,829)	(6,692)
Current tax liabilities	25	(65)	(37)
Bank loans	25	(18,050)	(8,474)
Provisions	26	(1,250)	(9,011)
Finance leases	30	–	(37)
		<b>(47,194)</b>	(24,251)
<b>Non-Current Liabilities</b>			
Bank loans	23	(101,179)	(63,688)
Bond	14	(30,941)	–
Deferred tax liabilities	24	(4,158)	(6,056)
Finance leases	30	–	(561)
		<b>(136,278)</b>	(70,305)
<b>Total Liabilities</b>		<b>(183,472)</b>	(94,556)
<b>Net Assets</b>		<b>42,839</b>	34,496
<b>Equity</b>			
Share capital	27	4,408	4,408
Share premium account	28	7,957	7,957
Capital redemption reserve	28	566	566
Retained earnings	28	29,385	21,064
<b>Equity Attributable to Equity Holders of the Parent</b>	28	<b>42,316</b>	33,995
Minority interest	28	523	501
<b>Total Equity</b>	28	<b>42,839</b>	34,496

The financial statements were approved by the Board of Directors and authorised for issue on 29 February 2008.  
They were signed on its behalf by:

Rolf L. Nordström }  
Daniel Akselson } Directors

# COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	31 December 2007 €'000	31 December 2006 €'000
<b>Non-Current Assets</b>			
Investments in subsidiaries	18	581	546
		<b>581</b>	546
<b>Current Assets</b>			
Trade and other receivables	21	13,294	9,121
Cash and cash equivalents		1,007	5,453
		<b>14,301</b>	14,574
<b>Total Assets</b>		<b>14,882</b>	15,120
<b>Current Liabilities</b>			
	25	(1,370)	(1,315)
<b>Total Liabilities</b>		<b>(1,370)</b>	(1,315)
<b>Net Assets</b>		<b>13,512</b>	13,805
<b>Equity</b>			
Share capital	27	4,408	4,408
Share premium account	28	7,957	7,957
Capital redemption reserve	28	566	566
Retained earnings	28	581	874
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>13,512</b>	13,805
<b>Total Equity</b>	28	<b>13,512</b>	13,805

The financial statements were approved by the Board of Directors and authorised for issue on 29 February 2008.  
They were signed on its behalf by:

Rolf L. Nordström }  
Daniel Akselson } Directors

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Year ended 31 December 2007		Year ended 31 December 2006	
		€'000	€'000	€'000	€'000
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	29(a)		<b>15,190</b>		(3,075)
<b>Investing Activities</b>					
Interest received		351		273	
Acquisition of investment properties		(84,838)		(39,627)	
Disposal of investment properties		9,437		–	
Sale of subsidiary undertaking		–		4,687	
Purchase of subsidiary undertakings		–		(2,031)	
<b>Net Cash Used in Investing Activities</b>			<b>(75,050)</b>		(36,698)
<b>Financing Activities</b>					
Dividends paid		(1,009)		(805)	
Interest paid		(7,143)		(2,374)	
Repayments of borrowings		(1,352)		(21)	
Proceeds of bank borrowings		48,468		38,026	
Proceeds of bond issue (net of issue costs)		30,892		–	
Finance lease payments		(598)		–	
<b>Net Cash Generated by Financing Activities</b>			<b>69,258</b>		34,826
<b>Net Decrease in Cash and Cash Equivalents</b>			<b>9,398</b>		(4,947)
<b>Cash and Cash Equivalents at Beginning of Year</b>			<b>12,168</b>		17,115
<b>Cash and Cash Equivalents at End of Year</b>			<b>21,566</b>		12,168

# COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Year ended 31 December 2007		Year ended 31 December 2006	
		€'000	€'000	€'000	€'000
<b>Net Cash (Outflow)/Inflow from Operating Activities</b>	29(b)		<b>(4,150)</b>		4,895
<b>Investing Activities</b>					
Interest received		722		683	
<b>Net Cash Generated by Investing Activities</b>			<b>722</b>		683
<b>Financing Activities</b>					
Interest paid		(9)		(9)	
Dividends paid		(1,009)		(805)	
<b>Net Cash Used in Financing Activities</b>			<b>(1,018)</b>		(814)
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>			<b>(4,446)</b>		4,764
<b>Cash and Cash Equivalents at Beginning of Year</b>			<b>5,453</b>		689
<b>Cash and Cash Equivalents at End of Year</b>			<b>1,007</b>		5,453

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

## **I Accounting Policies**

### **(a) Basis of accounting**

The financial statements of the Group have been prepared in accordance with those 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.

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

The principal accounting policies of the Group and Company are set out below.

### **(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 cash and/or equity instruments issued by the Group in exchange for control of the 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.

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### **I 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 on completion.

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. All translation differences are recognised in the Income Statement as part of the finance income.

