Annual Report

Year to 31 December 2009

NR Nordic & Russia Properties Limited

NR Nordic & Russia Properties Limited

Highlights of the year to 31 December 2009

EUR million	2009 Continuing Operations	2008 Continuing Operations
Gross rental revenue	**75.3**	**77.5**
Net rental income	**51.3**	**51.0**
Loss for the year	**(61.0)**	**(173.5)**

- Property portfolio comprises 38 (2008: 39) properties with a total portfolio fair value of EUR 554.6 million (2008: EUR 604.6 million)
- Total property net yield is 9.8% (2008: 8.4%)
- No properties were acquired and only one disposal amounting to EUR 0.3 million occurred during 2009
- Group Loan To Value (LTV) of 60% (2008: 54%) and Interest Cover Ratio (ICR) of 2.44x (2008: 2.71x) provides significant headroom on bank loan covenants
- Leverage increased to 64% (2008: 62%)
- Diluted NAV per share[1] of EUR 0.48 (2008: EUR 0.60)
- Basic loss per share for the year of EUR 0.13 (2008: EUR 0.36)
- A proposed ordinary dividend of EUR 0.017 per share for the last six months which would result in a total ordinary dividend for the full period of EUR 0.027 per share[2]
- David Hunter, Iain Watters, Christopher Coles and Peregrine Moncreiffe have been appointed as Directors. Jens Engwall, Robert Ware and Colin Kingsnorth resigned at their own request

1) Calculated based on 546.7 million fully diluted shares outstanding as at 31 December 2009.

2) The terms of the cash offer by Holowent Limited for NR Nordic & Russia Properties Limited provides that any shares acquired pursuant to the offer include the right to any dividends declared, made or paid after 25 January 2010.

Senior Independent Director's Statement

This has been a turbulent year for the global economy, financial and property markets and the business environment as a whole. We have endured difficult trading conditions in our core markets – Sweden and Russia – and our financial results have been impacted significantly as a result, with a loss after tax of EUR 61.0 million due to a EUR 81.4 million devaluation in our investment properties. The loss for the year of EUR 61.0 million was an improvement of EUR 108.1 million on FY2008 as the decline in property values slowed and the Swedish Krona strengthened against the Euro.

In total, the Group's diluted net asset value (NAV) fell by EUR 0.12 to EUR 0.48 (2008: EUR 0.60). EUR 0.09 was due to property devaluation; the single largest cause of which was yield increases. The overall portfolio net yield moved out by 1.4 per centage points to 9.8%. In Russia, where market rents have decreased significantly and the level of business failures is higher, the reduction in rental levels has also had a significant impact. However our "loan to value" banking covenants still have significant headroom.

Investment volumes in Sweden and Russia have fallen substantially due to the difficult market conditions. As a result, it was not possible to sell properties at sufficiently attractive levels to return capital to shareholders. We took the opportunity to invest in further improvements to the portfolio through capital expenditure and to buy back EUR 3.8 million of B loan notes at a discounted price of EUR 2.0 million.

Despite these very difficult operating conditions, the underlying operations were resilient with net rental income (NRI) just ahead of last year at EUR 51.3 million (2008: 51.0 million). The occupancy level in our properties increased by 1% to 96%; underpinned by an average lease length of 6.0 years. With an interest cover ratio (ICR) of 2.44x (2008: 2.71x), we remain well within our debt service banking covenants.

The share price lifted from its all-time low of EUR 0.07 in 2008 to close at EUR 0.26 at year-end. However, this is close to a 50% discount to the diluted NAV of EUR 0.48.

The Group's year-end cash position of EUR 79.3 million reflects the timing of prepaid December quarter rent. At the end of February 2010, the cash balance was EUR 59.2 million. The decrease of EUR 20.1 million is due in the main to (i) the payment of bank loan interest and amortisation (EUR 5.0 million); (ii) the repayment of the Finnveden vendor note (EUR 7.3 million); and (iii) the purchase of a discounted B loan note under the Citi Facility (EUR 6.0 million).

In January 2010, Holowent Limited announced the terms of its cash offer of EUR 0.24 per NR Nordic & Russia Properties Limited (NR) share, valuing the company at approximately EUR 114.2 million. The terms of the offer provide that any NR shares acquired pursuant to the offer include the right to any dividends declared, made or paid after 25 January 2010. The Independent Directors of NR are not giving any recommendation to shareholders in relation to the offer. Nonetheless they recognise that the offer may be worthy of consideration by shareholders as it provides an immediate opportunity to realise their investment in NR. The cost of advisers to NR in relation to the offer is estimated at EUR 1.35 million, of which EUR 0.2 million has been accounted for in this financial year.

Looking ahead to the remainder of 2010, we expect property market conditions in our core markets, Sweden and Russia, to remain challenging as the full impact of the economic downturn hits the occupational market relatively late in the cycle. The Company is currently in discussion with ABB, our largest tenant, to establish its objectives and intentions in relation to its right to downsize its tenancy at the end of 2011, with a view to finding a solution which minimizes the impact on the Company's income going forward.

In 2010, leases totalling 7% (EUR 4.9 million) of annual gross rental revenues are due to mature. It is important to protect our high occupancy rate; we forecast increased expenditure on improvements for existing tenants and capital expenditure to attract new tenants.

In Sweden, there has been some recent improvement in demand for property. However, this is currently dominated by domestic institutional buyers of prime assets. There has been little investment activity in, or institutional investor appetite for, commercial properties outside Stockholm where the bulk of our properties are situated. Lack of available debt, and the current uncertainty in refinancing of existing loans, particularly as non-Swedish banks look to reduce their business in the region, continues to have an impact on the investment market.

In Russia, there are some signs that market conditions are stabilizing, but we expect any recovery will take some time and will require greater liquidity in the capital markets to reduce the cost of borrowing.

In the meantime, we will continue to seek ways to maximise shareholder value, inter alia, by seeking to renegotiate certain borrowing facilities and key leases, actively managing the Group's assets and, after consulting with the Group's shareholders, exploring opportunities for value enhancing new investments and/or business combinations.

The Board recommends a final ordinary dividend of EUR 0.017 per share in line with the existing dividend policy of 70% of adjusted funds from operations less loan repayments.

David Hunter

Review of reported results

The review below summarises the key year-on-year variances behind the movement in Loss for the Year, which improved by EUR 108.1 million on the year, and basic Net Asset Value, which fell by EUR 65.8 million (14 cents per issued share).

Income statement

	EUR million
FY2008 Loss for the year	(169.1)
FY2009 Loss for the year	(61.0)
Total variance	**108.1**

Key year-on-year variances	
Gross rental revenue	(2.2)
Property operating costs & administrative expenses	3.4
Revaluation loss on investment properties	44.9
Impairment of goodwill	52.4
Write-downs	15.2
Net finance expenses	30.0
Income tax and deferred tax	(35.9)
Profit from discontinued operations	(4.4)
Other	4.7
Total variance	**108.1**

Net rental income

Net rental income increased by EUR 0.3 million due to a reduction of EUR 2.5 million in property operating expenses, which were offset by a fall in gross rental revenue of EUR 2.2 million.

Property operating and administrative expenses

Total operating expenses are down EUR 3.4 million on the year, of which EUR 2.0 million is due to a fall in asset management fees resulting from the lower investment property valuation. Administrative expenses, excluding any costs associated with the offer for the Company, reduced by EUR 0.9 million.

Impairment of goodwill

Impairment of goodwill for the year of EUR 6.6 million, resulting from the decline in investment property values, was EUR 52.4 million less than last year. The charge last year (EUR 59.0 million) was materially higher due in the main to the writing off of the remaining property portfolio premium (EUR 18 million) and the more substantial decline in property values which, along with the reduction in the Swedish corporation tax rate from 28% to 26.3%, reduced acquired deferred tax liabilities by EUR 35 million.

Write-downs

The write-down in the year of EUR 2.1 million is largely attributable to accrued interest on the long term receivable which became un-collectable as a result of its conversion to shares in the CapMan Hotel Fund. The equity stake was sold in December 2009 for EUR 9.3 million which was EUR 0.7 million lower than its valuation.

Net finance expenses - interest income and expenses

The sharp fall in interest rates and lower cash balances reduced interest income by EUR 5.8 million to EUR 0.4 million. In the year, a profit of EUR 1.8 million was made on the buy-back of discounted “B” loan notes and EUR 1.0 million dividend received from shares in the CapMan Hotel fund. Interest expenses fell by EUR 5.3 million due largely to the amortization of debt from the proceeds of the sale of the Finnish hotel portfolio in 2008.

Net finance expenses – currency exchange gains and losses

The international spread of the Group exposes it to movements in exchange rates; principally the EUR/SEK rate because the reporting currency is Euro when the primary operating currency is Swedish Krona. In FY2008, SEK weakened by 15.4% against the Euro whereas in FY2009 the closing SEK rate strengthened by 5.3%. This represents a movement of more than 20% over the two financial periods.

For FY2009, the net currency gain is EUR 12.7 million (FY2008: net currency loss EUR 27.0 million), of which EUR 10 million relates to the unrealized gain on the translation of foreign denominated loan balances. (FY2008: unrealized loss of EUR 23.2 million).

Net finance expenses – fair value of derivatives

The Group uses derivative financial instruments to hedge interest and currency risk exposures. As at 31 December 2009, the fair value of derivatives fell by EUR 15.7 million, of which a loss of EUR 11.4 million relates to currency swaps and a EUR 4.3 million loss from interest rate swaps.

Balance Sheet

	EUR / share (basic)	EUR million
FY2008 NAV (basic)	0.61	289.7
FY2009 NAV (basic)	0.47	223.9
Total variance	**(0.14)**	**(65.8)**
Key year-on-year variances		
Goodwill	(0.01)	(6.6)
Investment properties	(0.11)	(50.0)
Other non-current assets	(0.03)	(13.9)
Cash and cash equivalents	(0.05)	(23.1)
Trade payables and Trade receivables	0.02	11.4
Interest-bearing loans	0.04	19.3
Derivative financial instruments	(0.03)	(15.7)
Convertible loan notes	0.01	2.9
Deferred tax liabilities	0.02	9.9
Total variance	**(0.14)**	**(65.8)**

Investment properties

At 31 December 2009, the Company's investment properties were valued by DTZ at EUR 554.6 million which represented a decline of EUR 50.0 million since 31 December 2008. The decline in value can be attributed to (i) a decrease in underlying property values of EUR 81.4 million; (ii) a gain of EUR 20.8 million due to foreign exchange rate movements; and (iii) capital expenditure of EUR 10.9 million.

Cash

At the year-end, the cash balance was EUR 79.3 million representing a decrease of EUR 23.1 million when compared to the balance at 31 December 2008. Cash generated from operating activities was EUR 39.3 million. During the year dividends of EUR 40.2 million were paid, along with capital expenditure of EUR 10.9 million and a net reduction in the loan balances of EUR 24.1 million. The sale of shares in the CapMan Hotel fund generated cash of EUR 9.3 million.

