

# **Annual Report**

**Year to 31 December 2008**

**NR Nordic & Russia Properties Limited**  
**(formerly Northern European Properties Limited)**

## NR Nordic & Russia Properties Limited

### Highlights

	2008	2007
EUR million	Continuing operations	Continuing operations
Gross rental revenue	77.5	103.0
Net rental income	51.0	69.3
(Loss)/Profit for the year/period	(173.5)	45.9

- Property portfolio comprises 39 (2007: 40) properties with a total portfolio fair value of EUR 605 million (2007: EUR 761 million)
- Total property net yield is 8.4% (2007: 6.8%)
- Acquisitions of 2 properties for EUR 84 million in the first half of the year
- Completion of the Finnish Hotel Portfolio disposal (39 properties) generated capital profits of EUR 47.5 million over the two financial periods
- Group Loan To Value (LTV) of 54% and Interest cover ratio (ICR) of 2.71x provides significant headroom on bank loan covenants
- Leverage reduced to 62% (2007: 69%)
- Adjusted NAV per share<sup>1, 2</sup> of EUR 0.60 (2007: EUR 1.15)
- Basic loss per share for the period of EUR 0.36 (2007: basic earnings per share EUR 0.17). Diluted loss per share<sup>3</sup> for the period of EUR 0.31 (2007: diluted earnings per share of EUR 0.16)
- 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
- Total of EUR 0.085 per share returned to shareholders through special dividends in October 2008 and February 2009
- Mr. Robert Ware and Mr. Colin Kingsnorth have been appointed as Directors of the Board and Mr. Kari Österlund has resigned at his own request

1) Calculated based on fully diluted shares of 546.7 million shares outstanding as at 31 December 2008

2) NAV has been further reduced due to the inclusion of the December 2008 declared special dividend of EUR 0.055 per share which was paid in February 2009

3) Calculated based on weighted average fully diluted shares outstanding during the period 1 January 2008 to 31 December 2008

## **NR Nordic & Russia Properties Limited**

### **Chairman's Statement**

#### **Chairman's Statement**

I present the annual results for NR Nordic & Russia Properties Limited (NR). The Group's second full year of operation is marked by declining property values set against the back drop of a global financial crisis and recession. The uncertainty and lack of liquidity in the capital markets has reduced the number of transactions to a handful of sales at distressed values. In light of the reduced opportunities, the Board has adopted a new strategy of returning capital to shareholders. EUR 0.085 per share has been distributed by way of special dividends using the cash generated from asset sales in the first half of the year. Since the start of trading in November 2006, the Group has declared EUR 0.24 in dividends.

Since June 2008, the Group's property values have decreased by 15% in local currencies and 22% in euro terms, reflecting the increasing yield requirements now being demanded by investors and the weakening of the Swedish Krona and the Russian Rouble. Despite the fall in value, there is still significant headroom on our 'loan to value' banking covenants.

In 2008, the underlying operations were resilient and performed in line with expectations. Net rental income in local currencies increased by 3.4% on a like-for-like properties and cash flow was underpinned by long average lease terms (6.6 years as at end of 2008). We recognise that the continuing economic down-turn increases the likelihood of delayed rent payments and vacancies resulting from business failures. We remain well within our debt service banking covenants, and we will continue to monitor this closely.

Disposals at the end of 2007, and during this year, have significantly lowered the Group's risk profile. Leverage has reduced from approximately 69% to 62% by the year-end, even with decreasing property values. Also, the Group's average debt maturity is a healthy 3.8 years. However, despite the strength in the Group's Balance Sheet, its share price has decreased significantly from a 52 week high of 80 cents to 14 cents at year end (and recently as low as 7 cents). As with most other property companies, NR's share price has been heavily discounted despite its relatively low gearing levels and stable cash flow.

The Group's year end cash position of EUR 102.4 million reflects the timing of prepaid December quarter rent (EUR 11.9 million). The cash balance has been significantly reduced since year end by the EUR 26.2 million special dividend in February and repayment of a EUR 15 million matured loan.

Looking ahead to 2009 we do not foresee any improvement in property prices or market conditions. In the first three months, the economies in our markets have continued to contract along with the rest of the world. Shrinking industrial production, exports and private consumption are also obviously affecting the Group's tenants in a negative way. This is particularly true of our Russian shopping centres in Murmansk and Kaliningrad.

The transaction market in the Nordic countries, as well as in Russia, has almost come to a standstill. Although market interest rates have come down significantly in the Nordics which make property investments more attractive, bank debt is difficult to obtain and margins have widened. There are expectations of higher risk premiums going forward. The long-term nature of our property portfolio and financing is providing stability in an environment marked by high volatility.

There are no major leases maturing in the coming year. Further, we currently have no debt facilities maturing before 2011 and have comfortable margins in our loan covenants. There is strong focus on asset management in the portfolio in order to maintain good relations with our tenants and protect rental income levels.

The Board is considering ways to more directly link the remuneration of the Asset Manager to the Group's stated aim of returning capital to its shareholders.

The Board recommends a final ordinary dividend of EUR 0.017 per share in line with the current dividend policy of 70% of adjusted Funds from Operations (FFO) less loan repayments.

## **NR Nordic & Russia Properties Limited**

### **Finance and property review**

#### **Review of reported results**

This is the Group's second set of results which show a robust operating performance from the existing properties. However, the level of investment transactions has substantially reduced due to the continuing global financial crisis and rising uncertainty in our property markets. As a result, the Board took the decision to return cash to shareholders during the year by way of special dividends.

Due to the materiality of disposals recorded in last year's accounts, the commentary focuses on the results of continuing operations as this provides the best comparative of performance. Please note that last year's financial statements were for a period of 13.5 months to 31 December 2007. The comparative figures are shown in brackets.

#### **Income statement**

Gross rental revenue for the period ended 31 December 2008, amounted to EUR 77.5 million (2007: EUR 103.0 million), which is in line with the budget and expectations. The decrease of 24.8% is due to a large reduction in the property portfolio following the property sales. Correspondingly, property expenses have decreased by 21.4% and amount to EUR 26.5 million (2007: EUR 33.7 million) which gives a total net rental income of EUR 51.0 million (2007: EUR 69.3 million).

The unrealised valuation losses amounted to EUR 126.3 million, corresponding to an average decrease of 16% since year-end 2007 in local currencies.

The result from the sale of the Finnish hotel portfolio is included in the results from the discontinued operations. As a condition of the sale of the Finnish hotel portfolio, the Group provided a vendor loan note for EUR 25 million to the purchaser, Capman. The loan note converted to equity giving the Group an 8.3% stake in the hotel property fund. The vendor note has been written down to EUR 10 million to reflect Management's view of its realisable value.

Impairment of goodwill of EUR 59.0 million (2007: EUR 112.8 million) of which EUR 41.2 million (2007: EUR 95.6 million) primarily relates to reducing property values of the original portfolio affecting the underlying deferred tax. It also includes a write down of the remainder of the portfolio premium of EUR 17.8 million.

