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Consolidated financial statements  
for the year ended 31 December 2010

# International Real Estate Limited

## **Company information**

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**Directors:**

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

**Secretary:**

Dominique Sturgess

**Company number:**

2101254

**Registered office:**

Bronzeoak House  
Stafford Road  
Caterham  
Surrey  
CR3 6JG

**Auditors:**

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 2010**

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The challenging conditions in the property market which have prevailed for the last couple of years are showing signs of coming to an end. In last year's statement I said that Management would focus on reorganising the Group's activities in such a way as 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 during the year under review, further reduced our Magdeburg portfolio and in early 2011 we sold our last property in Berlin located on Uhlandstrasse and some smaller properties in Magdeburg. We have now concentrated our immediate activities on selected properties in Magdeburg.

Furthermore at the beginning of the year the last part of the bond that the Group issued in May 2007 was bought back and this has made it possible to establish a new platform for the Group with the potential for future acquisitions.

I am pleased to let you know that we have now successfully finalised all of these processes. This has led to a smaller Group but with a solid financial base. The Group's cash-flow from core operations has improved and the gearing has been greatly reduced.

The continuing rent roll and success in reducing vacancies and rent arrears has resulted in a positive cash flow, after interest and amortisation, being achieved for the remaining properties.

**Property Portfolio – Magdeburg, Germany**

By the end of the year the Group's property portfolio amounted to circa 31.791 sq m divided over circa 18.852 sq m apartments and some 12.939 sq m of office and commercial space.

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

We have sold the remaining redevelopment projects as well as certain smaller properties and we continue to achieve increasing rental levels and to reduce the problem with bad debtors in the remaining portfolio.

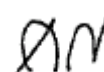
**Bond**

In May 2007 IRE German Property Holding BV, a Dutch subsidiary company, issued bonds in the amount of €32 million in a private placement. The bonds were subsequently listed on the OMX Nordic Exchange Stockholm and the OMX Nordic Exchange Copenhagen. The Group bought back the Junior tranche of the bonds, amounting to nominally €11.15, at the end of 2009 and the Senior tranche of the bonds, amounting to nominally €20.85 million, was bought back at the beginning of 2010.

**Strategy**

The main intention going forward is to continue to focus on letting activities for the remaining properties and to reduce costs further for the Group.

The Management will carefully evaluate opportunities arising as a result of the last couple of years problems in the market place.



## Chairman's Statement (continued)

### For the year ended 31 December 2010

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#### Results

Results for the year ended 31 December 2010 show revenue of €2.27 million (2009 – €8.69 million), pretax loss of €3.33 million (2009 – €0.87 million profit) and loss after taxation of €2.96 million (2009 – €0.69 million profit). Included within the finance costs is a revaluation of a Swap agreement amounting to a loss of €0.11 million (2009 – loss €1.03 million). The Group's cash position as at 31 December 2010 was €1.12 million (2009 – €0.94 million). Total net borrowings after taking into account cash balances amounted to €24.28 million (2009 – €74.94 million). The gearing was at 191.0% (2009 467.4 %). Total net assets amounted to €13.30 million (2009 – €16.26 million) or per share €1.92 (2009 - €2.35).

#### Post year end transactions

The aforementioned transactions resulted in a release of some further €3.58 million in available cash for the Group, bringing it to €4.70 million. Total net borrowings, (inclusive of cash balances) after taking into account these transactions, amounted to €11.13 million. Following these transactions, the gearing stands at 119.0%.

#### Dividend

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

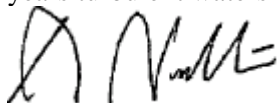
#### Outlook

We finalized the last part of our reorganisation during 2010 and early 2011. The Group is now generating a positive cash-flow on its core business going forward and our financial position is strong with low gearing and a strong cash balance following the completion of the transactions in early 2011.

During the year we have actively been looking at various possibilities to establish a platform whereby individual shareholders can trade their shares in the Company. The problem that we are facing is anticipated low liquidity coupled with high costs for the Company.

I am looking forward to exploring the Group's potential possibilities for new activity. We have as a consequence begun to explore the possibilities of joining forces with one or more other companies in a similar position to create a larger and more viable Group. This may, or may not, result in a merger or acquisition during the year. In any event, the Group is now much leaner and in significantly better shape for the future.

