# IRE GERMAN PROPERTY HOLDING B.V.

Annual Report 2008

# CONTENTS


| | |
|---|---|
| Directors and Advisers | 3 |
| Report of the Directors | 4 |
| Auditor’s Report | 6 |
| Property Portfolio | 8 |
| Consolidated Income Statement | 9 |
| Consolidated Balance Sheet | 10 |
| Consolidated Cash Flow Statement | 11 |
| Consolidated Statement of Changes in Equity | 12 |
| Notes to the Consolidated Financial Statements | 13 |
| Company Income Statement | 30 |
| Company Balance Sheet | 31 |
| Company Cash Flow Statement | 32 |
| Notes to the Company Financial Statements | 33 |
| Supplementary information | 36 |

# DIRECTORS AND ADVISERS

| | |
|---|---|
| Directors | Daniel Akselson |
| Registered Office | Brediusweg 42, 1401 AH Bussum |
| Registration Number | 32108902 – Chamber of Commerce Gooi- en Eemland |
| Auditors | BDO CampsObers Audit & Assurance B.V.<br>Chartered Accountants<br>Laan van Westenenk 735<br>7334 DL Apeldoorn<br>The Netherlands |

# REPORT OF THE DIRECTORS

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

**Principal Group Activities**

The Group's principal activity during the year was property investment and property trading. Details of the principal subsidiary undertakings are set out in note 3 of the notes to the Company financial statements.

**Property Portfolio**

During the year we sold two adjoining redevelopment properties in Magdeburg. During 2009 we have sold the effective interest in the properties on Landsberger Allée, Holzmarktstrasse, Friedrichstrasse and Schinkestrasse in Berlin. The net effect of the sales during last year and the first half of this year was a net loss of € 0.2 million. Following these sales we have concentrated our portfolio and also reduced debt and the gearing for the Group. It is the Managements intention to further concentrate the portfolio and reduce debt and we are currently looking at alternative ways to achieve this goal.

Following the sales the Group's property portfolio in Berlin and Magdeburg in Germany now amounts to circa 91,423 sq m divided over circa 1,114 apartments and some 21,792 sq m of office and commercial space. Whilst this market has showed signs of a slowdown with decreasing transaction volumes, Management still sees Berlin and Magdeburg as central to its strategy, primarily focussing on residential properties.

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

Magdeburg continues to be a key focus for us. We now have a very well concentrated portfolio occupying some of the city's most sought after addresses, with a let table area of circa 37,000 sq m. The mix is predominately residential units and offices with commercial units on the ground floor levels. We have decided to postpone our remaining redevelopment projects generally and have intensified our letting activity. We are still experiencing increasing rental levels and the problem with bad creditors is less than in Berlin.

**Strategy**

The main focus going forward will be on letting activities and cost cuttings. Management is considering various means to reduce debt and decrease gearing. It is also Management's intention to concentrate its activities on breaking up a part of the portfolio into individual units which will then be sold off separately. The value following a break up scenario is in many cases substantially higher than if a property is sold as one unit. A break-up procedure and subsequent sale of the individual units is management intensive and time consuming – normally two to three years - but the end result, especially under current market conditions, is likely to be considerably better than a traditional sale of the property as one unit.

**Results**

Results for the year ended 31 December 2008 show revenue of €8.2 million (2007 – €6.2 million), pre-tax loss of €13.7 million (2007 – loss €2.6 million) and loss after tax of €12.1 million (2007 – loss €0.2 million). Included in the loss is net value adjustments of -€7.2 million of the property portfolio and a value adjustment of -€1,8 for interest rate swaps. The Group's cash position as at 31 December 2008 was €2.6 million (2007 – €5.1 million). Total net assets amounted to € 3.9 million (2007 – €16.0 million).

The interest on the bond (period 1st March 2008 up to 28th February 2009) was not paid as scheduled in March 2009 and the issuing company has initiated talks with a view to refinance the bond.

# REPORT OF THE DIRECTORS

CONTINUED

At the beginning of the financial period a capital reserve (Kapitalrucklage) was formed for two of the German subsidiaries

**Review of Business and Future Developments**
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.

**Financial Instruments**
Details of financial instruments and their associated risks are given in note 10.

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

**Supplier Payment Policy**

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

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

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

The current director has taken all the steps that he ought to have taken to make himself aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The director is not aware of any relevant audit information of which the auditors are unaware.

Daniel Akselson
Bussum, 16 October 2009

# AUDITOR'S REPORT

TO THE GENERAL MEETING OF SHAREHOLDERS AND DIRECTORS OF IRE GERMAN PROPERTY HOLDING B.V.

**Report on the financial statements**

We have audited the accompanying financial statements 2008 of IRE German Property Holding B.V., Amsterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2008, the company profit and loss account for the year then ended and the notes.

*Management's responsibility*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# AUDITOR'S REPORT

CONTINUED

*Opinion with respect to the consolidated financial statements*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of IRE German Property Holding B.V. as at 31 December 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

*Opinion with respect to the company financial statements*

In our opinion, the company financial statements give a true and fair view of the financial position of IRE German Property Holding B.V. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

**Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Apeldoorn, 16 October 2009

BDO CampsObers Audit & Assurance B.V.