#### **(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.

**I 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.

Additions and disposals are recognised on completion. Profits and losses arising on disposal are recognised through the income statement and are determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus additions during the period.

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.

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

## I Accounting Policies (continued)

### (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.

Financial Assets

*Financial assets classified as loans and 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.

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.

*Financial assets classified as available-for-sale*

Investments classified as available-for-sale are measured 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.

*Financial assets classified as fair value through profit or loss*

In-the-money derivatives – derivative instruments utilised by the Group include, from time to time, interest rate cap and collar arrangements. Changes in fair value of derivative financial instruments are recognised in the income statement as they arise. The Group uses hedging instruments to manage risk but does not apply hedge accounting.

Financial Liabilities

*Financial liabilities classified as fair value through profit and loss*

Out-of-the-money derivatives – derivative instruments utilised by the Group include, from time to time, interest rate cap and collar arrangements. Changes in fair value of derivative financial instruments are recognised in the income statement as they arise. The Group uses hedging instruments to manage risk but does not apply hedge accounting.

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 accruals 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.

*Other financial liabilities*

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

*Share capital*

The Company's ordinary shares are classified as equity instruments and are recorded at the proceeds received, net of direct issue costs.

### (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.

## I Accounting Policies (continued)

### (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) New accounting standards adopted during the year

During the year the Group adopted IFRS 7 'Financial Instruments: Disclosures'. IFRS 7 revises and enhances the previous disclosures required by IAS 32 and IAS 30. The impact of the adoption of IFRS 7 has been to expand the disclosures provided in these financial statements (see note 14). There has been no effect on the Group's reported results or financial position.

### (q) 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*

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 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 2007. 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.

IFRIC 13 'Customer Loyalty Programmes' was issued in June 2007 and is effective for annual periods beginning on or after 1 July 2008. IFRIC 13 requires the fair value of revenue relating to customer loyalty rewards to be deferred until all related obligations to the customer have been fulfilled.

IFRIC 14 'IAS 19 the limit on a defined benefit asset, minimum funding requirements and their interaction', was issued in June 2007 and is effective for annual periods beginning on or after 1 January 2008. IFRIC 14 clarifies how any asset to be recognised should be determined, in particular where a minimum funding requirement exists.

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.

*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:

- IFRIC 12 Service Concession Arrangements;
- IFRIC 13 Customer Loyalty Programmes;
- IFRIC 14 IAS 19 the limit on a defined benefit asset;
- Amendment to IAS 23 Borrowing Costs; and
- IFRS 3 Business Combinations (revised).

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

## 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, rates of deferred tax thereon and provisions which have a significant effect on the amounts recognised in the financial statements. Estimates and judgements are continually evaluated based on historical experience and other factors; including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. Further details are given in notes 15, 24 and 26.

## 3 Revenue and Other Income

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

	<b>Year ended 31 December 2007</b>	Year ended 31 December 2006
	<b>€'000</b>	€'000
Investment property rental income	<b>8,884</b>	5,147
Trading property rental income	–	218
	<b>8,884</b>	5,365
Other operating income		
– Gains on revaluation of investment property (note 15)	<b>3,311</b>	20,695
– Gains on sale of investment property	<b>2,263</b>	–
– Income from litigation settlement	<b>554</b>	–
Finance income	<b>484</b>	292
Profit on sale of subsidiaries	–	2,656
	<b>15,496</b>	29,008

## 4 Cost of Sales

Included in cost of sales is a provision release of €7.8 million (2006 – €1.1 million) representing the utilisation and release of provisions charged to cost of sales in previous periods in connection with property disposals.

## 5 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 2007 €'000	Trading Properties Year ended 31 December 2007 €'000	Consolidated Year ended 31 December 2007 €'000	Investment Properties Year ended 31 December 2006 €'000	Trading Properties Year ended 31 December 2006 €'000	Consolidated Year ended 31 December 2006 €'000
<b>Revenue</b>						
Continental Europe	8,884	–	8,884	5,147	218	5,365
<b>Total revenue</b>	<b>8,884</b>	<b>–</b>	<b>8,884</b>	<b>5,147</b>	<b>218</b>	<b>5,365</b>
<b>Segment result</b>	<b>13,524</b>	<b>(693)</b>	<b>12,831</b>	454	118	572
Administration expenses	(3,608)	(462)	(4,070)	(2,993)	(59)	(3,052)
Other operating expenses	(34)	–	(34)	(1,932)	–	(1,932)
Other operating income	11,405	–	11,405	20,695	–	20,695
Operating profit	21,287	(1,155)	20,132	16,224	59	16,283
Finance income	484	–	484	292	–	292
Profit on sale of subsidiary	–	–	–	2,656	–	2,656
Finance costs	(7,367)	–	(7,367)	(2,445)	–	(2,445)
Profit before tax	14,404	(1,155)	13,249	16,727	59	16,786
Tax charge	(3,897)	–	(3,897)	(5,785)	–	(5,785)
<b>Profit for the year from continuing operations</b>	<b>10,507</b>	<b>(1,155)</b>	<b>9,352</b>	10,942	59	11,001
	Investment Properties Year ended 31 December 2007 €'000	Trading Properties Year ended 31 December 2007 €'000	Consolidated Year ended 31 December 2007 €'000	Investment Properties Year ended 31 December 2006 €'000	Trading Properties Year ended 31 December 2006 €'000	Consolidated Year ended 31 December 2006 €'000
<b>Balance Sheet</b>						
<b>Assets</b>						
Segment assets	222,652	3,659	226,311	127,090	1,962	129,052
<b>Liabilities</b>						
Segment liabilities	(180,801)	(2,671)	(183,472)	(94,556)	–	(94,556)