The Group's year-end cash position reflects the timing of prepaid December quarter rent. At the end of February 2010, the cash balance was EUR 59.2 million. The decrease of EUR 20.1 million since year-end was due in the main to (i) the payment of bank loan interest and amortization (EUR 5.0 million); (ii) the repayment of Finnveden vendor loan note (EUR 7.3 million); and (iii) the purchase of a discounted B loan note under the Citi Facility (EUR 6.0 million).

Interest-bearing loans (excluding convertible loan notes)

As at 31 December 2009, outstanding bank loans amounted to EUR 353.2 million, a decrease of EUR 19.3 million on the year. The movement is largely due to (i) the payment of matured loans (EUR 15 million); (ii) new loans drawn down (EUR 2.0 million); (iii) amortization of principal (EUR 6.0 million); and (iv) B loan note buy back (EUR 3.7 million) which is offset by currency movements. During the year a loan of EUR 23.0 million was refinanced.

Net Asset Value

Diluted Net Asset Value per share was EUR 0.48 (2008: EUR 0.60). This represents a decrease of approximately 20.0% on last year-end.

Diluted Net Asset Value calculation EUR million	**31 December 2009**	**31 December 2008**
Net Asset Value - Equity attributable to equity holders of the parent	223.9	289.7
Convertible loans	36.6	39.5
Options	0.6	0.6
Diluted Net Asset Value	**261.1**	**329.8**
Number of shares, fully diluted		
Issued and fully paid	475.9	475.9
Convertible loans	70.3	70.3
Options	0.5	0.5
Total	**546.7**	**546.7**
Basic NAV per share	0.47	0.61
Diluted NAV per share	0.48	0.60

Dividends from results arising in that year are shown in the table below:

Dividends (EUR)	**31 December 2009**	**31 December 2008**
Ordinary dividends	0.027	0.027
Special dividends	-	0.085
Total dividends	0.027	0.112

The Board is recommending a final ordinary dividend of EUR 0.017 per share which together with the interim dividend amounts to a total ordinary dividend from the year's results of EUR 0.027 per share. The terms of the cash offer by Holowent Limited for NR Nordic & Russia Properties Limited provides that any shares acquired pursuant to the offer include the right to any dividends declared, made or paid after 25 January 2010. An announcement will be made concerning the effective dates for the final ordinary dividend after 7 April 2010, following the expiry of the extension period of the cash offer by Holowent Limited.

The Board regularly reviews the dividend policy considering, inter alia, the financial markets, the property portfolio, loan repayments and capital expenditure.

Property Portfolio

The property portfolio comprises of 38 assets with total floor space of 985,000 sqm and gross rental value of EUR 77.9 million. Economic occupancy was 96%; with an average lease length of 6.0 years.

The portfolio has been valued by DTZ Sweden AB and DTZ Russia Ltd as at 31 December 2009. The total value of the portfolio was EUR 554.6 million. This represents a decrease of 14% (in local currencies) on the year when compared with like-for-like properties.

The estimated annualised net rental income for 2009 for the properties held at 31 December 2009 is EUR 54.2 million (2008: EUR 51.0 million), resulting in a net yield of 9.8% (2008: 8.4%). Properties located in Sweden and Russia accounted for 68% and 20%, respectively, of the total market value. The table below gives a summary of the property portfolio by asset class and country.

The Group has one tenant that accounts for 36% (2008: 36%) of the total rental income. The Group's 5 largest tenants account for 59% (2008: 58%) of the total rental income.

The gross rental value of leases maturing is shown below:

Expiry:	2009 Gross rental income EUR million	% total	2008 Gross rental income EUR million	% total
Within 12 months	4.9	7%	5.2	7%
1 to 5 years	31.0	42%	29.3	40%
5 + years	38.5	51%	38.8	53%
	74.4	**100%**	**73.3**	**100%**

Portfolio as at 31 December 2009

The table below shows the annualised position of properties held at year end.

	No. of properties	Area (sqm '000)	Gross rental value (EUR m)[1]	Occupancy rate, economic (%)	Average lease length (years)	Market value (EUR m)	% Market value
Sweden	28	800	53	94%	4.7	379	68%
Denmark	2	45	3	100%	14.9	37	7%
Lithuania	1	4	1	100%	2.2	5	1%
Germany	1	15	1	100%	11.7	10	2%
Poland	2	44	2	100%	11.8	13	2%
Russia	4	77	18	98%	7.3	111	20%
Total	**38**	**985**	**78**	**96%**	**6.0**	**555**	**100%**
Office	4	186	18	92%	4.2	126	23%
Industrial	21	609	34	95%	5.4	230	41%
Logistics	7	101	5	100%	12.1	55	10%
Retail	3	50	13	97%	4.7	67	12%
Hotels	3	39	8	100%	10.0	77	14%
Total	**38**	**985**	**78**	**96%**	**6.0**	**555**	**100%**

1) Includes the estimated gross rental value of vacant space of EUR 3.6 million

1 January 2009 to 31 December 2009 analysis (for properties held at 31/12/2009)

The table below shows the results for the year of properties held at year end.

	Gross rental income (EUR m)[1]	Property costs (EUR m)[1]	Net rental income (EUR m)[1]	Net yield (%)[2]
Sweden	52	(17)	35	9.4%
Denmark	3	0	3	8.0%
Lithuania	1	0	1	10.9%
Germany	1	0	1	8.5%
Poland	1	0	1	10.4%
Russia	18	(5)	13	11.6%
Total	**76**	**(22)**	**54**	**9.8%**
Office	16	(7)	9	7.5%
Industrial	35	(10)	25	10.7%
Logistics	5	0	5	9.0%
Retail	12	(4)	8	12.0%
Hotels	8	(1)	7	9.3%
Total	**76**	**(22)**	**54**	**9.8%**

1) Actual figures for 2009, adjusted as if the properties have been held the entire year.
2) Actual NRI for 2009 divided by the DTZ market value per December 2009.

Asset Management

The leasing activities during 2009 resulted in a net increase in annual gross rent of approximately EUR 0.1 million (2008: EUR 1.7 million), however the leased area decreased by 1,700 sqm. This is the result of new leases signed with an annual rent of EUR 3.2 million with a corresponding area of 25,600 sqm and leases terminated with an annual rent of EUR 3.1 million and a lettable area of 27,300 sqm. Renegotiated leases had no net effect on annual gross rent. Capital expenditure during the period, including capital expenditure spent on sold properties, amounted to EUR 10.9 million (2008: EUR 13.0 million).

Management

The Group has an existing asset management agreement with LR Real Estate Asset Management AB ("LR REAM"), a member of the London & Regional Group. According to this agreement the Company should pay LR REAM a base fee of 0.4% on the average asset value, plus a performance fee linked to capital growth. Falling property values resulted in no performance fee being due for 2009.

Board Changes

The Chairman tendered his resignation on 19 August 2009 which was effective from 19 November 2009. Christopher Coles, David Hunter, Peregrine Moncreiffe and Iain Watters were appointed as non-executive Directors on 9 September 2009 subject to Jersey Financial Service Commission approval, which was subsequently received. Robert Ware resigned at his own request as a Director on 30 September 2009. Colin Kingsnorth resigned at his own request as a Director on 30 November 2009.

AGM

The Company's AGM will be held at 13 Castle Street, St Helier, Jersey. Notice of the AGM will be sent to shareholders and a copy of the Notice of AGM will be available on the Group's website.

Outlook

Looking ahead to the remainder of 2010, we expect property market conditions in our core markets, Sweden and Russia, to remain challenging as the full impact of the economic downturn hits the occupational market relatively late in the cycle. The Company is currently in discussion with ABB, our largest tenant, to establish its objectives and intentions in relation to its right to downsize its tenancy, with a view to finding a solution which minimizes the impact on the Company's income going forward.

In 2010, leases totalling 7% (EUR 4.9 million) of annual gross rental revenues are due to mature. It is important to protect our high occupancy rate; we forecast increased expenditure on improvements for existing tenants and capital expenditure to attract new tenants.

In Sweden, there has been some recent improvement in demand for property. However, this is currently dominated by domestic institutional buyers of prime assets. There has been little investment activity in, or institutional investor appetite for, commercial properties outside Stockholm where the bulk of our properties are situated. Lack of available debt, and the current uncertainty in refinancing of existing loans, particularly as non-Swedish banks look to reduce their business in the region, continues to have an impact on the investment market.

In Russia, there are some signs that market conditions are stabilizing, but we expect any recovery will take some time and will require greater liquidity in the capital markets to reduce the cost of borrowing.

In the meantime, we will continue to seek ways to maximise shareholder value, inter alia, by seeking to renegotiate certain borrowing facilities and key leases, actively managing the Group's assets and, after consulting with the Group's shareholders, exploring opportunities for value enhancing new investments and/or business combinations.

This report is also available on the Group's website: www.nr-properties.co.uk

Enquires:

David Hunter, Senior Independent Director
Tel: +44 767 432 203
Email: david@hunteradvisers.co.uk

The directors present their report and the consolidated financial statements for the year to 31 December 2009.

Incorporation

The Company was incorporated in Jersey on 23 October 2006, and began trading on 15 November 2006 with all results being generated after this date.

Results and dividends

The results for the period are set out in the financial statements on pages 11 to 40. The directors have recommended a final dividend for the period of EUR 0.017 per share. This recommendation, with the interim dividend paid of EUR 0.010 per share results in a total proposed dividend of EUR 0.027 per share for the period. The terms of the cash offer by Holowent Limited for NR Nordic & Russia Properties Limited provides that any shares acquired pursuant to the offer include the right to any dividends declared, made or paid after 25 January 2010.

Directors

The membership of the Board and resignations and appointments during the year are set out below.

Jens Engwall	Chairman	Resigned 19 November 2009
Michael Hirst	Director	
Colin Kingsnorth	Director	Resigned 30 November 2009
Ian Livingstone	Director	
Christopher Lovell	Director	
Martin Sabey	Director	
Robert Ware	Director	Resigned 30 September 2009
Iain Watters	Director	Appointed 9 September 2009
Christopher Coles	Director	Appointed 9 September 2009
David Hunter	Director	Appointed 9 September 2009
Peregrine Moncreiffe	Director	Appointed 9 September 2009

Directors' interest

Mr. Ian Livingstone is an affiliate of, and thus may be deemed to have an indirect interest in, each of the members of the London & Regional Group that is a party to agreements in place during the period. See note 29.

Directors' responsibilities for the financial statements

The directors are responsible for preparing the financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and the Group and of the revenue and expenditure of the Company 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 whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) and the historical cost convention, as modified by the revaluation of investments. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud, errors and non-compliance with the law or regulations.

The directors confirm that they have complied with all of the above requirements in preparing these financial statements.

Independent Auditors

The auditors, Ernst & Young LLP have indicated their willingness to continue in office and a resolution proposing their reappointment will be put to the Annual General Meeting.

