Company Registration No. 02101254

Consolidated financial statements
for the year ended 31 December 2011

International Real Estate Limited

Contents

Company information

Directors:	Rolf L Nordström (Chairman) Daniel Akselson (Chief Executive Officer) John S Lamb (Senior Independent Non-Executive)
Secretary:	Dominique Sturgess
Company number:	02101254
Registered office:	Bronzeoak House Stafford Road Caterham Surrey CR3 6JG
Auditor:	Mazars LLP The Atrium Park Street West Luton Bedfordshire LU1 3BE
Solicitors:	Trowers & Hamlins 40 Tower Hill London EC1N 4DX

Chairman's Statement
For the year ended 31 December 2011

Following a couple of years of challenging conditions in the German property market, last year saw some more activity and interest especially within the residential sector - the signs are for an improved market for the year ahead. 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 further reduce gearing, cut administrative and operating expenses and increase income for the Group from the remaining property portfolio.

To achieve our goals we have sold our last property in Berlin located on Uhlandstrasse, releasing some further €2.80 million in available cash for the Group. We have now, as I mentioned in last year's statement, concentrated our immediate activities on our properties in Magdeburg.

The Group's cash-flow from core operations has improved further and the gearing has continued to be reduced during the year under review.

It has been, and will continue to be, your Management's prime ambition to further improve the rent roll and reduce vacancies as well as rent arrears for the property portfolio. To that extent I am pleased to inform you that we have been successful in achieving our goals and as a consequence the Group has further improved cash flow from the Group's properties.

At the end of the year under review we bought the 5.953 sq m property known as Einsteinstrasse 13, 13 a-b in Magdeburg for €1,550,000 excluding cost at a forced sales auction - a property that the Group had been owner of until it sold it to a Danish property group in 2009. The Management is very positive about the possibility to refurbish and sell this property on as individual units, the location is without any doubt one of the best in Magdeburg.

Property Portfolio – Magdeburg, Germany

By the end of the year the Group's property portfolio amounted to circa 32.007 sq m of which there is circa 20.723 sq m in 283 apartments and the balance of 11.284 sq m is office and commercial space.

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

Strategy

The main intention going forward is to continue to focus on letting activities and reducing costs further for the Group, whilst at the same time evaluating the possibilities of further new acquisitions.

The Management is also focusing on converting part of its property portfolio into individual units, which will be sold on to either occupiers or individual investors. This is a market segment that has seen a considerable revitalisation during the year and the cumulative prices achieved far exceed those for a "complete" property.

The Management will continue to carefully evaluate opportunities that have arisen as a result of the last couple of years' problems in the market place in order to make further acquisitions, primarily with a view to convert these into individual units that can be sold on.

Results

Results for the year ended 31 December 2011 show revenue of €1.86 million (2010 – €2.27 million), pre-tax loss of €0.18 million (2010 – €3.1 million loss) and profit after taxation of €0.02 million (2010 – €2.75 million loss). Included within the finance costs is a revaluation of a Swap agreement amounting to a loss of €0.13 million (2010 – €0.11 million). The Group's cash position as at 31 December 2011 was €3.30 million (2010 – €1.12 million). Total net borrowings after taking into account cash balances amounted to €11.86 million (2010 – €24.28 million). The gearing stood at 113.8% (2010 – 191.0%). Total net assets amounted to €13.32 million (2010 – €13.30 million) or per share €1.92 (2010 - €1.92).

Dividend

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

Outlook

2011 was a year when the Group acquired a new property following our successful reorganisation. The Group is now generating a positive cash-flow on its core business going forward, before central overhead costs, and our financial position is strong with lower gearing and a strong cash balance following the completion of the sales during 2011.

We are at present negotiating a number of new acquisitions and I am looking forward to exploring further opportunities for the Group going forward.

During the year we continued to actively look at various possibilities to establish a platform whereby individual shareholders can trade with their shares in the Company. The problem that we are still facing is anticipated low liquidity alongside high costs for the Company. We have continued to explore a number of possibilities to join forces with one or more other companies in a similar position to create a larger and more viable Group but this has not yet resulted in a merger or acquisition and your Management Team are still exploring this as an option going forward.