Administrative expenses amounted to EUR 2.8 million (2007: EUR 14.4 million). The decrease of 81% is mainly due to the fact that no performance fee is payable to the Asset Manager (London & Regional) for 2008. Last year, EUR 10.8 million was earned, which was settled in 2008 by EUR 6.8 million in cash and EUR 4.0 million in convertible loan notes.

Finance income amounts to EUR 10.5 million (2007: EUR 7.4 million) and consists of bank interest EUR 6.2 million (2007: EUR 7.4 million), EUR 3.3 million from termination of interest swaps and EUR 1.0 million from other receivables. Finance expenses were EUR 32.7 million (2007: EUR 64.5 million) including amortisation of loan arrangement fees of EUR 5.2 million (2007: EUR 7.0 million) and interest on convertible loan notes of EUR 3.3 million (2007: EUR 3.9 million). In addition, there are unrealised currency losses amounting to EUR 27.0 million (2007: EUR 15.0 million) which arise from the translation of foreign denominated loan balances.

The fair value of derivatives fell by EUR 7.0 million (2007: EUR 42.6 million gain) due to market movements in the EUR and SEK interest rates and the SEK/EUR exchange rate. The Group's interest rate and currency swaps are used to manage the Group's borrowing exposure to adverse interest rate and currency movements.

The loss before income tax of EUR 215.3 million (2007: EUR 26.2 million) and the total tax credit of EUR 41.6 million (2007: tax credit EUR 72.1 million), give rise to a loss from continuing operations of EUR 173.5 million (2007: profit EUR 45.9 million). The profit from the disposal group was EUR 4.4 million (2007: EUR 32.2 million), which resulted in a loss for the year of EUR 169.1 million (2007: profit EUR 78.1 million).

Loss per share was EUR 0.36 (2007: earnings per share EUR 0.17) and, on a diluted basis, a loss per share of EUR 0.31 (2007: earnings per share EUR 0.16).

## NR Nordic & Russia Properties Limited

### Finance and property review

<b>Consolidated Income Statement</b>	<b>Year to</b>	<b>23 Oct 2006</b>
<b>EUR million</b>	<b>31 Dec 2008</b>	<b>- 31 Dec 2007</b>
Gross rental revenue	77.5	103.0
Property operating expenses	(26.5)	(33.7)
<b>Net rental income</b>	<b>51.0</b>	<b>69.3</b>
Revaluation (losses)/gains on investment properties	(126.3)	21.1
(Loss)/profit on disposals of investment properties	(4.7)	40.1
<b>Net results on investment properties</b>	<b>(131.0)</b>	<b>61.2</b>
Administrative expenses	(2.8)	(14.4)
Write downs	(17.3)	-
Impairment of goodwill	(59.0)	(112.8)
<b>Operating (loss)/profit</b>	<b>(159.1)</b>	<b>3.3</b>
Finance income	10.5	7.4
Finance expenses – interest & other	(32.7)	(64.5)
Finance expenses – net currency exchange losses	(27.0)	(15.0)
Net changes in fair value of derivatives	(7.0)	42.6
<b>Net finance expenses</b>	<b>(56.2)</b>	<b>(29.5)</b>
<b>Loss before income tax</b>	<b>(215.3)</b>	<b>(26.2)</b>
Current income tax expense	(0.9)	(2.0)
Deferred income tax credit	42.7	74.1
<b>(Loss)/profit for the year/period from continuing operations</b>	<b>(173.5)</b>	<b>45.9</b>
Profit from discontinued operations	4.4	32.2
<b>(Loss)/profit for the year/period</b>	<b>(169.1)</b>	<b>78.1</b>

### Balance Sheet

As at 31 December 2008, the total non-current assets amounted to EUR 677.8 million (2007: EUR 887.1 million) of which EUR 604.6 million (2007: EUR 760.9 million) was investment properties, goodwill of EUR 49.3 million (2007: EUR 108.3 million), EUR 10.0 million (2007: EUR 2.6 million) of long term receivables and EUR 13.9 million (2007: EUR 15.3 million) of deferred tax assets. The goodwill at year end arose from acquired deferred tax liabilities. Current assets were EUR 159.4 million (2007: EUR 173.1 million) which consist of derivative financial instruments of EUR 32.9 million (2007: EUR 23.5 million), trade and other receivables of EUR 24.1 million (2007: EUR 35.6 million) and cash and cash equivalents of EUR 102.4 million (2007: EUR 114.0 million). Total assets amounted to EUR 837.2 million (2007: EUR 1,994.4 million).

Equity attributable to equity holders of the parent was EUR 289.7 million (2007: EUR 585.4 million). Non-current liabilities were EUR 430.7 million (2007: EUR 658.3 million) of which EUR 328.8 million (2007: EUR 513.8 million) were interest-bearing loans and borrowings, EUR 39.5 million (2007: EUR 38.4 million) were convertible loan notes and EUR 62.4 million (2007: EUR 106.1 million) were deferred tax liabilities. Should properties be sold in a Swedish limited company, which is market practice, the deferred tax liabilities would not be payable. Total current liabilities amounted to EUR 116.8 million (2007: EUR 66.9 million) of which trade and other payables accounted for EUR 56.7 million (2007: EUR 60.8 million). Within trade and other payables there is a liability of EUR 26.2 million due to the dividend approved on 23 December 2008. Current liabilities also consist of derivative financial instrument of EUR 16.4 (2007: nil). Total liabilities were EUR 547.5 million (2007: EUR 1,403.5 million).

Adjusted Net Asset Value per share (fully diluted) was EUR 0.60 (2007: EUR 1.15). This represents a decrease of approximately 47.8% on last year-end. The Adjusted NAV per share has been reduced by ordinary and special dividends of EUR 0.184, which includes the special dividend of EUR 0.055 per share, declared 23 December 2008 and paid on 6 February 2009.

## NR Nordic & Russia Properties Limited

### Finance and property review

<b>Adjusted Net Asset Value calculation</b>	<b>31 December</b>	<b>31 December</b>
<b>EUR million</b>	<b>2008</b>	<b>2007</b>
Net Asset Value - Equity attributable to equity holders of the parent	289.7	585.4
Convertible loans	39.5	38.4
Options	0.6	0.6
<b>Adjusted Net Asset Value</b>	<b>329.8</b>	<b>624.4</b>
<b>Number of shares, fully diluted</b>		
Issued and fully paid	475.9	475.9
Convertible loans	70.3	64.8
Options	0.5	0.5
<b>Total</b>	<b>546.7</b>	<b>541.2</b>
Adjusted NAV per share, fully diluted	0.60	1.15

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

<b>Dividends (EUR)</b>	<b>31 December</b>	<b>31 December</b>
	<b>2008</b>	<b>2007</b>
Ordinary dividends	0.027	0.078
Special dividends	0.085	0.050
<b>Total dividends</b>	<b>0.112</b>	<b>0.128</b>

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. In addition, a special dividend of EUR 0.030 per share was paid in October 2008 and a special dividend of EUR 0.055 per share was paid in February 2009, resulting in total dividends of EUR 0.112 per share. The final ordinary dividend is expected to be paid on 5 June 2009 to shareholders on the register at the close of business 8 May 2009. The ex-dividend date is 6 May 2009.

