



# International Real Estate

Annual Report 2008



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# DIRECTORS AND ADVISERS

Directors	Rolf L. Nordström Daniel Akselson John S. Lamb
Secretary	Tom Shannon
Registered Office	22 Grafton Street, London W1S 4EX
Registration Number	2101254 – Registered in England and Wales
Auditors	BDO Stoy Hayward LLP Chartered Accountants 55 Baker Street London W1U 7EU
Solicitors	Trowers & Hamlins 40 Tower Hill London EC1N 4DX

# CHAIRMAN'S STATEMENT

As you have no doubt noticed the challenging conditions faced by the property market in general have intensified over the last year, and Management have devoted much attention on how to reorganise the Group's activities in order to offset the negative effects and also to be in a position to take advantage of opportunities that, no doubt, will materialise in the near to mid term future.

Our focus of operation remains on the German and Belgian property markets.

Along with many other property owners in Germany we are experiencing increasing difficulties with sharply increased bad debtors, and this is now one of our main focuses whilst at all times exploring ways to cut costs and increase income for the Group.

## Property Portfolio – Germany

During the year we sold our property in Hamm and our 50% participation in our property in Dresden. We also sold two adjoining redevelopment properties in Magdeburg. During 2009 we also sold our properties on Landsberger Allée in Berlin. The net effect of the sales during last year and the first half of this year was a net loss of €0.926 million. Following these sales we have concentrated our portfolio and also reduced debt and the gearing for the Group. It is Management's intention to further concentrate the portfolio and further reduce debt, we are currently looking at alternative ways to achieve this goal.

Following the sales the Group's property portfolio in Germany now amounts to circa 164,000 sq m divided over circa 1,730 apartments and some 46,000 sq m of office and commercial space. Whilst this market has showed signs of a slowdown with decreasing transaction volumes, Management still sees Germany as central to the Group's strategy, primarily focussing on residential properties.

It is Managements intention to proceed with a break-up of part of our portfolio in Berlin and sell the apartments individually - we have a number of properties that lend themselves excellently for this purpose. Despite the slower demand for investment properties we have experienced a growth in rental levels and following a challenging year we are now seeing a steadily improved letting situation.

Magdeburg continues 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, with a lettable area of circa 72,000 sq m. The mix is predominately residential units and offices with commercial units on the ground floor levels. We have decided to postpone our remaining redevelopment projects generally, and have intensified our letting activity. We are still experiencing increasing rental levels and the problem with bad debtors is less than in Berlin.

## Property Portfolio – Belgium

Our project on Rue du Gouvernement Provisoire will be completed during this summer/autumn and the sale of apartments started on May 30<sup>th</sup>.

Our letting activities at Centre Monnet in Louvain la Neuve, our 28,000 square metre commercial property have progressed, with further lettings having been achieved despite difficult market conditions.

During 2009 the Group entered into a participation in the property known as 'Sheraton Hotel' in Brussels. This is a 511 room hotel building in the centre of Brussels, which is being managed by Sheraton. It is our intention to refurbish and further develop the property.

## Strategy

The main focus going forward will be on letting activities and cost cuttings. Management is considering various means to reduce debt and decrease gearing. It is also Management's intention to concentrate its activities on breaking up a part of the portfolio into individual units which will then be sold off separately. The value following a break up scenario is in many cases substantially higher than if a property is sold as one unit. A break-up procedure and subsequent sale of the individual units is management intensive and time consuming – normally two to three years, but the end result, especially under current market conditions, is likely to be considerably better than a traditional sale of the property as one unit. In order to save costs and due to the low liquidity in the stock, it was decided to de-list the company's shares from the Alternative Investment Market (AIM). The de-listing took place on 1<sup>st</sup> May 2009.