### 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:

	Property expenditure by geographical market		Sales revenue by geographical market	
	Year ended 31 December 2007 €'000	Year ended 31 December 2006 €'000	Year ended 31 December 2007 €'000	Year ended 31 December 2006 €'000
Belgium	976	–	–	218
Germany	78,963	760	8,884	5,147
	<b>79,939</b>	760	<b>8,884</b>	5,365

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

## 6 Operating Profit

	Year ended 31 December 2007	Year ended 31 December 2006
	€'000	€'000
Operating profit has been arrived at after charging		
Operating lease rentals	24	19
Staff costs	1,050	666
Auditors' remuneration – Group audit services	158	139
– Company audit services	15	16
– Corporate finance advisory	227	–
– Taxation services – compliance	31	27
– Taxation services – advisory	71	49

## 7 Staff Costs

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

	Group		Company	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Executive Directors	2	2	2	2
Non-Executive Directors	3	3	3	3
Other employees	7	7	1	1
	12	12	6	6

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

	Group		Company	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	€'000	€'000	€'000	€'000
Wages and salaries	954	600	447	377
Social security costs	64	44	25	38
Other pension costs	32	22	–	–
	1,050	666	472	415

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 2007	Year ended 31 December 2006
	€'000	€'000
Executive Directors		
Emoluments	525	366
Pension contributions	21	22
Gains on exercise of share options	–	51
	546	439
Non-Executive Directors		
Emoluments	42	44
	42	44

Remuneration of the highest paid Director during the year was €239,000 (2006 – €190,000) plus pension contributions of €21,000 (2006 – €22,000) and gains on exercise of share options of €Nil (2006 – €50,750).

In addition to the amounts shown above, Sir Eric Parker has a separate consultancy agreement with the Company payable at the rate of €21,615 (2006 – €22,034) per annum with effect from 1 January 2001.

## 8 Finance Income

	<b>Year ended 31 December 2007</b>	Year ended 31 December 2006
	<b>€'000</b>	€'000
Interest on bank deposits	<b>351</b>	255
(Loss)/gain on foreign exchange	<b>(44)</b>	18
Gain on revaluation of interest rate collars	<b>177</b>	19
	<b>484</b>	292

## 9 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.

## 10 Finance Costs

	<b>Year ended 31 December 2007</b>	Year ended 31 December 2006
	<b>€'000</b>	€'000
Bank loans and overdrafts	<b>(5,010)</b>	(2,374)
Bond interest	<b>(2,133)</b>	–
Amortisation of loan issue costs	<b>(224)</b>	(71)
	<b>(7,367)</b>	(2,445)

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

## 11 Tax

	<b>Year ended 31 December 2007</b>	Year ended 31 December 2006
	<b>€'000</b>	€'000
Current tax charge	<b>(44)</b>	(55)
Deferred tax credit/(charge)	<b>1,898</b>	(5,730)
	<b>1,854</b>	(5,785)

Corporation tax is calculated at 28% (2006 – 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:

	<b>Year ended 31 December 2007</b>	Year ended 31 December 2006
	<b>€'000</b>	€'000
Profit on ordinary activities before tax	<b>7,498</b>	16,786
Tax on profit on ordinary activities at standard rate	<b>(2,099)</b>	(5,036)
Expenses not deductible for tax purposes	<b>(19)</b>	(124)
Capital allowances in excess of depreciation	<b>5</b>	7
Decrease/(increase) in UK losses	<b>4</b>	(130)
Differences between overseas tax rates	<b>124</b>	578
Increase in overseas losses	<b>(875)</b>	(826)
Decrease in German tax rate	<b>2,149</b>	–
Non taxable income	<b>2,565</b>	–
Adjustment in respect of prior year deferred tax	<b>–</b>	(254)
Tax credit/(charge) for the year	<b>1,854</b>	(5,785)

## 12 Dividends

	<b>Year ended 31 December 2007</b>	Year ended 31 December 2006
	<b>€'000</b>	€'000
Amounts recognised as distributions to equity holders in the period		
Final dividend for the year ended 31 December 2006 of €0.07 (5.0p) (2005 – €0.06 (4.0p)) per share	<b>505</b>	403
Interim dividend for the year ended 31 December 2007 of €0.07 (5.0p) (2006 – €0.06 (4.0p)) per share	<b>504</b>	402
	<b>1,009</b>	805
Proposed final dividend for the year ended 31 December 2007 of €0.07 (5p) per share (2006 – €0.07 (5.0p))	<b>504</b>	485

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.