Approved by the Board

Director: Date

Independent Auditors' Report to the Members of NR Nordic & Russia Properties Limited

We have audited the Group and Company financial statements of NR Nordic & Russia Properties Limited for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, Statements of changes in equity, Consolidated and Parent Company Cash Flow Statements and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable Jersey law as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it. The other information comprises the Highlights, the Senior Independent Director's statement, the Finance and Property Review and the Directors' Report. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the Group's and Company's affairs as at 31 December 2009 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Ernst & Young LLP

Jersey **31 March 2010**

The maintenance and integrity of the NR Nordic & Russia Properties Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

NR Nordic & Russia Properties Limited

Consolidated Income Statement

In millions of Euro

Continuing operations	Note	Year to 31 Dec 2009	Year to 31 Dec 2008
Gross rental revenue	1	75.3	77.5
Property operating expenses	1,2	(24.0)	(26.5)
Net rental income	1	**51.3**	**51.0**
Revaluation losses on investment properties	1,13	(81.4)	(126.3)
Loss on disposals of investment properties	1,4	-	(4.7)
Net results on investment properties	1	**(81.4)**	**(131.0)**
Administrative expenses	1	(1.9)	(2.8)
Write-downs		(2.1)	(17.3)
Impairment of goodwill	1,12	(6.6)	(59.0)
Operating loss	1	**(40.7)**	**(159.1)**
Finance income	5	4.2	10.5
Finance expenses – interest and other	6	(27.4)	(32.7)
Finance expenses – net currency exchange gains/(losses)	5,6	12.7	(27.0)
Net changes in fair value of derivatives	17	(15.7)	(7.0)
Net finance expenses		**(26.2)**	**(56.2)**
Loss before income tax		**(66.9)**	**(215.3)**
Current income tax expense	7	-	(0.9)
Deferred income tax credit	7	5.9	42.7
Loss for the year from continuing operations		**(61.0)**	**(173.5)**
Profit from discontinued operations	11	-	4.4
Loss for the year		**(61.0)**	**(169.1)**
Attributable to:			
Equity holders of the parent Company		(61.0)	(169.1)
Earnings per share attributable to equity holders of the Company during the year			
Basic and diluted earnings per share (EUR)	9	(0.13)	(0.36)

	Year to 31 Dec 2009	Year to 31 Dec 2008
Loss for the year	**(61.0)**	**(169.1)**
Other comprehensive income/(loss)		
Currency translations differences	9.2	(37.3)
Other comprehensive income/ (loss) for the year net of tax	**9.2**	**(37.3)**
Total comprehensive loss for the year	**(51.8)**	**(204.6)**
Total comprehensive loss attributable to:		
Equity holders of the parent	(51.8)	(204.6)

The notes on pages 18 to 40 are an integral part of these consolidated financial statements.

NR Nordic & Russia Properties Limited

Consolidated Balance Sheet

In millions of Euro

	Note	Group 31 December 2009	Group 31 December 2008
Assets			
Non-current assets			
Goodwill	12	42.7	49.3
Investment properties	13	554.6	604.6
Long term receivables	15	-	10.0
Deferred tax assets	16	10.0	13.9
Total non-current assets		**607.3**	**677.8**
Current assets			
Derivative financial instruments	17	21.5	32.9
Trade and other receivables	18	4.1	24.1
Cash and cash equivalents	19	79.3	102.4
Total current assets		**104.9**	**159.4**
Total assets		**712.2**	**837.2**
Equity			
Ordinary share capital	20	85.9	85.9
Ordinary share premium		10.7	10.7
Equity portion of convertible loan notes		30.6	30.6
Other reserves		267.7	281.7
Foreign currency translation reserve		(19.0)	(28.2)
Retained earnings		(152.0)	(91.0)
Equity attributable to equity holders of the parent		**223.9**	**289.7**
Minority interest		-	-
Total equity		**223.9**	**289.7**
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	22	345.9	328.8
Convertible loan notes	22	36.6	39.5
Deferred tax liabilities	16	52.5	62.4
Total non-current liabilities		**435.0**	**430.7**
Current liabilities			
Derivative financial instruments	17	20.7	16.4
Interest-bearing loans and borrowings	22	7.3	43.7
Trade and other payables	23	25.3	56.7
Total current liabilities		**53.3**	**116.8**
Total liabilities		**488.3**	**547.5**
Total equity and liabilities		**712.2**	**837.2**

Approved by the Board on

Director Director

The notes on pages 18 to 40 are an integral part of these consolidated financial statements.

NR Nordic & Russia Properties Limited

Parent Company Balance Sheet

In millions of Euro

	Note	Parent 31 December 2009	Parent 31 December 2008
Assets			
Non-current assets			
Investments in subsidiaries	14	79.6	108.7
Long term receivables	15	196.2	210.6
Total non-current assets		**275.8**	**319.3**
Current assets			
Trade and other receivables	18	12.2	8.1
Cash and cash equivalents	19	1.8	48.2
Total current assets		**14.0**	**56.3**
Total assets		**289.8**	**375.6**
Equity			
Ordinary share capital	20	85.9	85.9
Ordinary share premium		10.7	10.7
Equity portion of convertible loan notes		30.6	30.6
Other reserves		267.7	281.7
Retained earnings		(143.6)	(100.2)
Equity attributable to equity holders of the parent		**251.3**	**308.7**
Total equity		**251.3**	**308.7**
Liabilities			
Non-current liabilities			
Convertible loan notes	22	36.6	39.5
Total non-current liabilities		**36.6**	**39.5**
Current liabilities			
Trade and other payables	23	1.9	27.4
Total current liabilities		**1.9**	**27.4**
Total liabilities		**38.5**	**66.9**
Total equity and liabilities		**289.8**	**375.6**

The notes on pages 18 to 40 are an integral part of these consolidated financial statements.

NR Nordic & Russia Properties Limited

Consolidated Statement of Changes in Equity for the year to 31 December 2009

In millions of Euro

	Ordinary share capital	Ordinary share premium	Equity portion of convertible loan notes	Other reserves	Foreign currency translation reserve	Retained earnings	Total Equity
Opening balance at 1 January 2009	**85.9**	**10.7**	**30.6**	**281.7**	**(28.2)**	**(91.0)**	**289.7**
Dividends (note 10)	-	-	-	(14.0)	-	-	**(14.0)**
Total comprehensive loss	-	-	-	-	9.2	(61.0)	**(51.8)**
Balance at 31 December 2009	**85.9**	**10.7**	**30.6**	**267.7**	**(19.0)**	**(152.0)**	**223.9**

	Ordinary share capital	Ordinary share premium	Equity portion of convertible loan notes	Other reserves	Foreign currency translation reserve	Retained earnings	Minority interests	Total Equity
Opening balance at 1 January 2008	**85.9**	**10.7**	**30.2**	**371.4**	**9.1**	**78.1**	**5.5**	**590.9**
Repayment on convertible loan notes	-	-	(1.2)	-	-	-	-	**(1.2)**
Issue of convertible loan notes	-	-	1.6	-	-	-	-	**1.6**
Minority interests disposed of	-	-	-	-	-	-	(5.5)	**(5.5)**
Dividends (note 10)	-	-	-	(89.7)	-	-	-	**(89.7)**
Total comprehensive loss	-	-	-	-	(37.3)	(169.1)	-	**(206.4)**
Balance at 31 December 2008	**85.9**	**10.7**	**30.6**	**281.7**	**(28.2)**	**(91.0)**	**-**	**289.7**

During the first year, the ordinary share capital of the Company was reduced by EUR 390.0 million and transferred to “Other reserves”, which is a distributable reserve.

The notes on pages 18 to 40 are an integral part of these consolidated financial statements.

NR Nordic & Russia Properties Limited

Parent Company Statement of Changes in Equity for the year to 31 December 2009

In millions of Euro

	Ordinary share capital	Ordinary share premium	Equity portion of convertible loan notes	Other reserves	Retained earnings	Share-holders' equity
Opening balance at 1 January 2009	**85.9**	**10.7**	**30.6**	**281.7**	**(100.2)**	**308.7**
Dividends (note 10)	-	-	-	(14.0)	-	(14.0)
Loss after taxation	-	-	-	-	(43.4)	(43.4)
Balance at 31 December 2009	**85.9**	**10.7**	**30.6**	**267.7**	**(143.6)**	**251.3**

	Ordinary share capital	Ordinary share premium	Equity portion of convertible loan notes	Other reserves	Retained earnings	Share-holders' equity
Opening balance at 1 January 2008	**85.9**	**10.7**	**30.2**	**371.4**	**(23.9)**	**474.3**
Repayment on convertible loan notes	-	-	(1.2)	-	-	(1.2)
Issue of convertible loan notes	-	-	1.6	-	-	1.6
Dividends (note 10)	-	-	-	(89.7)	-	(89.7)
Loss after taxation	-	-	-	-	(76.3)	(76.3)
Balance at 31 December 2008	**85.9**	**10.7**	**30.6**	**281.7**	**(100.2)**	**308.7**

Other Reserves, along with Retained Earnings, make up the distributable reserves of the Company.

The notes on pages 18 to 40 are an integral part of these consolidated financial statements.

NR Nordic & Russia Properties Limited

Consolidated Cash Flow Statement

In millions of Euro

	Note	Group Year to 31 December 2009	Group Year to 31 December 2008
Cash flow from operating activities			
Loss before tax	25	(66.9)	(211.7)
Adjustments for:			
Impairment of goodwill	12	6.6	59.0
Write-downs		2.1	17.3
Unrealised net revaluation losses on investment properties	13	81.4	126.3
Loss on disposals of investment properties	4	-	4.7
Interest income	5	(4.2)	(10.5)
Interest expense	6	27.4	36.9
Currency (gains)/losses	5,6	(12.7)	27.0
Unrealised net revaluation losses on derivatives	17	15.7	7.0
Cash flow from operations before changes in working capital, interest and tax		**49.4**	**56.0**
Change in trade and other receivables		12.8	5.9
Change in trade and other payables		(5.1)	(17.2)
Cash flow from operations before interest and tax		**57.1**	**44.7**
Interest paid		(19.4)	(38.2)
Interest received		1.6	9.3
Cash flow from operating activities	25	**39.3**	**15.8**
Cash flow from investing activities			
Proceeds from sale of investment properties	4	0.3	50.1
Acquisition of investment properties	13	-	(84.6)
Capital expenditures on investment properties		(10.9)	(13.0)
Disposal of financial assets		9.3	-
Disposal of subsidiaries (net of cash received)	11	-	722.0
Cash flow from investing activities		**(1.3)**	**674.5**
Cash flow from financing activities			
Dividend	10	(40.2)	(63.5)
Borrowings drawn		2.0	38.0
Borrowings repaid		(26.1)	(694.7)
Cash flow from financing activities		**(64.3)**	**(720.2)**
Net decrease in cash and cash equivalents		(26.3)	(29.9)
Cash and cash equivalents at 1 January		102.4	142.2
Effect of exchange rate fluctuations on cash held		3.2	(9.9)
Cash and cash equivalents at year end	19	**79.3**	**102.4**

For a reconciliation of operating loss to cash generated from operations see note 25.

