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Consolidated financial statements
for the year ended 31 December 2012

International Real Estate Limited

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 Tower Bridge House St Katharine's Way London E1W 1DD
Solicitors:	Trowers & Hamlins 40 Tower Hill London EC1N 4DX

Chairman's Statement

For the year ended 31 December 2012

In my statement last year I said that the German property market had seen some more activity and interest, particularly within the residential sector. This trend has indeed continued during the year under review, and we have seen property values improving during the year. We had our property portfolio valued as per 31 December 2012 and we saw a healthy increase in value of some 5% over last years book value.

Management has continued to focus on various ways to further reduce gearing, cut administrative and operating expenses and increase income for the Group from the remaining property portfolio. The Groups cash flow from core operations has continued to improve and the gearing has also been further reduced during the year under review.

I am pleased to inform you that vacancies are now at a very low level and, apart from natural turnover, there are virtually no vacancies. Furthermore we have managed to reduce rent arrears to a minimum. This has led to improved cash flow from the core business. It continues to be your Management's prime ambition to further improve the rent roll.

Property Portfolio – Magdeburg, Germany

Our activities have remained concentrated in Magdeburg, and by the end of the year the Group's property portfolio amounted to circa 30.953 sq m, of which circa 19.724 sq m was divided over 274 apartments with the balance of 11.229 sq m in office and commercial space.

The purchase in 2011 of the 5.898 sq m property known as Einsteinstrasse 13, 13 a-b, in Magdeburg was completed at the beginning of the year. We have agreed in principle to form a joint venture partnership with a local developer with a view to redevelop the property. Financing has been agreed in principle with a local bank and the construction works are estimated to begin during the second quarter of 2013.

Strategy

The main intention going forward remains to improve the rent roll and to reduce costs further for the Group. We are continuing to evaluate the possibilities of further new acquisitions, where the focus is on properties that can be converted into owner occupied apartments.

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.

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

The first property; Herderstrasse, was 20% sold by the end of 2012 and we are seeing a keen interest for the remaining units with a further 20% sold in 2013 to date. During the year we completed a refurbishment programme for two further properties; Zollstrasse 11 and Einsteinstrasse 2 which have now been converted into individual apartments. The marketing and sale of the individual properties will start during the first quarter of this year.

Chairman's Statement (continued)
For the year ended 31 December 2012

Results

Results for the year ended 31 December 2012 show revenue of €1.93 million (2011 – €1.86 million), pre-tax profit of €0.86 million (2011 – €0.18 million loss) and profit after taxation of €0.66 million (2011 – €0.02 million). Included within the finance costs is a revaluation of a Swap agreement amounting to a loss of €0.06 million (2011 – €0.13 million loss). The Group's cash position as at 31 December 2012 was €0.96 million (2011 – €3.30 million). Total net borrowings after taking into account cash balances amounted to €13.73 million (2011 – €11.86 million). The gearing stood at 105.1% (2011 – 113.8%). Total net assets amounted to €13.97 million (2011 – €13.32 million) or per share €2.02 (2011 – €1.92).

Dividend

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

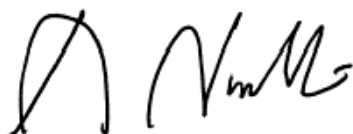
Outlook

2012 was a good year for the Group and we are looking ahead for 2013 with optimism. 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 a low gearing paving the way for future acquisitions should the right opportunity arise.

During the year we continued to look at the possibility 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 also explored the possibility with two different groups to join forces in order 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 diligently with the Group during the year. No doubt the Groups progress is due largely to their commitment and hard work.



Rolf L. Nordström
Chairman

Date: 26 February 2013

**Directors' report
For the year ended 31 December 2012**

The directors present their audited financial statements for the year ended 31 December 2012.

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 2012 was €2.02 per share (31 December 2011: €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 2011: nil).

Directors

The directors who served the company during the year were as follows:

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 2012

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 on-going 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: 26 February 2013

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 2012 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 auditor

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 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 Financial Reporting Councils' website at www.frc.org.uk/auditscopeukprivate

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 2012 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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Registered by the Institute of Chartered Accountants in England and Wales to carry out audit work.



