International Real Estate

Annual Report 2009

CONTENTS

DIRECTORS AND ADVISERS

Directors	Rolf L. Nordström *Chairman*
	Daniel Akselson *Chief Executive Officer*
	John S. Lamb *Senior Independent Non-Executive*
Secretary	Tom Shannon
Registered Office	84 High Street Somersham Cambridgeshire PE28 3EH
Mailing Address	PO Box 3054 Warlingham CR6 0AL
Registration Number	2101254 – Registered in England and Wales
Auditors	Mazars LLP Chartered Accountants The Atrium Park Street West Luton LU1 3BE
Solicitors	Trowers & Hamlins 40 Tower Hill London EC1N 4DX

CHAIRMAN'S STATEMENT

The challenging conditions in the property market have continued over the year under review. In last year's statement I said that the Management was going to focus on reorganising the Group's activities and also exploring various ways to reduce gearing, cut administrative and operating expenses and increase income for the Group.

To achieve our goals we decided to sell our portfolio in Belgium, initially reduce our German portfolio by approximately half and concentrate our intermediate activities on selected properties in Magdeburg and Berlin. Furthermore we decided to explore the possibilities to buy back the bond that the Group issued in May 2007, this in order to establish a new platform for the Group and opening for future acquisitions.

I am pleased to let you know that we have now successfully finalised all of these processes. This will initially lead to a much smaller Group but with a solid financial base. The Group's cash-flow from core operations will improve and the gearing will be reduced.

Commencing in late 2009 and continuing into this year the Management has also succeeded in increasing the rent roll, reducing vacancies as well as rent arrears, resulting in a stronger cash-flow for the remaining properties.

Property Portfolio – Germany

By the end of the year the Group's property portfolio amounted to circa 100,689 sq m divided over circa 76,137 sq m of apartments and some 24,552 sq m of office and commercial space.

Magdeburg will continue to be a key focus for us. We now have a very well concentrated portfolio occupying some of the city's most sought after addresses. The mix is predominately residential units and offices with commercial units on the ground floor levels.

We have sold a number of redevelopment projects, and it is our intention to sell the remainder, as well as certain smaller properties. We continue to achieve increasing rental levels and to reduce the problem with bad debtors in the remaining portfolio.

Bond

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 Group bought back the Junior tranche of the bonds, amounting to nominally €11.15, at the end of the year and has bought back the Senior tranche of the bonds, amounting to nominally €20.85 million, at the beginning of this year.

Strategy

The main intention going forward is to further reduce the existing portfolio by selling selected properties and continue to focus on letting activities for the remaining properties and reducing costs further for the Group. It is also the Management's intention to increase its activities on breaking up parts of the existing portfolio into individual units which will then be sold off separately as this will generate improved values as well as increasing flexibility going forward. Demand for individual apartments is stronger and less affected by the general problems present in the market for larger blocks.

It is furthermore the Management's intention to seek new acquisitions with focus on breaking these up into individual units that will be sold off separately.

The Management will also carefully evaluate opportunities that have arisen as a result of the last couple of years problems in the market place.

Results

Results for the year ended 31 December 2009 show revenue of €8.7 million (2008 – €11.2 million), pre-tax profit of €0.9 million (2008 – €28.9 million loss) and profit after taxation of €0.7 million (2008 – €26.8 million loss). Included within the operating profit is a release of provisions totalling €0.25 million (2008 – €0.25 million) and a revaluation of Swap agreements amounting to a loss of €1.029 million (2008 – loss €3.274 million). The Group's cash position as at 31 December 2009 was €0.9 million (2008 – €4.2 million). Total net borrowings after taking into account cash balances amounted to €74.9 million (2008 – €156.3 million). The gearing stood at 467.4% (2008 – 1,003.9%). Total net assets amounted to €16.3 million (2008 – €15.6 million) or per share €2.35 (2008 – €2.25).

Dividend

The Board does not propose to pay a final dividend and no interim dividend was paid (31 December 2008 – Nil).

Outlook

2008 was a veritable "Annus Horribilis", however in 2009 we returned to profitability, even after suffering extraordinary interest SWAP costs. The Management is confident that the Group will generate a positive cash-flow on its core business going forward and our financial position is strong with greatly reduced gearing and a strong cash balance following the completion of the transactions referred to previously.

I am looking forward to the possibilities to yet again expand the Group's economic activities and we are actively looking at various possibilities to establish a platform whereby individual shareholders can trade with their shares in the Company. It is my hope to be able to return with further information in this respect in the beginning of 2011.

I would like to take this opportunity to thank my fellow directors, the staff, consultants and all the other people who have worked with the Group during the year. No doubt the Group's success in navigating through the last years turbulent waters is much owed to their commitment and hard work.