### 13 Earnings and Net Assets per Share

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

<i>Earnings</i>	<b>Year ended 31 December 2007</b>	Year ended 31 December 2006
Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity holders of the parent	<b>€9,351,995</b>	€11,000,746
<i>Number of shares</i>	<b>Year ended 31 December 2007</b>	Year ended 31 December 2006
Weighted average number of Ordinary Shares for the purposes of basic and diluted earnings per share	<b>6,927,446</b>	6,927,446
Basic and diluted earnings per share	<b>€1.35</b>	€1.59
Net asset value per share	<b>€6.18</b>	€4.98

### 14 Financial Instruments

The Group is exposed to various types of financial instrument risk. These risks, and the Group's policies for managing them which have been applied consistently throughout the year, are set out below.

#### Market Risk

##### *Foreign currency risk*

The Group's functional and reporting currency is Euros. With the exception of cash deposits of €616,000 (2006 – €135,000), which are denominated in Sterling, all financial assets and liabilities are denominated in Euros. The Group therefore has no material exposure to foreign currency movements.

##### *Interest rate risk*

The policy of the Group is to ensure that all cash balances earn a market rate of interest and that interest rate exposures are regularly reviewed and managed using fixed rate debt and hedging instruments where appropriate.

#### Non-market Risk

##### Liquidity Risk

Bank relationships are maintained to ensure that sufficient cash and unutilised facilities are available to the Group. Additionally during the year the Group issued commercial bonds and maintains a relationship with its corporate finance advisor regarding these.

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 twelve month cash flow forecasts.

All use of hedging instruments is pre-agreed by the Board prior to implementation.

During the year the Group held two interest rate swaps.

##### *Credit risk*

Credit risk arises principally from the Group's trade receivables which comprise rents due from tenants. Prior to accepting new tenants a credit check is obtained.

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

##### Interest Rate Sensitivity Analysis

Interest rate sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate assets and liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole year.

Based on the above assumptions if interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would decrease/increase by €0.119 million (2006 – decrease/increase by €0.067 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings and cash deposits.

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 14 Financial Instruments (continued)

The Group's financial instruments are categorised as follows:

	Loans and receivables		Available-for-sale	
	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2006
	€'000	€'000	€'000	€'000
Investments	–	–	–	2
Trade receivables	1,720	507	–	–
Cash	21,566	12,168	–	–
Jointly controlled assets	1,055	180	–	–
	<b>24,341</b>	12,855	–	2

	Loans and receivables		Available-for-sale	
	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2006
	€'000	€'000	€'000	€'000
Trade receivables	25	22	–	–
Cash	1,007	5,453	–	–
Amounts owed by Group undertakings	13,234	9,071	–	–
	<b>14,286</b>	14,548	–	–

The Group's exposure to credit risk from trade receivables arises wholly in Germany.

The carrying value of the Group's financial assets represents its maximum credit risk exposure at the balance sheet date.

	Measured at amortised cost		Measured at fair value	
	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2006
	€'000	€'000	€'000	€'000
Loans and borrowings	119,229	72,162	–	–
Bonds	30,941	–	–	–
Out of the money derivatives	–	–	72	–
Other financial liabilities	27,829	6,692	–	–
	<b>177,999</b>	78,854	–	–

	Measured at amortised cost		Measured at fair value	
	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2006
	€'000	€'000	€'000	€'000
Amounts owed to Group undertakings	1,120	1,120	–	–
Other financial liabilities	250	195	–	–
	<b>1,370</b>	1,315	–	–

The year end position in relation to financial instruments as shown above was materially representative of the position during the year.

During the year IRE German Property Holding BV, a subsidiary company, 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 Nordic Exchange Stockholm and on the OMX Nordic Exchange Copenhagen.

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.

#### 14 Financial Instruments (continued)

##### Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair value of non-derivative financial liabilities are determined with reference to quoted market prices. Financial liabilities in this category include the Group's listed bonds.
- The fair value of other non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Except as detailed in the following table, the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

Financial liabilities	Carrying amount		Fair value	
	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2007	Year ended 31 December 2006
	€'000	€'000	€'000	€'000
Borrowings:				
Bank loans at fixed interest rates	96,939	58,067	92,776	59,211
Bonds at fixed interest rates	30,941	–	30,112	–
	<b>127,880</b>	58,067	<b>122,888</b>	59,211

The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period:

	Weighted average effective interest rate	Less than 1 month
	%	€'000
<b>2007</b>		
Fixed interest rate cash deposits	3.97	38
<b>2006</b>		
Fixed interest rate cash deposits	3.34	3