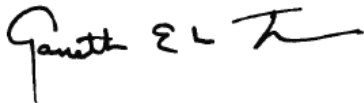
Independent auditor's report (continued)

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.



Gareth Jones (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditors

Tower Bridge House
St Katharine's Way
London
E1W 1DD

Date: 28 February 2013

Consolidated statement of comprehensive income

For the year ended 31 December 2012

	Notes	2012 €000	2011 €000
Revenue	4	1,930	1,860
Cost of sales		(463)	(413)
Gross profit		<u>1,467</u>	<u>1,447</u>
Other gains	4	-	840
Gains on sale of investment property	4	103	48
Gain on revaluation of investment property	4	1,339	-
Administrative expenses	4	(1,265)	(1,452)
Profit from operations	5	<u>1,644</u>	<u>883</u>
Finance income	7	9	35
Finance costs	8	(789)	(1,095)
Profit/(loss) before taxation		<u>864</u>	<u>(177)</u>
Taxation	9	(208)	197
Profit for the financial year		<u><u>656</u></u>	<u><u>20</u></u>
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the year		<u><u>656</u></u>	<u><u>20</u></u>

Consolidated statement of financial position

As at 31 December 2012

	Notes	2012 €000	2011 €000
Non-current assets			
Investment properties	12	28,696	27,609
Current assets			
Trade and other receivables	15	734	495
Cash and cash equivalents		960	3,300
Assets classified as held for sale	16	424	-
		<u>2,118</u>	<u>3,795</u>
Total assets		<u>30,814</u>	<u>31,404</u>
Current liabilities			
Trade and other payables	19	(1,304)	(2,290)
Bank loans	19	(842)	(470)
		<u>(2,146)</u>	<u>(2,760)</u>
Non-current liabilities			
Bank loans	17	(13,845)	(14,687)
Deferred tax liabilities	18	(849)	(639)
		<u>(14,694)</u>	<u>(15,326)</u>
Total liabilities		<u>(16,840)</u>	<u>(18,086)</u>
Net assets		<u>13,974</u>	<u>13,318</u>
Equity			
Share capital	20	4,408	4,408
Share premium account		7,957	7,957
Capital redemption		566	566
Retained earnings		1,043	387
Total equity		<u>13,974</u>	<u>13,318</u>

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 26 February 2013 and signed off on their behalf:



Daniel Akselson
Director

Parent company statement of financial position **As at 31 December 2012**

	Notes	2012 €000	2011 €000
Non-current assets			
Investments in subsidiaries	13	581	581
Current assets			
Trade and other receivables	15	13,640	13,351
Cash and cash equivalents		125	148
		<u>13,765</u>	<u>13,499</u>
Total assets		<u>14,346</u>	<u>14,080</u>
Current liabilities	19	<u>(27)</u>	<u>(53)</u>
Total liabilities		<u>(27)</u>	<u>(53)</u>
Net assets		<u>14,319</u>	<u>14,027</u>
Equity			
Share capital	20	4,408	4,408
Share premium account		7,957	7,957
Capital redemption reserve		566	566
Retained earnings		1,388	1,096
Total equity		<u>14,319</u>	<u>14,027</u>

The parent company financial statements were approved by the Board of Directors and authorised for issue on 26 February 2013 and signed off on their behalf:



Daniel Akselson
Director

Consolidated statement of changes in equity

For the year 31 December 2012

	Share capital €000	Share premium account €000	Capital redemption €000	Retained earnings €000	Total €000
Balance at 1 January 2011	4,408	7,957	566	367	13,298
Changes in equity for 2011					
Total comprehensive income for the year	-	-	-	20	20
Balance at 31 December 2011	4,408	7,957	566	387	13,318
Changes in equity for 2012					
Total comprehensive income for the year	-	-	-	656	656
Balance at 31 December 2012	4,408	7,957	566	1,043	13,974

Parent statement of changes in equity

For the year 31 December 2012

	Share capital €000	Share premium account €000	Capital redemption €000	Retained earnings €000	Total €000
Balance at 1 January 2011	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
Changes in equity for 2012					
Total comprehensive income for the year	-	-	-	292	292
Balance at 31 December 2012	4,408	7,957	566	1,388	14,319