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 39 assets with total floor space of 983,000 sqm and gross rental revenue of EUR 77.5 million. Economic occupancy was 95%; with an average lease length of 6.6 years.

The portfolio has been valued by DTZ Sweden AB as at 31 December 2008. The total value of the portfolio was EUR 605 million. This represents a decrease of 16% (in local currencies) on the year when compared with like-for-like properties.

The estimated annualised net rental income for the properties held at 31 December 2008 is EUR 58 million (2007: EUR 99 million), resulting in a net yield of 8.4% (2007: 6.3%). Properties located in Sweden and Russia accounted for 65% and 23%, respectively, of the total market value. The table below gives a summary of the property portfolio by asset class and country.

The Company's 5 largest tenants account for 58% (2007: 70%) of the total rental income.

# NR Nordic & Russia Properties Limited

## Finance and property review

### Property Portfolio (continued)

#### Portfolio as at 31 December 2008

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

	No. of properties	Area (sqm '000)	Gross rental value (EUR m)	Occupancy rate, economic (%)	Average lease length (years)	Market value (EUR m)	% Market value
Office	4	186	17	91%	3.8	125	21%
Industrial	22	612	32	94%	6.2	246	40%
Logistics	7	101	5	100%	13.3	59	10%
Retail	3	50	15	99%	5.4	89	15%
Hotels	3	34	8	100%	11.1	86	14%
<b>Total</b>	<b>39</b>	<b>983</b>	<b>77</b>	<b>95%</b>	<b>6.6</b>	<b>605</b>	<b>100%</b>
Sweden	29	803	50	93%	5.1	391	65%
Denmark	2	45	4	100%	16.0	40	7%
Lithuania	1	4	1	100%	7.0	8	1%
Germany	1	15	1	100%	12.6	11	2%
Poland	2	44	1	100%	12.8	15	2%
Russia	4	72	20	99%	7.7	140	23%
<b>Total</b>	<b>39</b>	<b>983</b>	<b>77</b>	<b>95%</b>	<b>6.6</b>	<b>605</b>	<b>100%</b>

#### 1 January 2008 to 31 December 2008 analysis (for properties held at 31/12/2008)

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

	Gross rental income (EUR m) <sup>1</sup>	Property costs (EUR m) <sup>1</sup>	Net rental income (EUR m) <sup>1</sup>	Net yield (%) <sup>2</sup>
Office	15	(6)	9	7.3%
Industrial	30	(8)	22	9.1%
Logistics	5	(1)	4	7.4%
Retail	13	(4)	9	10.2%
Hotels	8	(1)	7	7.1%
<b>Total</b>	<b>71</b>	<b>(20)</b>	<b>51</b>	<b>8.4%</b>
Sweden	47	(15)	32	8.3%
Denmark	3	0	3	7.1%
Lithuania	1	0	1	6.9%
Germany	1	0	1	7.7%
Poland	1	0	1	7.6%
Russia	18	(5)	13	9.3%
<b>Total</b>	<b>71</b>	<b>(20)</b>	<b>51</b>	<b>8.4%</b>

1) Actual figures for 2008, adjusted as if the properties have been held the entire year.

2) Actual NRI for 2008 divided by the DTZ market value per December 2008.

## **NR Nordic & Russia Properties Limited**

### **Finance and property review**

#### **Asset Management**

The leasing activities during 2008 resulted in a net increase in annual gross rent of approximately EUR 1.7 million (2007: EUR 3.3 million) and 8,200 sqm of additional lettable area. This is the result of 133 new leases signed with an annual rent of EUR 4.3 million with a corresponding area of 30,000 sqm, 93 leases were terminated with an annual rent of EUR 2.8 million and a lettable area of 21,800 sqm. Also, 81 leases were renegotiated, increasing annual gross rent by EUR 0.4 million. Capital expenditure during the period, including capital expenditure spent on sold properties, amounted to approximately EUR 13.0 million (2007: EUR 43.4 million).

#### **Management**

The Group has an existing asset and company management agreement with London & Regional. According to this agreement the Company should pay London & Regional 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 being due for 2008.

During the period, Mr. Robert Ware and Mr Colin Kingsnorth were elected as Directors of the Company and Mr. Kari Österlund resigned as Director of the Company. Mr. Per Lindblad resigned as CFO of the asset manager and was replaced by Mr. Brian Cole.

#### **AGM**

The Company's AGM will be held at 13 Castle Street, St Helier, Jersey, JE4 5LR on 29 April 2009 at 8 a.m. Notice of the AGM has been sent to shareholders and a copy of the Notice of AGM is available on the Group's website.

#### **Change of name**

The Company's name was changed to NR Nordic & Russia Properties Ltd from Northern European Properties Limited.

#### **Outlook**

The global financial crisis will continue to have a negative impact on our property investments and the markets in which we operate. The Group's long lease and debt profile provides some protection to cash flow and this, coupled with headroom in banking covenants, may increase the marketability of our property portfolio. However, much will depend on factors outside our control, such as liquidity in the capital markets, investors' appetite for risk and how our tenants will fare in the global recession.

Russia will be our highest risk market due to the rapid and significant decline in economic conditions, including the devaluation of the Rouble. This will be most felt in the shopping centres in Kaliningrad and Murmansk.

The Board will continue to seek ways to maximize the return to shareholders by returning surplus cash and by enhancing property values through proactive asset management.

The Board is considering alternative proposals to harmonise the Asset Managers remuneration with the Group's stated goal of returning capital to shareholders.

This report is also available on the Group's website: [www.nr-properties.co.uk](http://www.nr-properties.co.uk)

#### **Enquires:**

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## **NR Nordic & Russia Properties Limited**

### **Directors' Report**

The directors present their report and the consolidated financial statements for the year to 31 December 2008.

### **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 45. 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, and with the two special dividends paid out of EUR 0.085 per share, results in a total proposed dividend of EUR 0.112 per share for the period.

### **Directors**

The membership of the Board is set out below. Mr. Collin Kingsnorth and Mr. Robert Ware were elected during the period. All other directors, except Kari Österlund, served throughout the year.