on its behalf,

G. van Roekel RA

# PROPERTY PORTFOLIO

AS AT 31 DECEMBER 2008

| **Berlin** | | Lettable Area m2 | Tenure | Ownership |
|---|---|---|---|---|
| Uhlandstraßsse 175 | Berlin | 6,095 | Freehold | 100% |
| Landsberger Allee 88-102 | Berlin | 10,738 | Freehold | 100% |
| Bersarinplatz 1-4ff | Berlin | 25,096* | Freehold | 90% |
| Friedrichstraße 56 | Berlin | 2,124 | Freehold | 100% |
| Holzmarktstraße 69, 73, 75 | Berlin | 8,026 | Freehold | 100% |
| Andreasstraße 20 | Berlin | 7,684 | Freehold | 100% |
| Schinkestraße 4-5 | Berlin | 1,047 | Freehold | 100% |
| Wriezener Karree 1-11 | Berlin | 13,041 | Freehold | 100% |
| **Sub-Total Berlin** | | **73,851** | | |

| **Magdeburg** | | Lettable Area m2 | Tenure | Ownership |
|---|---|---|---|---|
| Hegelstraße 26 | Magdeburg | 2,710 | Freehold | 100% |
| Hegelstraße 36 | Magdeburg | 1,686 | Freehold | 100% |
| Hegelstraße/Q 12 | Magdeburg | 7,510 | Freehold | 100% |
| Liebigstraße 10 | Magdeburg | 1,349 | Freehold | 100% |
| Einsteinstraße 2 | Magdeburg | 1,167 | Freehold | 100% |
| Breiter Weg 224 | Magdeburg | 1,914 | Freehold | 100% |
| Breiter Weg 229a | Magdeburg | 1,018 | Freehold | 100% |
| Harnackstraße 3 | Magdeburg | 2,164 | Freehold | 100% |
| Südstadthöfe | Magdeburg | 8,687 | Freehold | 100% |
| Südstadthöfe, Phase II | Magdeburg | 3,545 | Freehold | 100% |
| Arndtstraße I7 | Magdeburg | 2,281 | Freehold | 100% |
| Herderstraße 13 | Magdeburg | 999 | Freehold | 100% |
| St-Michael Straße 57 | Magdeburg | 641 | Freehold | 100% |
| Zollstraße 11 | Magdeburg | 1,371 | Freehold | 100% |
| **Sub-Total Magdeburg** | | **37,042** | | |

| **Germany – Other** | | Lettable Area m2 | Tenure | Ownership |
|---|---|---|---|---|
| Gutenbergstraße 58 | Potsdam | 1,438 | Freehold | 100% |
| **Sub-Total Germany – Other** | | **1,438** | | |
| | | | | |
| **Total** | | **112,331** | | |

* IRE share of Let table Area.

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

| | Notes | **Year ended 31 December 2008** | Year ended 31 December 2007 |
|---|---|---|---|
| | | **€'000** | €'000 |
| **Continuing Operations** | | | |
| Revenue | 3 | **8,165** | 6,193 |
| Cost of sales | | **(4,330)** | (1,797) |
| **Gross Profit** | | **3,835** | 4,396 |
| Other operating (income)/(expenses) | 3 | **(8,703)** | (940) |
| Administration expenses | 4 | **(258)** | (328) |
| Depreciation | | **(41)** | (27) |
| **Operating (Loss)/Profit** | 5 | **(5,167)** | 3,101 |
| Finance income | 6 | **16** | 136 |
| Finance costs | 7 | **(8,505)** | (5,812) |
| **Result Before Tax** | | **(13,656)** | (2,575) |
| Tax credit | 8 | **1,543** | 2,318 |
| **Result for the Year** | 19 | **(12,113)** | (257) |
| Attributable to: | | | |
| Equity holders of the Parent | | **(11,805)** | (279) |
| Minority interest | | **(308)** | 22 |
| | | **(12,113)** | (257) |
| **Earnings per Share** | | | |
| Basic and diluted | 9 | **(€173.60)** | (€4.10) |

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

| | Notes | **31 December 2008** | 31 December 2007 |
|---|---|---|---|
| | | €'000 | €'000 |
| **Non-Current Assets** | | | |
| Investment properties | 11 | **112,743** | 117,610 |
| Financial fixed assets | 12 | – | 278 |
| | | **112,743** | 117,888 |
| **Current Assets** | | | |
| Trade and other receivables | 13 | **2,813** | 3,575 |
| Cash and cash equivalents | | **2,593** | 5,054 |
| | | **5,406** | 8,629 |
| **Total Assets** | | **118,149** | 126,517 |
| **Current Liabilities** | | | |
| Trade and other payables | 16 | **(14,295)** | (9,996) |
| Bank loans | 14 | **(1,805)** | (1,551) |
| | | **(16,100)** | (11,547) |
| **Non-Current Liabilities** | | | |
| Bank loans | 14 | **(65,776)** | (64,970) |
| Bond | 10 | **(31,089)** | (30,941) |
| Deferred tax liabilities | 15 | **(1,333)** | (3,095) |
| | | **(98,198)** | (99,006) |
| **Total Liabilities** | | **(114,298)** | (110,553) |
| **Net Assets** | | **3,851** | 15,964 |
| **Equity** | | | |
| Share capital | 17 | **68** | 68 |
| Share premium account | 18 | **6,240** | 6,240 |
| Retained earnings | 19 | **(2,558)** | 9,247 |
| **Equity Attributable to Equity Holders of the Parent** | | **3,750** | 15,555 |
| Minority interest | 20 | **101** | 409 |
| **Total Equity** | | **3,851** | 15,964 |

The financial statements were approved by the Board of Directors and authorised for issue on 16 October 2009. They were signed on its behalf by:

Daniel Akselson Director

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

| | **Year ended 31 December 2008** | | Year ended 31 December 2007 | |
|---|---|---|---|---|
| | **€'000** | **€'000** | €'000 | €'000 |
| Operating result (exclusive result sale Investment Property) | | **(4,936)** | | 3,271 |
| Adjustments for: | | | | |
| Loss on revaluation of investment property | | **8,472** | | 1,002 |
| Depreciation | | **41** | | 27 |
| Operating cash flows before movements in working capital | | **3,577** | | 4,300 |
| Decrease/(increase) in receivables | | **762** | | (2,399) |
| Increase/(decrease) in payables | | **109** | | (18,556) |
| Cash generated from operations | | **4,448** | | (16,655) |
| Income taxes paid | | **(218)** | | (9) |
| **Net Cash Inflow/(Outflow) from Operating Activities** | | **4,230** | | (16,664) |
| **Investing Activities** | | | | |
| Interest received | **16** | | 58 | |
| Investment in financial fixed assets | **–** | | (51) | |
| Disposal of financial fixed assets | **253** | | 25 | |
| Investments in tangible fixed assets | **(4,381)** | | (24,780) | |
| Disposal of tangible fixed assets | **760** | | 6,018 | |
| Loss on sale of investment property (note 3) | **(231)** | | (170) | |
| **Net Cash Used in Investing Activities** | | **(3,583)** | | (18,900) |
| **Financing Activities** | | | | |
| Equity contribution | **–** | | 6,290 | |
| Interest paid | **(4,069)** | | (5,601) | |
| Loan costs paid | **(25)** | | (115) | |
| Repayments of borrowings | **(1,461)** | | (9,893) | |
| Proceeds of bank borrowings | **2,447** | | 15,283 | |
| Proceeds of bond issue (net of issue costs) | **–** | | 30,818 | |
| Finance lease payments | **–** | | (598) | |
| **Net Cash Generated by Financing Activities** | | **(3,108)** | | 36,184 |
| **Net Decrease in Cash and Cash Equivalents** | | **(2,461)** | | 620 |
| **Cash and Cash Equivalents at Beginning of Year** | | **5,054** | | 4,434 |
| **Cash and Cash Equivalents at End of Year** | | **2,593** | | 5,054 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**Share Capital**