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



**Rolf L Nordström**  
Chairman

London 2011

**Directors' report**  
**For the year ended 31 December 2010**

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The directors present their audited financial statements for the year ended 31 December 2010.

**Principal group activities**

The group's principal activities during the year were property investment and property trading. Details of the principal subsidiary undertakings are set out in note 15 to the accounts.

**Review of business and future developments.**

A summary of the results of the year's trading is given 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) which at 31 December 2010 was €1.92 per share (31 December 2009: €2.35 pr 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 2009: 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 12.

**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 2010**

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**Directors' responsibilities**

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;
- comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements; and
- prepare the 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 company and the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Disclosure of information to auditors**

So far as the directors are aware:

- there is no relevant audit information of which the group's auditors are 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 auditors are 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.

**Auditors**

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: 4 May 2011

## **Independent auditors' report To the members of International Real Estate Limited**

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We have audited the financial statements of International Real Estate Limited (company number 2101254) for the year ended 31 December 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities 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 an 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](http://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 2010 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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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Mazars LLP – The Atrium - Park Street West - Luton - Bedfordshire - LU1 3BE  
Tel: +44 (0) 1582 700700 – Fax: +44 (0) 1582 700701 – [www.mazars.co.uk](http://www.mazars.co.uk)

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Registered by the Institute of Chartered Accountants in England and Wales to carry out audit work.



## **Independent auditors' report (continued)**

### **To the members of International Real Estate Limited**

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#### **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.



Lee Brook (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: 4 May 2011



## Consolidated statement of comprehensive income

### For the year ended 31 December 2010

	Notes	2010 €'000	2009 €'000
<b>Revenue</b>	<b>4</b>	2,272	8,689
Cost of sales		(840)	(3,970)
<b>Gross profit</b>		1,432	4,719
Other (losses)/gains	<b>5</b>	(16,813)	5,355
Administrative expenses		(1,912)	(2,260)
<b>Operating (loss)/profit</b>	<b>6</b>	(17,293)	7,814
Finance income	<b>8</b>	16,367	2,696
Finance costs	<b>9</b>	(2,408)	(9,636)
<b>(Loss)/profit before taxation</b>		(3,334)	874
Tax credit/(charge)	<b>10</b>	377	(186)
<b>(Loss)/profit for the year</b>		(2,957)	688
Other comprehensive income for the year net of tax		-	-
<b>Total comprehensive income for the year</b>		(2,957)	688
(Loss)/profit and total comprehensive income attributable to:			
Owners of the parent		(2,957)	696
Non-controlling interests		-	(8)
		(2,957)	688

## Consolidated statement of financial position

### As at 31 December 2010

	Notes	2010 €'000	2009 €'000
<b>Non-current assets</b>			
Investment properties	13	40,767	93,113
<b>Current assets</b>			
Trade and other receivables	16	569	6,867
Cash and cash equivalents		1,124	942
		<u>1,693</u>	<u>7,809</u>
<b>Total assets</b>		<u>42,460</u>	<u>100,922</u>
<b>Current liabilities</b>			
Trade and other payables	19	(3,121)	(6,648)
Current tax liabilities	19	-	(210)
Bank loans	19	(10,009)	(113)
Provisions	20	-	(750)
		<u>(13,130)</u>	<u>(7,721)</u>
<b>Non-current liabilities</b>			
Bank loans	17	(15,393)	(55,444)
Bond	12	-	(20,323)
Deferred tax liabilities	18	(639)	(1,179)
		<u>(16,032)</u>	<u>(76,946)</u>
<b>Total liabilities</b>		<u>(29,162)</u>	<u>(84,667)</u>
<b>Net assets</b>		<u>13,298</u>	<u>16,255</u>
<b>Equity</b>			
Share capital	21	4,408	4,408
Share premium account		7,957	7,957
Capital redemption		566	566
Retained earnings		367	3,117
		<u>13,298</u>	<u>16,048</u>
<b>Equity attributable to equity holders of the parent</b>		<u>13,298</u>	<u>16,048</u>
Minority interest		-	207
<b>Total equity</b>		<u>13,298</u>	<u>16,255</u>