The notes on pages 18 to 40 are an integral part of these consolidated financial statements.

NR Nordic & Russia Properties Limited

Parent Company Cash Flow Statement

In millions of Euro

	Note	Parent Year to 31 December 2009	Parent Year to 31 December 2008
Cash flow from operating activities			
Loss before tax		(43.4)	(76.3)
Adjustments for:			
Loss on revaluation on investments	14	58.8	72.5
Interest income		(8.6)	(25.5)
Interest expense		3.6	3.3
Asset management performance fee		-	(6.7)
Net currency translation (gains)/losses		(9.6)	34.0
Cash flow from operations before changes in working capital, interest and tax		**0.8**	**1.3**
Change in trade and other payables		(0.1)	(2.5)
Cash flow from operations before interest and tax		**0.7**	**(1.2)**
Interest paid		(2.6)	(2.6)
Interest received		6.4	-
Cash flow from operating activities		**4.5**	**(3.8)**
Cash flow from investing activities			
Investment in subsidiaries		(29.7)	-
New loans to subsidiaries		-	(80.0)
Repayments of loans from subsidiaries		22.6	185.7
Cash flow from investing activities		**(7.1)**	**105.7**
Cash flow from financing activities			
Dividend	10	(40.2)	(63.5)
Borrowings repaid		(4.0)	(3.2)
Cash flow from financing activities		**(44.2)**	**(66.7)**
Net (decrease)/increase in cash and cash equivalents		(46.8)	35.2
Cash and cash equivalents at 1 January		48.2	16.9
Effect of exchange rate fluctuations on cash held		0.4	(3.9)
Cash and cash equivalents at year end	19	**1.8**	**48.2**

The notes on pages 18 to 40 are an integral part of these consolidated financial statements.

General information

NR Nordic & Russia Properties Limited (the Company or the Parent Company) is a Jersey incorporated company which invests in real estate opportunities in the Nordic and Baltic regions and Russia. The financial period of the Group is from 1 January 2009 to 31 December 2009 and the Company was incorporated on 23 October 2006.

Significant accounting policies

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations (IFRS) as adopted by the European Union.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in *"Critical accounting estimates and assumptions".*

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IAS 1 *Presentation of Financial Statements* (Revised)
- IFRS 8 *Operating Segments*
- IAS 23 *Borrowing Costs* (Revised)
- Amendment to IFRS 7 *Financial Instruments: Disclosures*

The principal effects of these changes are as follows:

IAS 1 *Presentation of Financial Statements (Revised)*
The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, companies have an option to continue presenting a 'traditional' income statement complemented by a second statement, the statement of comprehensive income, or to present a single statement, also named 'statement of comprehensive income', that includes both elements. The Group has taken the option of presenting an income statement complemented by the statement of comprehensive income.

IFRS 8 *Operating Segments*
IFRS 8 replaces IAS 14 *Segment Reporting*. It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The Group concluded that the reportable segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14. IFRS 8 disclosures are shown in note 1.

IAS 23 *Borrowing Costs (Revised)*
The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, but only if such assets are not measured at fair value. Presently the Group has no qualifying assets and the revised standard has not had any impact on the financial statements.

Amendment to IFRS *7 Financial Instruments: Disclosures*
The amendment to the standard requires an entity to provide a quantitative and qualitative analysis of those instruments recognised at fair value based on a three-level measurement hierarchy. Furthermore, for those instruments which have significant unobservable inputs (classified as level 3), the amendment requires disclosures on the transfers into and out of level 3, a reconciliation of the opening and closing balances, total gains and losses for the period split between those recognised in other comprehensive income, purchases, sales issues and settlements, and sensitivity analysis of reasonably possible changes in assumptions. In addition, disclosure is required of the movements between different levels of the fair value hierarchy and the reason for those movements. Finally, the standard amends the previous liquidity risk disclosures as required under IFRS 7 for non-derivative and derivative financial liabilities.

Basis of preparation (continued)

New standards and interpretations not applied

The IASB and IFRIC have issued a number of standards and interpretations with an effective date after the date of these financial statements. The directors have set out below only those which may have a material impact on the financial statements in future periods.

IFRS 3 *(Revised) Business Combinations and IAS 27 (Amended) Consolidated and Separate Financial Statements*
The revised standards are effective prospectively for business combinations affected in financial periods beginning on or after 1 July 2009. IFRS 3 Revised introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) to be accounted for as an equity transaction. Therefore, such a transaction would no longer give rise to goodwill, nor give rise to a gain or loss.

IAS 17 *Leases – amendment*
This amendment is effective for financial periods beginning on or after 1 January 2010. This amendment deletes much of the existing wording in the standard to the effect all leases of land (where title does not pass) were operating leases. The amendment requires that in determining whether the lease of land (either separately or in combination with other property) is an operating or a finance lease, the same criteria are applied as for any other asset. This may have the impact in the future that more leases of land will be treated as finance leases rather than operating leases.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and companies that it controls. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This is generally the situation when the Company, either directly or indirectly, has a shareholding that entitles it to more than 50 percent of the voting rights. Consideration is also given to potential voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains / losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 as of the date of the original business combination (see below) and the minority's share of changes in equity since the date of the 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.

Business combinations

The acquisition of subsidiaries is reported using the purchase method. The cost of the acquisition is measured at the aggregate of the fair value, on the transaction date, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired company, plus any costs directly attributable to the business combination. The acquired company's identifiable assets, liabilities and contingent liabilities are reported at their fair values on the acquisition date, the excess resulting from the difference between the acquisition cost of the shares and participation interest acquired and the total of the fair value of the identifiable net assets is reported as goodwill. If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary, the difference will be reported directly in the income statement.

The interest of minority shareholders in the acquired company is initially calculated as the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

In the case where a group of assets or net assets are acquired that does not constitute a business, the cost of the group is allocated between the individual identifiable assets and liabilities in the group based on their relative fair values at the date of acquisition.

Foreign currency transaction

(a) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in EURO (€), which is the Company's functional and the Group's presentational currency.

Foreign currency transaction (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within finance expenses.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are recognised in the income statement within finance income and finance expenses.

(c) Subsidiaries

The results and financial position of all subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and

(ii) income and expenses for each income statement are translated at average exchange rates for that period.

All resulting foreign exchange gains and losses are recognised as a separate component of equity. When a foreign operation is disposed of, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss of sale.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable and is shown net of value added tax. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group’s activities as described below.

(a) Rental income from operating leases

Rental income from operating leases is recognised as income on a straight line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives is recognised over the whole lease term, on a straight line basis, as a reduction of rental income.

Contingent rents, being those lease payments that are not fixed at the inception of a lease, for example increases arising on rent reviews, are recorded as income in the periods in which they are earned. Rent reviews are recognised as income, based on estimates, when it is reasonable to assume they will be received.

(b) Service charges and similar income

Service charges and similar income are recognised in the accounting period in which the services are rendered. When the Group is acting as agent, the commission rather than gross income is recorded as revenue.

(c) Interest income

Interest income is recorded on an accruals basis using the effective interest rate.

(d) Income from disposal of investment properties

Profits or losses arising from the sale of investment properties are included in the consolidated income statement of the Group where an exchange of contracts has taken place under which any minor outstanding conditions not affecting the transfer of risks and rewards are entirely within the control of the Group. Profits or losses arising from the sale of trading and investment properties are calculated by reference to their carrying value and are included in the results before interest and taxes.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Current and deferred income tax

The current tax payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (temporary differences) and it further excludes items that are never taxable or deductible (permanent differences). The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date in the country in question.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax is calculated using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax is charged or credited to 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 under equity.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced in cases where 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 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.

Leases

All property leases are classified as operating leases.

Rentals receivable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits given as an incentive to enter into an operating lease are also allocated on a straight-line basis over the lease term.

Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land, buildings, land held under operating leases and buildings held under finance leases. When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains an investment property and is accounted for as such.

Investment properties are initially recognised at cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed at each financial reporting period end by independent external valuers who hold recognised and relevant qualifications and have recent experience in the location and category of the investment property being valued. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is capitalised to the investment property's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Changes in fair value are recorded in the income statement for investment properties.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

Investment properties (continued)

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in the income statement to the extent that it reverses a previous impairment loss, with any remaining increase credited directly to equity. Any resulting loss arising in this manner is recognised in the income statement.

Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Any impairment is recognised in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the business combination in which the goodwill arose. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. A value in use calculation requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present values of those cash flows. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. On disposal of a subsidiary, the amount of goodwill related to the divested subsidiary is written off to the income statement.

Impairment of tangible and intangible assets excluding goodwill and investment properties

On each balance sheet date, the Group reviews the carrying amounts of its tangible (excluding investment properties) and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Additionally, intangible assets other than goodwill, with indefinite useful lives and tangible assets are not subject to amortisation and are tested annually for impairment.

For the purpose of assessing impairment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment in trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The changes to the provision are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, and demand deposits and other short-term liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. In order to be classified as cash and cash equivalents, the maturity of the cash and cash equivalents instruments must be three months or less at the time of acquisition. Bank overdrafts are shown under borrowings in current liabilities on the balance sheet.

Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are remeasured at their subsequent fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group does not apply hedge accounting to its derivative financial instruments. Therefore, any change in the fair value of such derivatives is recognised in the income statement as it arises.

Borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of loans is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

Transaction costs are capitalised on the balance sheet and are amortised over the life of the associated borrowing instrument through the effective rate of interest.

Convertible loans

The component parts of a convertible loan (compound instruments) are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. On the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is reported as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax, and is not subsequently re-measured.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle that obligation and the amount can be reliably estimated. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation on the balance sheet date, and are discounted to present value where the effect is material.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the obligation under the contract exceeds the economic benefits expected to be received under it. Any increase or decrease in the provision is taken to the income statement each financial period.

Segment reporting

The financial information on investment properties provided to the Chief Operating Decision Maker, the Board of Directors, is aggregated into segments based on their geographic location. The information provided is net rental income (gross rent less property operating expenses) and impairments of goodwill, valuation gains/losses and profit/loss on disposals. Group administrative expenses, write downs and finance expenses are not allocated to segments. Segment assets represent investment property value and goodwill. There are no segment liabilities.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which dividends are approved.

Critical accounting estimates and judgements

The preparation of the Consolidated Financial Statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosure of contingencies at the date of the Consolidated Financial Statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the Consolidated Financial Statements, deviate from the actual circumstances, the original estimates and assumptions will be modified, as appropriate, in the period in which the circumstances change. The following policies are considered to be of greater complexity and/or particularly subject to the exercise of judgement.