Consolidated statement of cash flows

For the year 31 December 2012

		2012		2011	
	Notes	€000	€000	€000	€000
Net cash (outflow)/inflow from operating activities	21(a)		(1,021)		275
Investing activities					
Finance income		9		35	
Acquisition of investment properties		-		(1,623)	
Refurbishment expenditure		(315)		-	
Disposal of investment properties		246		14,829	
Net cash (used)/generated in investing activities			(60)		13,241
Financing activities					
Finance costs		(789)		(1,095)	
Repayments of borrowings		(470)		(10,245)	
Net cash used in financing activities			(1,259)		(11,340)
Net (decrease)/increase in cash and cash equivalents			(2,340)		2,176
Cash and cash equivalents at beginning of year			3,300		1,124
Cash and cash equivalents at the end of year			960		3,300

Parent company statement of cash flows

For the year 31 December 2012

		2012		2011	
	Notes	€000	€000	€000	€000
Net cash outflow from operating activities	21(b)		(745)		(576)
Investing activities					
Interest received		722		684	
Net cash generated in investing activities			722		684
Net (decrease)/increase in cash and cash equivalents			(23)		108
Cash and cash equivalents at beginning of year			148		40
Cash and cash equivalents at end of year			125		148

Notes to the financial statements

For the year ended 31 December 2012

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 where 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 2012

None of the new standards, interpretations and amendments, effective for the first time from 1 January 2012, 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 2013 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 2014 ("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.

Notes to the financial statements

For the year ended 31 December 2012

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.

Notes to the financial statements

For the year ended 31 December 2012

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.

Notes to the financial statements

For the year ended 31 December 2012

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.

Investment property is reclassified to assets held for sale within current assets when the directors have taken the decision to sell the property and a sale is anticipated within 12 months of the Statement of Financial Position date.

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.

Notes to the financial statements

For the year ended 31 December 2012

1 Accounting policies (continued)

1) 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 the Statement of Comprehensive Income.

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 the Statement of Comprehensive Income. 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.

Notes to the financial statements

For the year ended 31 December 2012

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) Parent Company Statement of Comprehensive Income

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.

Notes to the financial statements

For the year ended 31 December 2012

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 Statement of Comprehensive Income

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:

	2012 €000	2011 €000
Investment property rental income	1,930	1,860
Cost of sales	(463)	(413)
Administrative costs	(1,265)	(1,452)
Other gains		
- Gains on sale of investment property	103	48
- Gain on revaluation of investment property (note 12)	1,339	-
- Other receipts	-	840
Profit from operations	1,644	883
Finance income (note 7)	9	35
Finance costs (note 8)	(789)	(1,095)
Profit/(loss) before taxation	864	(177)
Segment net assets	13,974	13,318

Notes to the financial statements

For the year ended 31 December 2012

5 Profit from operations

Profit from operations has been arrived at after charging:	2012	2011
	€000	€000
Staff costs (note 6)	825	852
Auditor's remuneration - Group audit services	31	31
- Company audit services	8	8
- Taxation services – compliance	9	9
- Other advisory services	18	37
	<u> </u>	<u> </u>

6 Staff costs

The monthly average number of employees for the group were:

	2012	Group
	Number	2011
		Number
Executive directors	2	2
Non-executive directors	1	1
Administration staff	4	5
	<u> </u>	<u> </u>
	7	8
	<u> </u>	<u> </u>

The aggregate employee remuneration for the group comprised:

	2012	Group
	€000	2011
		€000
Wages and salaries	698	725
Social security costs	78	75
Other pension costs	49	52
	<u> </u>	<u> </u>
	825	852
	<u> </u>	<u> </u>

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 €49,000 (2011: €52,000) and have been recognised in the Consolidated Statement of Comprehensive Income. As at Consolidated Statement of Financial Position date there were no outstanding contributions (2011: Nil).