# CHAIRMAN'S STATEMENT

CONTINUED

## Results

Results for the year ended 31 December 2008 show revenue of €11.2 million (2007 – €8.9 million), pre-tax loss of €28.9 million (2007 – €7.5 million profit) and loss after taxation of €26.8 million (2007 – €9.4 million profit). The loss after taxation is lower than the loss before taxation due to a tax credit on the revaluation losses. Included within operating loss are unrealised property revaluation losses totalling €12.7 million (2007 – €3.3 million gain), release of provisions totalling €0.3 million (2007 – €7.8 million) and a revaluation of Swap agreements amounting to a loss of €3.3 million (2007 – profit €0.2 million). The Group's cash position as at 31 December 2008 was €4.2 million (2007 – €21.6 million). Total net borrowings after taking into account cash balances amounted to €156.9 million (2007 – €128.6 million). Total net assets amounted to €15.6 million (2007 – €42.8 million). Whilst gearing has increased, we anticipate a robust cash-flow from the sale of individual units following a break-up of some of the properties in Germany with a subsequent decrease in gearing.

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 interest on the bond was not paid as scheduled in March 2009 and the issuing company has initiated talks with a view to refinance the bond.

## Dividend

The Board does not propose to pay a final dividend and no Interim dividend was paid.

## Outlook

Naturally, the turbulence in the world-wide financial markets will continue to affect the Group's business. However, Management remains confident that it will be able to progress the sale of individual units both resulting in a lowering of debt and gearing for the Group.

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.



Rolf L. Nordström, Chairman  
London, 2 September 2009

# REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2008.

## 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 9 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 2008 was €2.25 per share (31 December 2007 – €6.18 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.

## Dividends

The Board does not propose to pay a final dividend for the year (31 December 2007 10.0 pence (€0.13)).

## 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 12.

## Supplier Payment Policy

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

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment; and
- pay in accordance with its contracted and other legal obligations.

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

## Auditors

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

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

By Order of the Board

Tom Shannon, Secretary  
London, 2 September 2009

# 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.

# 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 2008 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 and the Report of the Directors. 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.

# INDEPENDENT AUDITOR'S REPORT

CONTINUED

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 2008 and of its loss 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 2008;
- 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,

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
		€'000	€'000
Revenue	3	11,194	8,884
Cost of sales	4	(10,847)	3,947
Gross Profit		347	12,831
Other operating income	3	1,437	6,128
Administration expenses		(3,103)	(4,544)
Other operating expenses	4	(14,755)	(34)
Operating (Loss)/Profit	6	(16,074)	14,381
Finance income	8	511	484
Finance costs	9	(13,398)	(7,367)
(Loss)/Profit Before Tax		(28,961)	7,498
Tax credit	10	2,123	1,854
(Loss)/Profit for the Year	24	(26,838)	9,352
Attributable to:			
Equity holders of the Parent		(26,530)	9,330
Minority interest		(308)	22
		(26,838)	9,352

## CONSOLIDATED AND COMPANY STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 31 DECEMBER 2008

There is no difference between the (loss)/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 24 to the financial statements.

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	31 December 2008 €'000	31 December 2007 €'000
<b>Non-Current Assets</b>			
Investment properties	13	177,406	193,011
<b>Current Assets</b>			
Inventories	14	4,380	2,938
Trade and other receivables	18	5,121	8,796
Cash and cash equivalents		4,208	21,566
		13,709	33,300
<b>Total Assets</b>		<b>191,115</b>	<b>226,311</b>
<b>Current Liabilities</b>			
Trade and other payables	21	(11,713)	(27,829)
Current tax liabilities	21	-	(65)
Bank loans	21	(17,600)	(18,050)
Provisions	22	(1,000)	(1,250)
Finance leases	26	(37)	-
		(30,350)	(47,194)
<b>Non-Current Liabilities</b>			
Bank loans	19	(111,802)	(101,179)
Bond	12	(31,089)	(30,941)
Deferred tax liabilities	20	(1,731)	(4,158)
Finance leases	26	(576)	-
		(145,198)	(136,278)
<b>Total Liabilities</b>		<b>(175,548)</b>	<b>(183,472)</b>
<b>Net Assets</b>		<b>15,567</b>	<b>42,839</b>
<b>Equity</b>			
Share capital	23	4,408	4,408
Share premium account	24	7,957	7,957
Capital redemption reserve	24	566	566
Retained earnings	24	2,421	29,385
<b>Equity Attributable to Equity</b>			
Holder of the Parent	24	15,352	42,316
Minority interest	24	215	523
<b>Total Equity</b>	<b>24</b>	<b>15,567</b>	<b>42,839</b>

The financial statements were approved by the Board of Directors and authorised for issue on 2 September 2009. They were signed on its behalf by:

Rolf L. Nordström

Directors

Daniel Akselson

# COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	31 December 2008 €'000	31 December 2007 €'000
<b>Non-Current Assets</b>			
Investments in subsidiaries	15	581	581
<b>Current Assets</b>			
Trade and other receivables	18	12,952	13,294
Cash and cash equivalents		460	1,007
		13,412	14,301
<b>Total Assets</b>		<b>13,993</b>	<b>14,882</b>
<b>Current Liabilities</b>			
	21	(1,259)	(1,370)
<b>Total Liabilities</b>		<b>(1,259)</b>	<b>(1,370)</b>
<b>Net Assets</b>		<b>12,734</b>	<b>13,512</b>
<b>Equity</b>			
Share capital	23	4,408	4,408
Share premium account	24	7,957	7,957
Capital redemption reserve	24	566	566
Retained earnings	24	(197)	581
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>12,734</b>	<b>13,512</b>
<b>Total Equity</b>	24	<b>12,734</b>	<b>13,512</b>

The financial statements were approved by the Board of Directors and authorised for issue on 2 September 2009. They were signed on its behalf by:

Rolf L. Nordström

Directors

Daniel Akselson

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Year ended		Year ended	
		31 December 2008	31 December 2007	31 December 2008	31 December 2007
		€'000	€'000	€'000	€'000
Net Cash (Outflow)/Inflow from					
Operating Activities	25(a)		(8,502)		15,190
Investing Activities					
Interest received		511		351	
Acquisition of investment properties		(16,374)		(84,838)	
Disposal of investment properties		6,378		9,437	
Net Cash Used in Investing Activities		(9,485)		(75,050)	
Financing Activities					
Dividends paid		(434)		(1,009)	
Interest paid		(9,258)		(7,143)	
Repayments of borrowings		(2,196)		(1,352)	
Proceeds of bank borrowings		12,517		48,468	
Proceeds of bond issue (net of issue costs)		-		30,892	
Finance lease payments		-		(598)	
Net Cash Generated by Financing Activities			629		69,258
Net (Decrease)/Increase in Cash and Cash Equivalents			(17,358)		9,398
Cash and Cash Equivalents at Beginning of Year			21,566		12,168
Cash and Cash Equivalents at End of Year			4,208		21,566

# COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Year ended	
		31 December 2008	31 December 2007
		€'000	€'000
Net Cash Outflow from			
Operating Activities	25(b)	(781)	(4,150)
Investing Activities			
Interest received		682	722
Net Cash (Used)Generated by Investing Activities		682	722
Financing Activities			
Interest paid		(14)	(9)
Dividends paid		(434)	(1,009)
Net Cash Used in Financing Activities		(448)	(1,018)
Net Decrease in Cash and			
Cash Equivalents		(547)	(4,446)
Cash and Cash Equivalents at Beginning of Year		1,007	5,453
Cash and Cash Equivalents at End of Year		460	1,007

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

## 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 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 preparation

The directors have prepared detailed cash flow projections for the Group for the period through to 30 June 2010 ("the projection period"). In preparing these projections, the directors have taken into account the status of current negotiations with providers of loan and bond finance ("the lenders"). The directors are currently holding discussions with the lenders to reschedule payments totalling €17.6 million that would otherwise fall due for repayment within the projection period ("the facilities"). At the date of approval of the financial statements these discussions have yet to be concluded. The lenders have continued to make available the facilities and the lenders of loan finance have indicated in writing that they intend to continue to do so throughout the projection period. Accordingly, in making their assessment of going concern the directors have assumed that the lenders will continue to make the facilities available throughout 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.

1 Accounting Policies (continued)

(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.

(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 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.

(i) Borrowing costs

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

(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 balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

## 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 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.

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 balance sheet date. Gains and losses arising from changes in the fair value of investment property are included in profit or loss 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 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.

### (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.

1 Accounting Policies (continued)

(n) 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

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.

(o) 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.

(p) 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.

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

## 1 Accounting Policies (continued)

### (q) Accounting standards issued not yet adopted

*New standards effective in 2008 and adopted by the group*

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

*Standards effective in 2008 but not relevant to the group*

IFRIC 7, Applying the restatement approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective for accounting periods beginning on or after 1 March 2006).