The following table details the Group's remaining contractual maturity for its derivative and non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 year	1-5 years	5+ years	Total
	%	€'000	€'000	€'000	€'000
<b>2007</b>					
Fixed interest rate instruments	5.76	17,499	85,397	110,884	213,780
Variable interest rate instruments	8.09	24,093	–	–	24,093
		41,592	85,397	110,884	237,873
<b>2006</b>					
Fixed interest rate instruments	4.73	9,246	45,513	32,232	86,991
		9,246	45,513	32,232	86,991

In addition to cash deposits of €21.566 million (2006 – €12.168 million) the Group has access to financing facilities, the total unused amount is €19.334 million (2006 – €7.377 million) at the balance sheet date.

Further details regarding the Group's bank loans are given in note 23.

# NOTES TO THE FINANCIAL STATEMENTS

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### 15 Investment Property – Group

Fair value	<b>Year ended 31 December 2007</b>	Year ended 31 December 2006
	<b>€'000</b>	€'000
At 1 January	<b>112,036</b>	51,734
Additions during the year – property acquisitions	<b>77,048</b>	35,273
Additions during the year – refurbishment expenditure	<b>7,790</b>	760
Additions resulting from business combinations	–	3,574
Disposals during the year	<b>(7,174)</b>	–
Increase in fair value during the year	<b>3,311</b>	20,695
<b>At 31 December</b>	<b>193,011</b>	112,036

The fair value of the Group's investment property portfolio at 31 December 2007 has been assessed by the Directors using independent professional valuations where available.

All investment properties represent freehold interests.

The Group has pledged all of its investment property to secure bank borrowings and listed bonds.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to €8.88 million (31 December 2006 – €5.15 million). Direct operating expenses arising on the investment property in the period amounted to €3.60 million (31 December 2006 – €2.99 million).

At 31 December 2007 the Group had outstanding capital commitments in relation to ongoing refurbishment programmes of €3,587,000 (31 December 2006 – €43,000) and property acquisitions due to complete after the year end of €18,450,000 (31 December 2006 – Nil).

### 16 Investments

Available-for-sale investments

	<b>Year ended 31 December 2007</b>	Year ended 31 December 2006
	<b>€'000</b>	€'000
Cost	–	2

### 17 Inventories

Inventories comprising trading properties with a carrying amount of €2.9 million (2006 – €2.0 million) have been pledged as security for certain of the Group's bank loans.

### 18 Subsidiaries – Company

	<b>Year ended 31 December 2007</b>	Year ended 31 December 2006
	<b>€'000</b>	€'000
Cost at 1 January	<b>687</b>	687
Additions	<b>35</b>	–
Cost at 31 December	<b>722</b>	687
Provisions at 1 January and 31 December	<b>(141)</b>	(141)
<b>Net book value at 31 December</b>	<b>581</b>	546

## 18 Subsidiaries – Company (continued)

The Company's principal subsidiaries at 31 December 2007 were as follows:

	Nature of Business	Percentage Shareholding of Ordinary Shares	Country of Incorporation/Operation
Touquet Europe BV	Holding Company	100	Netherlands
IRE European Property Holding BV	Holding Company	100	Netherlands
IRE German Property Holding BV	Holding Company	100	Netherlands
IRE German Property Holding II BV	Holding Company	100	Netherlands
IRE German Property Holding III BV	Holding Company	100	Netherlands
Govpro 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 investments in Touquet Europe BV and IRE European Property Holding BV are held directly by the parent company. All other investments are held indirectly through subsidiaries.

## 19 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
<i>Net assets acquired</i>						
Investment property	–	–	4,383	4,383	(809)	<b>3,574</b>
Current assets	3,813	473	1,353	5,639	–	<b>5,639</b>
Current liabilities	(52)	(1,357)	(6,564)	(7,973)	–	<b>(7,973)</b>
	3,761	(884)	(828)	2,049	(809)	<b>1,240</b>
Goodwill						–
<b>Total cash consideration</b>						<b>1,240</b>

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 31 December 2006.

# NOTES TO THE FINANCIAL STATEMENTS

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## 20 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.

	<b>31 December 2007</b>	31 December 2006
	<b>€'000</b>	€'000
Non current assets	<b>3,869</b>	3,769
Current assets	<b>612</b>	553
Current liabilities	<b>(88)</b>	(567)
Non current liabilities	<b>(3,388)</b>	(3,575)
Income	<b>575</b>	599
Expense	<b>(397)</b>	(735)

## 21 Trade and Other Receivables

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2007</b>	31 December 2006	<b>31 December 2007</b>	31 December 2006
	<b>€'000</b>	€'000	<b>€'000</b>	€'000
Amounts falling due within one year				
Trade receivables	<b>1,720</b>	507	<b>25</b>	22
Amounts owed by Group undertakings	–	–	<b>13,234</b>	9,071
Other debtors	<b>1,993</b>	739	<b>10</b>	8
Prepayments	<b>5,083</b>	1,638	<b>25</b>	20
	<b>8,796</b>	2,884	<b>13,294</b>	9,121

Amounts owed by Group undertakings bear interest at 5.3% (2006 – 5.3%). During the year interest charged totalled €0.87 million (2006 – €0.82 million).