(a) Goodwill

As required by IAS 36, Impairment of Assets, the Group regularly monitors the carrying value of its assets, including goodwill. Impairment reviews compare the carrying values to the present value of future cash flows that are derived from the relevant asset or cash-generating unit. These reviews therefore depend on management estimates and judgements, in particular in relation to the forecasting of future cash flows and the discount rate applied to the cash flows.

(b) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

i) current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices;

iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; and

iv) the views of third party expert property valuers.

(c) Principal assumptions for management's estimation of fair value of investment properties

If information on current or recent prices of the Group's investment properties is not available, the fair value of investment properties is determined using discounted cash flow valuation techniques. The Group's assumptions take account of the market conditions existing at each balance sheet date. The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(d) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

For further information see note 24, Financial instruments.

(e) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes based on the tax laws in the jurisdictions in which the Group operates, the determination of which is uncertain. There are some transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

NR Nordic & Russia Properties Limited

Notes to the accounts

In millions of Euro, unless otherwise stated

1. Segment reporting

Segment information is presented in respect of the Group's geographical segments, which is based on the Group's management and internal reporting structure, and considered the primary format. There were no inter-segment sales between geographical areas. The parent company is a holding company and does not operate in any segment.

The services provided by the Company are as described in the general information section. The Sweden segment includes one tenant that accounts for 36% of the gross rental revenue of the company.

Operating segments

	Year to 31 December 2009				
	Sweden	**Russia**	**Other**	**Unallocated**	**Contin. Operat.**
Gross rental revenue	50.2	18.3	6.8	-	75.3
Property operating expenses	(17.2)	(5.5)	(1.3)	-	(24.0)
Net rental income	**33.0**	**12.8**	**5.5**	**-**	**51.3**
Revaluation losses on investment properties	(44.9)	(28.2)	(8.3)	-	(81.4)
Loss on disposal of investment properties	-	-	-	-	-
Net results on investment properties	**(44.9)**	**(28.2)**	**(8.3)**	**-**	**(81.4)**
Administrative expenses	-	-	-	(1.9)	(1.9)
Write-downs	-	-	-	(2.1)	(2.1)
Impairment of goodwill	(5.6)	-	(1.0)	-	(6.6)
Operating loss	**(17.5)**	**(15.4)**	**(3.8)**	**(4.0)**	**(40.7)**
Net finance expenses					(26.2)
Loss before income tax					**(66.9)**
Net tax credit					5.9
Loss for the year					**(61.0)**
Segment assets					
Investment properties	377.6	111.0	66.0	-	554.6
Goodwill	36.5	-	6.2	-	42.7
Other assets	-	-	-	114.9	114.9
Total assets	**414.1**	**111.0**	**72.2**	**114.9**	**712.2**
Capital expenditure	**5.2**	**5.7**	**-**	**-**	**10.9**

	Year to 31 December 2008					
	Sweden	**Russia**	**Other**	**Unallocated**	**Contin. Operat.**	**Discont. Operat.**
Gross rental revenue	54.5	16.4	6.6	-	77.5	9.6
Property operating expenses	(18.8)	(5.9)	(1.8)	-	(26.5)	(1.5)
Net rental income	**35.7**	**10.5**	**4.8**	**-**	**51.0**	**8.1**
Revaluation losses on investment properties	(79.6)	(31.4)	(15.3)	-	(126.3)	-
Loss on disposal of investment properties	(4.7)	-	-	-	(4.7)	-
Net results on investment properties	**(84.3)**	**(31.4)**	**(15.3)**	**-**	**(131.0)**	**-**
Administrative expenses	-	-	-	(2.8)	(2.8)	(0.3)
Write-downs	-	-	-	(17.3)	(17.3)	-
Impairment of goodwill	(37.8)	-	(3.4)	(17.8)	(59.0)	-
Operating loss	**(86.4)**	**(20.9)**	**(13.9)**	**(37.9)**	**(159.1)**	**7.8**
Net finance expenses					(56.2)	**(4.2)**
Loss before income tax					**(215.3)**	**3.6**
Net tax credit					41.8	**(0.9)**
Loss for the year					**(173.5)**	**2.7**
Profit from disposal group					-	**1.7**
Profit from discontinued operations					4.4	
Loss for the year					**(169.1)**	
Segment assets						
Investment properties	390.3	140.1	74.2	-	604.6	
Goodwill	42.0	-	7.3	-	49.3	
Other assets	-	-	-	183.3	183.3	
Total assets	**432.3**	**140.1**	**81.5**	**183.3**	**837.2**	
Capital expenditure	**7.8**	**0.3**	**-**	**-**	**8.1**	

2. Property operating expenses

	Year to 31 December 2009	Year to 31 December 2008
Utilities	(7.7)	(8.3)
Caretaking, insurance and other expenses	(8.3)	(8.9)
Planned maintenance	(1.5)	(2.0)
Tenant improvements	(0.8)	(0.5)
Property tax	(3.1)	(3.6)
Site leasehold rent	(0.3)	(0.4)
Asset management fee	(2.3)	(4.3)
Property operating expenses	**(24.0)**	**(28.0)**
Attributable to continuing operations	(24.0)	(26.5)
Attributable to discontinued operation (note 11)	-	(1.5)

3. Auditor's remuneration

In EUR '000s	Year to 31 December 2009	Year to 31 December 2008
Audit fees		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	196	240
The audit of the Company's services pursuant to legislation	**196**	**240**
Other services		
Tax services	20	-
All other services:		
- Other advisory services	-	164
- Interim review	22	94
- Fees payable for work in relation to reporting accountant's work in connection with the offer document	84	-
Total non-audit fees	**126**	**258**

All auditors' remuneration has been charged to administrative expenses in the income statement.

4. Loss on disposal of investment properties

	Year to 31 December 2009	Year to 31 December 2008
Net sales proceeds	0.3	50.1
Fair value at last valuation	(0.3)	(54.8)
Profit/(loss)	**-**	**(4.7)**

The loss on disposals of EUR 4.7 million in 2008 is before related goodwill impairment charge amounting to EUR 5.9 million (note 12) and credit arising from release of associated deferred tax liabilities of EUR 6.4 million.

5. Finance income

	Year to 31 December 2009	Year to 31 December 2008
Interest income, bank deposits	0.4	6.2
Interest income, other	3.8	4.3
Net currency exchange gains	12.7	-
Total	**16.9**	**10.5**

The other interest income above includes a realised gain of EUR 1.8 million from the buy back of a B loan note under the Citi Facility and a dividend of EUR 1.0 million from shares in the CapMan Hotel fund. FY2008 includes a realized gain of EUR 3.3 million which arose on derivative financial instruments settled in conjunction with the repayment of associated loan balances during prior period.

In millions of Euro, unless otherwise stated

6. Finance expenses

	Year to 31 December 2009	Year to 31 December 2008
Interest payable on loans	(20.9)	(31.7)
Loan arrangement fees	(5.8)	(5.2)
Loss on disposal of financial assets	(0.7)	-
Net currency exchange losses	-	(27.0)
Total	**(27.4)**	**(63.9)**
Interest and other financial expenses		
Attributable to continuing operations	(27.4)	(32.7)
Attributable to discontinued operations (note 11)	-	(4.2)
Net currency exchange losses		
Attributable to continuing operations	-	(27.0)

The net currency exchange losses for 2008 above include a realised gain amounting to EUR 8.3 million which arose on derivative financial instruments settled in conjunction with the repayment of associated loan balances during the period.

7. Taxation

With effect from the 2009 year of assessment Jersey abolished the exempt company regime for existing companies. Profits arising in the Company for the 2009 year of assessment and future periods will be subject to tax at the rate of 0%. In the prior year the Company was exempt from taxation under the provisions of Article 123A of the Income Tax (Jersey) Law 1961 as amended.

Both continuing and discontinued operations	Year to 31 December 2009	Year to 31 December 2008
Overseas current tax expense	-	(0.9)
Overseas current tax expense – discontinued operations	-	(0.9)
Deferred tax credit	5.9	42.7
Deferred tax credit – discontinued operations	-	-
Net income tax credit	**5.9**	**40.9**
Attributable to continuing operations	5.9	41.8
Attributable to discontinued operations (note 11)	-	(0.9)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the profits and losses of consolidated entities as below:

	Year to 31 December 2009	Year to 31 December 2008
Loss before tax	**(66.9)**	**(215.3)**
Adjustment for impairment of goodwill	6.6	59.0
Adjusted loss before tax	**(60.3)**	**(156.3)**
Tax credit calculated at domestic tax rates applicable to the profit in the respective countries*	20.2	38.8
Tax relating to previous year	(0.3)	(0.1)
Income and expenses not subjected to tax	-	3.2
Expenses not deductible for tax purposes	(0.9)	-
Other adjustment**	(13.1)	(1.0)
Net income tax credit	**5.9**	**40.9**
Attributable to continuing operations	5.9	41.8
Attributable to discontinued operations (note 11)	-	(0.9)

* The tax rates differ between the countries and are as follows: Sweden 26.3% (28%), Finland 26% (26%), Russia 20% (24%), Lithuania 20% (15%) and Jersey 0% (0%).
** Other adjustment includes deferred tax not accounted for due to asset acquisitions and the value of tax losses carried forward not accounted for in Finland.

In millions of Euro, unless otherwise stated

8. Profit of NR Nordic & Russia Properties Limited

In accordance with the Companies (Jersey) Law 1991, the Company is not required to present its own income statement. The Company is a holding company as described further in note 14. Loss attributable to members includes EUR 43.4 million (2008: EUR 76.3 million loss) which has been dealt with in the accounts of the Company and includes administrative expenses of EUR 0.9 million (2008: EUR 2.1 million), write-down of investments of EUR 58.7 million (2008: EUR 72.5 million) and net finance income which includes interest income from intercompany loans less the effect of net foreign currency translation gains, amounting to EUR 16.4 million (2008: EUR 10.9 million loss).

9. Earnings per share

a) Basic

	Year to 31 December 2009	**Year to 31 December 2008**
Losses attributable to equity holders of the Company (EUR millions)	(61.0)	(169.1)
Weighted average number of ordinary shares in issue	475,924,532	475,924,532
Basic losses per share (EUR)	(0.13)	(0.36)

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible loan notes and share options. However, the calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share. Potential ordinary shares are anti-dilutive because their conversion to ordinary shares would decrease the loss per share from continuing operations.