These financial statements were approved by the Board on 4 May 2011



**Daniel Akselson**  
**Director**

# **Parent company statement of financial position** **As at 31 December 2010**

		<b>2010</b>	<b>2009</b>
	<b>Notes</b>	<b>€'000</b>	<b>€'000</b>
<b>Non-current assets</b>			
Investments in subsidiaries	<b>14</b>	581	581
<b>Current assets</b>			
Trade and other receivables	<b>16</b>	13,391	13,267
Cash and cash equivalents		40	67
		<u>13,431</u>	<u>13,334</u>
<b>Total assets</b>		<u><u>14,012</u></u>	<u><u>13,915</u></u>
<b>Current liabilities</b>	<b>19</b>	<u>(1,202)</u>	<u>(1,213)</u>
<b>Total liabilities</b>		<u>(1,202)</u>	<u>(1,213)</u>
<b>Net assets</b>		<u><u>12,810</u></u>	<u><u>12,702</u></u>
<b>Equity</b>			
Share capital	<b>21</b>	4,408	4,408
Share premium account		7,957	7,957
Capital redemption reserve		566	566
Retained earnings		(121)	(229)
		<u>12,810</u>	<u>12,702</u>
<b>Equity attributable to equity holders of the parent</b>		<u>12,810</u>	<u>12,702</u>
<b>Total equity</b>		<u><u>12,810</u></u>	<u><u>12,702</u></u>

These financial statements were approved by the Board on 4 May 2011



**Daniel Akselson**  
**Director**

## Consolidated statement of changes in equity

### For the year 31 December 2010

	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
<b>Balance at 1 January 2009</b>	4,408	7,957	566	2,421	15,352	215	15,567
<b>Changes in equity for 2009</b>							
Total comprehensive income for the year	-	-	-	696	696	(8)	688
<b>Balance at 31 December 2009</b>	4,408	7,957	566	3,117	16,048	207	16,255
<b>Changes in equity for 2010</b>							
Total comprehensive income for the year	-	-	-	(2,957)	(2,957)	-	(2,957)
Sale of non-controlling interests	-	-	-	207	207	(207)	-
<b>Balance at 31 December 2010</b>	4,408	7,957	566	367	13,298	-	13,298

The following describes the nature and purpose of each reserve within total equity.

#### *Share premium*

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

#### *Capital redemption*

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

#### *Retained earnings*

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

## Parent statement of changes in equity

### For the year 31 December 2010

	Share capital €'000	Share premium account €'000	Capital redemption €'000	Retained earnings €'000	Total €'000
<b>Balance at 1 January 2009</b>	4,408	7,957	566	(197)	12,734
<b>Changes in equity for 2009</b>					
Total comprehensive income for the year	-	-	-	(32)	(32)
<b>Balance at 31 December 2009</b>	4,408	7,957	566	(229)	12,702
<b>Changes in equity for 2010</b>					
Total comprehensive income for the year	-	-	-	108	108
<b>Balance at 31 December 2010</b>	4,408	7,957	566	(121)	12,810

The following describes the nature and purpose of each reserve within total equity.

#### *Share premium*

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

#### *Capital redemption*

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

#### *Retained earnings*

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

# Consolidated statement of cash flows

## For the year 31 December 2010

		2010		2009	
	Notes	€'000	€'000	€'000	€'000
<b>Net cash inflow/(outflow) from operating activities</b>	<b>22(a)</b>		1,237		(213)
<b>Investing activities</b>					
Interest received		474		700	
Acquisition of investment properties		(204)		(160)	
Disposal of subsidiaries		3,374		14,568	
Disposal of investment properties		48,187		7,991	
<b>Net cash generated in investing activities</b>			51,831		23,099
<b>Financing activities</b>					
Interest paid		(2,408)		(7,640)	
Repayments of borrowings		(30,155)		(7,133)	
Repurchase of bonds		(20,323)		(10,766)	
Finance lease payments		-		(613)	
<b>Net cash used by financing activities</b>			(52,886)		(26,152)
<b>Net increase/(decrease) in cash and cash equivalents</b>			182		(3,266)
<b>Cash and cash equivalents at beginning of year</b>			942		4,208
<b>Cash and cash equivalents at end of year</b>			1,124		942

**Parent company statement of cash flows**  
**For the year 31 December 2010**

		2010		2009	
	Notes	€'000	€'000	€'000	€'000
<b>Net cash outflow from operating activities</b>	<b>22(b)</b>		(715)		(1,082)
<b>Investing activities</b>					
Interest received		688		694	
<b>Net cash generated in investing activities</b>			688		694
<b>Financing activities</b>					
Interest paid		-		(5)	
<b>Net cash used in financing activities</b>			-		(5)
<b>Net decrease in cash and cash equivalents</b>			(27)		(393)
<b>Cash and cash equivalents at beginning of year</b>			67		460
<b>Cash and cash equivalents at end of year</b>			40		67

# Notes to the financial statements

## For the year ended 31 December 2010

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### **1 Accounting policies**

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

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

The separate financial statements of the company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

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

The principal accounting policies of the group and company are set out below.