I would particularly like to thank Sir Eric Parker and Michel Berges, both of whom retired from the Board in May 2009, for their valuable contribution to the Group.

Rolf L. Nordström, Chairman
London, 17 September 2010

REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2009.

Principal Group Activities

The Group's principal activity during the year was property investment and property trading. Details of the principal subsidiary undertakings are set out in note 16 to the accounts.

Review of Business and Future Developments

A summary of the results of the year's trading is given on page 8 and a review of the activities of the Group and of future developments is contained in the Chairman's Statement on pages 3 and 4.

The Group's key performance indicator is considered to be the Net Asset Value (NAV) which at 31 December 2009 was €2.35 per share (31 December 2008 – €2.25 per share).

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.

Going Concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Dividends

The Board does not propose to pay a final dividend for the year (31 December 2008 – Nil).

Directors

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

Michel Berges and Sir Eric Parker resigned from the Board on 1 May 2009.

Financial Instruments

Details of financial instruments and their associated risks are given in note 13.

Supplier Payment Policy

The Group'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.

Auditors

Mazars LLP were appointed during the year and 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 Group'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, 17 September 2010

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 2006.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 2006. 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF INTERNATIONAL REAL ESTATE LTD

We have audited the financial statements of International Real Estate Limited for the year ended 31 December 2009 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Group and Parent Company Cash Flow Statements the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective Responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the company's members, as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on the Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following;

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Mazars LLP, Chartered Accountants (Statutory auditor)
Lee Brook (Senior statutory auditor)
The Atrium, Park Street West, Luton LU1 3BE
20 September 2010

Mazars LLP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	**Year ended 31 December 2009**	Year ended 31 December 2008
		€'000	€'000
Revenue	4	**8,689**	11,194
Cost of sales	6	**(3,970)**	(10,847)
Gross Profit		**4,719**	347
Other operating income	5	**5,355**	1,437
Administration expenses		**(2,260)**	(3,103)
Other operating expenses	6	**–**	(14,755)
Operating Profit/(Loss)		**7,814**	(16,074)
Finance income	9	**700**	511
Finance costs	10	**(7,640)**	(13,398)
Profit/(Loss) Before Tax		**874**	(28,961)
Tax (charge)/credit	11	**(186)**	2,123
Profit/(Loss) for the Year		**688**	(26,838)
Other comprehensive income for the year net of tax		**–**	–
Total Comprehensive Income for the Year		**688**	(26,838)
Profit/(Loss) and total comprehensive income attributable to:			
Owners of the Parent		**696**	(26,530)
Non-controlling interests		**(8)**	(308)
		688	(26,838)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Notes	As at 31 December 2009 €'000	As at 31 December 2008 €'000
Non-Current Assets			
Investment properties	14	**93,113**	177,406
Current Assets			
Inventories	14	–	4,380
Trade and other receivables	17	**6,867**	5,121
Cash and cash equivalents		**942**	4,208
		7,809	13,709
Total Assets		**100,922**	191,115
Current Liabilities			
Trade and other payables	20	**(6,648)**	(11,713)
Current tax liabilities	20	**(210)**	–
Bank loans	20	**(113)**	(17,600)
Provisions	21	**(750)**	(1,000)
Finance leases	24	–	(37)
		(7,721)	(30,350)
Non-Current Liabilities			
Bank loans	18	**(55,444)**	(111,802)
Bond	13	**(20,323)**	(31,089)
Deferred tax liabilities	19	**(1,179)**	(1,731)
Finance leases	24	–	(576)
		(76,946)	(145,198)
Total Liabilities		**(84,667)**	(175,548)
Net Assets		**16,255**	15,567
Equity			
Share capital	22	**4,408**	4,408
Share premium account		**7,957**	7,957
Capital redemption reserve		**566**	566
Retained earnings		**3,117**	2,421
Equity Attributable to Equity Holders of the Parent		**16,048**	15,352
Minority interest		**207**	215
Total Equity		**16,255**	15,567

The financial statements were approved by the Board of Directors and authorised for issue on 17 September 2010. They were signed on its behalf by:

Daniel Akselson
Director

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Notes	**As at 31 December 2009**	As at 31 December 2008
		€'000	€'000
Non-Current Assets			
Investments in subsidiaries	15	**581**	581
Current Assets			
Trade and other receivables	17	**13,267**	12,952
Cash and cash equivalents		**67**	460
		13,334	13,412
Total Assets		**13,915**	13,993
Current Liabilities	20	**(1,213)**	(1,259)
Total Liabilities		**(1,213)**	(1,259)
Net Assets		**12,702**	12,734
Equity			
Share capital	22	**4,408**	4,408
Share premium account		**7,957**	7,957
Capital redemption reserve		**566**	566
Retained earnings		**(229)**	(197)
Equity Attributable to Equity Holders of the Parent		**12,702**	12,734
Total Equity		**12,702**	12,734