IFRIC 11, IFRS 1 – Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1 March 2007), which requires share-based payment transactions in which an entity receives services as consideration for its own equity instruments to be accounted for as equity settled. In terms of transactions to date there would be no impact on the accounts.

IFRIC 12, Service Concession Arrangements (effective for accounting periods after 1 January 2008).

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for accounting periods beginning on or after 1 January 2008).

*Standards, not yet effective*

The following new standards, amendments and interpretations to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods and which the group has decided not to adopt early. Unless otherwise noted, none are expected to have a material impact on the reported results or net assets of the group.

IFRS 8, Operating Segments (effective for accounting periods beginning on or after 1 January 2009).

IAS 23, Borrowing Costs (revised) (effective for accounting periods beginning on or after 1 January 2009). Management is currently assessing the impact of this revised standard on the accounts.

IFRIC 13, Customer Loyalty Programmes (effective for accounting periods after 1 July 2008).

Revised IFRS 3, Business Combinations and complementary Amendments to IAS 27, 'Consolidated and Separate Financial Statements' (both effective for accounting periods beginning on or after 1 July 2009). Management is currently assessing the impact of this revised standard on the accounts.

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 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 13, 20 and 22.

3 Revenue and Other Income

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

	Year ended 31 December 2008	Year ended 31 December 2007
	€'000	€'000
Investment property rental income	11,194	8,884
Other operating income		
– Gains on revaluation of investment property (note 13)	-	3,311
– Gains on sale of investment property	665	2,263
– Income from litigation settlement	-	554
– Other	772	-
Finance income	511	484
	13,142	15,496

4 Cost of Sales and Other Operating Expenses

Included in cost of sales is a provision release of €0.3 million (2007 –€7.8 million) representing the utilisation and release of provisions charged to cost of sales in previous periods in connection with property disposals.

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

	Year ended 31 December 2008	Year ended 31 December 2007
	€'000	€'000
Other operating expenses		
– Losses on revaluation of investment property (note 13)	(12,709)	-
– Write down on inventories	(2,046)	-
– Other	-	(34)
	(14,755)	(34)

# NOTES TO THE FINANCIAL STATEMENTS

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## 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 2008	Trading Properties Year ended 31 December 2008	Consolidated Year ended 31 December 2008	Investment Properties Year ended 31 December 2007	Trading Properties Year ended 31 December 2007	Consolidated Year ended 31 December 2007
	€'000	€'000	€'000	€'000	€'000	€'000
<b>Revenue</b>						
Continental Europe	11,194	-	11,194	8,884	-	8,884
Total revenue	11,194	-	11,194	8,884	-	8,884
<b>Segment result</b>						
Segment result	381	(34)	347	13,524	(693)	12,831
Administration expenses	(3,055)	(48)	(3,103)	(3,608)	(462)	(4,070)
Other operating expenses	(12,709)	(2,046)	(14,755)	(34)	-	(34)
Other operating income	1,437	-	1,437	11,405	-	11,405
Operating (loss)/profit	(13,946)	(2,128)	(16,074)	21,287	(1,155)	20,132
Finance income	508	3	511	484	-	484
Finance costs	(13,398)	-	(13,398)	(7,367)	-	(7,367)
(Loss)/profit before tax	(26,836)	(2,125)	(28,961)	14,404	(1,155)	13,249
Tax credit/(charge)	2,123	-	2,123	(3,897)	-	(3,897)
(Loss)/profit for the year from continuing operations	(24,713)	(2,125)	(26,838)	10,507	(1,155)	9,352
<b>Balance Sheet</b>						
<b>Assets</b>						
Segment assets	186,686	4,429	191,115	222,652	3,659	226,311
<b>Liabilities</b>						
Segment liabilities	(171,186)	(4,362)	(175,548)	(180,801)	(2,671)	(183,472)

### 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 property expenditure and 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 2008	Year ended 31 December 2007	Year ended 31 December 2008	Year ended 31 December 2007
	€'000	€'000	€'000	€'000
Belgium	8,817	976	395	-
Germany	11,046	78,963	10,799	8,884
	19,863	79,939	11,194	8,884