Included within other debtors is a loan to Daniel Akselson for €400,000 (2006 – €400,000). The loan is repayable on demand and is interest free in lieu of rent payable for office space provided by Daniel Akselson and used by the Group.

## 22 Cash and Cash Equivalents

The Group and Company cash balances include €616,000 held in Sterling (2006 – €135,000). 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.

## 23 Bank Overdrafts and Loans – Group

	<b>Year ended 31 December 2007</b>	Year ended 31 December 2006
	<b>€'000</b>	€'000
Bank loans	<b>119,229</b>	72,162
	<b>119,229</b>	72,162

The borrowings are repayable as follows:

On demand or within one year	<b>18,050</b>	8,474
In the second year	<b>3,250</b>	3,453
In the third to fifth years inclusive	<b>8,976</b>	5,376
After five years	<b>88,953</b>	54,859
	<b>119,229</b>	72,162
Less: Amount due for settlement within 12 months	<b>18,050</b>	8,474
Amount due for settlement after 12 months	<b>101,179</b>	63,688

### 23 Bank Overdrafts and Loans – Group (continued)

The weighted average interest rates paid were as follows:

	<b>Year ended 31 December 2007</b>	Year ended 31 December 2006
	<b>%</b>	%
Bank loans	<b>5.70</b>	4.64

Bank loans at 31 December 2007 and 2006 are arranged at both variable and fixed rates.

The weighted average period for which interest rates are fixed is 10.0 years (2006 – 9.7 years).

All loans are secured over the properties to which they relate.

At 31 December 2007 the Group had 37 principal bank loans (2006 – 19). The principal features of these borrowings are disclosed below.

Loans with identical features have been aggregated for the purposes of this disclosure.

<b>31 December 2007</b>			31 December 2006		
<b>Principal €'000</b>	<b>Term Years</b>	<b>Interest Rate %</b>	Principal €'000	Term Years	Interest Rate %
<b>1,799</b>	<b>1</b>	<b>5.700</b>	7,000	1	7.000
<b>700</b>	<b>1</b>	<b>6.022</b>	3,575	5	4.196
<b>280</b>	<b>1</b>	<b>6.087</b>	4,095	7	4.096
<b>4,510</b>	<b>1</b>	<b>7.500</b>	15,676	7	4.360
<b>15,000</b>	<b>1</b>	<b>8.692</b>	3,707	7	4.244
<b>3,388</b>	<b>3</b>	<b>4.110</b>	10,500	10	4.950
<b>3,324</b>	<b>5</b>	<b>5.560</b>	1,764	10	4.690
<b>7,157</b>	<b>5</b>	<b>5.690</b>	850	10	4.820
<b>3,562</b>	<b>7</b>	<b>4.244</b>	1,400	10	4.350
<b>4,011</b>	<b>7</b>	<b>4.450</b>	4,667	10	5.207
<b>16,631</b>	<b>10</b>	<b>4.360</b>	1,367	10	5.207
<b>1,086</b>	<b>10</b>	<b>4.808</b>	894	10	4.850
<b>6,253</b>	<b>10</b>	<b>4.926</b>	5,500	10	4.930
<b>12,621</b>	<b>10</b>	<b>4.950</b>	236	10	4.720
<b>1,674</b>	<b>10</b>	<b>5.160</b>	500	10	4.720
<b>5,892</b>	<b>10</b>	<b>5.207</b>	1,113	10	4.918
<b>13,000</b>	<b>10</b>	<b>5.270</b>	2,349	10	4.950
<b>3,860</b>	<b>10</b>	<b>5.504</b>	1,860	10	5.104
<b>4,880</b>	<b>10</b>	<b>5.570</b>	5,109	10	5.750
<b>875</b>	<b>10</b>	<b>5.600</b>			
<b>712</b>	<b>26</b>	<b>4.720</b>			
<b>3,136</b>	<b>30</b>	<b>5.050</b>			
<b>4,878</b>	<b>30</b>	<b>5.660</b>			
<b>119,229</b>			<b>72,162</b>		

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 24 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 2006	580	(254)	326
Credit to income	5,476	254	5,730
At 1 January 2007	6,056	–	6,056
Credit due to reduction in German tax rate	(2,149)	–	(2,149)
Charge to income on revaluations in year	251	–	251
<b>At 31 December 2007</b>	<b>4,158</b>	<b>–</b>	<b>4,158</b>

At the balance sheet date, the Group and Company had unused United Kingdom capital tax losses amounting to €4,932,000 (2006 – €5,386,000). In addition the Group had unused overseas losses of €3,083,000 (2006 – €3,083,000). No deferred tax asset has been recognised in relation to these losses due to uncertainty over the timing of any future reversal.