The financial statements were approved by the Board of Directors and authorised for issue on 17 September 2010. They were signed on its behalf by:

Daniel Akselson
Director

CONSOLIDATED AND PARENT STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Retained Earnings		Total Equity			
	Group	Parent	Parent	Non-Controlling Interests	Total Group	Parent
	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2008	29,385	581	42,316	523	42,839	13,512
Changes in Equity for 2008						
Total comprehensive income for the year	(26,530)	(344)	(26,530)	(308)	(26,838)	(344)
Dividends recognised as distributions to owners	(434)	(434)	(434)	–	(434)	(434)
Balance at 31 December 2008	2,421	(197)	15,352	215	15,567	12,734
Changes in Equity for 2009						
Total comprehensive income for the year	696	(32)	696	(8)	688	(32)
Balance at 31 December 2009	3,117	(229)	16,048	207	16,255	12,702

No Statement of Comprehensive Income is presented by the Parent Company as permitted by Section 408 of the Companies Act 2006.

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

Share Premium

The share premium reserve represents the consideration that has been received in excess of the nominal value of shares on issue of new ordinary share capital.

Capital Redemption

The capital redemption reserve represents the amount that has been transferred from share capital on redemption of issued shares.

Retained Earnings

The retained earnings reserve represents profits and losses retained in previous and the current period.

Dividend

Dividends distributed to owners related to the year ended 31 December 2007 but physically paid in the year ended 31 December 2008.

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Year ended 31 December 2009		Year ended 31 December 2008	
		€'000	€'000	€'000	€'000
Net Cash Outflow from Operating Activities	23(a)		**(213)**		(8,502)
Investing Activities					
Interest received		**700**		511	
Acquisition of investment properties		**(160)**		(16,374)	
Disposal of subsidiaries		**14,568**		–	
Disposal of investment properties		**7,991**		6,378	
Net Cash Generated/(Used) in Investing Activities			**23,099**		(9,485)
Financing Activities					
Dividends paid		**–**		(434)	
Interest paid		**(7,640)**		(9,258)	
Repayments of borrowings		**(7,133)**		(2,196)	
Repurchase of bonds		**(10,766)**		–	
Proceeds of bank borrowings		**–**		12,517	
Finance lease payments		**(613)**		–	
Net Cash (Used)/Generated by Financing Activities			**(26,152)**		629
Net Decrease in Cash and Cash Equivalents			**(3,266)**		(17,358)
Cash and Cash Equivalents at Beginning of Year			**4,208**		21,566
Cash and Cash Equivalents at End of Year			**942**		4,208

PARENT COMPANY STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Year ended 31 December 2009		Year ended 31 December 2008	
		€'000	**€'000**	€'000	€'000
Net Cash Outflow from Operating Activities	23(b)		**(1,082)**		(781)
Investing Activities					
Interest received		**694**		682	
Net Cash (Used)/Generated by Investing Activities			**694**		682
Financing Activities					
Interest paid		**(5)**		(14)	
Dividends paid		**–**		(434)	
Net Cash Used in Financing Activities			**(5)**		(448)
Net Decrease in Cash and Cash Equivalents			**(393)**		(547)
Cash and Cash Equivalents at Beginning of Year			**460**		1,007
Cash and Cash Equivalents at End of Year			**67**		460

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1 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 2006. 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 preparation

The directors have prepared detailed cash flow projections for the Group for the period through to 31 December 2011 ("the projection period").

The cash flow projections have been prepared taking into account the economic environment and its challenges. Although there will always remain inherent uncertainty within the cash flow projections, including the assumptions the directors have made regarding the continued availability of the facilities and the timing and quantum of revenues derived from sales of the Group's properties, at the time of approving the financial statements the Directors have a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

(c) 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.

(d) 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.

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.

(e) Joint ventures

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

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

1 Accounting Policies (continued)

(f) 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.

(g) 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.

For assets purchased under finance leases, the amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

(h) 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 presentational currency of each Group Company including the Parent Company, and the presentational currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's presentational currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position 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 Statement of Comprehensive Income as part of the finance income or finance cost.

(i) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the costs of that asset, until such time when substantially al the activities necessary to prepare the qualifying asset for it's intended use or sale are complete.

(j) Retirement benefit costs

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

(k) 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 Statement of Financial Position date.

1 Accounting Policies (continued)

(k) Taxation (continued)

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 Statement of Financial Position 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.

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.