| | **31 December 2008** | 31 December 2007 |
|---|---|---|
| Authorised: | | |
| 90,000 Ordinary Shares at € 1 each (2007 – 90,000) | **€ 90,000** | € 90,000 |
| Issued and fully paid: | | |
| 68,000 Ordinary Shares at € 1 each (2007 – 68,000) | **€ 68,000** | € 68,000 |

**Share premium account**

Changes in share premium account is shown below:

| | Share premium account €'000 |
|---|---|
| Balance at 1 January 2007 | 6,240 |
| Addition | – |
| Balance at 1 January 2008 | 6,240 |
| Addition | – |
| **Balance at 31 December 2008** | **6,240** |

**Retained Earnings**

Changes in retained earnings is shown below:

| | Retained Earnings €'000 |
|---|---|
| Balance at 1 January 2007 | 9,526 |
| Net loss for the year | (279) |
| Balance at 1 January 2008 | 9,247 |
| Net loss for the year | (11,805) |
| **Balance at 31 December 2008** | **(2,558)** |

**Minority interest**

Changes in minority interest is shown below:

| | Minority €'000 |
|---|---|
| Balance at 1 January 2007 | 387 |
| Net profit for the year | 22 |
| Balance at 1 January 2008 | 409 |
| Net loss for the year | (308) |
| **Balance at 31 December 2008** | **101** |

**1 Accounting Policies**

**(a) Basis of preparation**

The financial statements of the Group have been prepared in accordance with those International Financial Reporting Standards (IFRS's) as endorsed by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The registered office of I.R.E. German Property Holding B.V. is Brediusweg 42, 1401 AH Bussum, The Netherlands. The Group's principal activity during the year was property investment.

The parent company is Touquet Europe B.V., a company registered in Bussum, The Netherlands. The ultimate parent company is International Real Estate Plc., a company registered in London, England.

These consolidated financial statements are presented in euros which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand unless stated otherwise.

The consolidated financial statements have been prepared under the cost basis except for derivative financial instruments and the investment properties.

The principal accounting policies of the Group are set out below. For the accounting policies of the Company which are not mentioned below we refer to note 1 of the notes to the Company financial statements.

The directors have prepared detailed cash flow projections for the Group for the period through to 30 June 2010 ("the projection period"). In preparing these projections, the directors have taken into account the status of current negotiations with providers of bond finance ("the lenders"). The interest for the period 1 March 2008 up to 28 February 2009 on the bond finance has not been paid yet. The directors are currently holding discussions with the lenders to refinance the bond finance. At the date of approval of the financial statements these discussions have yet to be concluded. Accordingly, in making their assessment of going concern the directors have assumed that the lenders will continue to make the facilities available throughout the projection period. The cash flow projections have been prepared taking into account the economic environment and its challenges. Although there will always remain inherent uncertainty within the cash flow projections, including the assumptions the directors have made regarding the continued availability of the facilities and the timing and quantum of revenues derived from sales of the Group's properties, at the time of approving the financial statements the directors have a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

**(b) Basis of consolidation**

The consolidated financial statements of the Company and subsidiaries (together referred to as the "Group" and individually as "Group entities").

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 exists where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the original combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The financial statements of subsidiaries are included in the financial statements from the date control commences until the date that control ceases.

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.

**(c) 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, except for non-current assets that are classified as held for resale in accordance with IFRS 5 'Non Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

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.

**(d) 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 in profit or loss on a straight-line basis over the term of the lease.

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

**(e) Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Separate regard is given to the land and building elements of leases, where relevant.

*The Group as lessor*

All arrangements in the current and prior year have been classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

*The Group as lessee*

Rentals payable under operating leases are recognised on a straight-line basis over the term of the relevant lease.

**(f) Borrowing costs**

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

**(g) Taxation**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

**1 Accounting Policies (continued)**

**(g) Taxation (continued)**

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.

**(h) Personnel**

No employees were engaged by the Group.

**(i) Investment property**

Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss as part of other operating 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 income statement and are determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus additions during the period.

**(j) Financial fixed assets**

*Derivate financial instruments*

See accounting policy below (financial assets)

*Other*

The other financial fixed assets have been stated at amortised cost using effective interest method.

**(k) Financial instruments**

Financial assets and financial liabilities are recognised on the Group and Company balance sheet when the Group or Company becomes a party to the contractual provisions of the instrument.

*Financial Assets*

Financial assets classified as loans and receivables

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

*Cash and cash equivalents*

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

*Financial assets*

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

Financial assets classified as fair value through profit or loss
In-the-money derivatives – derivative instruments utilised by the Group include, from time to time, interest rate cap and collar arrangements. Changes in fair value of derivative financial instruments are recognised in the income statement as they arise. The Group uses hedging instruments to manage risk but does not apply hedge accounting.