## 6 Operating (loss)/profit

	Year ended 31 December 2008	Year ended 31 December 2007
	€'000	€'000
Operating (loss)/profit has been arrived at after charging		
Operating lease rentals	125	24
Staff costs	1,135	1,050
Auditors' remuneration – Group audit services	81	158
– Company audit services	18	15
– Corporate finance advisory	53	227
– Taxation services – compliance	40	31
– Taxation services – advisory	47	71

## 7 Staff Costs

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

	Group		Company	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
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 2008	31 December 2007	31 December 2008	31 December 2007
	€'000	€'000	€'000	€'000
Wages and salaries	1,023	954	412	447
Social security costs	65	64	22	25
Other pension costs	47	32	–	–
	1,135	1,050	434	472

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 2008	Year ended 31 December 2007
	€'000	€'000
Executive Directors		
Emoluments	481	525
Pension contributions	26	21
	507	546
Non-Executive Directors		
Emoluments	39	42
	39	42

Remuneration of the highest paid Director during the year was €239,000 (2007 – €239,000) plus pension contributions of 26,000 (2007 – €21,000).

In addition to the amounts shown above, Sir Eric Parker had a separate consultancy agreement with the Company payable at the rate of €17,400 (2007 – €21,615) per annum with effect from 1 January 2001.

# NOTES TO THE FINANCIAL STATEMENTS

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8 Finance Income	Year ended	Year ended
	31 December	31 December
	2008	2007
	€'000	€'000
Interest on bank deposits	511	351
Loss on foreign exchange	-	(44)
Gain on revaluation of interest rate collars	-	177
	511	484

9 Finance Costs	Year ended	Year ended
	31 December	31 December
	2008	2007
	€'000	€'000
Bank loans and overdrafts	(7,207)	(5,010)
Bond interest	(2,560)	(2,133)
Loss on foreign exchange	(66)	-
Loss on revaluation of interest rate collars	(3,274)	-
Amortisation of loan issue costs	(291)	(224)
	(13,398)	(7,367)

## 10 Tax

	Year ended 31 December 2008	Year ended 31 December 2007
	€'000	€'000
Current tax charge	(304)	(44)
Deferred tax credit	2,427	1,898
	2,123	1,854

Corporation tax is calculated at 28% (2007 – 28%) of the estimated assessable (loss)/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 (loss)/profit per the income statement as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
	€'000	€'000
(Loss)/Profit on ordinary activities before tax	(28,961)	7,498
Tax on profit on ordinary activities at standard rate	8,109	(2,099)
Expenses not deductible for tax purposes	(23)	(19)
Capital allowances in excess of depreciation	3	5
Decrease/(increase) in UK losses	(77)	4
Differences between overseas tax rates	(27)	124
Increase in overseas losses	(6,023)	(875)
Decrease in German tax rate	-	2,149
Non taxable income	-	2,565
Overseas losses not recognised	161	-
Tax credit/for the year	2,123	1,854

## 11 Dividends

	Year ended 31 December 2008	Year ended 31 December 2007
	€'000	€'000
Amounts recognised as distributions to equity holders in the period		
Final dividend for the year ended 31 December 2007 of €0.07 (5.0p) (2006 – €0.07 (5.0p)) per share	434	505
Interim dividend for the year ended 31 December 2008 of €nil nil pence) (2007 – €0.07 (5.0p)) per share	-	504
	434	1,009
The Board proposes not to pay a final dividend for the year ended 31 December 2008 (2007 – €0.07 (5.0p))	-	485

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 12 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 €68,000 (2007 – €616,000), 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 2008 would decrease/increase by €0.086 million (2007 – decrease/increase by €0.119 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings and cash deposits.

## 12 Financial Instruments (continued)

The Group's financial instruments are categorised as follows:

Financial assets – Group	Loans and receivables	
	Year ended 31 December 2008	Year ended 31 December 2007
	€'000	€'000
Trade receivables	927	1,720
Cash	4,208	21,566
Jointly controlled assets	-	1,055
	5,135	24,341

  

Financial assets – Company	Loans and receivables	
	Year ended 31 December 2008	Year ended 31 December 2007
	€'000	€'000
Trade receivables	29	25
Cash	460	1,007
Amounts owed by Group undertakings	12,893	13,234
	13,382	14,286