(l) Investment property

Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value at the Statement of Financial Position date. Gains and losses arising from changes in the fair value of investment property are included in Statement of Comprehensive Income for the period in which they arise as part of other operating income (in the case of gains) or other operating expenses (in the case of losses).

Additions and disposals are recognised on completion. Profits and losses arising on disposal are recognised through the Statement of Comprehensive Income 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 Statement of Financial Position as a finance lease obligation.

(m) 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.

(n) Financial instruments

Financial assets and financial liabilities are recognised on the Group and Company Statement of Financial Position 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 the Statement of Comprehensive Income 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.

Available for sale investments

All other investments are classified as available for sale and are carried at fair value. Unrealised gains and losses other than impairment are taken directly to equity. Upon sale or maturity, the net gains and losses are included in income. Dividends are recognised in the statement of comprehensive income when the right to receive payment has been established.

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.

1 Accounting Policies (continued)

(n) Financial instruments (continued)

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.

(o) Investments

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

(p) 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 Statement of Financial Position date, and are discounted to present value where the effect is material.

(q) 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.

(r) Adoption of new and revised Standards, Amendments and Interpretations

New standards effective in 2009 and adopted by the Group

No new standards that impact the Group were adopted during the year.

Standards effective in 2009 but not relevant to the Group

IFRS 1 First time adoption of International Financial Reporting Standards – Revised and restructured – Effective for annual periods beginning on or after 1 July 2009.

IFRS 1 First time adoption of International Financial Reporting Standards – Amendments relating to oil and gas assets and determining whether an arrangement contains a lease – Effective for annual periods beginning on or after 1 January 2010.

IFRS 2 Share-based payment – Amendments relating to group cash-settled share-based payment transactions – Effective for annual periods beginning on or after 1 January 2010.

IFRS 3 Business Combinations – Comprehensive revision on applying the acquisition method – Effective for annual periods beginning on or after 1 July 2009.

IFRS 9 Financial instruments – Classification and measurement – Effective for annual periods beginning on or after 1 January 2013.

IAS 24 Related party disclosures – Revised definition of related parties – Effective for annual periods beginning on or after 1 January 2011.

IAS 27 Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS3 – Effective for annual periods beginning on or after 1 July 2009.

1 Accounting Policies (continued)

(r) Adoption of new and revised Standards, Amendments and Interpretations (continued)

IAS 28 Investments in Associates – Consequential amendments arising from amendments to IFRS3 – Effective for annual periods beginning on or after 1 July 2009.

IAS 31 Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS3 – Effective for annual periods beginning on or after 1 July 2009.

IAS 32 Financial Instruments – Amendments relating to classification of rights issues – Effective for annual periods beginning on or after 1 February 2010.

IAS 39 Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items – Effective for annual periods beginning on or after 1 July 2009.

IFRIC 17 Distributions of non-cash assets to owners – Effective for annual periods beginning on or after 1 July 2009.

IFRIC 19 Extinguishing financial liabilities with equity instruments – Effective for annual periods beginning on or after 1 July 2010.

Amendment to IFRS 2, Group cash – settled share-based payment transactions (effective for accounting periods beginning on or after 1 January 2010).

Amendment to IAS 32, Financial Instruments; Presentation and IAS 1, Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009).

Amendments to IAS 1, Presentation of Financial Statements: A Revised Presentation (effective for accounting periods beginning on or after 1 January 2009).

Amendments to IAS 39 and IFRS 7: Reclassification of Financial Instruments (effective for accounting periods after 1 July 2008).

Amendments to IFRS 7 Improving disclosures about Financial Instruments (effective for accounting periods beginning on or after 1 January 2009).

Amendments to IFRS 1 and IAS 27 Cost of an Investment in a subsidiary, jointly-controlled entity or associate (effective for accounting periods beginning on or after 1 January 2009).

* Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (effective for accounting periods after 1 July 2009).

* IFRIC 15 Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009).

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for accounting periods after 1 October 2008).

* IFRIC 17 Distributions of Non-cash Assets to Owners (effective for accounting periods after 1 July 2009).

* Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

IFRIC 18 Transfers of Assets from Customers (for accounting periods beginning on or after 1 July 2009).

* Revised IFRS 1 First-time Adoption of international Financial Reporting Standards (effective for accounting periods beginning on or after 1 January 2009).

(*) Not yet EU endorsed.

2 General Information

International Real Estate Limited is a company incorporated and domiciled in the United Kingdom. These consolidated financial statements are prepared for a group of entities, including International Real Estate Limited and its subsidiaries as listed in note 16. The company was de-listed from the Alternative Investment Market in May 2009.

The address of the registered office and principal place of business in the United Kingdom is stated on page 2 and the nature of the Group's operations and principal activities are stated in the Report of the Directors. The consolidated financial statements have been presented in Euros as this is the currency of the primary economic environment that the Group operates in.