10. Dividends

The dividends per share declared and paid are as follows:

	Year to 31 December 2009	**Year to 31 December 2008**
Final ordinary dividend of EUR 0.039 for 31 December 2007 paid on 29 May 2008	-	18.6
Final ordinary dividend of EUR 0.017 for 31 December 2008 paid on 5 June 2009	8.1	-
Interim ordinary dividend of EUR 0.010 for 30 June 2009 paid on 9 October 2009 (2008: EUR 0.010 for 30 June 2008 paid on 31 October 2008)	4.8	4.8
Special dividend of EUR 0.050 per share declared and paid on 29 May 2008	-	23.8
Special dividend of EUR 0.030 per share declared and paid on 31 October 2008	-	14.2
Special dividend of 0.055 per share declared 23 December 2008 and paid out on 6 February 2009	26.2	-
Special dividend attributable to holders of convertible loan notes	1.1	2.1
Dividends paid to shareholders	**40.2**	**63.5**
Special dividend of EUR 0.055 per share approved on 23 December 2008	-	26.2
Dividends	**40.2**	**89.7**

A final ordinary dividend of EUR 0.017 per share (2008: EUR 0.017 per share) amounting to a total of EUR 8.1 million (2008: EUR 8.1 million) is proposed by the Board. The dividend proposed is not accounted for until it has been approved at the Annual General Meeting. The terms of the cash offer by Holowent Limited for NR Nordic & Russia Properties Limited provides that any shares acquired pursuant to the offer include the right to any dividends declared, made or paid after 25 January 2010.

In millions of Euro, unless otherwise stated

11. Disposal group

Disposal of Finnish Hotel portfolio

On 18 January 2008, the Group announced its intention to dispose of the entire Finnish hotel portfolio including a hotel in Sweden; together called the disposal group and contracts were exchanged with an identified purchaser. The transaction completed on 29 February 2008.

The operations represented a separate major business segment for the Group. A single amount is shown on the face of the income statement comprising the post-tax result of discontinued operations and the post-tax profit recognised on the remeasurement to fair value less cost to sell and on disposal of the discontinued operation. That is, the income and expenses of the disposal group are reported separately from the continuing operations of the NR Nordic & Russia Group. The table on next page provides further detail of the amount shown in the income statement.

The remeasurement to fair value less costs to sell resulted in a profit of EUR 4.4 million after tax.

Financial information for the discontinued operations after Group eliminations is presented below:

	Year to 31 December 2009	**Year to 31 December 2008**
Gross rental revenue	-	9.6
Property operating expenses	-	(1.5)
Net rental income	**-**	**8.1**
Valuation gains on investment properties	-	-
Administrative expenses	-	(0.3)
Impairment of goodwill	-	-
Results before interest and taxes	**-**	**7.8**
Other finance expenses	-	(4.2)
Net changes in fair value of derivatives	-	-
Results before tax	**-**	**3.6**
Current tax income tax expense	-	(0.9)
Results after tax	**-**	**2.7**
Profit from disposal group	-	1.7
Profit from discontinued operations	**-**	**4.4**
Earnings (loss) per share from discontinued operations		
Basic, EUR	-	0.01
Diluted, EUR	-	0.01
The cash flow from the discontinued operations are presented below:		
Net cash provided by operating activities	-	2.6
Net cash provided by/(used in) investing activities	-	722.0
Net cash provided by/(used in) financing activities	-	(632.0)

Capital gains realised on the disposal of companies qualifying for the Swedish participation exemption are tax exempt. Unquoted shares should satisfy the relevant conditions. This exemption applies to the sale of shares in Swedish as well as non-Swedish companies. No minimum participation or minimum holding period is required for this exemption to apply.

12. Goodwill

	31 December 2009	**31 December 2008**
At 1 January	49.3	108.3
Impaired during the year	(6.6)	(53.1)
Impaired directly as a result of investment property disposals	-	(5.9)
End of year	**42.7**	**49.3**

Goodwill as at 31 December 2009 relates to the acquisition of deferred tax liabilities as part of the portfolio of properties acquired in 2006.

An impairment has arisen due to the devaluation of the original investment properties remaining. This charge is off-set by any associated deferred tax liabilities released to the income statement.

In millions of Euro, unless otherwise stated

13. Investment properties

	31 December 2009	31 December 2008
At 1 January	604.6	760.9
Additions through asset acquisitions	-	84.6
Capital expenditure	10.9	8.1
Disposals (note 4)	(0.3)	(54.8)
Exchange differences	20.8	(67.9)
Revaluation	(81.4)	(126.3)
End of year	**554.6**	**604.6**

The investment properties have been valued by DTZ Sweden AB and DTZ Russia Ltd (together “DTZ”), independent expert valuers, as at 31 December 2009 on the assumption, inter alia, that the properties had been properly marketed and that exchange of contracts took place on this date.

The property valuations have been based on accepted principles and assumptions. However, a property’s true market value can only be confirmed when it is sold. Accordingly, the market value established by DTZ is associated with a certain degree of uncertainty.

Changes in yield requirements could have a large impact on property values. According to DTZ the initial yield for the property portfolio is 9.5% based on their forecasted Net Operating Income for 2010. Should the initial yield increase by 1 percentage point the total property value would decrease by 9.5%; likewise the total property value would increase by 11.7% should the initial yield decrease by 1 percentage point.

Looking ahead, we would draw your attention to the fact that the current volatility in the global financial system has created a significant degree of turbulence in commercial real estate markets. Furthermore, the lack of liquidity in the capital markets means that it may be very difficult to achieve a sale of property assets in the short-term.

14. Investments in subsidiaries – Parent Company

	31 December 2009	31 December 2008
At 1 January	108.7	44.0
Contribution	29.7	137.2
Write down	(58.8)	(72.5)
Closing Balance	**79.6**	**108.7**

The investments in subsidiaries represent the Parent Company’s investments in NR Nordic & Russia Cooperatief U.A, a partnership registered in the Netherlands, in which the Company owns directly 99% of the partnership and indirectly 1% through its 100% holding in NR Nordic & Russia Properties II Limited, a company registered in Jersey. NR Nordic & Russia Cooperatief U.A owns 100% of LR Swedish Holdings No. 3 AB which itself owns all the Group’s other subsidiaries, through further wholly owned intermediate holding companies.

15. Long term receivables

	Group 31 December 2009	Group 31 December 2008
Other receivables	-	10.0
End of year	**-**	**10.0**

	Parent 31 December 2009	Parent 31 December 2008
Amounts owed from Group undertakings	196.2	210.6
End of year	**196.2**	**210.6**

As a condition of the sale of the Finnish hotel portfolio, the Group provided a vendor loan note of EUR 25 million to the seller, CapMan. The loan note converted on 16 January 2009 to equity giving the Group an 8.3% stake in the hotel property fund and was valued at EUR 10.0 million. In December 2009 the Group sold its stake in the fund for EUR 9.3 million creating at loss of EUR 0.7 million.

In millions of Euro, unless otherwise stated

16. Deferred tax assets and liabilities

	31 December 2009	31 December 2008
Tax losses carried forward	9.6	13.9
Other	0.4	-
Deferred tax assets	**10.0**	**13.9**
Investment properties	(51.8)	(57.3)
Derivatives	(0.7)	(4.1)
Other	-	(1.0)
Deferred tax liabilities	**(52.5)**	**(62.4)**

The movement on the deferred tax account is as follows:

	Properties	Derivatives	Tax losses	Other	Total
At 1 January	(57.3)	(4.1)	13.9	(1.0)	**(48.5)**
Exchange differences	-	-	-	0.1	**0.1**
Income statement credit (Note 7)	5.5	3.4	(4.3)	1.3	**5.9**
End of year	**(51.8)**	**(0.7)**	**9.6**	**0.4**	**(42.5)**

17. Derivative financial instruments

	Year to 31 December 2009	Year to 31 December 2008
Fair value at 1 January	16.5	23.5
Revaluation losses on financial instruments	(15.7)	(7.0)
Fair value at end of year	**0.8**	**16.5**

	31 December 2009		31 December 2008	
	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Interest rate swaps	-	(20.7)	-	(16.4)
Currency swaps	21.5	-	32.9	-
Total	**21.5**	**(20.7)**	**32.9**	**(16.4)**

At 31 December 2009, the notional principle amount of outstanding currency swap contracts was EUR 210.7 million (2008: EUR 210.7 million) and of outstanding interest rate swaps EUR 299.0 million (2008: EUR 264.2 million).

At 31 December 2009, the fixed interest rates vary from 4.0% to 13.0% (4.0% to 12.0%) and the main floating rates are EURIBOR (Euro Interbank Offered Rate) 3 months and STIBOR (Stockholm Interbank Offered Rate) 3 months.

18. Trade and other receivables

	Group 31 December 2009	Group 31 December 2008
Trade receivables	1.3	1.9
Tax receivable	0.1	1.4
Other short-term receivables	1.9	13.1
Prepaid expenses and accrued income	0.8	7.7
End of year	**4.1**	**24.1**

	Parent 31 December 2009	Parent 31 December 2008
Other short-term receivables	-	0.3
Prepaid expenses and accrued income	12.2	7.8
End of year	**12.2**	**8.1**

In millions of Euro, unless otherwise stated

18. Trade and other receivables (continued)

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2009, trade receivables of EUR 0.1 million (2008: EUR 0.1 million) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	31 December 2009	31 December 2008
< 3 months	0.1	-
3 to 6 months	-	0.1
Over 6 months	-	-
Total	**0.1**	**0.1**

19. Cash and cash equivalents

Cash and cash equivalents shown in the cash flow statement comprise:

	Group 31 December 2009	Group 31 December 2008
Cash at bank and on hand	46.8	102.3
Short-term deposits	32.5	0.1
End of year	**79.3**	**102.4**

	Parent 31 December 2009	Parent 31 December 2008
Cash at bank and on hand	1.8	48.1
Short-term deposits	-	0.1
End of year	**1.8**	**48.2**

The average interest rate is approximately 0.6% (2008: 1.5%).

20. Equity – Issued capital

The Company was incorporated and registered in Jersey on 23 October 2006.

	Share capital (EUR m)	Share premium (EUR m)	No. of ordinary shares
Issued and fully paid at 1 January 2009 and 31 December 2009	**85.9**	**10.7**	**475 924 532**

The total authorised number of shares is 475,924,532 shares with a par value of EUR 1.0 per share. All issued shares are fully paid.

During the first year of operations, the ordinary share capital of the Company was reduced by EUR 390.0 million and transferred to “Other reserves”, which is a distributable reserve.

In millions of Euro, unless otherwise stated

21. Share-based payment transactions

The total outstanding options are disclosed below:

	Total
Outstanding and exercisable at 1 January 2009 and 31 December 2009	**542,857**

The Company has granted certain options to one existing board member, Michael Hirst, of 57,143. In addition, Jens Engwall and Kari Österlund who resigned from the board continue to hold their share options of 428,571 and 57,143, respectively.

Each option gives the holder the right to acquire one new share at the price of EUR 1.05. The options may be exercised at any time during the period starting 15 November 2009 through 15 November 2016. No premium was paid by the option holders. The price and fair value of the options was determined by using a Blackscholes valuation model. The significant inputs into the model were a share price on the issue date of EUR 1.05, a volatility of 24 per cent, an exercise period of 3 to 10 years and an annual risk-free interest rate of 3.54 per cent. The fair value per option amounted to EUR 0.08 per option. The cost is included in administrative expenses in the income statement and the fair value is included in the share based payment reserve in the balance sheet with the amount of EUR 44,000 (31,200). The total expense is recognised over the three year vesting period.