*Financial Liabilities*

Financial liabilities classified as fair value through profit and loss
Out-of-the-money derivatives – derivative instruments utilised by the Group include, from time to time, interest rate cap and collar arrangements. Changes in fair value of derivative financial instruments are recognised in the income statement as they arise. The Group uses hedging instruments to manage risk but does not apply hedge accounting.

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

*Other financial liabilities*
Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

*Share capital*
The Company's ordinary shares are classified as equity instruments and are recorded at the proceeds received, net of direct issue costs.

**(l) New accounting standards adopted during the year**
No new accounting standards has been adopted during the year 2008.

**(m) Accounting standards issued not yet adopted**
The following new standards and interpretations, which have been issued by the IASB and the IFRIC, are effective for future periods and have not been adopted early in these financial statements. A description of these standards and interpretations, together with (where applicable) an indication of the effect of adopting them, is set out below.

*Standards and interpretations that will or may affect the Group's reported results or financial position*
Amendment to IAS 23 'Borrowing Costs' was issued in May 2007 and is effective for accounting periods beginning on or after 1 January 2009. The amendment requires borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset to be added to the cost of that asset.

The Group currently adopts a policy of expensing all borrowing costs in the period in which they are incurred. It is not currently possible to quantify the financial effect of adopting this amendment.

Amendments to IAS 1'Presentation of Financial Statements: A Revised Presentation' was issued in September 2007 and is effective for accounting periods beginning on or after 1 January 2009. The amendment to IAS 1 affects the presentation of owner changes in equity and of comprehensive income. An entity will be required to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). The standard does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs

Amendments to IAS 27 'Consolidated and Separate Financial Statements' was issued in January 2008 and is effective for accounting periods beginning on or after 1 July 2009. This amendment relates in particular to acquisitions of subsidiaries achieved in stages and disposals of interests, with significant differences in the accounting depending on whether control is gained or not, or a transaction simply results in a change in the percentage of the controlling interest. The amendment does not require the restatement of previous transactions. The amendment to IAS 27 must be adopted at the same time as IFRS 3 Revised.

*Standards and interpretations that are not expected to affect the Group's reported results or financial position*

IFRIC 13 'Customer Loyalty Programmes' was issued in July 2007 and is effective for annual periods beginning on or after 1 July 2008. IFRIC 13 requires the fair value of revenue relating to customer loyalty rewards to be deferred until all related obligations to the customer have been fulfilled.

IFRS 8 'Operating Segments' was issued in November 2006 and is effective for annual periods beginning on or after 1 January 2009. It requires portable operating segments to be based on the entity's own internal reporting structure. It also extends the scope and disclosure requirements of IAS 14 Segmental Reporting. The adoption of IFRS 8 will not affect the results or net assets of the Group.

Revised IFRS 3 'Business Combinations' was issued in January 2008 and is effective for accounting periods beginning on or after 1 July 2009. The basic approach of the existing IFRS 3 to apply acquisition accounting in all cases and identify an acquirer is retained in this revised version of the standard. This includes much of the current guidance for the identification and recognition of intangible assets separately from goodwill. However, in some respects the revised standard may result in very significant changes, including: The requirement to write of all acquisition costs to profit or loss instead of including them in the cost of investment; the requirement to recognise an intangible asset even if it cannot be reliably measured; and, an option to gross up the balance sheet for goodwill attributable to minority interests (which are renamed 'non-controlling interests'). The revised standard does not require the restatement of previous business combinations. Revised IFRS 3 must be adopted at the same time as the amendment to IAS 27.

IFRIC 15 'Agreements for the Construction of Real Estate' was issued in July 2008 and is effective for annual periods beginning on or after 1 January 2009. This Interpretation clarifies the definition of a construction contract, the interaction between IAS 11 and IAS 18 and provides guidance on how to account for revenue when the agreement for the construction of real estate falls within the scope of IAS 18. For some entities, the Interpretation may give rise to a shift from the recognition of revenue using the percentage of completion method to the recognition of revenue at the single time.

IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' was issued in July 2008 and is effective for annual periods beginning on or after 1 October 2008. IFRIC 16 clarifies that (a) The presentation currency does not create an exposure to which an entity may apply hedge accounting. (b) The hedging instrument(s) may be held by any entity or entities within the group, other then the entity being hedged. (c) While IAS 39 Financial Instruments; Recognition and Measurement must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21 The Effects of Changes in Foreign Exchanges Rates must be applied in respect of the hedged item.

*Status of EU-endorsement*

Entities in EU Member States which report in accordance with EU-endorsed IFRS can only apply IFRSs and IFRICs where the endorsement process has been completed at the date of approval of their financial statements. Of the standards and interpretations listed above, the following had not yet been endorsed by the European Union at the date these financial statements were authorised for issue:

- IFRIC 15 Agreements for the Construction of Real Estate;
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation;
- IFRS 3 Business Combinations.

**2 Critical Accounting Judgements and Sources of Estimation Uncertainty**

Since the summer of 2007, both the bank finance and property markets in Europe have experienced very turbulent conditions. The properties are held in the financial statements at their 31 December 2008 internal valuation. Even though the directors consider the portfolio of properties owned by the group relatively well placed to withstand market fluctuations by virtue of the quality of the assets and in particular the longevity of income and the quality of the tenant, having regard to the deterioration of the market since the year end, the directors believe that there is a risk of a reduction in the value of the portfolio. However, it has to be recognized that at this particular and uniquely difficult time in the cycle, where there is no property market to speak of, that any assessment of value is extremely difficult and so any diminution in value has not been quantified.

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 10 and 14.

**3 Revenue and Other Income**

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

| | **Year ended 31 December 2008** | Year ended 31 December 2007 |
|---|---|---|
| | **€'000** | €'000 |
| Investment property rental income | **8,165** | 6,193 |
| Other operating (expense)/income | | |
| – Loss on revaluation of investment property (note 10) | **(8,472)** | (1,002) |
| – Loss on sale of investment property | **(231)** | (170) |
| – Income from litigation settlement | **–** | 232 |
| | **(8,703)** | (940) |
| Finance income (note 6) | **16** | 136 |
| | **(522)** | 5,567 |

All investment properties are located in Germany therefore no segment information has been reported.