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

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	
	Year ended 31 December 2008	Year ended 31 December 2007	Year ended 31 December 2008	Year ended 31 December 2007
	€'000	€'000	€'000	€'000
Loans and borrowings	129,402	119,229	-	-
Bonds	31,089	30,941	-	-
Out of the money derivatives	-	-	3,226	72
Other financial liabilities	11,752	27,829	-	-
	172,243	177,999	3,226	72

  

Financial liabilities – Company	Measured at amortised cost		Measured at fair value	
	Year ended 31 December 2008	Year ended 31 December 2007	Year ended 31 December 2008	Year ended 31 December 2007
	€'000	€'000	€'000	€'000
Amounts owed to Group undertakings	1,120	1,120	-	-
Other financial liabilities	139	250	-	-
	1,259	1,370	-	-

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 2007 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 and a bridge loan from a bank.

The bonds are secured on the related loan agreements 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.

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

## 12 Financial Instruments (continued)

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.

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 2008	Year ended 31 December 2007	Year ended 31 December 2008	Year ended 31 December 2007
	€'000	€'000	€'000	€'000
<b>Borrowings:</b>				
Bank loans at fixed interest rates	105,227	96,939	106,645	92,776
Bonds at fixed interest rates	31,089	30,941	30,112	30,112
	136,316	127,880	136,757	122,888

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>2008</b>		
Fixed interest rate cash deposits	3.00	60
<b>2007</b>		
Fixed interest rate cash deposits	3.97	38

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>2008</b>					
Fixed interest rate instruments	5.79	21,280	106,402	98,595	226,277
Variable interest rate instruments	4.64	17,776	4,587	3,670	26,033
		39,056	110,989	102,265	252,310
<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

12 Financial Instruments (continued)

In addition to cash deposits of €4.208 million (2007 – €21.566 million) the Group has access to financing facilities, the total unused amount is €2.078 million (2007 – €19.334 million) at the balance sheet date.

Further details regarding the Group's bank loans are given in note 19.

The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns. The capital structure of the Group consists of equity, comprising issued share capital and reserves as disclosed in notes 23 and 24, and cash and cash equivalents.

13 Investment Property – Group

Fair value	Year ended	Year ended
	31 December	31 December
	2008	2007
	€'000	€'000
At 1 January	193,011	112,036
Additions during the year – property acquisitions	10,217	77,048
Additions during the year – refurbishment expenditure	6,157	7,790
Additions resulting from finance leases	613	-
Disposals during the year	(19,883)	(7,174)
(Decrease)/Increase in fair value during the year	(12,709)	3,311
<b>At 31 December</b>	<b>177,406</b>	<b>193,011</b>

The fair value of the Group's investment property portfolio at 31 December 2008 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.

Since the summer of 2007, both the bank finance and property markets in Europe have experienced very turbulent conditions. The properties are held in the financial statements at their 31 December 2008 internal valuation. Even though the directors consider the portfolio of properties owned by the group relatively well placed to withstand market fluctuations by virtue of the quality of the assets, having regard to the deterioration of the market since the year end, the directors believe that there is a risk of a reduction in the value of the portfolio. However, it has to be recognized that at this particular and uniquely difficult time in the cycle that any assessment of value is extremely difficult and so any diminution in value has not been quantified.

Other than one investment property which is held on a long leasehold basis 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 €11.19 million (31 December 2007 – €8.88 million). Direct operating expenses arising on the investment property in the period amounted to €6.74 million (31 December 2007 – €3.60 million).

At 31 December 2008 the Group had outstanding capital commitments in relation to ongoing refurbishment programmes of €3,725,630 (31 December 2007 – €3,587,000) and property acquisitions due to complete after the year end of €Nil (31 December 2007 – €18,450,000).

14 Inventories

Inventories comprising trading properties with a carrying amount of €4.4 million (2007 – €2.9 million) have been pledged as security for certain of the Group's bank loans.

# NOTES TO THE FINANCIAL STATEMENTS

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## 15 Subsidiaries – Company

	Year ended 31 December 2008	Year ended 31 December 2007
	€'000	€'000
Cost at 1 January	722	687
Additions	-	35
Cost at 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 2008 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
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 12 Immobilien GmbH	Property Investment	100	Germany
Trima Projektentwicklungs 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 Joint Venture Arrangements

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

	31 December 2008	31 December 2007
	€'000	€'000
Non current assets	-	3,869
Current assets	-	612
Current liabilities	-	(88)
Non current liabilities	-	(3,388)
Income	-	575
Expense	-	(397)

The joint venture property was sold during the period for a consideration of €5.500m resulting in a profit on disposal of nil.