Volatility is based on average historical volatility for the six largest real estate companies on the Stockholm Stock Exchange (based on monthly returns during the last 5-10 years).

22. Interest bearing loans and borrowings

	31 December 2009	31 December 2008
Amounts falling due within one year:		
Bank loans	6.4	42.8
Other loans	0.9	0.9
Total amounts falling due within one year (recorded as current)	**7.3**	**43.7**
Amounts falling due after more than one year:		
Bank loans	336.1	319.1
Other loans	1.5	2.1
Vendor notes	8.3	7.6
Total amounts of loans falling due after more than one year	**345.9**	**328.8**
Convertible loan	36.6	39.5
Total amounts falling due after more than one year	**382.5**	**368.3**
Total borrowings	**389.8**	**412.0**
Cash and cash equivalents attributable to continuing operations	(79.3)	(102.4)
Net borrowings	**310.5**	**309.6**

The gross movement of the borrowings is as follows:

At 1 January	412.0	1,124.6
Borrowings drawn	2.6	38.6
Convertible loan	-	1.1
Borrowings repaid	(27.6)	(691.5)
Borrowings disposed of	-	(50.7)
Net exchange differences and other non-cash movements	2.8	(10.1)
End of year	**389.8**	**412.0**

The loan maturity profile (excluding convertible loan) is as follows:

Maturity year	Amount (EUR m)	% amount
2010	7.3	2.1
2011	312.0	88.3
2012	23.2	6.6
2013	-	-
2014	10.7	3.0
Total	**353.2**	**100.0**

In millions of Euro, unless otherwise stated

22. Interest bearing loans and borrowings (continued)

The average interest rate is approximately 5.4% (2008: 5.4%), excluding impact of arrangement fees. The loans are floating, however through interest swaps the loans are economically hedged until maturity. There is no difference between the fair value and the current value. 79% (2008: 79%) of the loans are in EUR, 17% (2008: 17%) in SEK and the other 4% (2008: 4%) are in USD.

The facility maturing in 2011 includes an option to extend for 2 years, at the discretion of the Group, on condition that LTV is no more than 75% and interest cover (ICR) exceeds 1.40x. The current LTV on this facility is 65% (2008: 59%) and ICR is 2.29x (2008: 2.35x).

The properties held by the Group have been pledged as security for the interest-bearing loans.

The convertible loan movement is as follows:

	Nominal value (total)	Fair value (total)	Liability (total)	Equity (total)
Opening balance	**65.5**	**68.7**	**39.5**	**30.6**
Repayment	(5.9)	(5.9)	(3.6)	-
Interest adjustment	-	-	0.7	-
End of year	**59.6**	**62.8**	**36.6**	**30.6**

The Company has 70,288,224 outstanding convertible loan notes of which 64,788,224 are held by LR Swedish Holdings No. 1 AB and 5,500,000 are held by LR Real Estate Asset Management AB. The convertible loan notes are convertible into shares of the Company. The following is a summary of the terms of the convertible loan notes:

If not previously converted or repaid (in the event of default), the convertible loan notes will be repaid by the Company at par on 31 December 2026;

Interest is payable twice yearly in arrears at the rate of 4 per cent. per annum. An additional payment will be made each year on each convertible loan note (so far as not previously paid) equal to the excess of the dividend payments on the number of shares into which the convertible loan notes would convert over the interest paid on the convertible loan notes;

The convertible loan notes are only transferable to certain connected persons of London & Regional Group and are not traded on any stock exchange; and

The holder of convertible loan notes can convert a note into shares at the rate (subjected to adjustment for reorganisations) of one share for every convertible loan note converted. The convertible loan notes are subject to certain restrictions on conversion to the effect that the London & Regional Group and certain connected persons' shareholdings in the Company should not after conversion exceed 24.9 per cent. of the total number of the shares in issue.

23. Trade and other payables

	Group 31 December 2009	Group 31 December 2008
Trade payables	3.4	1.7
Social security and other taxes	-	-
Dividend	-	26.2
Accrued expenses and prepaid income	15.2	19.3
Other payables	6.7	9.5
End of year	**25.3**	**56.7**

	Parent 31 December 2009	Parent 31 December 2008
Trade payables	-	0.2
Dividend	-	26.2
Accrued expenses and prepaid income	0.5	1.0
Other payables	1.4	-
End of year	**1.9**	**27.4**

In millions of Euro, unless otherwise stated

24. Financial instruments

Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks including capital risk, foreign exchange rate risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's principal financial instruments, other than derivatives, comprise trade and other receivables, cash and cash equivalents, trade and other payables and borrowings. The accounting policy with respect to these financial instruments is described within the significant accounting policies on page 18.

The parent company's principal financial instruments include investments in subsidiaries, long term receivables, trade and other receivables, cash and cash equivalents, convertible loan notes and trade and other payables. Investments in subsidiaries are held at cost under IAS 27 and are not exposed to market risks. Long term receivables represent amounts owed to the parent company from subsidiary undertakings. The long term receivables expose the parent company to interest rate risk, which at a Group level is offset by an equal and opposite effect in the underlying subsidiaries. There is no fixed maturity date on these inter-company loans and therefore no perceived liquidity risk. The market risk exposures on trade and other receivables, cash and cash equivalents and trade and other payables are included in the group disclosures that follow. As stated in note 22, the convertible loan notes bear interest at a fixed rate of 4% per annum over the term of the notes and if not converted or repaid earlier, the notes will be repaid by the company at their par value on 31 December 2026. The loan notes do not provide for the note holders to request cash settlement other than at maturity or liquidation of the company. In light of the above, the parent company is not exposed to significant market risk exposures and therefore a separate sensitivity analysis is not required.

The Board of Directors oversees the management of these risks. The Group's asset manager is governed by a finance policy established by the Board of Directors. The Group's asset manager ensures that the Group's financial risk-taking activities are identified, measured and managed in accordance with Group policies and Group risk appetite. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised in this note.

Financial instruments at fair value through profit or loss comprise derivative financial assets and liabilities which the Group measures at fair value using techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or in directly. Since trade receivables and payables generally are paid within a short period of time the difference between their carrying values and fair values are not deemed to be material.

Financial Instruments - Categories

	Group 31 December 2009 Fair value	Group 31 December 2008 Fair value
Financial assets		
Fair value through income statement – held for trading		
Derivative financial assets	21.5	32.9
Cash and receivables		
Long term receivables	-	10.0
Trade and other receivables	4.1	24.1
Cash and cash equivalent	79.3	102.4
Financial Liabilities		
Fair value through income statement – held for trading		
Derivative financial liabilities	20.7	16.4
Amortised cost		
Interest-bearing loans and borrowings (current and non-current)	353.2	372.5
Convertible loan notes	36.6	39.5
Trade and other payables	25.3	56.7

Capital risk management

The Group monitors and adjusts its capital structure (defined as equity shareholders' funds and net borrowings) to ensure that entities in the Group will be able to continue as going concerns in order to optimise return to shareholders. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Equity shareholders' funds comprise issued capital, reserves and retained earnings as disclosed in Note 20 and on page 14. The Group mainly monitors capital on the basis of the loan to value ratio. This ratio is calculated as interest bearing loans and borrowings divided by the fair value of investment properties. It is the intention of the Group to maintain the loan to value ratio below 70%.

In millions of Euro, unless otherwise stated

24. Financial instruments (continued)

Group	31 December 2009	31 December 2008
Interest bearing loans and borrowings (Note 22)[1,2]	353.2	357.7
Fair value of investment properties (Note 13)	554.6	604.6
Fair value of currency swap (Note 17)	21.5	32.9
Loan to value ratio	59.8%	53.7%

1) Excluding convertible loan notes
2) Excluding HSH Nordbank debt of EUR 14.8 million, which was repaid in January 2009, for 31 December 2008

There were no changes in the Group's approach to capital management during the year.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Group is exposed to market risk through interest rates and currency fluctuations.

Interest rate risk

Interest rate risk is the risk of the Group's net asset value decreasing due to movement in interest rates. The Group's risk arises from short-term and long-term borrowings (Note 22) and interest earned from cash balances. The Group's policy is to eliminate substantially the exposure to interest rate fluctuations on borrowings in order to provide certainty over the amount of interest payable both in the short-term and the long-term, given the current level of borrowings.

The Group is exposed to fair value interest rate risk on its fixed rate debt and cash flow interest rate risk on floating rate bank loans and revolving credit facilities. The forecast cash and borrowings profile of the Group is monitored regularly to assess the mix of fixed and floating rate debt and the Group uses interest rate derivatives where appropriate to reduce its exposure to changes in interest rates.

The interest rate derivative instruments are used to hedge the variability of cash flows from debt instruments. The fair values of derivatives are determined by discounting the future cash flows using the mid point of the relevant yield curves prevailing on the reporting dates. The derivatives are held for hedging purposes and provide protection against the effects of rising short term interest rates.

A summary of the Group's net exposure to interest rate risk, defined as the amount of variable rate borrowings in excess of the total hedged notional principal sums is outlined below:

Group	31 December 2009	31 December 2008
Total value of variable rate borrowings	340.3	326.5
Total notional value of derivative instruments [1]	299.0	264.2
Total unhedged position	41.3	62.3

[1] The total notional value of derivative instruments does not agree to the Consolidated Balance Sheet, as the related derivative instruments are recognised at fair value on the Consolidated Balance Sheet.

The Group's current exposure to interest rate risk is largely mitigated by the Group's hedging strategy, which has resulted in the Group's unhedged position detailed in the above table. The matching of hedge contract maturity dates with variable rate borrowing maturity dates also helps to mitigate this risk.

The Group has elected not to designate the hedge contracts as being hedge effective for accounting purposes and therefore changes in the fair value of the hedge contracts will be taken to the income statement.

Interest rate sensitivity analysis

The table below illustrates the sensitivity of the Group's reported profit and equity to a 1% increase or decrease in interest rates, assuming all other variables were unchanged. The sensitivity rate of 1% represents management's assessment of a reasonably possible change in interest rates.

	Income statement	
	31 December 2009	31 December 2008
1% increase in		
SEK interest rates	8.4	10.2
EUR interest rates	1.9	1.4
USD interest rates	(0.1)	(0.1)
RUB interest rates	-	0.1
1% decrease in		
SEK interest rates	(8.4)	(10.2)
EUR interest rates	(1.9)	(1.4)
USD interest rates	0.1	0.1
RUB interest rates	-	(0.1)

In millions of Euro, unless otherwise stated

24. Financial instruments (continued)

The Group does not use hedge accounting and therefore the impact on equity is the same as the impact on the income statement as shown above.

Foreign exchange rate risk

Currency risk (or foreign exchange risk) arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured.