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

Notes to the financial statements

For the year ended 31 December 2012

6 Staff costs (continued)

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

	2012	2011
	€000	€000
Executive directors		
Emoluments	427	389
Pension contributions	31	31
	<u>458</u>	<u>420</u>
Non-executive directors		
Emoluments	11	11
	<u>11</u>	<u>11</u>

Emoluments of the highest paid director during the year was €241,466 (2011: €225,000) plus pension contributions of €31,320 (2011: €31,050).

7 Finance income

	2012	2011
	€000	€000
Bank and other interest	9	35
	<u>9</u>	<u>35</u>

8 Finance costs

	2012	2011
	€000	€000
Interest paid to related parties	-	(19)
Bank loans and overdrafts	(761)	(945)
Gain on foreign exchange transactions	44	15
Revaluation of interest rate swap agreements	(58)	(128)
Amortisation of loan issue costs	(14)	(18)
	<u>(789)</u>	<u>(1,095)</u>

Notes to the financial statements

For the year ended 31 December 2012

9 Tax	2012 €000	2011 €000
Current tax charge	-	-
Adjustment to prior years	(2)	(197)
Deferred tax charge (note 18)	210	-
	<u>208</u>	<u>(197)</u>
Tax charge/(credit) for the year	<u>208</u>	<u>(197)</u>

Corporation tax is calculated at 24.5% (2011: 26%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2012 €000	2011 €000
Profit/(loss) before tax	864	(177)
	<u>864</u>	<u>(177)</u>
Tax on profit/(loss) at UK standard rate at 24.5% (2011: 26%)	212	(46)
Losses utilised	(212)	-
Unutilised losses carried forward	-	46
Adjustment in respect of prior year	(2)	(197)
	<u>(2)</u>	<u>(197)</u>
Tax credit for the year	<u>(2)</u>	<u>(197)</u>

10 Dividends

The board proposes not to pay a final dividend for the year ended 31 December 2012 (2011: nil).

Notes to the financial statements

For the year ended 31 December 2012

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 €125,391 (2011: €148,249), 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 (2011: 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 2012 would decrease/increase by €0.02million (2011: decrease/increase by €0.02 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 2012

11 Financial instruments (continued)

The group's financial instruments are categorised as follows:

Financial assets – Group	Loans and receivables	
	2012 €000	2011 €000
Trade and other receivables	734	495
Cash	960	3,300
	<u>1,694</u>	<u>3,795</u>
	<u><u>1,694</u></u>	<u><u>3,795</u></u>
Financial assets – Company	Loans and receivables	
	2012 €000	2011 €000
Trade and other receivables	20	31
Cash	125	148
Amounts owed by group undertakings	13,620	13,320
	<u>13,765</u>	<u>13,499</u>
	<u><u>13,765</u></u>	<u><u>13,499</u></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	
	2012 €000	2011 €000	2012 €000	2011 €000
Loans and borrowings	14,687	15,157	-	-
Out of the money derivatives	-	-	608	550
Other financial liabilities	1,545	2,379	-	-
	<u>16,232</u>	<u>17,536</u>	<u>608</u>	<u>550</u>
	<u><u>16,232</u></u>	<u><u>17,536</u></u>	<u><u>608</u></u>	<u><u>550</u></u>
Financial liabilities - Company	Measured at amortised cost		Measured at fair value through profit or loss	
	2012 €000	2011 €000	2012 €000	2011 €000
Amounts owed to group undertakings	-	-	-	-
Other financial liabilities	27	53	-	-
	<u>27</u>	<u>53</u>	<u>-</u>	<u>-</u>
	<u><u>27</u></u>	<u><u>53</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Notes to the financial statements

For the year ended 31 December 2012

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.

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	
	2012	2011
	€000	€000
Borrowings:		
Bank loans at fixed interest rates	14,687	15,157

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
2012		
Fixed interest rate cash deposits	-	-
2011		
Fixed interest rate cash deposits	0.83%	1,150

Notes to the financial statements

For the year ended 31 December 2012

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
2012					
Fixed interest rate instruments	5.06	1,554	15,579	-	17,133
2011					
Fixed interest rate instruments	5.06	1,237	17,995	526	19,758

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.