# NOTES TO THE FINANCIAL STATEMENTS

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## 18 Trade and Other Receivables

	Group		Company	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Amounts falling due within one year	€'000	€'000	€'000	€'000
Trade receivables	927	1,720	29	25
Amounts owed by Group undertakings	-	-	12,893	13,234
Other debtors	1,161	1,993	11	10
Prepayments	3,033	5,083	19	25
	5,121	8,796	12,952	13,294

Amounts owed by Group undertakings bear interest at 5.3% (2007 – 5.3%). During the year interest charged totalled €0.67 million (2007 – €0.87 million).

Included within other debtors is a loan to Daniel Akselson for €400,000 (2007 – €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.

As at 31 December 2008 trade receivables of €0.898 million (2007 - €1.695 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 2008	31 December 2007	31 December 2008	31 December 2007
	€'000	€'000	€'000	€'000
Up to 3 months	743	464	-	-
3 to 6 months	52	52	-	-
6 to 12 months	103	1,179	-	-
	898	1,695	-	-

As at 31 December 2008 trade receivables of €1.702 (2007 - €0.193 million) were past due and impaired. The amount of the provision as at 31 December 2008 was €1.702 (2007 - €0.193 million).

	Group		Company	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	€'000	€'000	€'000	€'000
Up to 3 months	61	4	-	-
3 to 6 months	8	15	-	-
6 to 12 months	1,633	174	-	-
	1,702	193	-	-

## 19 Bank Overdrafts and Loans – Group

	Year ended 31 December 2008	Year ended 31 December 2007
	€'000	€'000
Bank loans	129,402	119,229
	129,402	119,229

The borrowings are repayable as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
	€'000	€'000
On demand or within one year	17,600	18,050
In the second year	-	3,250
In the third to fifth years inclusive	18,222	8,976
After five years	93,580	88,953
	129,402	119,229
Less: Amount due for settlement within 12 months	17,600	18,050
Amount due for settlement after 12 months	111,802	101,179

The weighted average interest rates paid were as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
	%	%
Bank loans	5.58	5.70

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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

Bank loans at 31 December 2008 and 2007 are arranged at both variable and fixed rates.

The weighted average period for which interest rates are fixed is 10.0 years (2007 – 10.0 years).

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

At 31 December 2008 the Group had 24 principal bank loans (2007 – 37). The principal features of these borrowings are disclosed below.

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

31 December 2008			31 December 2007		
Principal €'000	Term Years	Interest Rate %	Principal €'000	Term Years	Interest Rate %
2,600	1	5.750	1,799	1	5.700
15,000	1	8.692	700	1	6.022
3,282	5	5.560	280	1	6.087
7,566	5	5.690	4,510	1	7.500
3,447	7	4.244	15,000	1	8.692
3,927	7	4.450	3,388	3	4.110
3,500	10	6.030	3,324	5	5.560
1,824	10	7.500	7,157	5	5.690
3,850	10	5.372	3,562	7	4.244
16,269	10	4.360	4,011	7	4.450
1,062	10	4.808	16,631	10	4.360
6,123	10	4.926	1,086	10	4.808
12,368	10	4.950	6,253	10	4.926
1,020	10	5.000	12,621	10	4.950
2,059	10	5.160	1,674	10	5.160
5,809	10	5.207	5,892	10	5.207
13,906	10	5.270	13,000	10	5.270
3,799	10	5.504	3,860	10	5.504
11,670	10	5.570	4,880	10	5.570
856	10	5.600	875	10	5.600
797	10	5.670	712	26	4.720
697	26	4.720	3,136	30	5.050
3,197	30	5.050	4,878	30	5.660
4,774	30	5.660			
<b>129,402</b>			<b>119,229</b>		

## 20 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	Total
	€'000	€'000
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
At 1 January 2008	4,158	4,158
Credit to income on revaluations in year	(2,427)	(2,427)
At 31 December 2008	1,731	1,731

At the balance sheet date, the Group and Company had unused United Kingdom capital tax losses amounting to €4,058,000 (2006 – €4,932,000). In addition the Group had unused overseas losses of €6,023,000 (2007 – €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.