**4 Administration expenses**

| | **Year ended 31 December 2008** | Year ended 31 December 2007 |
|---|---|---|
| | **€'000** | €'000 |
| Management fees (charged by related parties) | **(258)** | (328) |

The management fees do not include any remunerations for the Director.

**5 Operating (loss)/profit**

| | **Year ended 31 December 2008** | Year ended 31 December 2007 |
|---|---|---|
| | **€'000** | €'000 |
| Auditors' remuneration – Group audit services | **28** | 13 |

**6 Finance Income**

| | **Year ended 31 December 2008** | Year ended 31 December 2007 |
|---|---|---|
| | **€'000** | €'000 |
| Interest on bank deposits | **16** | 58 |
| Gain on revaluation of interest rate collars | **-** | 78 |
| | **16** | 136 |

**7 Finance Costs**

| | **Year ended 31 December 2008** | Year ended 31 December 2007 |
|---|---|---|
| | **€'000** | €'000 |
| Bank loans and overdrafts | **(3,277)** | (3,155) |
| Bond interest | **(2,560)** | (2,133) |
| Loss on revaluation of interest rate collars | **(1,795)** | – |
| Interest parent company | **(626)** | (313) |
| Amortisation of loan issue costs | **(247)** | (211) |
| | **(8,505)** | (5,812) |

**8 Tax**

| | **Year ended 31 December 2008** | Year ended 31 December 2007 |
|---|---|---|
| | **€'000** | €'000 |
| Current tax charge | **(16)** | (9) |
| Deferred tax credit | **1,559** | 2,327 |
| | **1,543** | 2,318 |

Corporation tax is calculated at 25,5% (2007 – 25,4%) of the estimated assessable profit for the year.

| | **Year ended 31 December 2008** | Year ended 31 December 2007 |
|---|---|---|
| | **€'000** | €'000 |
| Profit on ordinary activities before tax | **(13,656)** | (2,575) |
| Tax on profit on ordinary activities at standard rate | **3,476** | 654 |
| Differences between German tax rates | **(1,364)** | (90) |
| Losses no deferred tax calculated for | **(831)** | (414) |
| Reverse deferred taxation "Düren" | **262** | – |
| Decrease in German tax rate | **–** | 2,168 |
| Tax credit/(charge) for the year | **1,543** | 2,318 |

## 9 Earnings and Net Assets per Share

The calculation of the basic earnings per share is based on the following data:

| Earnings | **Year ended 31 December 2008** | Year ended 31 December 2007 |
|---|---|---|
| Earnings for the purpose of basic and diluted earnings per share being net profit attributable to equity holders of the parent | **(€ 11,805,028)** | (€ 278,823) |

Number of shares

| | **Year ended 31 December 2008** | Year ended 31 December 2007 |
|---|---|---|
| Weighted average number of Ordinary Shares for the purposes of basic earnings per share | **68,000** | 68,000 |
| Basic and diluted earnings per share | **(€173.60)** | (€4.10) |
| Net asset value per share | **€56.62** | €234.76 |

**10 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

*Interest rate risk*

The policy of the Group is to ensure that all cash balances earn a market rate of interest and that interest rate exposures are regularly reviewed and managed using fixed rate debt and hedging instruments where appropriate.

Non-market Risk

Liquidity Risk

Bank relationships are maintained to ensure that sufficient cash and unutilised facilities are available to the Group. Additionally during the year the Group issued commercial bonds and maintains a relationship with its corporate finance advisor regarding these.

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

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

During the year the Group held four interest rate swaps.

*Credit risk*

Credit risk arises principally from the Group's trade receivables which comprise rents due from tenants. Prior to accepting new tenants a credit check is obtained.

The Group has no significant concentration of credit risk, with exposure spread over a large number of leases.

Interest Rate Sensitivity Analysis

Interest rate sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate assets and liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole year.

Based on the above assumptions if interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2008 would decrease/increase by €0.086 million (2007 – decrease/ increase by €0.070 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings and cash deposits.

The Group's financial instruments are categorised as follows:

| *Financial assets* | **Loans and receivables** | | **Available-for-sale** | |
|---|---|---|---|---|
| | **Year ended 31 December 2008** | Year ended 31 December 2007 | **Year ended 31 December 2008** | Year ended 31 December 2007 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Trade receivables | **524** | 1,072 | – | – |
| Cash | **2,593** | 5,054 | – | – |
| Amounts owed by related parties | **852** | 804 | – | – |
| | **3,969** | 6,930 | – | – |

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

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

| *Financial liabilities* | **Measured at amortised cost** | | **Measured at fair value** | |
|---|---|---|---|---|
| | Year ended 31 December 2008 | Year ended 31 December 2007 | **Year ended 31 December 2008** | Year ended 31 December 2007 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Loans and borrowings | **67,581** | 66,521 | – | – |
| Bonds | **31,089** | 30,941 | – | – |
| Other financial liabilities | **14,294** | 9,996 | – | – |
| | **112,964** | 107,458 | – | – |

**10 Financial Instruments (continued)**

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

During the year ended 31 December 2007 IRE German Property Holding BV, a subsidiary company, in a private placement issued bonds, in the amount of €32 million with the purpose of refinancing shareholder loans from IRE plc and a bridge loan from a bank.

The bonds are secured on the related properties and the bondholders do not have legal recourse against IRE plc.

On 23 May 2007 the bonds were dual listed on the OMX Nordic Exchange Stockholm and on the OMX Nordic Exchange Copenhagen.

The senior bond carries a fixed interest rate of 7.7326% and the junior bond carries a fixed interest rate of 8.5%. Interest on both tranches is payable annually in arrears.