Jens Engwall	Chairman	
Michael Hirst	Director	
Collin Kingsnorth	Director	Appointed 11 September 2008
Ian Livingstone	Director	
Christopher Lovell	Director	
Kari Österlund	Director	Resigned 2 August 2008
Martin Sabey	Director	
Robert Ware	Director	Appointed 11 September 2008

### **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 taken place during the period. See note 30.

### **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.

### **Disclosure of information to auditors**

So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken all steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Independent Auditors**

The auditors, PricewaterhouseCoopers 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

## **NR Nordic & Russia Properties Limited**

### **Independent Auditors' Report to the Members of NR Nordic & Russia Properties Limited (formerly Northern European Properties Limited)**

We have audited the Group and Parent Company financial statements ("the financial statements") of NR Nordic & Russia Properties Limited for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of Directors' responsibilities contained within the Directors' Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 110 of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 whether it is consistent with the audited financial statements. The other information comprises only the Highlights, the Chairman's Statement, the Finance and property review, and Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. 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 Group 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 Group'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 Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss and cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union of the state of the Parent Company's affairs as at 31 December 2008 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

## **PricewaterhouseCoopers LLP**

Chartered Accountants

London

27 March 2009

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 the United Kingdom 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

		Year to 31 Dec 2008	23 Oct 2006 - 31 Dec 2007
<b>Continuing operations</b>	<b>Note</b>		
Gross rental revenue	1	77.5	103.0
Property operating expenses	1,2	(26.5)	(33.7)
<b>Net rental income</b>	<b>1</b>	<b>51.0</b>	<b>69.3</b>
Revaluation (losses)/gains on investment properties	1,13	(126.3)	21.1
(Loss)/profit on disposals of investment properties	1,5	(4.7)	40.1
<b>Net results on investment properties</b>	<b>1</b>	<b>(131.0)</b>	<b>61.2</b>
Administrative expenses	1	(2.8)	(14.4)
Write downs	16	(17.3)	-
Impairment of goodwill	1,14	(59.0)	(112.8)
<b>Operating (loss)/profit</b>	<b>1</b>	<b>(159.1)</b>	<b>3.3</b>
Finance income	6	10.5	7.4
Finance expenses – interest and other	7	(32.7)	(64.5)
Finance expenses – net currency exchange losses	7	(27.0)	(15.0)
Net changes in fair value of derivatives	18	(7.0)	42.6
<b>Net finance expenses</b>		<b>(56.2)</b>	<b>(29.5)</b>
<b>Loss before income tax</b>		<b>(215.3)</b>	<b>(26.2)</b>
Current income tax expense	8	(0.9)	(2.0)
Deferred income tax credit	8	42.7	74.1
<b>(Loss)/profit for the year/period from continuing operations</b>		<b>(173.5)</b>	<b>45.9</b>
Profit from discontinued operations	12	4.4	32.2
<b>(Loss)/profit for the year/period</b>		<b>(169.1)</b>	<b>78.1</b>
Attributable to:			
Equity holders of the parent Company (EUR)		(169.1)	78.1
Earnings per share attributable to equity holders of the Company during the period:			
Basic earnings per share (EUR)	10	(0.36)	0.17
Diluted earnings per share (EUR)	10	(0.31)	0.16

The notes on pages 18 to 45 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 2008	Group 31 December 2007
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	13	604.6	760.9
Goodwill	14	49.3	108.3
Long term receivables	16	10.0	2.6
Deferred tax assets	17	13.9	15.3
<b>Total non-current assets</b>		<b>677.8</b>	<b>887.1</b>
<b>Disposal group held for sale</b>	12	<b>-</b>	<b>934.2</b>
<b>Current assets</b>			
Derivative financial instruments	18	32.9	23.5
Trade and other receivables	19	24.1	35.6
Cash and cash equivalents	20	102.4	114.0
<b>Total current assets</b>		<b>159.4</b>	<b>173.1</b>
<b>Total assets</b>		<b>837.2</b>	<b>1,994.4</b>
<b>Equity</b>			
Ordinary share capital	21	85.9	85.9
Ordinary share premium		10.7	10.7
Equity portion of convertible loan notes		30.6	30.2
Other reserves		281.7	371.4
Foreign currency translation reserve		(28.2)	9.1
Retained earnings		(91.0)	78.1
<b>Equity attributable to equity holders of the parent</b>		<b>289.7</b>	<b>585.4</b>
Minority interest		-	5.5
<b>Total equity</b>		<b>289.7</b>	<b>590.9</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	23	328.8	513.8
Convertible loan notes	23	39.5	38.4
Deferred tax liabilities	17	62.4	106.1
<b>Total non-current liabilities</b>		<b>430.7</b>	<b>658.3</b>
<b>Current liabilities</b>			
Derivative financial instruments	18	16.4	-
Interest-bearing loans and borrowings	23	43.7	6.1
Trade and other payables	24	56.7	60.8
<b>Total current liabilities</b>		<b>116.8</b>	<b>66.9</b>
<b>Liabilities directly associated with disposal group held for sale</b>	12	<b>-</b>	<b>678.3</b>
<b>Total liabilities</b>		<b>547.5</b>	<b>1,403.5</b>
<b>Total equity and liabilities</b>		<b>837.2</b>	<b>1,994.4</b>

Approved by the Board on

Director

Director

The notes on pages 18 to 45 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 2008	Parent 31 December 2007
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	15	108.7	44.0
Long term receivables	16	210.6	466.1
<b>Total non-current assets</b>		<b>319.3</b>	<b>510.1</b>
<b>Current assets</b>			
Trade and other receivables	19	8.1	1.2
Cash and cash equivalents	20	48.2	16.9
<b>Total current assets</b>		<b>56.3</b>	<b>18.1</b>
<b>Total assets</b>		<b>375.6</b>	<b>528.2</b>
<b>Equity</b>			
Ordinary share capital	21	85.9	85.9
Ordinary share premium		10.7	10.7
Equity portion of convertible loan notes		30.6	30.2
Other reserves		281.7	371.4
Retained earnings		(100.2)	(23.9)
<b>Equity attributable to equity holders of the parent</b>		<b>308.7</b>	<b>474.3</b>
<b>Total equity</b>		<b>308.7</b>	<b>474.3</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Convertible loan notes	23	39.5	38.4
<b>Total non-current liabilities</b>		<b>39.5</b>	<b>38.4</b>
<b>Current liabilities</b>			
Trade and other payables	24	27.4	15.5
<b>Total current liabilities</b>		<b>27.4</b>	<b>15.5</b>
<b>Total liabilities</b>		<b>66.9</b>	<b>53.9</b>
<b>Total equity and liabilities</b>		<b>375.6</b>	<b>528.2</b>

The notes on pages 18 to 45 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 2008**
*In millions of Euro*