#### **b) Basis of preparation**

The directors have prepared detailed cash flow projections for the group for the period through to 31 December 2012 (“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) 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 groups 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.



# Notes to the financial statements

## For the year ended 31 December 2010

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### **1 Accounting policies (continued)**

#### **d) Business combinations**

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of cash and/or equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

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

#### **e) Revenue recognition**

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

Rental income is recognised when due under the terms of the lease. Revenue from sale of properties is recognised on completion.

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

#### **f) Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the 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.

#### **g) Foreign currencies**

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates. For the purpose of the individual and consolidated financial statements, the results and financial position of each group company are expressed in Euros, which is the 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 income or finance cost.

## Notes to the financial statements

### For the year ended 31 December 2010

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#### **1 Accounting policies (continued)**

##### **h) Borrowing costs**

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

##### **i) Retirement benefit costs**

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

##### **j) Taxation**

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

The tax 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 by 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.

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.

# Notes to the financial statements

## For the year ended 31 December 2010

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### **1 Accounting policies (continued)**

#### **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 (included within other gains and losses).

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

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

#### **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***

##### ***Financial assets classified as loans and receivables***

Trade and other receivables – are measured initially at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the asset is impaired.

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

##### ***Available for sale investments***

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

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

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

# Notes to the financial statements

## For the year ended 31 December 2010

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### **1 Accounting policies (continued)**

#### **l) Financial instruments (continued)**

##### *Financial liabilities*

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

Out-of-the-money derivatives – derivative instruments utilised by the group include, from time to time, interest rate cap and collar arrangements. Changes in fair value of derivative financial instruments are recognised in the income statement as they arise. The group used 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.

#### **m) Investments**

In the company accounts, 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) Dividends**

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

#### **p) 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 changed in equity.

# Notes to the financial statements

## For the year ended 31 December 2010

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### **1 Accounting policies (continued)**

#### **p) Adoption of new revised standards, amendments and interpretations**

*New standards effective in 2010 and adopted by the group*

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

*New standards and interpretations not yet applied (potentially relevant to the group)*

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

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

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

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

### **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 15.

The address of the registered office and principal place of business 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 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, 18 and 20.

## Notes to the financial statements

### For the year ended 31 December 2010

#### 4 Revenue analysis

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

The group's operations are now located in Germany. All investment properties are located in Germany.

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

	Investment Trading		Total	Investment Trading		Total
	2010	2010	2010	2009	2009	2009
	€'000	€'000	€'000	€'000	€'000	€'000
Belgium	-	-	-	-	(86)	(86)
Germany	2,272	-	2,272	8,775	-	8,775
	<u>2,272</u>	<u>-</u>	<u>2,272</u>	<u>8,775</u>	<u>(86)</u>	<u>8,689</u>

#### 5 Revenue and other (losses)/gains

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

	2010	2009
	€'000	€'000
Investment property rental income	2,272	8,689
Other (losses)/gains		
- Gains on sale of investment property	50	229
- Losses on revaluation of investment property (note 13)	(4,413)	-
- (Loss)/gain on sale of subsidiary companies	(12,343)	4,982
- Other	(107)	144
	<u>(16,813)</u>	<u>5,355</u>
Finance income (note 8)	16,367	2,696
	<u>1,826</u>	<u>16,740</u>

#### 6 Operating (loss)/profit

Operating (loss)/profit has been arrived at after charging:

	2010	2009
	€'000	€'000
Operating lease rentals	-	70
Staff costs (note 7)	864	983
Auditors' remuneration	80	75
- Group audit services	16	36
- Company audit services	26	25
- Taxation services – compliance	5	5
- Taxation services – advisory		
	<u></u>	<u></u>