As we did last year, we are inviting all shareholders to an informal shareholders’ meeting, details on page 32. This will be an opportunity to meet the Directors and ask any questions you may have.

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 progress is due largely to their commitment and hard work.

Rolf L. Nordström
Chairman

Date: 10 February 2012

Directors' report
For the year ended 31 December 2011

The directors present their audited financial statements for the year ended 31 December 2011.

Principal group activities

The group's principal activity during the year was property investment. Details of the principal subsidiary undertakings are set out in note 14 to the accounts.

Review of business and future developments.

The results of the year's trading is shown on page 7 and a review of the activities of the group and of future developments is contained in the Chairman's Statement on pages 1 and 2.

The group's key performance indicator is considered to be the net asset value (NAV per share) which at 31 December 2011 was €1.92 per share (31 December 2010: €1.92 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 2010: nil).

Directors

The directors who served the company during the year were as follows, unless otherwise stated:

Rolf L Nordström – Chairman
Daniel Akselson – Chief Executive Officer
John S Lamb – Senior Independent Non-Executive

Financial instruments

Details of financial instruments and their associated risks are given in note 11.

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.

Directors' report (continued)
For the year ended 31 December 2011

Directors' responsibilities statement

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards adopted by the EU.

UK company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that applicable International Financial Reporting Standards have been followed; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the group's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance 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.

Disclosure of information to auditor
So far as the directors are aware:

- there is no relevant audit information of which the group's auditor is unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information, and taken such other steps for that purpose, as were required by their duty as directors of the group to exercise due care, skill and diligence.

Auditor

It is proposed that Mazars LLP will continue in office in accordance with the Companies Act 2006 section 487(2).

By order of the board

Daniel Akselson
Director

Date: 10 February 2012

MAZARS

Independent auditor's report
To the members of International Real Estate Limited

We have audited the financial statements of International Real Estate Limited (company number 02101254) for the year ended 31 December 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statement of Cash Flows 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, 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 4 the directors are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express and opinion on 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, including our opinion, has been prepared for and only for 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/private.cfm

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 company's affairs as at 31 December 2011 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matters prescribed by 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.

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Independent auditor's report (continued)
To the members of International Real Estate Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

William Neale Bussey (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditors

The Atrium
Park Street West
Luton
Bedfordshire
LU1 3BE

Date: 13 FEBRUARY 2012

Consolidated statement of comprehensive income
For the year ended 31 December 2011

	Notes	2011 €'000	2010 €'000
Revenue	**4**	1,860	2,272
Cost of sales		(413)	(840)
Gross profit		1,447	1,432
Other gains/(losses)	**4**	840	(107)
Gains on sale of investment property	**4**	48	50
Loss on revaluation of investment property	**4**	-	(4,413)
Loss on sale of subsidiary companies	**4**	-	(12,136)
Administrative expenses		(1,452)	(1,912)
Profit/(loss) from operations	**5**	883	(17,086)
Finance income	**7**	35	16,367
Finance costs	**8**	(1,095)	(2,408)
Loss before taxation		(177)	(3,127)
Taxation	**9**	197	377
Profit/(loss) for the year		20	(2,750)
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the year		20	(2,750)

Consolidated statement of financial position
As at 31 December 2011

	Notes	2011 €'000	2010 €'000
Non-current assets			
Investment properties	**12**	27,609	40,767
Current assets			
Trade and other receivables	**15**	495	569
Cash and cash equivalents		3,300	1,124
		3,795	1,693
Total assets		31,404	42,460
Current liabilities			
Trade and other payables	**18**	(2,290)	(3,121)
Bank loans	**18**	(470)	(10,009)
		(2,760)	(13,130)
Non-current liabilities			
Bank loans	**16**	(14,687)	(15,393)
Deferred tax liabilities	**17**	(639)	(639)
		(15,326)	(16,032)
Total liabilities		(18,086)	(29,162)
Net assets		13,318	13,298
Equity			
Share capital	**19**	4,408	4,408
Share premium account		7,957	7,957
Capital redemption		566	566
Retained earnings		387	367
Total equity		13,318	13,298