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 2012 €000	Level 2 2012 €000	Level 3 2012 €000	Total 2012 €000
Interest rate swap agreements:				
At 1 January 2012	-	550	-	550
Income statement charge	-	58	-	58
At 31 December 2012	-	608	-	608

Notes to the financial statements

For the year ended 31 December 2012

12 Investment property and inventories – Group	2012 €000	2011 €000
Fair value		
At 1 January	27,609	40,767
Additions during the year – acquisitions	-	1,623
Additions during the year – refurbishment expenditure	315	-
Disposals during the year	(143)	(14,781)
Movement to held for sale (note 16)	(424)	-
Increase in fair value during the year	1,339	-
At 31 December	<u>28,696</u>	<u>27,609</u>

The fair value of the group's investment property portfolio at 31 December 2012 has been assessed by the Directors having regards to professional valuations performed on 16 January 2013. 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 €1.93 million (2011: €1.86 million).

At 31 December 2012 the group had outstanding capital commitments in relation to on-going refurbishment programmes of €0.07 million (2011: €nil million).

13 Subsidiaries – Company	2012 €000	2011 €000
Cost	722	722
Provisions	(141)	(141)
Net book value at 31 December	<u>581</u>	<u>581</u>

14 Subsidiaries - Company

The company's principal subsidiaries at 31 December 2012 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. All other investments are held indirectly through subsidiaries.

Notes to the financial statements

For the year ended 31 December 2012

15 Trade and other receivables

	Group		Company	
	2012	2011	2012	2011
	€000	€000	€000	€000
Amounts falling due within one year				
Trade receivables	92	118	-	-
Provision for impairment	(11)	(55)	-	-
	<u>81</u>	<u>63</u>	<u>-</u>	<u>-</u>
Amounts owed by group undertakings	-	-	13,620	13,320
Other receivables	21	25	20	25
Prepayments and accrued income	632	407	-	6
	<u>734</u>	<u>495</u>	<u>13,640</u>	<u>13,351</u>

Amounts owed by group undertakings bear interest at 5.3% (2011: 5.3%). During the year interest charged totalled €0.72 million (2011: €0.68 million).

As at 31 December 2012 trade receivables of €81,000 (2011: €63,000) 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	
	2012	2011	2012	2011
	€000	€000	€000	€000
Up to three months	21	22	-	-
Three to six months	17	10	-	-
Six to 12 months	43	31	-	-
	<u>81</u>	<u>63</u>	<u>-</u>	<u>-</u>

As at 31 December 2012 trade receivables of €11,000 (2011: €55,000) were past due and impaired. The amount of the provision as at 31 December 2012 was €11,000 (2011: €55,000).

	Group		Company	
	2012	2011	2012	2011
	€000	€000	€000	€000
Up to three months	6	6	-	-
Three to six months	3	7	-	-
Six to 12 months	2	42	-	-
	<u>11</u>	<u>55</u>	<u>-</u>	<u>-</u>

Notes to the financial statements

For the year ended 31 December 2012

16	Assets classified as held for sale	2012	2011
		€000	€000
	Assets classified as held for sale	424	-
		<u> </u>	<u> </u>
	Assets classified as held for sale is the Herderstrasse property where a number of units were sold in the year. The directors anticipate all of the remaining units to be sold during 2013.		
17	Bank overdrafts and loans – Group	2012	2011
		€000	€000
	Bank loans	14,687	15,157
		<u> </u>	<u> </u>
	The borrowings are repayable as follows:	€000	€000
	On demand or within one year	842	470
	In the second year	487	495
	In the third to fifth years inclusive	13,358	13,668
	After five years	-	524
		<u> </u>	<u> </u>
		14,687	15,157
	Less: Amount due for settlement within 12 months	(842)	(470)
		<u> </u>	<u> </u>
	Amount due for settlement after 12 months	13,845	14,687
		<u> </u>	<u> </u>
	The weighted average interest rates paid were as follows:	%	%
	Bank loans	5.06	5.06
		<u> </u>	<u> </u>

Bank loans at 31 December 2012 and 2011 are arranged at fixed and variable rates. The weighted average period for which interest rates are fixed is 10 years (2011: 10 years). All loans are secured over the properties to which they relate. At 31 December 2012 the group had 8 principal bank loans (2011: 8). The principal features of these borrowings are disclosed below. Loans with identical features have been aggregated for the purposes of this disclosure.