From time to time the Group may use foreign currency forward contracts and other foreign currency derivative financial instruments to manage foreign exchange rate risk arising from such transactions. There were no foreign currency derivative financial instruments entered into during the financial years.

Foreign currency sensitivity analysis

The table below shows the Group's sensitivity to foreign exchange rates on Swedish Krona, Russian Roubles, US Dollar, Danish Krona and Lithuanian Litas. The Group has considered movements in these currencies over the last two years and has concluded that a 10% movement in rates is a reasonable benchmark.

Positive figures represent an increase in equity on a Group level.

	Impact on equity	
	31 December 2009	**31 December 2008**
Currency strengthens against EUR by 10%		
SEK	18.3	26.1
RUB	0.3	0.7
USD	3.4	5.6
DKK	4.2	4.4
LTL	0.6	0.9
Currency weakens against EUR by 10%		
SEK	(15.0)	(21.3)
RUB	(0.2)	(0.5)
USD	(2.8)	(4.6)
DKK	(3.4)	(3.6)
LTL	(0.5)	(0.7)

The net impact on equity, both through the balance sheet and the income statement, is described in the table above.

Credit Risk

Credit risk is managed on a Group basis and the Group structures the levels of credit risk it accepts by monitoring the creditworthiness of counterparties. Such risks are subject to an annual and more frequent review. Credit risk arises from cash and cash equivalents held at banks, derivative financial instruments and trade receivables, including rental receivables from lessees.

Cash balances are held only with high-credit-quality financial institutions with a Standard & Poors credit rating of A- or an equivalent rating from other recognised rating agencies.

The credit risk in derivative financial instruments is limited due to the counterparties being banks with high credit ratings assigned by international credit rating agencies. The fair value of swaps approximates the maximum credit risk the Group is exposed to in relation to derivative financial instruments.

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for similar instruments at the point of measurement.

The Group is exposed to credit risk arising from the rental commitments made by tenants (trade receivables) occupying investment properties. The Group endeavors to enter into rental contracts with tenants with an appropriate credit history and sometimes collateral is secured in the form of rent deposits and in some cases parent company guarantees. The evaluation of the credit risk of the Group's largest tenants is done regularly. The Group has a concentration of credit risk in respect of its tenants. The Group has one tenant that accounts for 36% (2008: 36%) of the total rental income. The Group's 5 largest tenants account for 59% (2008: 58%) of the total rental income.

At 31 December 2009, trade receivables consisting of rents receivable of EUR 0.1 million (2008: EUR 0.1 million) were past due but not impaired. These relate to customers for whom there is no recent history of default. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

In millions of Euro, unless otherwise stated

24. Financial instruments (continued)

The ageing analysis of these trade receivables is as follows:

Group	31 December 2009	31 December 2008
< 3 months	0.1	-
3 to 6 months	-	0.1
Over 6 months	-	-
	0.1	**0.1**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group's policy is to ensure that there is always sufficient working capital available to meet the requirements of the business.

2.1% of the Group's debt will mature in less than one year at 31 December 2009 (2008: 12%), while 88.3% mature between one and two years from 31 December 2009 (2008: 0%), based on the carrying value of borrowings reflected in the financial statements (note 22), excluding discontinued operations. The Group manages its liquidity risk by maintaining sufficient cash. The Group's aim is to enter into long-term financing in order to reduce refinancing risk. Surplus liquidity is held in cash or short-term deposit with financial institutions. These institutions must have a minimum rating of A-.

The Board and asset manager monitor rolling forecasts of the Group's liquidity capacity and cash and cash equivalents (note 19) on the basis of expected cash flow. This is generally carried out at local operating level of the Group in accordance with practice and limits set by the Board. These estimates take into account the specific needs of each entity. In addition, the Group's liquidity management involves projecting cash-flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring liquidity against internal requirements, and maintaining adequate debt financing plans.

The table below shows an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative assets and liabilities existing at the balance sheet date.

Group

2009	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Bank loans and overdrafts	7.3	312.0	33.9	-	353.2
Trade and other payables	25.3	-	-	-	25.3
Finance lease liabilities	-	-	-	-	-
Interest on bank loans and overdrafts	8.3	5.9	2.5	-	16.7
Convertible loan notes	-	-	-	59.6	59.6

Group

2008	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Bank loans and overdrafts	43.7	-	316.2	12.6	372.5
Trade and other payables	56.7	-	-	-	56.7
Finance lease liabilities	-	-	-	-	-
Interest on bank loans and overdrafts	13.9	13.8	10.6	0.7	39.0
Convertible loan notes	-	-	-	65.6	65.6

Group

2009	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Net settled derivatives	9.9	5.8	0.1	-	15.8

Group

2008	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Net settled derivatives	2.8	2.8	1.6	-	7.3

In millions of Euro, unless otherwise stated

25. Reconciliation of operating losses to cash generated from operations

	Group Year to 31 December 2009	Group Year to 31 December 2008
Continuing operations		
Loss before taxes	(66.9)	(215.3)
Adjustments for:		
Impairment of goodwill	6.6	59.0
Write-downs	2.1	17.3
Unrealised net revaluation losses on investments properties	81.4	126.3
Loss on disposal of investment properties	-	4.7
Interest income	(4.2)	(10.5)
Interest expense	27.4	32.7
Currency (gains)/losses	(12.7)	27.0
Unrealised net revaluation losses on derivatives	15.7	7.0
Cash flow from operations before changes in working capital, interest and tax	**49.4**	**48.2**
Change in trade and other receivables	12.8	6.9
Change in trade and other payables	(5.1)	(17.2)
Cash flow from operations before interest and tax	**57.1**	**37.9**
Interest paid	(19.4)	(34.0)
Interest received	1.6	9.3
Cash generated from continuing operations	**39.3**	**13.2**
Discontinued operations		
Profit before taxes (note 11)	-	3.6
Adjustments for:		
Impairment of goodwill	-	-
Unrealised net revaluation gains on investments properties	-	-
Interest expense	-	4.2
Unrealised net revaluation gains on derivatives	-	-
Provision for pensions	-	-
Cash flow from operations before changes in working capital, interest and tax	**-**	**7.8**
Change in trade and other receivables	-	(1.0)
Change in trade and other payables	-	-
Cash flow from operations before interest and tax	**-**	**6.8**
Interest paid	-	(4.2)
Income tax paid	-	-
Cash generated from discontinued operations	**-**	**2.6**
Cash flow from operating activities	**-**	**15.8**

26. Capital commitments

At 31 December 2009, the Group was contractually committed to EUR 6.3 million (2008: EUR 6.6 million) of future expenditure for the purchase, development and enhancement of the current investment property portfolio.

27. Contingent liabilities

The Group is financed by external loans raised by certain Group companies. Other Group companies have guaranteed the commitments to the external lenders. The companies have pledged assets and rights as collateral for the guarantees. The guarantee commitments by the subsidiaries of the borrowing companies are limited to amounts that do not violate legislation that is in effect from time to time.

In millions of Euro, unless otherwise stated

28. Events after the balance sheet date

On 25 January 2010, further to its holding announcement on 29 September 2009, Holowent Limited (the “Offeror”), a company ultimately owned by Ian Livingstone and Richard Livingstone, announced the terms of a cash offer to be made by the Offeror in respect of NR Nordic & Russia Properties Limited (NR). Holowent is offering EUR 0.24 in cash per NR share excluding shares held by members of the Offeror group. The offer values the existing issued share capital of NR at approximately EUR 114.2 million.

On 25 January 2010 NR Nordic & Russia Properties Limited purchased EUR 8.0 million of Citi B2 Term Loan Facility at a discounted price of EUR 6.0 million.

On 27 January 2010 Blue Properties AB repaid a vendor note, including accrued interest, to Finnveden AB, amounting to EUR 7.3 million.

29. Related Party transactions

At 31 December 2009, LR Swedish Holdings No. 1 AB owned 117,299,200 shares, representing 24.65 per cent. of the issued capital of the Company and 64,788,224 convertible loan notes. Assuming full conversion of the convertible loan notes, LR Swedish Holdings No. 1 AB will have an interest in 182,087,424 fully diluted shares in aggregate representing 33.30 per cent. of the fully diluted share capital.

LR Real Estate Asset Management AB owned 5,500,000 convertible loan notes, which are convertible in to 5,500,000 shares (1.01 per cent. of the fully diluted share capital)

The following related party transactions are transactions which, as a single transaction or in their entirety, are or may be material to the Company. In the opinion of the directors, each of the transactions was concluded at arm’s length:

- the management agreement according to which LR Real Estate Asset Management AB, a member of the London & Regional Group, is the asset manager and receives a fee of 0.4 per cent based on gross asset value; EUR 2.3 million for the period ending 31 December 2009 (2008: 4.3 million) and a performance fee of 25 per cent of any increase in net asset value above 10 per cent. No performance fee was due for 2009 (2008 EUR nil);
- the rental shortfall guarantee in which LR Real Estate Asset Management AB guarantees an income for certain premises of EUR 4.9 million per year for 2007-2009, less any rent from new leases in the same properties;
- the lease agreement Stockholm Katthavet 8 “Berns Hotel” between the Group and the London & Regional Group;

Mr. Ian Livingstone is an affiliate of, and thus may be deemed to have an indirect interest in, each of the members of the London & Regional Group that is a party to agreements listed above.

30. Key management compensation

Each of the directors has signed a letter of appointment with the Company setting out the terms of his appointment. The letters of appointment are for an initial term of one year. There are no service contracts in existence between the Company and any of the directors, nor are any proposed. The annual fee payable to each director under the terms of their letter of appointment is as follows:

Name	2009 Annual Fee (EUR)	2008 Annual Fee (EUR)
Jens Engwall (resigned 19 November 2009)	197,000	350,000
Kari Österlund (resigned 2 August 2008)	-	35,000
Michael Hirst OBE [1]	60,000	60,000
Christopher Lovell	30,000	30,000
Martin Sabey	30,000	30,000
Ian Livingstone [2]	30.000	-
Robert Ware (resigned 30 September 2009)	30,000	-
Colin Kingsnorth (resigned 30 November 2009)	30,000	-
David Hunter (appointed 9 September 2009)	35,000	-
Iain Watters (appointed 9 September 2009)	30,000	-
Christopher Coles (appointed 9 September 2009)	30,000	-
Peregrine Moncreiffe (appointed 9 September 2009)	30,000	-

The actual cost in 2009 of Directors’ fees on a pro-rata basis amounted to EUR 417,174 (2008: EUR 505,000). Fees are paid to directors on a pro-rata basis if they have been appointed or they have resigned during the year. No compensation was paid to directors that resigned and no incentives were paid to directors appointed in the year. In addition to the above, the Company has granted certain options to one board member (see note 21). The cost for the options is included in the administrative expenses with the amount EUR 44,000.

[1] Michael Hirst’s fee will be reduced to EUR 30,000 from the 1 March 2010.

[2] Ian Livingstone’s fee was payable from 9 September 2009.