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 10 February 2012 and signed off on their behalf:

Daniel Akselson
Director

Parent company statement of financial position
As at 31 December 2011

	Notes	2011 €'000	2010 €'000
Non-current assets			
Investments in subsidiaries	**13**	581	581
Current assets			
Trade and other receivables	**15**	13,351	13,391
Cash and cash equivalents		148	40
		13,499	13,431
Total assets		14,080	14,012
Current liabilities	**18**	(53)	(1,202)
Total liabilities		(53)	(1,202)
Net assets		14,027	12,810
Equity			
Share capital	**19**	4,408	4,408
Share premium account		7,957	7,957
Capital redemption reserve		566	566
Retained earnings		1,096	(121)
Total equity		14,027	12,810

The parent company financial statements were approved by the Board of Directors and authorised for issue on 10 February 2012 and signed off on their behalf:

Daniel Akselson
Director

Consolidated statement of changes in equity
For the year 31 December 2011

					Total Equity		
	Share capital €'000	Share premium account €'000	Capital redemption €'000	Retained earnings €'000	Owners of the parent €'000	Non-controlling interests €'000	Total €'000
Balance at 1 January 2010	4,408	7,957	566	3,117	16,048	207	16,255
Changes in equity for 2010							
Total comprehensive income for the year	-	-	-	(2,750)	(2,750)	(207)	(2,957)
Balance at 31 December 2010	4,408	7,957	566	367	13,298	-	13,298
Changes in equity for 2011							
Total comprehensive income for the year	-	-	-	20	20	-	20
Balance at 31 December 2011	4,408	7,957	566	387	13,318	-	13,318

Parent statement of changes in equity
For the year 31 December 2011

	Share capital €'000	Share premium account €'000	Capital redemption €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2010	4,408	7,957	566	(229)	12,702
Changes in equity for 2010					
Total comprehensive income for the year	-	-	-	108	108
Balance at 31 December 2010	4,408	7,957	566	(121)	12,810
Changes in equity for 2011					
Total comprehensive income for the year	-	-	-	1,217	1,217
Balance at 31 December 2011	4,408	7,957	566	1,096	14,027

Consolidated statement of cash flows
For the year 31 December 2011

	Notes	2011 €'000	2011 €'000	2010 €'000	2010 €'000
Net cash inflow from operating activities	**20(a)**		275		1,237
Investing activities					
Finance income		35		474	
Acquisition of investment properties		(1,623)		(204)	
Disposal of subsidiaries		-		3,374	
Disposal of investment properties		14,829		48,187	
Net cash generated in investing activities			13,241		51,831
Financing activities					
Finance costs		(1,095)		(2,408)	
Repayments of borrowings		(10,245)		(30,155)	
Repurchase of bonds		-		(20,323)	
Net cash used in financing activities			(11,340)		(52,886)
Net increase in cash and cash equivalents			2,176		182
Cash and cash equivalents at beginning of year			1,124		942
Cash and cash equivalents at the end of year			3,300		1,124

Parent company statement of cash flows
For the year 31 December 2011

	Notes	2011 €'000	2011 €'000	2010 €'000	2010 €'000
Net cash outflow from operating activities	**20(b)**		(576)		(715)
Investing activities					
Interest received		684		688	
Net cash generated in investing activities			684		688
Net increase/(decrease) in cash and cash equivalents			108		(27)
Cash and cash equivalents at beginning of year			40		67
Cash and cash equivalents at end of year			148		40

1 Accounting policies

a) Basis of accounting

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs").

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires group management to exercise judgment in applying the group's accounting policies. The areas were significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

b) Changes in accounting policies

i) New standards, interpretations and amendments effective from 1 January 2011

None of the new standards, interpretations and amendments, effective for the first time from 1 January 2011, have had a material effect on the financial statements.

ii) New standards, interpretations and amendments not yet effective

None of the new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2012 and which have not been adopted early, are expected to have a material effect on the group's future financial statements.

c) Basis of preparation

The directors have prepared detailed cash flow projections for the group for the period through to 31 March 2013 ("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.

d) 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.