# Notes to the financial statements

## For the year ended 31 December 2010

### 7 Staff costs

The average number of employees (including executive directors) for the group was:

	<b>2010</b>	<b>Group</b>
	<b>Number</b>	<b>2009</b>
		<b>Number</b>
Executive directors	2	2
Non-executive directors	1	1
Administration staff	6	6
	<u>9</u>	<u>9</u>
	<u><u>9</u></u>	<u><u>9</u></u>

The aggregate remuneration for the group comprised:

	<b>2010</b>	<b>Group</b>
	<b>€'000</b>	<b>2009</b>
		<b>€'000</b>
Wages and salaries	763	881
Social security costs	56	57
Other pension costs	45	45
	<u>864</u>	<u>983</u>
	<u><u>864</u></u>	<u><u>983</u></u>

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

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

Contributions payable by the group during the year amounted to €45,000 (2009: €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 (2009: €nil).

The executive directors comprise 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:

	<b>2010</b>	<b>2009</b>
	<b>€'000</b>	<b>€'000</b>
<b>Executive directors</b>		
Emoluments	389	379
Pension contributions	31	31
	<u>420</u>	<u>410</u>
	<u><u>420</u></u>	<u><u>410</u></u>
<b>Non-executive directors</b>		
Emoluments	11	11
	<u>11</u>	<u>11</u>
	<u><u>11</u></u>	<u><u>11</u></u>

Emoluments of the highest paid director during the year was €225,714 (2009: €239,000) plus pension contributions of €31,145 (2009: €31,145).

## Notes to the financial statements

### For the year ended 31 December 2010

<b>8</b>	<b>Finance income</b>	<b>2010</b> <b>€'000</b>	<b>2009</b> <b>€'000</b>
	Other interest	474	700
	Income on repurchase of bonds	15,893	1,996
		<u>16,367</u>	<u>2,696</u>
<b>9</b>	<b>Finance costs</b>	<b>2010</b> <b>€'000</b>	<b>2009</b> <b>€'000</b>
	Bank loans and overdrafts	(1,483)	(5,537)
	Bond interest	-	(2,818)
	Loss on foreign exchange	(17)	(11)
	Loss on revaluation of interest rate collars	(108)	(1,029)
	Amortisation of loan issue costs	(800)	(241)
		<u>(2,408)</u>	<u>(9,636)</u>
<b>10</b>	<b>Tax</b>	<b>2010</b> <b>€'000</b>	<b>2009</b> <b>€'000</b>
	Current tax credit/(charge)	1	(3)
	Adjustment to prior years	12	(110)
	Deferred tax credit/(charge)	364	(73)
	Tax credit/(charge) for the year	<u>377</u>	<u>(186)</u>

Corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profit/(loss) for the year.

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

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

	<b>2010</b> <b>€'000</b>	<b>2009</b> <b>€'000</b>
(Loss)/profit on ordinary activities before tax	<u>(3,334)</u>	<u>874</u>
Tax on (loss)/profit on ordinary activities at standard rate	934	(244)
Unutilised losses carried forward	(909)	(8)
Sale of subsidiaries not taxed	-	1,733
Differences between overseas tax rates	-	(226)
Utilisation of overseas losses	-	(1,509)
Movement in deferred tax	364	(73)
Adjustment in respect of prior year	(12)	110
Non-taxable income	-	28
Other adjustments	-	3
Tax credit/(charge) for the year	<u>377</u>	<u>(186)</u>



## Notes to the financial statements

### For the year ended 31 December 2010

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#### 11 Dividends

The board proposes not to pay a final dividend for the year ended 31 December 2010 (2009: Nil).

#### 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 €40,168 (2009: €67,000), which are denominated in Sterling, all financial assets and liabilities are denominated in Euros. The group therefore has no material exposure to foreign currency movements.

###### *Interest rate risk*

The policy of the group is to ensure that all cash balances earn a market rate of interest and that interest rate exposures are regularly reviewed and managed using fixed rate debt and hedging instruments where appropriate. There is an interest rate risk on variable bank rate loans.

##### **Non-market risk**

###### *Liquidity risk*

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

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.

At year end the group held one interest rate swap (2009: two).

###### *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 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 2010 would decrease/increase by €0.03 million (2009: decrease/increase by €0.05 million). This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings and cash deposits.