The bonds are scheduled to be repaid in full at maturity on 1 March 2015, subject to the Company not exercising its right to early repayment.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair value of non-derivative financial liabilities are determined with reference to quoted market prices. Financial liabilities in this category include the Group's listed bonds.
- The fair value of other non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**10 Financial Instruments (continued)**

Except as detailed in the following table, the carrying amount of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

| *Financial liabilities* | **Carrying amount** | | **Fair value** | |
|---|---|---|---|---|
| | **Year ended 31 December 2008** | Year ended 31 December 2007 | **Year ended 31 December 2008** | Year ended 31 December 2007 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Borrowings: | | | | |
| Bank loans at fixed interest rates | **67,581** | 66,521 | **67,401** | 63,190 |
| Bonds at fixed interest rates | **31,089** | 30,941 | **30,112** | 30,112 |
| | **98,670** | 97,462 | **97,513** | 93,302 |

The following table details the Group's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period:

| | **Weighted average effective interest rate** | Less than 1 month |
|---|---|---|
| | % | €'000 |
| **2008** | | |
| Fixed interest rate cash deposits | **nil** | nil |
| 2007 | | |
| Fixed interest rate cash deposits | **3.15** | 7 |

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

| | Weighted average effective interest rate | Less than 1 year | 1-5 years | 5+ years | **Total** |
|---|---|---|---|---|---|
| | % | €'000 | €'000 | €'000 | **€'000** |
| **2008** | | | | | |
| Fixed interest rate instruments | 5.88 | 12,734 | 63,668 | 89,869 | **166,271** |
| | | 12,734 | 63,668 | 89,869 | **166,271** |
| 2007 | | | | | |
| Fixed interest rate instruments | 5.87 | 12,809 | 64,043 | 88,005 | **164,857** |
| | | 12,809 | 64,043 | 88,005 | **164,857** |

In addition to cash deposits of €2.593 million (2007 – €5.054million) the Group has access to financing facilities, the total unused amount is €0.1 million (2007 – €2.799 million) at the balance sheet date.

Further details regarding the Group's bank loans are given in note 14.

## 11 Investment Property – Group

| Fair value | **Year ended 31 December 2008** | Year ended 31 December 2007 |
|---|---|---|
| | **€'000** | €'000 |
| At 1 January | **117,610** | 99,858 |
| Additions during the year – property acquisitions | **–** | 18,083 |
| Additions during the year – refurbishment expenditure | **4,381** | 6,613 |
| Additions other tangible fixed assets | **–** | 76 |
| Disposals during the year | **(760)** | (6,018) |
| Depreciation other tangible fixed assets | **(16)** | – |
| Decrease in fair value during the year | **(8,472)** | (1,002) |
| **At 31 December** | **112,743** | 117,610 |

The properties are held in the financial statements at their 31 December 2008 internal directors valuation. For further details we refer to note 2.

All investment properties represent freehold interests.

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

At 31 December 2008 the Group had outstanding capital commitments in relation to ongoing refurbishment programmes of €316,641 (31 December 2007 – €2,334,131) and property acquisitions due to complete after the year end of €Nil (31 December 2007 – €2,995,068).

## 12 Financial fixed assets

| | **Year ended 31 December 2008** | Year ended 31 December 2007 |
|---|---|---|
| | **€'000** | €'000 |
| **At 31 December** | **–** | 278 |

The fair value as per 31 December 2008 of derivative financial instruments amounts to Nil (31 December 2007 - € 205,000).

## 13 Trade and Other Receivables

| | **31 December 2008** | 31 December 2007 |
|---|---|---|
| | **€'000** | €'000 |
| Amounts falling due within one year | **524** | 1,072 |
| Amounts owed by related parties | **852** | 804 |
| Prepayments | **1,437** | 1,699 |
| | **2,813** | 3,575 |

## 14 Bank Overdrafts and Loans – Group

| | **Year ended 31 December 2008** | Year ended 31 December 2007 |
|---|---|---|
| | **€'000** | €'000 |
| Bank loans | **67,581** | 66,521 |
| | **67,581** | 66,521 |

| | | |
|---|---|---|
| The borrowings are repayable as follows: | | |
| On demand or within one year | **1,805** | 1,551 |
| In the second year | **1,680** | 1,605 |
| In the third to fifth years inclusive | **11,610** | 5,125 |
| After five years | **52,486** | 58,240 |
| | **67,581** | 66,521 |
| Less: Amount due for settlement within 12 months | **1,805** | 1,551 |
| Amount due for settlement after 12 months | **65,776** | 64,970 |

**14 Bank Overdrafts and Loans – Group (continued)**

The weighted average interest rates paid were as follows:

| | **Year ended 31 December 2008** | Year ended 31 December 2007 |
|---|---|---|
| | **%** | % |
| Bank loans | **4.85** | 4.82 |

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

The weighted average period for which interest rates are fixed is 10.1 years (2007 – 10.0 years).

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

At 31 December 2008 the Group had 18 principal bank loans (2007 – 17). The principal features of these borrowings are disclosed below.

| **31 December 2008** | | | | 31 December 2007 | | | |
|---|---|---|---|---|---|---|---|
| **Principal €'000** | | **Term Years** | **Interest Rate %** | Principal €'000 | | Term Years | Interest Rate % |
| **3,426** | | **7** | **4.244** | 3,536 | | 7 | 4.244 |
| **3,906** | | **7** | **4.450** | 3,983 | | 7 | 4.450 |
| **16,161** | | **10** | **4.360** | 16,490 | | 10 | 4.360 |
| **1,052** | | **10** | **4.808** | 1,086 | | 10 | 4.808 |
| **810** | | **10** | **4.926** | 6,170 | * | 10 | 4.926 |
| **12,322** | * | **10** | **4.950** | 12,572 | * | 10 | 4.950 |
| **2,028** | | **10** | **5.160** | 1,638 | | 10 | 5.160 |
| **5,764** | * | **10** | **5.207** | 5,840 | * | 10 | 5.207 |
| **13,846** | * | **10** | **5.270** | 12,930 | * | 10 | 5.270 |
| **674** | | **30** | **5.050** | 689 | | 10 | 4.808 |
| **697** | * | **26** | **4.720** | 712 | | 26 | 4.720 |
| **856** | | **10** | **5.600** | 875 | | 30 | 5.050 |
| **5,257** | | **10** | **4.930** | | | | |
| **782** | | **8** | **5.670** | | | | |
| **67,581** | | | | 66,521 | | | |

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

**15 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 |
|---|---|
| | €'000 |
| At 1 January 2007 | 5,422 |
| Credit due to reduction in German tax rate | (2,168) |
| Charge to income on revaluations in year | (159) |
| At 1 January 2008 | 3,095 |
| Release deferred tax previous years | (464) |
| Charge to income on revaluations in year | (1,298) |
| **At 31 December 2008** | 1,333 |

No deferred tax asset has been recognised in relation to tax losses due to uncertainty over the timing of any future reversal.