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

1 Accounting policies (continued)

e) 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.

f) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duties. The following criteria must be met before income is recognised:

Rental income

Rental income arising from operating leases on properties owned by the group is accounted for on a straight line basis over the period commencing on the later of the start of the lease or acquisition of the property by the group, and ending on the earlier of the end of the lease and next break point, unless it is reasonably certain that the break option will not be exercised. Rental income revenue excludes service charges and other costs directly recoverable from tenants.

Sale of properties

Revenue from the sale of properties is recognised when the significant risks and rewards of ownership of the properties have passed to the buyer, usually when legally binding contracts which are irrevocable and unconditional are exchanged. Revenue is, therefore, recognised when legal title passes to the purchaser.

Interest income

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 lease. 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.

1 Accounting policies (continued)

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 foreign currency are not retranslated. All translation differences are recognised in the Statement of Comprehensive Income as part of the finance cost.

i) Retirement benefit costs

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

j) Taxation

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

The tax credit is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income 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 at the Statement of Financial Position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the 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.

1 Accounting policies (continued)

j) Taxation (continued)

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 Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

k) Investment property

Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value at the 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.

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.

l) 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

The group's financial assets include cash and cash equivalents and trade and other receivables. All financial assets are initially recognised at fair value plus transaction costs, when the group becomes party to the contractual provisions of the instrument.

Interest and other cash flows resulting from holding financial assets are recognised in the Statement of Comprehensive Income using the effective interest method.

Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Provision for impairment of trade, loan receivables and other receivables is made when objective evidence is received that the group will not be able to collect all amounts due to it in accordance with the original terms of the receivable. The amount of the impairment is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Any change in their value through impairment or reversal of impairment is recognised in profit or loss.

A financial asset is derecognised if the contractual rights to receive the cash flows of the asset have been transferred or the group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the group transfers substantially all the risks and rewards of ownership of the asset.

1 Accounting policies (continued)

l) Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short term highly liquid investments such as bank deposits, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Equity

- Share capital represents the nominal value of equity shares that have been issued.
- Share premium represents the excess over nominal value of the fair value of the consideration received for equity shares, net of expenses of the share issue.
- Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.
- The capital redemption reserve represents the nominal value of shares cancelled on the purchase of own shares in order to maintain the capital base of the group.

Financial liabilities

The group's financial liabilities include bank loans, trade and other payables and liabilities at fair value through profit and loss.

Financial liabilities are recognised when the group becomes a party to the contractual agreement of the instrument. All interest related charges are recognised as an expense in "finance costs" in the statement of comprehensive income using the effective interest method.

Bank loans are raised for support of the long term funding of the group's operations. They are recognised initially at fair value, net of direct issue costs and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Finance charges, including premiums payable on settlement of redemption and direct issue costs, are recognised in profit or loss on an accruals basis using the effective interest 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.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost less settlement payments.

All derivative financial instruments are valued at fair value through profit and loss. All interest related charges are included within finance costs or finance income. Changes in an instrument's fair value are disclosed separately in the Statement of Comprehensive Income. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists.

A financial liability is derecognised only when the obligation is extinguished, that is when the obligation is discharged or cancelled or expires.

Classification as equity or financial liability

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classed as financial liabilities.

1 Accounting policies (continued)

l) Financial instruments (continued)

Classification as equity or financial liability (continued)

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Dividends and distribution relating to equity instruments are debited directly to equity.

m) Investments

In the parent company financial statements, investments in subsidiary undertakings are stated at cost less any provision for impairment.

n) Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the Statement of Financial Position date, and are discounted to present value where the effect is material.

o) Company profit and loss account

As a consolidated Statement of Comprehensive Income is published, a separate statement for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006. The result of the company in the current and prior year is disclosed in the parent statement of changes in equity.

p) Segmental reporting

An operating segment is a distinguishable component of the group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the group's chief operating decision makers to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available.

As the chief operating decision makers review financial information for and make decisions about the group's investment properties, the directors have identified a single operating segment, that of investment in properties.

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 principal subsidiaries as listed in note 14.