# Notes to the financial statements

## For the year ended 31 December 2010

### 12 Financial instruments (continued)

The group's financial instruments are categorised as follows:

Financial assets – Group	Loans and receivables	
	2010	2009
	€'000	€'000
Trade receivables	146	651
Cash	1,124	942
	<u>1,270</u>	<u>1,593</u>

Financial assets – Company	Loans and receivables	
	2010	2009
	€'000	€'000
Trade receivables	8	7
Cash	40	67
Amounts owed by group undertakings	13,372	13,238
	<u>13,420</u>	<u>13,312</u>

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 through profit or loss	
	2010	2009	2010	2009
	€'000	€'000	€'000	€'000
Loans and borrowings	25,402	55,557	-	-
Bonds	-	20,323	-	-
Out of the money derivatives	-	-	15,893	1,996
Other financial liabilities	-	8,078	-	-
	<u>25,402</u>	<u>83,958</u>	<u>15,893</u>	<u>1,996</u>

Financial liabilities – Company	Measured at amortised cost		Measured at fair value through profit or loss	
	2010	2009	2010	2009
	€'000	€'000	€'000	€'000
Amounts owed to group undertakings	1,120	1,120	-	-
Other financial liabilities	82	93	-	-
	<u>1,202</u>	<u>1,213</u>	<u>-</u>	<u>-</u>

# Notes to the financial statements

## For the year ended 31 December 2010

### 12 Financial instruments (continued)

There is one interest rate swap that is held on floating rates. This relates to financial liabilities with a notional amount of €5.50 million. The purpose of the swap is to safeguard against interest rate fluctuations.

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

During the year ended 31 December 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. 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	
	2010	2009	2010	2009
	€'000	€'000	€'000	€'000
Borrowings:				
Bank loans at fixed interest rates	25,402	55,557	25,402	55,557
Bonds at fixed interest rates	-	20,323	-	20,323
	<u>25,402</u>	<u>75,880</u>	<u>25,402</u>	<u>75,880</u>

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
<b>2010</b>		
Fixed interest rate cash deposits	-	-
<b>2009</b>		
Fixed interest rate cash deposits	0.30	11

## Notes to the financial statements

### For the year ended 31 December 2010

#### 12 Financial instruments (continued)

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

	Weighted average effective interest rate %	Less than 1 year €'000	1-5 years €'000	5+ years €'000	Total €'000
<b>2010</b>					
Fixed interest rate instruments	5.01	11,283	3,353	19,776	34,412
Variable interest rate instruments	-	-	-	-	-
	<u>5.01</u>	<u>11,283</u>	<u>3,353</u>	<u>19,776</u>	<u>34,412</u>
<b>2009</b>					
Fixed interest rate instruments	4.94	16,391	81,956	72,754	171,101
Variable interest rate instruments	-	-	-	-	-
	<u>4.94</u>	<u>16,391</u>	<u>81,956</u>	<u>72,754</u>	<u>171,101</u>

Further details regarding the group's bank loans are given in note 17.

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.

#### 13 Investment property and inventories – Group

	2010 €'000	2009 €'000
Fair value		
At 1 January	93,113	177,406
Additions during the year – refurbishment expenditure	204	160
Disposals during the year resulting from finance leases	-	(613)
Disposals during the year – selling participations	(47,207)	(83,762)
Disposals during the year – other	(930)	(78)
Decrease in fair value during the year	(4,413)	-
At 31 December	<u>40,767</u>	<u>93,113</u>

The fair value of the group's investment property portfolio at 31 December 2010 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.

## Notes to the financial statements

### For the year ended 31 December 2010

#### 13 Investment property and inventories – Group (continued)

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 €2.27 million(2009: €8.69 million).

At 31 December 2010 the group had outstanding capital commitments in relation to ongoing refurbishment programmes of €0.01 million (2009: €0.15 million).

14 Subsidiaries – Company	2010 €'000	2009 €'000
Cost at 1 January and 31 December	722	722
Provisions at 1 January and 31 December	(141)	(141)
Net book value at 31 December	581	581

#### 15 Subsidiaries - Company

The company's principal subsidiaries at 31 December 2010 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
German Property I BV	Property investment	100	Netherlands
IRE 7 Immobilien GmbH	Property investment	100	Germany
IRE Asset Management Germany GmbH	Asset management	100	Germany

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.

The parent company has four dormant subsidiaries that are in the process of being struck off in early 2011.