## 21 Current Liabilities

	Group		Company	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
	€'000	€'000	€'000	€'000
Bank loans and overdrafts (note 19)	17,600	18,050	-	-
Finance lease creditor (note 26)	37	-	-	-
Amounts owed to Group undertakings	-	-	1,120	1,120
Corporation tax	-	65	-	-
Social security and other taxes	62	44	15	10
Other creditors	7,599	23,528	52	53
Provisions (note 22)	1,000	1,250	-	-
Accruals and deferred income	4,053	4,257	72	187
	30,351	47,194	1,259	1,370

Included in other creditors is deferred consideration of €Nil (2007 – €19.277 million) in relation to investment property acquisitions completed during the year and out of the money derivatives at fair value of €3.226m (2007 - €0.072m).

## 22 Provisions

	Year ended 31 December 2008
	€'000
At 1 January	1,250
Release of provision	-
Utilisation of provision	(250)
At 31 December	1,000
Included in current liabilities	1,000
Included in non-current liabilities	-
At 31 December	1,000

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

### 22 Provisions (continued)

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 2009.

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.

### 23 Share Capital

	31 December 2008	31 December 2007
Authorised:		
30,000,000 Ordinary Shares at 40p each (2007 – 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

### 24 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 2007	21,064	874	33,995	501	34,496	13,805
Dividends paid	(1,009)	(1,009)	(1,009)	-	(1,009)	(1,009)
Net profit for the year	9,330	716	9,330	22	9,352	716
Balance at 1 January 2008	29,385	581	42,316	523	42,839	13,512
Dividends paid	(434)	(434)	(434)	-	(434)	(434)
Net (loss)/profit for the year	(26,530)	(344)	(26,530)	(308)	(26,838)	(704)
Balance at 31 December 2008	2,421	(197)	15,352	215	15,567	12,374

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.

## 25 Notes to the Cash Flow Statement

	31 December 2008	31 December 2007
(a) Group	€'000	€'000
(Loss)/profit for the year	(26,838)	9,352
Adjustments for:		
Decrease/(increase) in fair value of investment properties	12,709	(3,311)
Decrease in provisions	(250)	(7,761)
Finance income	(511)	(484)
Finance costs	13,398	7,367
Income tax expense	(2,123)	(1,854)
Gains on sale of investment property	(665)	(2,263)
Operating cash flows before movements in working capital	(4,280)	1,046
Increase in inventories	(1,442)	(976)
Decrease/(increase) in receivables	5,336	(5,912)
(Decrease)/increase in payables	(7,747)	21,048
Cash generated from operations	(8,133)	15,206
Income taxes paid	(369)	(16)
Net cashflow from operating activities	(8,502)	15,190
(b) Company	2008	2007
	€'000	€'000
Loss for the year	(1,012)	(32)
Adjustments for:		
Operating cash flows before movements in working capital		
Decrease/(increase) in receivables	342	(4,173)
(Decrease)/increase in payables	(111)	55
Net cashflow from operating activities	(781)	(4,150)

## 26 Lease Arrangements

## Operating leases

## The Group as lessor

Property rental income earned during the year was €11.19 million (2007 – €8.80 million) net of operating expenses of €6.74 million (2007 – €3.60 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 2008	31 December 2007
	€'000	€'000
Within one year	1,556	1,401
In the second to fifth years inclusive	1,576	1,464
After five years	60	217
	3,192	3,082

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 2009 (2008 – €3.081 million).

# NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

## 26 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 is 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 2008	Interest 2008	Present Value 2008	Minimum Lease Payments 2007	Present Interest 2007	Value 2007
	€'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:

	2008	2007
	€'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 2008 is €5.028 million (2007 – nil).

## 27 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.

## 28 Conversion Rates

	2008	2007
Sterling/Euro annual average exchange rate (£=€)	1.027	1.461
Sterling/Euro annual closing rate (£=€)	1.261	1.359

1 sq.m. = 10.764 sq.ft. approximately.

1 sq.ft. = 0.093 sq.m. approximately.



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