	Ordinary share capital	Ordinary share premium	Equity portion of convertible loan notes	Other reserves	Foreign currency translation reserve	Retained earnings	Share- holders' equity	Minority interests	Total Equity
<b>Opening balance at 1 January 2008</b>	<b>85.9</b>	<b>10.7</b>	<b>30.2</b>	<b>371.4</b>	<b>9.1</b>	<b>78.1</b>	<b>585.4</b>	<b>5.5</b>	<b>590.9</b>
Repayment on convertible loan notes	-	-	(1.2)	-	-	-	(1.2)	-	(1.2)
Issue of convertible loan notes	-	-	1.6	-	-	-	1.6	-	1.6
Minority interest disposed of	-	-	-	-	-	-	-	(5.5)	(5.5)
Dividends (note 11)	-	-	-	(89.7)	-	-	(89.7)	-	(89.7)
Currency translation differences	-	-	-	-	(37.3)	-	(37.3)	-	(37.2)
Profit/(Loss) after taxation	-	-	-	-	-	(169.1)	(169.1)	-	(169.1)
<b>Balance at 31 December 2008</b>	<b>85.9</b>	<b>10.7</b>	<b>30.6</b>	<b>281.7</b>	<b>(28.2)</b>	<b>(91.0)</b>	<b>289.7</b>	<b>-</b>	<b>289.7</b>

The notes on pages 18 to 45 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 2008***In millions of Euro*

	Ordinary share capital	Ordinary share premium	Equity portion of convertible loan notes	Other reserves	Retained earnings	Share- holders' equity
<b>Opening balance at 1 January 2008</b>	<b>85.9</b>	<b>10.7</b>	<b>30.2</b>	<b>371.4</b>	<b>(23.9)</b>	<b>474.3</b>
Repayment on convertible loan notes	-	-	(1.2)	-	-	(1.2)
Issue of convertible loan notes	-	-	1.6	-	-	1.6
Dividends (note 11)	-	-	-	(89.7)	-	(89.7)
Profit after taxation	-	-	-	-	(76.3)	(76.3)
<b>Balance at 31 December 2008</b>	<b>85.9</b>	<b>10.7</b>	<b>30.6</b>	<b>281.7</b>	<b>(100.2)</b>	<b>308.7</b>

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

The notes on pages 18 to 45 are an integral part of these consolidated financial statements.

# NR Nordic & Russia Properties Limited

## Consolidated Cash Flow Statement

In millions of Euro

		Group Year to 31 December 2008	Group 23 October 2006 - 31 December 2007
	Note		
<b>Cash flow from operating activities</b>			
Profit/ (loss) before tax	26	(211.7)	19.8
Adjustments for:			
Impairment of goodwill	14	59.0	133.1
Write downs	16	17.3	
Unrealised net revaluation losses/ (gains) on investment properties	13	126.3	(66.9)
Loss/(Gain) on disposals of investment properties	5	4.7	(40.1)
Interest income	6	(10.5)	(7.4)
Interest expense		36.9	104.3
Currency losses	7	27.0	15.0
Unrealised net revaluation (gains)/losses on derivatives	18	7.0	(46.4)
Asset management performance fee		-	10.8
Provision for pensions		-	(0.5)
<b>Cash flow from operations before changes in working capital, interest and tax</b>		<b>56.0</b>	<b>121.7</b>
Change in trade and other receivables		5.9	29.8
Change in trade and other payables		(17.2)	8.2
<b>Cash flow from operations before interest and tax</b>		<b>44.7</b>	<b>159.7</b>
Interest paid		(38.2)	(72.5)
Interest received		9.3	7.4
Income tax paid		-	(1.3)
<b>Cash flow from operating activities</b>	26	<b>15.8</b>	<b>93.3</b>
<b>Cash flow from investing activities</b>			
Proceeds from sale of investment properties	5	50.1	610.7
Acquisition of investment properties	13	(84.6)	(220.1)
Capital expenditures on investment properties		(13.0)	(43.4)
Acquisition of financial assets		-	(0.3)
Acquisition of subsidiaries (net of cash acquired)		-	(16.6)
Disposal of subsidiaries (net of cash received)	12	722.0	-
<b>Cash flow from investing activities</b>		<b>674.5</b>	<b>330.3</b>
<b>Cash flow from financing activities</b>			
Net proceeds from the issue of share capital		-	161.9
Dividend	11	(63.5)	(18.6)
Borrowings drawn	23	38.0	120.8
Borrowings repaid	23	(694.7)	(543.4)
<b>Cash flow from financing activities</b>		<b>(720.2)</b>	<b>(279.3)</b>
Net (decrease)/increase in cash and cash equivalents		(29.9)	144.3
Cash and cash equivalents at 1 January 2008		142.2	-
Effect of exchange rate fluctuations on cash held		(9.9)	(2.1)
<b>Cash and cash equivalents end of period</b>	20	<b>102.4</b>	<b>142.2</b>
Attributable to continuing operations			114.0
Attributable to disposal group held for sale	12		28.2

For a reconciliation of operating loss to cash generated from operations see note 26.

The notes on pages 18 to 45 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 2008	Parent 23 October 2006 - 31 December 2007
<b>Cash flow from operating activities</b>			
Loss before tax		(76.3)	(23.9)
Adjustments for:			
Provision against a long-term intercompany debtor		-	15.5
Loss on revaluation on investments	15	72.5	-
Interest income		(25.5)	(31.1)
Interest expense		3.3	26.0
Asset management performance fee		(6.7)	10.8
Net currency translation losses		34.0	-
<b>Cash flow from operations before changes in working capital, interest and tax</b>		<b>1.3</b>	<b>(2.7)</b>
Change in trade and other receivables		-	6.1
Change in trade and other payables		(2.5)	3.4
<b>Cash flow from operations before interest and tax</b>		<b>(1.2)</b>	<b>6.8</b>
Interest paid		(2.6)	(1.5)
Interest received		-	25.5
<b>Cash flow from operating activities</b>		<b>(3.8)</b>	<b>30.8</b>
<b>Cash flow from investing activities</b>			
Acquisition of receivables		-	(100.0)
Investment in subsidiaries		-	(44.0)
New loans to subsidiaries		(80.0)	(113.8)
Repayments of loans from subsidiaries		185.7	100.6
<b>Cash flow from investing activities</b>		<b>105.7</b>	<b>(157.2)</b>
<b>Cash flow from financing activities</b>			
Net proceeds from the issue of share capital		-	161.9
Dividend	11	(63.5)	(18.6)
Borrowings repaid	23	(3.2)	-
<b>Cash flow from financing activities</b>		<b>(66.7)</b>	<b>143.3</b>
Net increase in cash and cash equivalents		35.2	16.9
Cash and cash equivalents at 1 January 2008		16.9	-
Effect of exchange rate fluctuations on cash held		(3.9)	-
<b>Cash and cash equivalents end of period</b>	20	<b>48.2</b>	<b>16.9</b>

The notes on pages 18 to 45 are an integral part of these consolidated financial statements.