### 25 Current Liabilities

	Group		Company	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	€'000	€'000	€'000	€'000
Bank loans and overdrafts (note 23)	<b>18,050</b>	8,474	–	–
Finance lease creditor (note 30)	–	37	–	–
Amounts owed to Group undertakings	–	–	<b>1,120</b>	1,120
Corporation tax	<b>65</b>	37	–	–
Social security and other taxes	<b>44</b>	64	<b>10</b>	26
Other creditors	<b>23,528</b>	2,239	<b>53</b>	63
Provisions (note 26)	<b>1,250</b>	9,011	–	–
Accruals and deferred income	<b>4,257</b>	4,389	<b>187</b>	106
	<b>47,194</b>	24,251	<b>1,370</b>	1,315

Included in other creditors is deferred consideration of €19,277 million (2006 – Nil) in relation to investment property acquisitions completed during the year.

### 26 Provisions

	Year ended 31 December 2007
	€'000
At 1 January	<b>9,011</b>
Release of provision	<b>(6,648)</b>
Utilisation of provision	<b>(1,113)</b>
At 31 December	<b>1,250</b>
Included in current liabilities	<b>1,250</b>
Included in non-current liabilities	–
At 31 December	<b>1,250</b>

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 prior years. 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.

## 27 Share Capital

	<b>31 December 2007</b>	31 December 2006
Authorised:		
30,000,000 Ordinary Shares at 40p each (2006 – 9,953,805)	<b>£12,000,000</b>	£3,981,522
Issued and fully paid:		
6,927,446 Ordinary Shares at 40p each	<b>€4,408,430</b>	€4,408,430

## 28 Retained Earnings and Total Equity

There were no changes in share capital, share premium account or capital redemption reserve in the current or previous year. Changes in retained earnings and total equity are shown below:

	Retained Earnings			Total Equity		
	Group	Company	Parent	Minority	Total	Company
	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2006	11,369	985	24,300	–	<b>24,300</b>	13,916
Dividends paid	(805)	(805)	(805)	–	<b>(805)</b>	(805)
Net profit for the year	10,500	694	10,500	501	<b>11,001</b>	694
Balance at 1 January 2007	21,064	874	33,995	501	<b>34,496</b>	13,805
Dividends paid	(1,009)	(1,009)	(1,009)	–	<b>(1,009)</b>	(1,009)
Net profit for the year	9,330	716	9,330	22	<b>9,352</b>	716
<b>Balance at 31 December 2007</b>	<b>29,385</b>	<b>581</b>	<b>42,316</b>	<b>523</b>	<b>42,839</b>	<b>13,512</b>

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.

## 29 Notes to the Cash Flow Statement

(a) Group	<b>31 December 2007</b>	31 December 2006
	<b>€'000</b>	€'000
Profit for the year	<b>9,352</b>	11,001
Adjustments for:		
Increase in fair value of investment properties	<b>(3,311)</b>	(20,695)
Decrease in provisions	<b>(7,761)</b>	(1,135)
Finance income	<b>(484)</b>	(292)
Finance costs	<b>7,367</b>	2,445
Income tax expense	<b>(1,854)</b>	5,785
Gains on sale of investment property	<b>(2,263)</b>	–
Profit on sale of subsidiary	–	(2,656)
Operating cash flows before movements in working capital	<b>1,046</b>	(5,547)
(Increase)/decrease in inventories	<b>(976)</b>	–
(Increase)/decrease in receivables	<b>(5,912)</b>	113
Increase in payables	<b>21,048</b>	2,359
Cash generated from operations	<b>15,206</b>	(3,075)
Income taxes paid	<b>(16)</b>	–
Net cashflow from operating activities	<b>15,190</b>	(3,075)

# NOTES TO THE FINANCIAL STATEMENTS

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## 29 Notes to the Cash Flow Statement (continued)

(b) Company	<b>31 December 2007</b>	31 December 2006
	<b>€'000</b>	€'000
(Loss)/profit for the year	<b>(32)</b>	20
Adjustments for:		
Operating cash flows before movements in working capital		
(Increase)/decrease in receivables	<b>(4,173)</b>	4,881
Increase/(decrease) in payables	<b>55</b>	(6)
Net cashflow from operating activities	<b>(4,150)</b>	4,895

## 30 Lease Arrangements

### Operating leases

*The Group as lessor*

Property rental income earned during the year was €8.8 million (2006 – €5.36 million) net of operating expenses of €3.6 million (2006 – €2.99 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:

	<b>31 December 2007</b>	31 December 2006
	<b>€'000</b>	€'000
Within one year	<b>1,401</b>	499
In the second to fifth years inclusive	<b>1,464</b>	722
After five years	<b>217</b>	170
	<b>3,082</b>	1,391

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 €3.081 million in the year ended 31 December 2007 (2006 – £5.56 million).