The address of the registered office in the United Kingdom is stated on the Company information page and the nature of the group's operations and principal activities are stated in the Directors' Report. 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 consumption

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are as follows:

Investment property valuation

The group uses the valuations performed by its independent valuers or the directors as the fair value of its investment properties. The valuation is based upon assumptions including future rental income, anticipated maintenance costs and the appropriate discount rate. The valuer and/or directors also make reference to market evidence of transaction prices for similar properties.

Trade and loans receivable

The group is required to judge when there is sufficient objective evidence to require the impairment of individual trade and loan receivables. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the debtor entity and the status of any disputed amounts. Further details with regard to the potential impairment of trade and loan receivables are provided in note 15.

Liability at fair value through profit and loss

The group relies on its bankers to provide a valuation of its interest rate swap, further details of which are provided in note 11.

4 Analysis of the Statement of Comprehensive Income

For management purposes, there is one class of trade which is investment property. The group's operations are wholly located in Germany and all investment properties are located in Germany. The following table provides an analysis of the group's property income and expenditure:

	2011 €'000	**2010 €'000**
Investment property rental income	1,860	2,272
Cost of sales	(413)	(840)
Administrative costs	(1,452)	(1,912)
Other gains/(losses)		
- Gains on sale of investment property	48	50
- Loss on revaluation of investment property (note 12)	-	(4,413)
- Loss on sale of subsidiary companies	-	(12,136)
- Other receipts/(payments)	840	(107)
Profit/(loss) from operations	883	(17,086)
Finance income (note 7)	35	16,367
Finance costs (note 8)	(1,095)	(2,408)
Loss before taxation	(177)	(3,127)
Segment net assets	13,318	13,298

5 Profit/(loss) from operations

Profit/(loss) from operations has been arrived at after charging:		2011 €'000	2010 €'000
Staff costs (note 6)		852	864
Auditors' remuneration	- Group audit services	31	38
	- Company audit services	8	8
	- Taxation services – compliance	9	12
	- Taxation services – advisory	-	5
	- Other advisory services	37	42

6 Staff costs

The monthly average number of employees for the group were:

	Group	
	2011 Number	2010 Number
Executive directors	2	2
Non-executive directors	1	1
Administration staff	5	6
	8	9

The aggregate employee remuneration for the group comprised:	Group	
	2011 €'000	2010 €'000
Wages and salaries	725	763
Social security costs	75	56
Other pension costs	52	45
	852	864

The group operates a defined contribution pension scheme for one director and the employees 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 €52,000 (2010: €45,000) and have been recognised in the Consolidated Statement of Comprehensive Income. As at Consolidated Statement of Financial Position date there were no outstanding contributions (2010: €nil).

The executive directors comprise key management personnel of the group and company in both the current and previous years.

6 Staff costs (continued)

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

	2011 €'000	2010 €'000
Executive directors		
Emoluments	389	389
Pension contributions	31	31
	420	420
Non-executive directors		
Emoluments	11	11
	11	11

Emoluments of the highest paid director during the year was €225,000 (2010: €225,714) plus pension contributions of €31,050 (2010: €31,145).

7 Finance income

	2011 €'000	2010 €'000
Bank and other interest	35	474
Income on repurchase of bonds	-	15,893
	35	16,367

8 Finance costs

	2011 €'000	2010 €'000
Interest paid to related parties (note 22)	(19)	-
Bank loans and overdrafts	(945)	(1,483)
Gain/(loss) on foreign exchange transactions	15	(17)
Revaluation of interest rate swap agreements	(128)	(108)
Amortisation of loan issue costs	(18)	(800)
	(1,095)	(2,408)

9 Tax

	2011 €'000	2010 €'000
Current tax credit	-	1
Adjustment to prior years	197	12
Deferred tax credit	-	364
Tax credit for the year	197	377

Corporation tax is calculated at 26% (2010: 28%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax credit for the year can be reconciled to the loss before tax per the Consolidated Statement of Comprehensive Income as follows:

	2011 €'000	2010 €'000
Loss before tax	(177)	(3,334)
Tax on loss at UK standard rate at 26% (2010: 28%)	(46)	(934)
Unutilised losses carried forward	46	545
Adjustment in respect of prior year	(197)	12
Tax credit for the year	(197)	(377)

10 Dividends

The board proposes not to pay a final dividend for the year ended 31 December 2011 (2010: nil).