## NR Nordic & Russia Properties Limited

### Notes to the accounts

*In millions of Euro, unless otherwise stated*

#### 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 Baltic Russia. The financial period of the Group is from 1 January to 31 December 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 as adopted by the European Union (IFRS) and IFRIC interpretations.

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".

##### **(a) Standards, amendments and interpretations effective in 2008 but not relevant**

The following interpretations are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Group's operations:

- IFRIC 11, IFRS 2 – Group and treasury share transactions
- IFRIC 12, Service concession arrangements
- IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

##### **(b) Interpretations, standards and amendments that are not yet effective and have been early adopted by the Group**

No interpretations, standards and amendments to existing standards that have been published and are mandatory for accounting periods beginning on or after 1 January 2009, or later periods, have been early adopted by the Group.

##### **(c) Interpretations, standards and amendments that are not yet effective and have not been early adopted by the Group**

The following interpretations, standards and revisions/amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2009, or later periods, but the Group has not early adopted them. The list below includes the impact of the IASB's Improvements to IFRSs standard (indicated by \*), published in May 2008, and endorsed by the EU on 23 January 2009. This amends 20 existing standards, basis of conclusions and guidance and includes changes in presentation, recognition and measurement plus terminology and editorial changes:

- IFRS 3 (revised), Business combinations
- IAS 1 (revised), Presentation of financial statements
- IAS 23 (revised), Borrowing costs
- IAS 27 (revised), Consolidated and separate financial statements
- IAS 32 (amendment), Financial instruments: Presentation and IAS 1 (amendment), Presentation of financial instruments
- IFRIC 15, Agreements for construction of real estates
- IFRIC 16, Hedges of a net investment in a foreign operation
- \* IAS 1 (amendment), Presentation of financial statements
- \* IAS 16 (amendment), Property, plant and equipment
- \* IAS 23 (amendment), Borrowing costs
- \* IAS 27 (amendment), Consolidated and separate financial statements
- \* IAS 28 (amendment), Investments in associates
- \* IAS 36 (amendment), Impairment of assets
- \* IAS 38 (amendment), Intangible assets
- \* IAS 39 (amendment), Financial instruments: Recognition and measurement
- \* IAS 40 (amendment), Investment property

## NR Nordic & Russia Properties Limited

### Notes to the accounts

*In millions of Euro, unless otherwise stated*

## Basis of preparation (continued)

### ***(d) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations***

The following interpretations, standards and revisions/amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant to the Group's operations. The list below includes the impact of the IASB's Improvements to IFRSs standard (indicated by \*), published in May 2008, and endorsed by the EU on 23 January 2009. This amends 20 existing standards, basis of conclusions and guidance and includes changes in presentation, recognition and measurement plus terminology and editorial changes:

- IFRS 1 (amendment), First time adoption of IFRS and IAS 27 (amendment), Consolidated and separate financial statements
- IFRS 1 (revised), First time adoption of IFRS
- IFRS 2 (amendment), Share based payment
- IFRS 8, Operating segments
- IAS 39 (amendment), Financial instruments: Recognition and measurement and IFRS 7 (amendment), Financial instruments: Disclosures
- IFRIC 13, Customer loyalty programmes
- IFRIC 17, Distributions of non-cash assets to owners
- IFRIC 18, Transfer of assets from customers
- \* IFRS 5 (amendment), Non-current assets held-for-sale and discontinued operations
- \* IAS 19 (amendment), Employee benefits
- \* IAS 20 (amendment), Accounting for government grants and disclosure of government assistance
- \* IAS 29 (amendment), Financial reporting in hyperinflationary economies
- \* IAS 31 (amendment), Interests in joint ventures
- \* IAS 41 (amendment), Agriculture

## 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.

## **NR Nordic & Russia Properties Limited**

### **Notes to the accounts**

*In millions of Euro, unless otherwise stated*

#### **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.

##### **(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 other operating income and other operating 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 are recognised as an expense in the period incurred, using the effective interest rate method.

## **NR Nordic & Russia Properties Limited**

### **Notes to the accounts**

*In millions of Euro, unless otherwise stated*

#### **Current and deferred income tax**

The Parent Company has obtained exempt company status in Jersey under the provision of Article 123(A) of the Income Tax (Jersey) Law 1961. As an exempt company, the income and capital gains of the Company other than income arising in respect of profits of a trade carried on through an established place of business in Jersey (excluding Jersey bank deposit interest) is exempt from taxation in Jersey.

The tax expense for the period represents the sum of the current and deferred tax in the countries in which the Group operates.

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 freehold land, freehold 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.

## **NR Nordic & Russia Properties Limited**

### **Notes to the accounts**

*In millions of Euro, unless otherwise stated*

#### **Investment properties (continued)**

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.

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. 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.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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.

## **NR Nordic & Russia Properties Limited**

### **Notes to the accounts**

*In millions of Euro, unless otherwise stated*

#### **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.

## **NR Nordic & Russia Properties Limited**

### **Notes to the accounts**

*In millions of Euro, unless otherwise stated*

#### **Segment reporting**

A segment is a distinguishable component of the Group that is engaged in either providing services or products (business segment) or in providing services or products within a particular economic environment (geographical segment), which is subject to risks and reward that are different from those of other segments. The primary segment reporting format of the Group is geographical segments, since the risks and rewards are predominantly affected by geographical differences.

#### **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 25, IFRS 7 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. 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 Group geographical segments operate in four main business areas. The split between the business areas are based on the Group's management and international reporting structure. The parent Company is a holding company and does not operate in any segment.

#### Primary reporting format – Geographical segments

	<u>Year to 31 December 2008</u>					
	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)
<b>Net rental income</b>	<b>35.7</b>	<b>10.5</b>	<b>4.8</b>	<b>-</b>	<b>51.0</b>	<b>8.1</b>
Revaluation losses on investment properties	(79.6)	(31.4)	(15.3)	-	(126.3)	-
Loss on disposal of investment properties	(4.7)	-	-	-	(4.7)	-
<b>Net losses on investment properties</b>	<b>(84.3)</b>	<b>(31.4)</b>	<b>(15.3)</b>	<b>-</b>	<b>(131.0)</b>	<b>-</b>
Administrative expenses	(0.6)	(0.3)	(0.1)	(1.8)	(2.8)	(0.3)
Write downs	-	-	-	(17.3)	(17.3)	-
Impairment of goodwill	(37.8)	-	(3.4)	(17.8)	(59.0)	-
<b>Operating (loss)/profit</b>	<b>(87.0)</b>	<b>(21.2)</b>	<b>(14.0)</b>	<b>(36.9)</b>	<b>(159.1)</b>	<b>7.8</b>
<b>Segment assets</b>						
Investment properties	390.3	140.1	74.2	-	604.6	-
Goodwill	42.0	-	7.3	-	49.3	-
Other assets	111.3	10.3	61.7	-	183.3	-
<b>Total assets</b>	<b>543.6</b>	<b>150.4</b>	<b>143.2</b>	<b>-</b>	<b>837.2</b>	<b>-</b>
<b>Segment liabilities</b>						
Long term liabilities	351.9	14.8	64.0	-	430.7	-
Short term liabilities	83.0	4.1	29.7	-	116.8	-
<b>Total liabilities</b>	<b>434.9</b>	<b>18.9</b>	<b>93.7</b>	<b>-</b>	<b>547.5</b>	<b>-</b>
<b>Capital expenditure</b>	<b>7.8</b>	<b>0.3</b>	<b>-</b>	<b>-</b>	<b>8.1</b>	<b>-</b>