*The Group as lessee*

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.

### 30 Lease Arrangements (continued)

#### Finance Leases

One of the Group's investment properties was held under a head lease. In accordance with IAS 40, this was 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 2007	Interest 2007	Present Value 2007	Minimum Lease Payments 2006	Interest 2006	Present Value 2006
	€'000	€'000	€'000	€'000	€'000	€'000
Not later than one year	-	-	-	39	2	37
Later than one year and not later than five years	-	-	-	156	29	127
Later than five years	-	-	-	1,521	1,087	434
	-	-	-	1,716	1,118	598

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:

	2007	2006
	€'000	€'000
Current liabilities	-	37
Non-current liabilities	-	561
	-	598

The net book value of the property held under the above finance lease arrangement at 31 December 2007 is nil (2006 – €6.1 million).

### 31 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 Ltd.

### 32 Conversion Rates

	2007	2006
Sterling/Euro annual average exchange rate (£=€)	1.461	1.467
Sterling/Euro annual closing rate (£=€)	1.359	1.484

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 8 April 2008 at 12.00pm to transact the following business:

## **Ordinary Business**

To consider and if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the Company's annual accounts for the period ended 31 December 2007 together with the directors' report and the auditors' report on those accounts.
2. To confirm the proposal by the directors for the declaration of a dividend of 5.0p per Ordinary Share of the Company in respect of the year ended 31 December 2007, payable on 14 April 2008 to shareholders on the register at the close of business on 14 March 2008.
3. To re-elect John Lamb who retires by rotation, as a Director of the Company.
4. To re-elect Rolf L. Nordström who retires by rotation, as a Director of the Company.
5. To re-appoint BDO Stoy Hayward LLP as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company and to authorise the directors to determine their remuneration.

## **Special Business**

To consider and if thought fit, to pass the following resolutions, of which resolution 6 will be proposed as an ordinary resolution and resolutions 7 and 8 as special resolutions:

6. THAT the Directors be and are 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 £9,229,022 provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) on the fifth anniversary of this Annual General Meeting, save that the Company may prior to the expiry of such authority make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors and the Company may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
7. THAT, subject to the passing of Resolution 6 above and in substitution for any existing authority granted pursuant to Section 95 of the Act, the directors be and are hereby empowered, pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94(2) of the Act) for cash 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

# NOTICE OF ANNUAL GENERAL MEETING

## CONTINUED

- 7.2 any other allotment (otherwise than pursuant to paragraph 7.1 above) of equity securities up to the aggregate nominal value of £2,500,000;

The power conferred by this Resolution 7 shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at such time as the general authority conferred on the directors of the Company by Resolution 6 above expires, except 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 pursuant to Section 166 of the Act, the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Act) on the AIM Market of the London Stock Exchange plc of ordinary shares of 40p each in the capital of the Company ('Shares') provided that:
- 8.1 the maximum aggregate number of Shares hereby authorised to be purchased is 2,000,000 (representing 28.9% of the Company's issued ordinary share capital);
- 8.2 the minimum price which may be paid for such Shares is 40p per ordinary share;
- 8.3 the maximum price which may be paid for such Shares is an amount equal to 105% of the average of the middle market quotations for the Shares derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Shares are contracted to be purchased;
- 8.4 unless previously renewed, varied or revoked, authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company on 8 April 2009; and
- 8.5 the Company may make a contract to purchase 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 Shares in pursuance of any such contract.

International Real Estate plc  
22 Grafton Street  
London W1S 4EX

By Order of the Board

Tom Shannon,  
Company Secretary  
29 February 2008

### NOTES:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 12pm on 6 April 2008 or, if this Annual General Meeting is adjourned, 48 hours prior to the time fixed for the adjourned meeting, shall be entitled to attend and vote at the Annual General Meeting.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Annual General Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

# NOTICE OF ANNUAL GENERAL MEETING

## CONTINUED

### NOTES (continued):

3. A proxy does not need to be a member of the Company but must attend the Annual General Meeting to represent you. Details of how to appoint the Chairman of the Annual General Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Annual General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's Registrars, Capita IRG plc, The Registry, 34 Beckenham Road, Kent BR3 4TU to obtain another hard copy form.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be completed and signed, sent or delivered to the Company's Registrars, Capita IRG plc, The Registry, 34 Beckenham Road, Kent BR3 4TU by no later than 12pm on 6 April 2008. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the Annual General Meeting.
7. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
9. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Company's Registrars Capita IRG plc, The Registry, 34 Beckenham Road, Kent BR3 4TU. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
10. You may not use any electronic address provided either in this notice or any related documents to communicate with the Company for any purpose other than those expressly stated.



22 Grafton Street  
London W1S 4EX

Registered in England and Wales  
No 2101254