3 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 14, 19 and 21.

4 Revenue Analysis

For management purposes, there is now one class of trade which is investment property.

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 property expenditure and sales by geographical market, irrespective of the origin of the goods/services:

	Investment	**Trading**	**Total**	Investment	Trading	Total
	Year ended 31 December 2009	**Year ended 31 December 2009**	**Year ended 31 December 2009**	Year ended 31 December 2008	Year ended 31 December 2008	Year ended 31 December 2008
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Belgium	**–**	**(86)**	**(86)**	–	395	395
Germany	**8,775**	**–**	**8,775**	10,799	–	10,799
	8,775	**(86)**	**8,689**	10,799	395	11,194

5 Revenue and Other Income

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

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Investment property rental income	**8,689**	11,194
Other operating income		
– Gains on sale of investment property	**229**	665
– Income from sale of subsidiary companies	**4,982**	–
– Other	**144**	772
	5,355	1,437
Finance income	**700**	511
	14,744	13,142

6 Cost of Sales and Other Operating Expenses

Cost of sales

Included in cost of sales is a provision release of €0.3 million (2008 – €0.3 million) representing the utilisation and release of provisions charged to cost of sales in previous periods in connection with property disposals.

Other operating expenses

An analysis of the Group's other operating expenses is as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Other operating expenses		
– Losses on revaluation of investment property (note 14)	–	(12,709)
– Write down on inventories	–	(2,046)
	–	(14,755)

7 Operating Profit

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Operating profit/(loss) has been arrived at after charging		
Operating lease rentals	**70**	125
Staff costs (note 8)	**983**	1,135
Auditors' remuneration – Group audit services	**75**	81
– Company audit services	**36**	18
– Corporate finance advisory	**–**	53
– Taxation services – compliance	**25**	40
– Taxation services – advisory	**5**	47

8 Staff Costs

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

	Group	
	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Executive Directors	**2**	2
Non-Executive Directors	**1**	3
Administrative Staff	**6**	7
	9	12

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

	Group	
	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Wages and salaries	**881**	1,023
Social security costs	**57**	65
Other pension costs	**45**	47
	983	1,135

The Group operates a defined contribution pension scheme for one director and one employee within the Group.

Contributions made into this scheme are paid by the Group at rates specified in the rules of the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Contributions payable by the Group during the year amounted to €45,000 (2008 – €47,000) and have been recognised in the Consolidated Statement of Comprehensive Income. As at Consolidated Statement of Financial Position date there were no outstanding contributions (2008 – Nil).

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

8 Staff Costs (continued)

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

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Executive Directors		
Emoluments	379	481
Pension contributions	31	34
	410	515
Non-Executive Directors		
Emoluments	11	39
	11	39

Emoluments of the highest paid Director during the year was €239,000 (2008 – €239,000) plus pension contributions of €31,145 (2008 – €34,138).

9 Finance Income

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Other interest	700	511
	700	511

10 Finance Costs

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Bank loans and overdrafts	(5,537)	(7,207)
Bond interest	(822)	(2,560)
Loss on foreign exchange	(11)	(66)
Loss on revaluation of interest rate collars	(1,029)	(3,274)
Amortisation of loan issue costs	(241)	(291)
	(7,640)	(13,398)

11 Tax

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Current tax charge	(3)	(304)
Prior year adjustment	(110)	–
Deferred tax (charge)/credit	(73)	2,427
	(186)	2,123

Corporation tax is calculated at 28% (2008 – 28%) of the estimated assessable profit/(loss) for the year.

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

11 Tax (continued)

The charge for the year can be reconciled to the profit/(loss) per the Consolidated Statement of Comprehensive Income as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Profit/(loss) on ordinary activities before tax	**874**	(28,961)
Tax on profit/(loss) on ordinary activities at standard rate	**(244)**	8,109
Expenses not deductible for tax purposes	**–**	(23)
Capital allowances in excess of depreciation	**–**	3
Unutilised UK losses carried forward	**(8)**	(77)
Sale of subsidiaries not taxed	**1,733**	–
Differences between overseas tax rates	**(226)**	(27)
Utilisation of overseas losses	**(1,509)**	(6,023)
Decrease in deferred tax rate	**(73)**	–
Adjustment in respect of prior year	**110**	–
Non taxable income	**28**	–
Other adjustments	**3**	161
Tax (charge)/credit for the year	**(186)**	2,123

12 Dividends

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Amounts recognised as distributions to equity holders in the period		
Final dividend for the year ended 31 December 2008 of €Nil	**–**	–
Interim dividend for the year ended 31 December 2009 of €Nil (2008 – €Nil)	**–**	–
	–	–
The Board proposes not to pay a final dividend for the year ended 31 December 2009 (2008 – €Nil)	**–**	–

13 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 €67,000 (2008 – €68,000), 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. There is an interest rate risk on variable bank rate loans.