#### Secondary reporting format – Business segments

	<u>Year to 31 December 2008</u>							
	Offices	Industrial	Logistics	Hotel	Other	Unallocated	Contin. Operat.	Discont. Operat.
<b>Gross rental revenue</b>	<b>16.8</b>	<b>35.4</b>	<b>6.0</b>	<b>6.0</b>	<b>13.3</b>	<b>-</b>	<b>77.5</b>	<b>9.6</b>
<b>Segment result (NOI)</b>	<b>10.4</b>	<b>23.4</b>	<b>5.0</b>	<b>4.4</b>	<b>7.8</b>	<b>-</b>	<b>51.0</b>	<b>8.1</b>
Revaluation gains on investment properties	(24.9)	(49.1)	(14.3)	(13.7)	(24.3)	-	(126.3)	-
Profit/(loss) on disposals of investment properties	0.1	0.1	(4.9)	-	-	-	(4.7)	-
Unallocated cost	-	-	-	-	-	(79.1)	(79.1)	(0.3)
<b>Operating (loss)/profit</b>	<b>(14.4)</b>	<b>(25.6)</b>	<b>(14.2)</b>	<b>(9.3)</b>	<b>(16.5)</b>	<b>(79.1)</b>	<b>(159.1)</b>	<b>7.8</b>
Net finance expense							(56.2)	(4.2)
<b>Loss before taxes</b>							<b>(215.3)</b>	<b>3.6</b>
Income tax charge/(credit)							41.8	(0.9)
<b>Loss for the period</b>							<b>(173.5)</b>	<b>2.7</b>
Profit from disposal group							-	1.7
Profit from discontinued operations							4.4	
<b>Loss for the period</b>							<b>(169.1)</b>	
<b>Segment assets</b>								
Investment properties	124.3	260.5	44.2	85.7	89.9	-	604.6	-
Goodwill	10.1	31.4	5.3	2.5	-	-	49.3	-
Other assets						183.3	183.3	-
<b>Total assets</b>	<b>134.4</b>	<b>291.9</b>	<b>49.5</b>	<b>88.2</b>	<b>89.9</b>	<b>183.3</b>	<b>837.2</b>	<b>-</b>
<b>Capital expenditure</b>	<b>2.8</b>	<b>0.9</b>	<b>3.9</b>	<b>0.2</b>	<b>0.3</b>	<b>-</b>	<b>8.1</b>	<b>-</b>

# NR Nordic & Russia Properties Limited

## Notes to the accounts

In millions of Euro, unless otherwise stated

### 1. Segment reporting (continued)

During last year there were no inter-segment sales between geographical areas. Profit on disposal of investment properties under "other" include EUR 19.1 million relating to disposed assets in Finland which did not relate to the Finnish hotel disposal group.

#### Primary reporting format – Geographical segments

	<b>23 October 2006 – 31 December 2007</b>						
	Sweden	Russia	Other	Unallocated	Contin. Operat.	Discont. Operat.	Total
Gross rental revenue	91.9	4.5	6.6	-	103.0	63.8	166.8
Property operating expenses	(30.8)	(1.8)	(1.1)	-	(33.7)	(5.9)	(39.6)
<b>Net rental income</b>	<b>61.1</b>	<b>2.7</b>	<b>5.5</b>	<b>-</b>	<b>69.3</b>	<b>57.9</b>	<b>127.2</b>
Revaluation gains on investment properties	21.0	-	0.1	-	21.1	45.8	66.9
Profit on disposal of investment properties	20.0	-	20.1	-	40.1	-	40.1
<b>Net gains on investment properties</b>	<b>41.0</b>	<b>-</b>	<b>20.2</b>	<b>-</b>	<b>61.2</b>	<b>45.8</b>	<b>107.0</b>
Administrative expenses/Other	-	-	-	(3.6)	(3.6)	(1.4)	(5.0)
Administrative expenses/Asset management performance fee	-	-	-	(10.8)	(10.8)	-	(10.8)
Impairment of goodwill	(97.5)	-	-	(15.3)	(112.8)	(20.3)	(133.1)
<b>Operating profit/(loss)</b>	<b>4.6</b>	<b>2.7</b>	<b>25.7</b>	<b>(29.7)</b>	<b>3.3</b>	<b>82.0</b>	<b>85.3</b>
<b>Segment assets</b>							
Investment properties	587.2	84.2	89.5	-	760.9	804.6	1,565.5
Goodwill	96.0	-	12.3	-	108.3	85.4	193.7
Other assets	-	-	-	191.0	191.0	44.2	235.2
<b>Total assets</b>	<b>683.2</b>	<b>84.2</b>	<b>101.8</b>	<b>191.0</b>	<b>1,060.2</b>	<b>934.2</b>	<b>1,994.4</b>
<b>Segment liabilities</b>							
Long term liabilities	574.8	16.0	29.1	38.4	658.3	662.7	1,321.0
Short term liabilities	44.0	5.0	7.1	10.8	66.9	15.6	82.5
<b>Total liabilities</b>	<b>618.8</b>	<b>21.0</b>	<b>36.2</b>	<b>49.2</b>	<b>725.2</b>	<b>678.3</b>	<b>1,403.5</b>
<b>Capital expenditure</b>	<b>20.6</b>	<b>-</b>	<b>1.4</b>	<b>-</b>	<b>22.0</b>	<b>21.4</b>	<b>43.4</b>