# Notes to the financial statements

## For the year ended 31 December 2010

### 16 Trade and other receivables

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
<b>Amounts falling due within one year</b>				
Trade receivables	268	1,062	8	7
Provision for impairment	(122)	(411)	-	-
	<u>146</u>	<u>651</u>	<u>8</u>	<u>7</u>
Amounts owed by group undertakings	-	-	13,372	13,238
Other debtors	141	5,779	11	9
Prepayments	282	437	-	13
	<u>569</u>	<u>6,867</u>	<u>13,391</u>	<u>13,267</u>

Amounts owed by group undertakings bear interest at 5.3% (2009: 5.3%). During the year interest charged totalled €0.70 million (2009: €0.68 million).

As at 31 December 2010 trade receivables of €0.15 million (2009: €0.51 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	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Up to three months	73	342	-	-
Three to six months	34	172	-	-
Six to 12 months	39	-	-	-
	<u>146</u>	<u>514</u>	<u>-</u>	<u>-</u>

As at 31 December 2010 trade receivables of €0.12 million (2009: €0.41 million) were past due and impaired. The amount of the provision as at 31 December 2010 was €0.12 million (2009: €0.41 million).

	Group		Company	
	2010 €'000	2009 €'000	2010 €'000	2009 €'000
Up to three months	9	-	-	-
Three to six months	7	52	-	-
Six to 12 months	106	359	-	-
	<u>122</u>	<u>411</u>	<u>-</u>	<u>-</u>

## Notes to the financial statements

### For the year ended 31 December 2010

<b>17 Bank overdrafts and loans – Group</b>	<b>2010</b>	<b>2009</b>
	<b>€'000</b>	<b>€'000</b>
Bank loans	25,402	55,557
	<u>25,402</u>	<u>55,557</u>
	<u><u>25,402</u></u>	<u><u>55,557</u></u>
The borrowings are repayable as follows:	<b>2010</b>	<b>2009</b>
	<b>€'000</b>	<b>€'000</b>
On demand or within one year	10,009	113
In the second year	459	5,459
In the third to fifth years inclusive	1,526	27,293
After five years	13,408	22,692
	<u>25,402</u>	<u>55,557</u>
	<u><u>25,402</u></u>	<u><u>55,557</u></u>
Less: Amount due for settlement within 12 months	(10,009)	(113)
	<u>(10,009)</u>	<u>(113)</u>
Amount due for settlement after 12 months	15,393	55,444
	<u>15,393</u>	<u>55,444</u>
	<u><u>15,393</u></u>	<u><u>55,444</u></u>
The weighted average interest rates paid were as follows:	<b>2010</b>	<b>2009</b>
	<b>%</b>	<b>%</b>
Bank loans	5.01	4.94
	<u>5.01</u>	<u>4.94</u>
	<u><u>5.01</u></u>	<u><u>4.94</u></u>

Bank loans at 31 December 2010 and 2009 are arranged at fixed rates.

The weighted average period for which interest rates are fixed is 10 years (2009: 10 years).

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

At 31 December 2010 the group had 10 principal bank loans (2009: 10). The principal features of these borrowings are disclosed below. Loans with identical features have been aggregated for the purposes of this disclosure.

<b>Principal</b>	<b>2010</b>	<b>Interest</b>	<b>Principal</b>	<b>2009</b>	<b>Interest</b>
<b>€'000</b>	<b>Term</b>	<b>rate %</b>	<b>€'000</b>	<b>Term</b>	<b>rate %</b>
	<b>years</b>			<b>years</b>	
11,753	10	4.950	12,169	10	4.950
-	-	-	15,802	10	4.360
-	-	-	5,023	10	5.270
-	-	-	8,553	10	5.570
5,508	10	5.207	5,656	10	5.207
813	10	5.600	835	10	5.600
5,014	10	4.930	5,145	10	4.930
1,009	10	4.808	1,035	10	4.808
663	26	4.720	680	26	4.720
642	30	5.050	659	30	5.050
<u>25,402</u>			<u>55,557</u>		
<u><u>25,402</u></u>			<u><u>55,557</u></u>		

## Notes to the financial statements

### For the year ended 31 December 2010

#### 18 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:

	<b>Revaluation investment properties €'000</b>
At 1 January 2009	1,731
Credit to income on property sales in year	(552)
	<hr/>
At 1 January 2010	1,179
Credit to income on property sales in year	(540)
	<hr/>
At 31 December 2010	<u>639</u>

As per the latest filed tax return, the group and company had estimated unused United Kingdom capital tax losses amounting to €3.22 million (2009: €4.06million). In addition, the group had unused overseas losses of €10.26 million (2009: €6.41 million). No deferred tax asset has been recognised in relation to these losses due to uncertainty over the timing of any future reversal.