Non-market Risk

Liquidity risk

Bank relationships are maintained to ensure that sufficient cash and unutilised facilities are available to the Group.

13 Financial Instruments (continued)

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 2009 would decrease/increase by €0.051 million (2008 – decrease/increase by €0.086 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings and cash deposits.

The Group's financial instruments are categorised as follows:

Financial assets – Group

	Loans and receivables	
	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Trade receivables	**651**	927
Cash	**942**	4,208
	1,593	5,135

Financial assets – Company

	Loans and receivables	
	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Trade receivables	**7**	29
Cash	**67**	460
Amounts owed by Group undertakings	**13,238**	12,893
	13,312	13,382

The Group's exposure to credit risk from trade receivables arises in Germany (87%) and Belgium (13%).

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

Financial liabilities – Group

	Measured at amortised cost		Measured at fair value through profit or loss	
	Year ended 31 December 2009	Year ended 31 December 2008	**Year ended 31 December 2009**	Year ended 31 December 2008
	€'000	€'000	**€'000**	€'000
Loans and borrowings	**55,557**	129,402	**–**	–
Bonds	**20,323**	31,089	**–**	–
Out of the money derivatives	**–**	–	**1,996**	3,226
Other financial liabilities	**8,078**	11,752	**–**	–
	83,958	172,243	**1,996**	3,226

13 Financial Instruments (continued)

Financial liabilities – Company

	Measured at amortised cost		Measured at fair value through profit or loss	
	Year ended 31 December 2009	Year ended 31 December 2008	**Year ended 31 December 2009**	Year ended 31 December 2008
	€'000	€'000	**€'000**	€'000
Amounts owed to Group undertakings	**1,120**	1,120	–	–
Other financial liabilities	**93**	139	–	–
	1,213	1,259	–	–

There are three interest rate swaps that are held on floating rates. These relate to financial liabilities with notional amounts of €8.656 million, €6.694 million and €5.500 million. There are two swaps paid on a monthly basis and are swap paid on a quarterly basis. The purpose of the swaps is to safeguard against interest rate fluctuations.

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

During the year ended 31 December 2009 the Group repurchased the Junior bonds.

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 2009	Year ended 31 December 2008	**Year ended 31 December 2009**	Year ended 31 December 2008
	€'000	€'000	**€'000**	€'000
Borrowings:				
Bank loans at fixed interest rates	**55,557**	105,227	**55,557**	106,645
Bonds at fixed interest rates	**20,323**	31,089	**20,323**	30,112
	75,880	136,316	**75,880**	136,757

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
2009		
Fixed interest rate cash deposits	**0.30**	11
2008		
Fixed interest rate cash deposits	**3.00**	60

13 Financial Instruments (continued)

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**
2009					
Fixed interest rate instruments	4.94	16,391	81,956	72,754	**171,101**
Variable interest rate instruments	–	–	–	–	**–**
		16,391	81,956	72,754	**171,101**
2008					
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**

Further details regarding the Group's bank loans are given in note 18.

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern. The capital structure of the Group consists of equity, comprising issued share capital and reserves as disclosed in the Consolidated Statement of Changes in Equity and cash and cash equivalents.

14 Investment Property and Inventories – Group

Fair value	**Year ended 31 December 2009**	Year ended 31 December 2008
	€'000	€'000
At 1 January	**177,406**	193,011
Additions during the year – property acquisitions	**–**	10,217
Additions during the year – refurbishment expenditure	**160**	6,157
Disposals during the year resulting from finance leases	**(613)**	613
Disposals during the year – selling participations	**(83,762)**	(19,883)
Disposals during the year – other	**(78)**	–
Decrease in fair value during the year	**–**	(12,709)
At 31 December	**93,113**	177,406

The fair value of the Group's investment property portfolio at 31 December 2009 has been assessed by the Directors having regard, where available, to professional valuations commissioned in previous years updated by the Directors to reflect current market conditions and, where available, recent transactions for comparable properties.

All investment properties represent freehold interests.

The Group has pledged the majority of its investment property to secure bank borrowings.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to €8.69 million (31 December 2008 – €11.19 million). Direct operating expenses arising on the investment property in the period amounted to €4.22 million (31 December 2008 – €6.74 million).

At 31 December 2009 the Group had outstanding capital commitments in relation to ongoing refurbishment programmes of €147,214 (31 December 2008 – €3,725,630).