**16 Current Liabilities**

| | **31 December 2008** | 31 December 2007 |
|---|---|---|
| | **€'000** | €'000 |
| Bank loans and overdrafts (note 14) | **1,805** | 1,551 |
| Amounts owed to parent company | **7,901** | 5,238 |
| Corporation tax and VAT | **22** | 70 |
| Other creditors | **1,984** | 1,697 |
| Accruals and deferred income | **4,388** | 2,991 |
| | **16,100** | 11,547 |

The amount owed to the parent company is not secured. The amount carries interest rate at 8% (2007 – 8%).

**17 Share Capital**

| | **31 December 2008** | 31 December 2007 |
|---|---|---|
| Authorised: | | |
| 90,000 Ordinary Shares at € 1 each (2007 – 90,000) | **€ 90,000** | € 90,000 |
| Issued and fully paid: | | |
| 68,000 Ordinary Shares at € 1 each (2007 – 68,000) | **€ 68,000** | € 68,000 |

**18 Share premium account**

Changes in share premium account is shown below:

| | Share premium account €'000 |
|---|---|
| Balance at 1 January 2007 | 6,240 |
| Addition | – |
| Balance at 1 January 2008 | 6,240 |
| Addition | – |
| **Balance at 31 December 2008** | **6,240** |

**19 Retained Earnings**

Changes in retained earnings is shown below:

| | Retained Earnings €'000 |
|---|---|
| Balance at 1 January 2007 | 9,526 |
| Net loss for the year | (279) |
| Balance at 1 January 2008 | 9,247 |
| Net loss for the year | (11,805) |
| **Balance at 31 December 2008** | **(2,558)** |

**20 Minority interest**

Changes in minority interest is shown below:

| | Minority €'000 |
|---|---|
| Balance at 1 January 2007 | 387 |
| Net profit for the year | 22 |
| Balance at 1 January 2008 | 409 |
| Net loss for the year | (308) |
| **Balance at 31 December 2008** | **101** |

**21 Lease Arrangements**

**Operating leases**

*The Group as lessor*

Property rental income earned during the year was €8.2 million (2007 – €6.2 million) net of operating expenses of €4.33 million (2007 – €1.78 million).

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

| | **31 December 2008** | 31 December 2007 |
|---|---|---|
| | **€'000** | €'000 |
| Within one year | **891** | 411 |
| In the second to fifth years inclusive | **749** | 295 |
| After five years | **36** | 111 |
| | **1,676** | 817 |

**22 Related parties**

The ultimate parent company International Real Estate plc. and their subsidiaries are recognized as related parties.

A rental income of € 1.29 million relates to income based on rental guarantees from related parties. In the operating costs is a management fee of € 265,000 included from a related party.

# COMPANY INCOME STATEMENT

AS AT 31 DECEMBER 2008

| | **31 December 2008** | 31 December 2007 |
|---|---|---|
| | **€'000** | €'000 |
| Result on ordinary activities | **(1,375)** | (41) |
| Result participation | **(10,430)** | (238) |
| Result for the year | **(11,805)** | (279) |

# COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2008

| | Notes | **31 December 2008** | 31 December 2007 |
|---|---|---|---|
| | | **€'000** | €'000 |
| **Non-Current Assets** | | | |
| Investments in subsidiaries | 3 | **16,028** | 11,458 |
| | | **16,028** | 11,458 |
| **Current Assets** | | | |
| Trade and other receivables | 4 | **23,997** | 39,850 |
| Cash and cash equivalents | | **7** | 2,575 |
| | | **24,004** | 42,422 |
| **Total Assets** | | **40,032** | 53,880 |
| **Current Liabilities** | 5 | **(5,193)** | (7,384) |
| **Non-Current Liabilities** | | | |
| Bond | 2 | **(31,089)** | (30,941) |
| **Total Liabilities** | | **(36,282)** | (38,325) |
| **Net Assets** | | **3,750** | 15,555 |
| **Equity** | | | |
| Share capital | 6 | **68** | 68 |
| Share premium account | 7 | **6,240** | 6,240 |
| Retained earnings | 8 | **(2,558)** | 9,247 |
| **Total Equity** | | **3,750** | 15,555 |

The financial statements were approved by the Board of Directors and authorised for issue on 16 October 2009. They were signed on its behalf by:

Daniel Akselson Director

# COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

| | **Year ended 31 December 2008** | | Year ended 31 December 2007 | |
|---|---|---|---|---|
| | **€'000** | **€'000** | €'000 | €'000 |
| Operating result | | **(78)** | | (65) |
| Decrease/(increase) in receivables | | **853** | | (9,765) |
| (Decrease) in payables | | **(2,191)** | | (17,853) |
| **Net Cash (Outflow)/Inflow from Operating Activities** | | **(1,416)** | | (27,683) |
| **Investing Activities** | | | | |
| Interest received | **2,324** | | 2,396 | |
| **Net Cash Generated by Investing Activities** | | **2,324** | | 2,396 |
| **Financing Activities** | | | | |
| Interest paid | **(3,473)** | | (2,249) | |
| Repayments of borrowings | – | | (7,000) | |
| Proceeds of bond issue (net of issue costs) | – | | 30,818 | |
| Equity contribution | – | | 6,290 | |
| **Net Cash Used in Financing Activities** | | **(3,473)** | | 27,859 |
| **Net (Decrease)/Increase in Cash and Cash Equivalents** | | **(2,565)** | | 2,572 |
| **Cash and Cash Equivalents at Beginning of Year** | | **2,572** | | – |
| **Cash and Cash Equivalents at End of Year** | | **7** | | 2,572 |

**1 Accounting Policies**

**(a) Basis of accounting**

The financial statements of the Company have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code. In accordance with article 362.8, Part 9, Book 2, the Company applies the same accounting standards as those applied in the consolidated financial statements, with the exception of the accounting standards regarding investments in subsidiaries.