11 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 €148,249 (2010: €40,168), 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 the fixed rate interest rate swap agreement.

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

At year end the group held one interest rate swap (2010: one). In December 2006, the group entered into a fixed rate interest rate swap agreement to cover a notional loan of €5.5m. The contract is a hedge arrangement against one specific investment property loan.

Non-market risk

Liquidity risk
Bank relationships are maintained to ensure that sufficient cash and unutilised facilities are available to the group.

The group's cash is managed through electronic cash management systems with the group's clearing bank to maximise interest earned on its balances. Similarly the group's liquidity is managed through regularly updated twelve month cash flow forecasts.

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 Statement of Financial Position date. For floating rate assets and liabilities, the analysis is prepared assuming the amount of liability outstanding at year end 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 2011 would decrease/increase by €0.02 million (2010: decrease/increase by €0.03 million). This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings and cash deposits.

11 Financial instruments (continued)

The group's financial instruments are categorised as follows:

Financial assets – Group	**Loans and receivables**	
	2011	**2010**
	€'000	**€'000**
Trade and other receivables	495	569
Cash	3,300	1,124
	3,795	1,693

Financial assets – Company	**Loans and receivables**	
	2011	**2010**
	€'000	**€'000**
Trade and other receivables	31	19
Cash	148	40
Amounts owed by group undertakings	13,320	13,372
	13,499	13,431

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

The carrying value of the group's financial assets represents its maximum credit risk exposure at the Statement of Financial Position date.

Financial liabilities - Group	**Measured at amortised cost**		**Measured at fair value**	
	2011	**2010**	**2011**	**2010**
	€'000	**€'000**	**€'000**	**€'000**
Loans and borrowings	15,157	25,402	-	-
Out of the money derivatives	-	-	550	422
Other financial liabilities	2,379	3,338	-	-
	17,536	28,740	550	422

Financial liabilities - Company	**Measured at amortised cost**		**Measured at fair value through profit or loss**	
	2011	**2010**	**2011**	**2010**
	€'000	**€'000**	**€'000**	**€'000**
Amounts owed to group undertakings	-	1,120	-	-
Other financial liabilities	53	82	-	-
	53	1,202	-	-

11 Financial instruments (continued)

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 2010 the group repurchased the senior 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.
- 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.

The directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

Financial liabilities	**Carrying value**	
	2011	**2010**
	€'000	**€'000**
Borrowings:		
Bank loans at fixed interest rates	15,157	25,402

The following table details the group's expected maturity for its non-derivative financial assets. The tables below have been drawn up 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 one month**
	%	**€'000**
2011		
Fixed interest rate cash deposits	0.83%	1,150
2010		
Fixed interest rate cash deposits	-	-

11 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, principal cash flows and the impact of the fixed rate interest rate swap on the variable rate loan.

	Weighted average effective interest rate %	Less than 1 year €'000	1-5 years €'000	5+ years €'000	Total €'000
2011					
Fixed interest rate instruments	5.06	1,237	17,995	526	19,758
2010					
Fixed interest rate instruments	5.01	11,283	3,353	19,776	34,412

Further details regarding the group's bank loans are given in note 16.

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.

Fair value hierarchy

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy prescribed by IFRS 7 Financial Instruments Disclosures. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to their value measurement. The financial liabilities measured at fair value in the statement of financial position, which relate to interest rate swaps, are grouped into the fair value hierarchy as follows:

	Level 1 2011 £'000	Level 2 2011 £'000	Level 3 2011 £'000	Total 2011 £'000
Interest rate swap agreements:				
At 1 January 2011	-	422	-	422
Income statement charge	-	128	-	128
At 31 December 2011	-	550	-	550

12 Investment property and inventories – Group

	2011 €'000	2010 €'000
Fair value		
At 1 January	40,767	93,113
Additions during the year – acquisitions	1,623	-
Additions during the year – refurbishment expenditure	-	204
Disposals during the year	(14,781)	(48,137)
Decrease in fair value during the year	-	(4,413)
At 31 December	27,609	40,767

The fair value of the group's investment property portfolio at 31 December 2011 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. The fair value of an investment property reflects, amongst other things, rental income from its leases and assumptions about future rental lease income on asset market conditions and anticipated plans for the property. All investment properties represent freehold interests.