Inventories

Inventories at the year end were €nil (2008 – €4.38 million).

15 Subsidiaries – Company

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Cost at 1 January and 31 December	**722**	722
Provisions at 1 January and 31 December	**(141)**	(141)
Net book value at 31 December	**581**	581

16 Subsidiaries – Company

The Company's principal subsidiaries at 31 December 2009 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
IT Tower Conference and Services BVBA	Property Investment	100	Belgium
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 5 Immobilien GmbH	Property Investment	100	Germany
IRE 6 Immobilien GmbH	Property Investment	100	Germany
IRE 7 Immobilien GmbH	Property Investment	100	Germany
IRE Asset Management Germany 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.

17 Trade and Other Receivables

	Group		Company	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	€'000	€'000	**€'000**	€'000
Amounts falling due within one year				
Trade receivables	**1,062**	2,629	**7**	29
Provision for impairment	**(411)**	(1,702)	**–**	–
	651	927	**7**	29
Amounts owed by Group undertakings	**–**	–	**13,238**	12,893
Other debtors	**5,779**	1,161	**9**	11
Prepayments	**437**	3,033	**13**	19
	6,867	5,121	**13,267**	12,952

Amounts owed by Group undertakings bear interest at 5.3% (2008 – 5.3%). During the year interest charged totalled €0.68 million (2008 – €0.87 million).

17 Trade and Other Receivables (continued)

As at 31 December 2009 trade receivables of €0.514 million (2008 – €0.898 million) were past due but not impaired. They relate to tenants with no default history. The ageing analysis of these receivables is as follows:

	Group		Company	
	31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
	€'000	€'000	**€'000**	€'000
Up to 3 months	**342**	743	**–**	–
3 to 6 months	**172**	52	**–**	–
6 to 12 months	**–**	103	**–**	–
	514	898	**–**	–

As at 31 December 2009 trade receivables of €0.411 million (2008 – €1.702 million) were past due and impaired. The amount of the provision as at 31 December 2009 was €0.411 million (2008 – €1.702 million).

	Group		Company	
	31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
	€'000	€'000	**€'000**	€'000
Up to 3 months	**–**	61	**–**	–
3 to 6 months	**52**	8	**–**	–
6 to 12 months	**359**	1,633	**–**	–
	411	1,702	**–**	–

18 Bank Overdrafts and Loans – Group

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
Bank loans	**55,557**	129,402
	55,557	129,402

The borrowings are repayable as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
	€'000	€'000
On demand or within one year	**113**	17,600
In the second year	**5,459**	–
In the third to fifth years inclusive	**27,293**	18,222
After five years	**22,692**	93,580
	55,557	129,402
Less: Amount due for settlement within 12 months	**(113)**	(17,600)
Amount due for settlement after 12 months	**55,444**	111,802

The weighted average interest rates paid were as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
	%	%
Bank loans	**4.94**	5.58

Bank loans at 31 December 2009 and 2008 are arranged at both variable and fixed rates.

The weighted average period for which interest rates are fixed is 10.0 years (2008 – 10.0 years).

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

18 Bank Overdrafts and Loans – Group (continued)

At 31 December 2009 the Group had 10 principal bank loans (2008 – 24). The principal features of these borrowings are disclosed below.

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

31 December 2009			31 December 2008		
Principal €'000	**Term Years**	**Interest Rate %**	Principal €'000	Term Years	Interest Rate %
12,169	**10**	**4.950**	2,600	1	5.750
15,802	**10**	**4.360**	15,000	1	8.692
5,023	**10**	**5.270**	3,282	5	5.560
8,553	**10**	**5.570**	7,566	5	5.690
5,656	**10**	**5.207**	3,447	7	4.244
835	**10**	**5.600**	3,927	7	4.450
5,145	**10**	**4.930**	3,500	10	6.030
1,035	**10**	**4.808**	1,824	10	7.500
680	**26**	**4.720**	3,850	10	5.372
659	**30**	**5.050**	16,269	10	4.360
			1,062	10	4.808
			6,123	10	4.926
			12,368	10	4.950
			1,020	10	5.000
			2,059	10	5.160
			5,809	10	5.207
			13,906	10	5.270
			3,799	10	5.504
			11,670	10	5.570
			856	10	5.600
			797	10	5.670
			697	26	4.720
			3,197	30	5.050
			4,774	30	5.660
55,557			129,402		

19 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 Investment Properties	Total
	€'000	€'000
At 1 January 2008	4,158	4,158
Charge to income on revaluations in year	(2,427)	(2,427)
At 1 January 2009	1,731	1,731
Credit to income on property sales in year	(552)	(552)
At 31 December 2009	**1,179**	**1,179**

At the year end, the Group and Company had estimated unused United Kingdom capital tax losses amounting to €4,058,000 (2008 – €4,058,000). In addition the Group had unused overseas losses of €6,410,252 (2008 – €6,023,000). No deferred tax asset has been recognised in relation to these losses due to uncertainty over the timing of any future reversal.