	2012			2011	
Principal	Term	Interest	Principal	Term	Interest
€000	years	rate %	€000	Years	rate %
Fixed rate:					
2,065	10	4.950	2,124	10	4.950
5,187	10	5.207	5,351	10	5.207
767	10	5.600	791	10	5.600
951	10	4.808	981	10	4.808
379	26	4.720	409	26	4.720
607	30	5.050	625	30	5.050
Variable rate:					
4,731	10	1.037	4,876	10	1.548
<u> </u>			<u> </u>		
14,687			15,157		
<u> </u>			<u> </u>		

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

Notes to the financial statements

For the year ended 31 December 2012

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:

	Revaluation investment properties €000
At 1 January 2011	639
Charge to income statement	-
At 1 January 2012	639
Charge to income statement	210
At 31 December 2012	849

The group and company had estimated unused United Kingdom capital tax losses amounting to €3.22 million (2011: €3.22 million). In addition, the group had unused tax losses of €12.02 million (2011: €12.24 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

	Group		Company	
	2012 €000	2011 €000	2012 €000	2011 €000
Bank loans and overdrafts (note 17)	842	470	-	-
Amounts owed to related parties (note 23)	1	-	-	-
Trade and other payables	199	1,520	27	31
Interest rate swap valuation *	608	550	-	-
Social security and other taxes	19	14	-	-
Accruals and deferred income	477	206	-	22
	<u>2,146</u>	<u>2,760</u>	<u>27</u>	<u>53</u>

Included in * is an amount of €0.61 million (2011: €0.55 million) in relation to the fair value of the interest rate swap agreement.

Notes to the financial statements

For the year ended 31 December 2012

20 Share capital

	2012	2011
Authorised		
30,000,000 Ordinary shares at 40p each (2011: 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

21 Notes to the cash flow statement

	2012 €000	2011 €000
a) Group		
Profit for the year	656	20
Adjustments for:		
Increase in fair value of investment properties	(1,339)	-
Finance income	(9)	(35)
Finance costs	789	1,095
Tax charge/(credit)	208	(197)
Gains on sale of trading property	(103)	(48)
Operating cash flows before movements in working capital	202	835
(Increase)/ decrease in receivables	(239)	74
Decrease in payables	(986)	(831)
Cash (used)/generated from operations	(1,023)	78
Income taxes received	2	197
Net cash (outflow)/inflow from operating activities	(1,021)	275
b) Company		
Profit for the year	292	1,217
Adjustments for:		
Finance income	(722)	(684)
Operating cash flows before movements in working capitals	(430)	533
(Increase)/decrease in receivables	(289)	40
Decrease in payables	(26)	(1,149)
Net cash outflow from operating activities	(745)	(576)

Notes to the financial statements

For the year ended 31 December 2012

22 Lease Arrangements

Operating leases

The group as lessor

Property rental income earned during the year was €1.93 million (2011: €1.86 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:

	2012 €000	2011 €000
Within one year	749	662
In two to five years inclusive	474	474
After five years	115	-
	<u>1,338</u>	<u>1,136</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 €1.1 million in the year ended 31 December 2013 (2012: €0.97 million).

23 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 controlled by the family of Rolf L Nordström.

	2012 €000	2011 €000
RN Media GmbH	<u>1</u>	<u>-</u>

Management charges of €nil were paid in the year to Property Finance & Brokers (2011: €98,000). This was fully paid in the year by International Real Estate Limited.

During the previous 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 €365,000. No such transactions took place in 2012.

All transactions were made at arm's length.

24 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 22 March 2013 at 11 am in the Argyll Room of the Stafford Hotel, 16-18 St. James' Place, London, SW1A 1NJ. This will be an informal opportunity to meet and ask any questions you may have.

Please RSVP by Friday 15 March 2013 to Dominique@IREplc.com or telephone +44 (0)1883 332 632.