The group has pledged the majority of its investment properties to secure bank borrowings.

The property rental income earned by the group from its investment properties, all of which is leased out under operating leases, amounting to €1.86 million (2010: €2.27 million).

At 31 December 2011 the group had outstanding capital commitments in relation to ongoing refurbishment programmes of €nil (2010: €0.01 million).

13 Subsidiaries – Company

	2011 €'000	2010 €'000
Cost	722	722
Provisions	(141)	(141)
Net book value at 31 December	581	581

14 Subsidiaries - Company

The company's principal subsidiaries at 31 December 2011 were as follows:

	Nature of business	Percentage shareholding of ordinary shares	Country of incorporation/ operation
Touquet Europe BV	Holding company	100	Netherlands
IRE German Property Holding BV	Holding company	100	Netherlands
I.R.E. 7 Immobiliengesellschaft mbH	Property investment	100	Germany
IRE Asset Management Germany GmbH	Property investment	100	Germany

The investment in Touquet Europe BV is held directly by the parent company. IRE European Property Holding BV was legally merged into Touquet Europe BV during the year. All other investments are held indirectly through subsidiaries. Four UK dormant companies were wound up and struck off in the year.

15 Trade and other receivables

	Group		Company	
	2011	**2010**	**2011**	**2010**
	€'000	**€'000**	**€'000**	**€'000**
Amounts falling due within one year				
Trade receivables	118	268	-	8
Provision for impairment	(55)	(122)	-	-
	63	146	-	8
Amounts owed by group undertakings	-	-	13,320	13,372
Other receivables	25	141	25	11
Prepayments and accrued income	407	282	6	-
	495	569	13,351	13,391

Amounts owed by group undertakings bear interest at 5.3% (2010: 5.3%). During the year interest charged totalled €0.68 million (2010: €0.68 million).

As at 31 December 2011 trade receivables of €63,000 (2010: €146,000) 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	
	2011	**2010**	**2011**	**2010**
	€'000	**€'000**	**€'000**	**€'000**
Up to three months	22	73	-	8
Three to six months	10	34	-	-
Six to 12 months	31	39	-	-
	63	146	-	8

As at 31 December 2011 trade receivables of €55,000 (2010: €122,000) were past due and impaired. The amount of the provision as at 31 December 2011 was €55,000 (2010: €122,000).

	Group		Company	
	2011	**2010**	**2011**	**2010**
	€'000	**€'000**	**€'000**	**€'000**
Up to three months	6	9	-	-
Three to six months	7	7	-	-
Six to 12 months	42	106	-	-
	55	122	-	-

16 Bank overdrafts and loans – Group

	2011 €'000	2010 €'000
Bank loans	15,157	25,402

The borrowings are repayable as follows:	2011 €'000	2010 €'000
On demand or within one year	470	10,009
In the second year	495	459
In the third to fifth years inclusive	13,668	1,526
After five years	524	13,408
	15,157	25,402
Less: Amount due for settlement within 12 months	(470)	(10,009)
Amount due for settlement after 12 months	14,687	15,393

The weighted average interest rates paid were as follows:	2011 %	2010 %
Bank loans	5.06	5.01

Bank loans at 31 December 2011 and 2010 are arranged at fixed and variable rates.

The weighted average period for which interest rates are fixed is 10 years (2010: 10 years).

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

At 31 December 2011 the group had 8 principal bank loans (2010: 10). The principal features of these borrowings are disclosed below. Loans with identical features have been aggregated for the purposes of this disclosure.

	2011			2010	
Principal €'000	Term years	Interest rate %	Principal €'000	Term Years	Interest rate %
Fixed rate:					
2,124	10	4.950	11,753	10	4.950
5,351	10	5.207	5,508	10	5.207
791	10	5.600	813	10	5.600
981	10	4.808	1,009	10	4.808
409	26	4.720	663	26	4.720
625	30	5.050	642	30	5.050
Variable:					
4,876	10	1.548	5,014	10	2.482
15,157			25,402		

The directors consider the fair value of the loans not to be significantly different from their carrying value.