**(b) Result of participating interest**

The result of the participating interest is taken to the profit and loss account.

**(c) Investment in subsidiaries**

The investments in subsidiaries are carried at their net asset value. A provision for a negative net equity will be formed when there is a legal of obstructive obligation for the debts of this subsidiary.

**2 Financial Instruments**

The Companies financial instruments are categorised as follows:

*Financial assets*

| | Loans and receivables | | Available-for-sale | |
|---|---|---|---|---|
| | **Year ended 31 December 2008** | Year ended 31 December 2007 | **Year ended 31 December 2008** | Year ended 31 December 2007 |
| | **€'000** | €'000 | **€'000** | €'000 |
| Amounts owed by subsidiaries | **23,992** | 39,842 | – | – |
| | **23,992** | 39,842 | – | – |

*Financial liabilities*

| | Measured at amortised cost | | Measured at fair value | |
|---|---|---|---|---|
| | **Year ended 31 December 2008** | Year ended 31 December 2007 | **Year ended 31 December 2008** | Year ended 31 December 2007 |
| | **€'000** | €'000 | **€000** | €'000 |
| Loans and borrowings | – | – | – | – |
| Bonds | **31,089** | 30,941 | – | – |
| Amount owed to parent company | **3,040** | 5,238 | – | – |
| Other financial liabilities | **2,153** | 2,146 | – | – |
| | **36,282** | 38,325 | – | – |

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

During the year 2007 IRE German Property Holding BV, a subsidiary company, in a private placement issued bonds, in the amount of €32 million with the purpose of refinancing shareholder loans from IRE plc and a bridge loan from a bank.

On 23 May 2007 the bonds were dual listed on the OMX Nordic Exchange Stockholm and on the OMX Nordic Exchange Copenhagen.

The senior bond carries a fixed interest rate of 7.7326% and the junior bond carries a fixed interest rate of 8.5%. Interest on both tranches is payable annually in arrears.

The bonds are scheduled to be repaid in full at maturity on 1 March 2015, subject to the Company not exercising its right to early repayment.

### 3 Investment in subsidiaries

| | Year ended 31 December 2008 | Year ended 31 December 2007 |
|---|---|---|
| | **€'000** | €'000 |
| At 1 January | **11,458** | 11,696 |
| Capital reserves | **15,000** | – |
| Result subsidiaries | **(10,430)** | (238) |
| **At 31 December** | **16,028** | 11,458 |

The Company's principal subsidiaries at 31 December 2008 were as follows:

| | Nature of Business | Percentage Shareholding of Ordinary Shares | Country of Incorporation/Operation |
|---|---|---|---|
| German Property I BV | Property Investment | 100 | Netherlands |
| German Property II BV | Property Investment | 100 | Netherlands |
| IRE 2 Immobilien GmbH | Property Investment | 100 | Germany |
| IRE 6 Immobilien GmbH | Property Investment | 100 | Germany |
| IRE 7 Immobilien GmbH | Property Investment | 100 | Germany |
| Bersarinplatz GmbH | Property Investment | 90 | Germany |

The 10% minority interest in Bersarinplatz is held by a private investor, Mr. Christopher Nordström, acting independently.

All other investments are held indirectly through subsidiaries.

### 4 Trade and Other Receivables

| | 31 December 2008 | 31 December 2007 |
|---|---|---|
| | **€'000** | €'000 |
| Amounts owed by subsidiaries | **23,992** | 39,842 |
| Prepayments | **5** | 8 |
| | **23,997** | 39,850 |

Amounts owed by Subsidiaries bear interest at 8.0% (2007 – 8%). No securities were agreed.

### 5 Current Liabilities

| | 31 December 2008 | 31 December 2007 |
|---|---|---|
| | **€'000** | €'000 |
| Amounts owed to parent company | **3,040** | 5,238 |
| Accruals and deferred income | **2,153** | 2,146 |
| | **5,193** | 7,384 |

The amount owed to the parent company is not secured. The amount carries interest rate at 8% (2007 – 8%).

**6 Share Capital**

| | **31 December 2008** | 31 December 2007 |
|---|---|---|
| Authorised: | | |
| 90,000 Ordinary Shares at € 1 each (2007 – 90,000) | **€ 90,000** | € 90,000 |
| Issued and fully paid: | | |
| 68,000 Ordinary Shares at € 1 each (2007 – 68,000) | **€ 68,000** | € 68,000 |

**7 Share premium account**

Changes in share premium account is shown below:

| | Share premium account €'000 |
|---|---|
| Balance at 1 January 2007 | 6,240 |
| Addition | – |
| Balance at 1 January 2008 | 6,240 |
| Addition | – |
| **Balance at 31 December 2008** | **6,240** |

**8 Retained Earnings**

Changes in retained earnings is shown below:

| | Retained Earnings €'000 |
|---|---|
| Balance at 1 January 2007 | 9,526 |
| Net loss for the year | (279) |
| Balance at 1 January 2008 | 9,247 |
| Net loss for the year | (11,805) |
| **Balance at 31 December 2008** | **(2,558)** |

# SUPPLEMENTARY INFORMATION

**Article 14:2**

The result shall be at the disposal of the general meeting of shareholders, as long as the company's own capital exceeds the paid-up and called up part of the capital increased with the reserves which are prescribed by law or by the articles of association.

**Proposed appropriation of the 2008 result**

The net loss 2008 of € 11,805,028 is to be appropriated as follows:

| | € |
|---|---|
| Other reserves | 11,805,028 |

The balance sheet as at 31 December 2008 has been drawn up on the assumption that the motion to appropriate the result 2008 to the retained earnings will be adopted.