20 Current Liabilities

	Group		Company	
	31 December 2009	31 December 2008	**31 December 2009**	31 December 2008
	€'000	€'000	**€'000**	€'000
Bank loans and overdrafts (note 18)	**113**	17,600	**–**	–
Finance lease creditor (note 24)	**–**	37	**–**	–
Amounts owed to Group undertakings	**–**	–	**1,120**	1,120
Corporation tax	**210**	–	**–**	–
Social security and other taxes	**54**	62	**28**	15
Other creditors	**3,066**	7,599	**22**	52
Provisions (note 21)	**750**	1,000	**–**	–
Accruals and deferred income	**3,528**	4,052	**43**	72
	7,721	30,350	**1,213**	1,259

Included in other creditors is deferred consideration of out of the money derivatives at fair value of €1.996 million (2008 – €3.226 million) in relation to SWAP agreements.

21 Provisions

	Year ended 31 December 2009
	€'000
At 1 January	**1,000**
Utilisation of provision	**(250)**
At 31 December	**750**
Included in current liabilities	**750**
Included in non-current liabilities	**–**
At 31 December	**750**

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 forthcoming years.

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.

22 Share Capital

	31 December 2009	31 December 2008
Authorised:		
30,000,000 Ordinary Shares at 40p each (2008 –30,000,000)	**£12,000,000**	£12,000,000
Issued and fully paid:		
6,927,446 Ordinary Shares at 40p each	**€4,408,430**	€4,408,430

23 Notes to the Cash Flow Statement

(a) Group	31 December 2009	31 December 2008
	€'000	€'000
Profit/(loss) for the year	**688**	(26,838)
Adjustments for:		
Decrease in fair value of investment properties	**–**	12,709
Decrease in provisions	**(250)**	(250)
Finance income	**(700)**	(511)
Finance costs	**7,640**	13,398
Income tax expense	**186**	(2,123)
Gains on sale of investment property	**(33)**	(665)
Gains on sale of group companies	**(4,982)**	–
Operating cash flows before movements in working capital	**2,549**	(4,280)
Decrease/(increase) in inventories	**4,380**	(1,442)
(Increase)/decrease in receivables	**(1,745)**	5,336
Decrease in payables	**(5,284)**	(7,747)
Cash used from operations	**(100)**	(8,133)
Income taxes paid	**(113)**	(369)
Net cash flow from operating activities	**(213)**	(8,502)

(b) Company	31 December 2009	31 December 2008
	€'000	€'000
Loss for the year	**(32)**	(344)
Adjustments for:		
Finance income	**(694)**	(682)
Finance cost	**5**	14
Operating cash flows before movements in working capitals	**(721)**	(1,012)
(Increase)/decrease in receivables	**(315)**	342
Increase/(decrease) in payables	**(46)**	(111)
Net cash flow from operating activities	**(1,082)**	(781)

24 Lease Arrangements

Operating leases

The Group as lessor

Property rental income earned during the year was €8.69 million (2008 – €11.19 million) net of operating expenses of €4.22 million (2008 – €6.74 million).

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

	31 December 2009	31 December 2008
	€'000	€'000
Within one year	**1,556**	1,556
In the second to fifth years inclusive	**1,576**	1,576
After five years	**60**	60
	3,192	3,192

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 €3.192 million in the year ended 31 December 2010 (2009 – €3.192 million).

24 Lease Arrangements (continued)

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.

Finance leases

One of the Group's investment properties which was held under a head lease has been sold during 2009. 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 2009	**Interest 2009**	**Present Value 2009**	Minimum Lease Payments 2008	Interest 2008	Present Value 2008
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Not later than one year	–	–	–	38	1	37
Later than one year and not later than five years	–	–	–	152	12	140
Later than five years	–	–	–	459	23	436
	–	–	–	649	36	613

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:

	2009	2008
	€'000	€'000
Current liabilities	–	37
Non-current liabilities	–	576
	–	613

The net book value of the property held under the above finance lease arrangement at 31 December 2009 is €nil (2008 – €5.028 million).

25 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.

NOTICE OF SHARHOLDERS MEETING

A Shareholders Meeting will be held on Monday 11 October at 11.00 am in the Argyll Room of the Stafford Hotel, 16-18 St. James' Place London SW1A 1NJ. This will be an opportunity to meet and ask any questions you may have. Please RSVP by 4 October to info@IREplc.com or telephone +44 (0)20 7495 1480.

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