17 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 €'000
At 1 January 2010	1,179
Credit to income	(540)
At 1 January 2011	639
Charge to income	-
At 31 December 2011	639

The group and company had estimated unused United Kingdom capital tax losses amounting to €3.22 million (2010: €3.22 million). In addition, the group had unused tax losses of €12.24 million (2010: €10.26 million). No deferred tax asset has been recognised in relation to these losses due to uncertainty over the timing of any future reversal.

18 Current liabilities

	Group		Company	
	2011 €'000	2010 €'000	2011 €'000	2010 €'000
Bank loans and overdrafts (note 16)	470	10,009	-	-
Amounts owed to group undertakings	-	-	-	1,120
Amounts owed to related parties (note 22)	-	993	-	-
Trade and other payables	1,520	57	31	19
Interest rate swap valuation *	550	422	-	-
Social security and other taxes	14	43	-	28
Accruals and deferred income	206	1,606	22	35
	2,760	13,130	53	1,202

Included in * is an amount of €0.55 million (2010: €0.42 million) in relation to the fair value of the interest rate swap agreement.

19 Share capital

	2011	2010
Authorised		
30,000,000 Ordinary shares at 40p each (2010: 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

20 Notes to the cash flow statement

a) Group

	2011 €'000	2010 €'000
Profit/(loss) for the year	20	(2,750)
Adjustments for:		
Decrease in fair value of investment properties	-	4,413
Finance income	(35)	(16,367)
Finance costs	1,095	2,408
Tax credit	(197)	(377)
Gains on sale of investment property	(48)	(50)
Loss on sale of group companies	-	12,136
Operating cash flows before movements in working capital	835	(587)
Decrease in receivables	74	6,298
Decrease in payables	(831)	(3,527)
Decrease in provisions	-	(750)
Cash generated from operations	78	1,434
Income taxes received/(paid)	197	(197)
Net cash flow from operating activities	275	1,237

b) Company

	2011 €'000	2010 €'000
Profit/(loss) for the year	1,217	108
Adjustments for:		
Finance income	(684)	(688)
Operating cash flows before movements in working capitals	533	(580)
Decrease/(increase) in receivables	40	(124)
Decrease in payables	(1,149)	(11)
Net cash flow from operating activities	(576)	(715)

21 Lease Arrangements

Operating leases

The group as lessor
Property rental income earned during the year was €1.86 million (2010: €2.27 million).

At the Statement of Financial Position date, the group had contracted with its commercial tenants for the following future minimum lease payments under non-cancellable operating leases:

	2011 €'000	2010 €'000
Within one year	662	314
In two to five years inclusive	474	658
After five years	-	27
	1,136	999

In addition to the future minimum lease payments shown above, at the Statement of Financial Position 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 €0.97 million in the year ended 31 December 2011 (2010: €1.00 million).

22 Related party transactions

At the year end the group had the following loan balances and transactions with related parties. These are related parties by virtue of the fact they are indirectly beneficially controlled by the family of Rolf L Nordström.

	2011 €'000	2010 €'000
IT Tower Conference & Services SPRL	-	30
Flyco N.V.	-	963
	-	993

Interest was paid on Flyco N.V. loan after the year amounting to €19,000 (2010: £nil). The loan was paid off in full during the year.

During the year IRE Asset Management Germany GmbH sold properties on behalf of I.R.E. 2 Immobiliengesellschaft GmbH (a former group company, now a related party) earning a commission fee and included in other gains amounting to €365k (2010: £nil). This was fully received in the year.

Management charges of €98,000 were paid in the year to Property Finance & Brokers (2010: £nil). This was fully paid in the year by International Real Estate Limited.

All transactions were made at arm's length.

23 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 shareholders' meeting

A shareholders' meeting will be held on Friday 2 March 2012 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 24 February 2012 to Dominique@IREplc.com or telephone +44 (0) 20 7495 1480.