#### 19 Current liabilities

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Bank loans and overdrafts (note 17)	10,009	113	-	-
Amounts owed to group undertakings	-	-	1,120	1,120
Amounts owed to related parties (note 24)	993	-	-	-
Corporation tax	-	210	-	-
Social security and other taxes	43	54	28	28
Other creditors	479	3,066	19	22
Provisions (note 20)	-	750	-	-
Accruals and deferred income	1,606	3,528	35	43
	<hr/>	<hr/>	<hr/>	<hr/>
	13,130	7,721	1,202	1,213
	<u><u>13,130</u></u>	<u><u>7,721</u></u>	<u><u>1,202</u></u>	<u><u>1,213</u></u>

Included in other creditors is deferred consideration of out of the money derivatives at fair value at €0.42 million (2009: €2.00 million) in relation to SWAP agreements.



## Notes to the financial statements

### For the year ended 31 December 2010

20	Provisions	2010 €'000
	At 1 January	750
	Utilisation of provision (part of sold participation)	(750)
	At 31 December	-

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.

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.

21	Share capital	2010	2009
	<b>Authorised</b>		
	30,000,000 Ordinary shares at 40p each (2009: 30,000,000)	£12,000,000	£12,000,000
	<b>Issued and fully paid</b>		
	6,927,446 Ordinary shares at 40p each	€4,408,430	€4,408,430

22	Notes to the cash flow statement	2010 €'000	2009 €'000
a)	<b>Group</b>		
	(Loss)/profit for the year	(2,957)	688
	Adjustments for:		
	Decrease in fair value of investment properties	4,413	-
	Decrease in provisions	(750)	(250)
	Finance income	(16,367)	(700)
	Finance costs	2,408	7,640
	Tax (credit)/charge	(377)	186
	Gains on sale of investment property	(50)	(33)
	Loss/(gains) on sale of group companies	12,343	(4,982)
	Operating cash flows before movements in working capital	(1,337)	2,549
	Decrease in inventories	-	4,380
	Decrease/(increase) in receivables	6,298	(1,745)
	Decrease in payables	(3,527)	(5,284)
	Cash generated/(used) from operations	1,434	(100)
	Income taxes paid	(197)	(113)
	Net cash flow from operating activities	1,237	(213)

## Notes to the financial statements

### For the year ended 31 December 2010

#### 22 Notes to the cash flow statement (continued)

	2010 €'000	2009 €'000
<b>b) Company</b>		
Profit/(loss) for the year	108	(32)
Adjustments for:		
Finance income	(688)	(694)
Finance cost	-	5
	<u>(580)</u>	<u>(721)</u>
Operating cash flows before movements in working capitals	(580)	(721)
Increase in receivables	(124)	(315)
Decrease in payables	(11)	(46)
	<u>(715)</u>	<u>(1,082)</u>
Net cash flow from operating activities	<u>(715)</u>	<u>(1,082)</u>

#### 23 Lease Arrangements

##### Operating leases

*The group as lessor*

Property rental income earned during the year was €2.27 million (2009: €8.69 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:

	2010 €'000	2009 €'000
Within one year	314	1,556
In two to five years inclusive	658	1,576
After five years	27	60
	<u>999</u>	<u>3,192</u>
	<u>999</u>	<u>3,192</u>

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 €1.00 million in the year ended 31 December 2011 (2009: €3.19 million).

## Notes to the financial statements

### For the year ended 31 December 2010

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#### 24 Related party transactions

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

	<b>2010</b> <b>€'000</b>	<b>2009</b> <b>€'000</b>
IT Tower Conference & Services SPRL	30	-
Flyco N.V.	963	-
	<hr/>	<hr/>
	993	-
	<hr/> <hr/>	<hr/> <hr/>

The amount of €0.03 million has been repaid by the beginning of 2011.

#### 25 Controlling party

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

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