#### Secondary reporting format – Business segments

	<b>23 October 2006 – 31 December 2007</b>								
	Offices	Industrial	Logistics	Hotel	Other	Unallocated	Contin. Operat.	Discont. Operat.	Total
<b>Gross rental revenue</b>	<b>17.9</b>	<b>51.4</b>	<b>27.0</b>	<b>1.8</b>	<b>4.9</b>	<b>-</b>	<b>103.0</b>	<b>63.8</b>	<b>166.8</b>
<b>Segment result</b>	<b>7.5</b>	<b>36.7</b>	<b>20.8</b>	<b>1.3</b>	<b>3.0</b>	<b>-</b>	<b>69.3</b>	<b>57.9</b>	<b>127.2</b>
Revaluation gains on investment properties	3.6	7.0	(1.4)	11.9	-	-	21.1	45.8	66.9
Profit on disposals of investment properties	7.4	-	12.6	-	20.1	-	40.1	-	40.1
Unallocated cost	-	-	-	-	-	(127.2)	(127.2)	(21.7)	(148.9)
<b>Operating profit/(loss)</b>	<b>18.5</b>	<b>43.7</b>	<b>32.0</b>	<b>13.2</b>	<b>23.1</b>	<b>(127.2)</b>	<b>3.3</b>	<b>82.0</b>	<b>85.3</b>
Net finance expense									(65.5)
<b>Profit before taxes</b>									<b>19.8</b>
Income tax charge									58.3
<b>Profit for the period</b>									<b>78.1</b>
<b>Segment assets</b>									
Investment properties	170.9	355.5	104.3	46.0	84.2	-	760.9	804.6	1,565.5
Goodwill	27.0	58.9	18.4	4.0	-	-	108.3	85.4	193.7
Other assets	-	-	-	-	-	191.0	191.0	44.2	235.2
<b>Total assets</b>	<b>197.9</b>	<b>414.4</b>	<b>122.7</b>	<b>50.0</b>	<b>84.2</b>	<b>191.0</b>	<b>1,060.2</b>	<b>934.2</b>	<b>1,994.4</b>
<b>Capital expenditure</b>	<b>5.3</b>	<b>2.6</b>	<b>10.3</b>	<b>3.8</b>	<b>-</b>	<b>-</b>	<b>22.0</b>	<b>21.4</b>	<b>43.4</b>

## NR Nordic & Russia Properties Limited

### Notes to the accounts

In millions of Euro, unless otherwise stated

## 2. Property operating expenses

	Year to 31 December 2008	23 October 2006 - 31 December 2007
Utilities	(8.3)	(11.8)
Caretaking, insurance and other expenses	(8.9)	(8.7)
Planned maintenance	(2.0)	(1.4)
Tenant improvements	(0.5)	(1.5)
Property tax	(3.6)	(6.3)
Site leasehold rent	(0.4)	(1.2)
Asset management fee	(4.3)	(8.7)
<b>Property operating expenses</b>	<b>(28.0)</b>	<b>(39.6)</b>
Attributable to continuing operations	(26.5)	(33.7)
Attributable to discontinued operation (note 12)	(1.5)	(5.9)

## 3. Auditor's remuneration

In EUR '000s	Year to 31 December 2008	23 October 2006 - 31 December 2007
<b>Audit fees</b>		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	180	180
Fees payable to the Company's auditors and its associates for other services	318	250
<b>The audit of the Company's services pursuant to legislation</b>	<b>498</b>	<b>430</b>
<b>Other services pursuant to legislation</b>		
Tax services	-	12
All other services:		
- Fees payable for work in relation to reporting accountant's work in connection with UK AIM IPO	-	2,121
- Fees payable for work in relation to reporting accountant's work in connection with Euronext listing	-	1,362
<b>Total non-audit fees</b>	<b>-</b>	<b>3,925</b>

The auditor's remuneration in respect of work in relation to reporting accountant's work in connection with UK AIM IPO has been charged to the share premium account. All other auditor's remuneration has been charged to administrative expenses in the income statement.

## 4. Employee benefit expenses

### Staff Costs

In EUR '000s	Year to 31 December 2008	23 October 2006 - 31 December 2007
Wages and salaries	1,010	1,077
Social security costs	594	65
Pension costs	220	862
<b>Total staff costs</b>	<b>1,824</b>	<b>2,004</b>

	Total	Where of men
Average number of employees, 2007	12	6

The Group does not have any employees at year end. The staff costs in 2008 relate to the Finnish hotel portfolio, which was sold in February 2008. The related costs are included in discontinued operations in the income statement.

## NR Nordic & Russia Properties Limited

### Notes to the accounts

In millions of Euro, unless otherwise stated

#### 4. Employee benefit expenses (continued)

##### Retirement benefit obligations

During 2007 the Company had a pension plan in place for employees in Finland as required by Finnish law. After the disposal, the Company does not have any employees and therefore no retirement benefits are disclosed.

The plan assets are considered to include the cover paid to the insurance company and accumulated by the reporting date. The assets are the responsibility of the insurance company and a part of the insurance company's investment assets. The distribution in categories is not possible to provide. In the table below the following assumptions are made:

31 December 2007

Discount rate at the end of the period	4.75%
Expected rate of return on plan assets at 31 December	4.70%
Rate of salary increase	4.00%
Rate of inflation	2.00%
Employee turnover	0.00%

The census data was received from Sampo Life Insurance Company Limited and compared with the census information received from the employer. All other assumptions are those commonly used by Finnish employment pension insurance companies.

The evaluation includes the insured, partly funded old age pension liability for actives and an unfunded pension cover agreement between the employer company and one employee. Actuarial gains and losses are recognized under the minimum requirements of paragraph 93, IAS 19 (corridor). The excess divided by the expected average remaining working years is recognized yearly as a component of net periodic costs.

##### Amounts Recognised in Balance Sheet and Income Statement

In EUR '000s

	31 December 2008	31 December 2007
Present value of the obligation	-	814
Fair value of plan assets	-	(1,056)
<b>Funded status</b>	<b>-</b>	<b>(242)</b>
Unrecognised obligation	-	(106)
<b>Liability recognized in balance sheet</b>	<b>-</b>	<b>(348)</b>
Current service cost	-	58
Interest cost	-	19
Expected return on plan assets	-	(13)
Net actuarial gain recognized in year	-	3
<b>Expense recognized in income statement</b>	<b>-</b>	<b>67</b>
<b>Movements in the net liability(+)/asset(-) recognized in the balance sheet</b>		
Opening net liability as acquired	-	151
Expense as above	-	67
Contribution paid	-	(566)
<b>Closing net liability</b>	<b>-</b>	<b>(348)</b>

##### Change in present value of obligation and in fair value of plan assets

In EUR '000s

	31 December 2008	31 December 2007
Opening defined benefit obligation as acquired	-	727
Current service cost	-	58
Interest cost	-	19
Actual loss on obligation	-	10
<b>Closing present value of plan assets</b>	<b>-</b>	<b>814</b>
Opening fair value of plan assets as acquired	-	487
Expected return on plan assets	-	13
Contributions	-	566
Actual loss on plan assets	-	(10)
<b>Closing fair value of plan assets</b>	<b>-</b>	<b>1,056</b>

## NR Nordic & Russia Properties Limited

### Notes to the accounts

*In millions of Euro, unless otherwise stated*

#### 4. Employee benefit expenses (continued)

##### Retirement benefit obligations (continued)

##### Limits of the 'corridor' Unrecognised actual gain/loss

In EUR '000s

	31 December 2008	31 December 2007
Unrecognised actuarial loss, at beginning of the period	(106)	(89)
Limits of "corridor" at beginning of the period	-	73
<b>Excess</b>	<b>-</b>	<b>(16)</b>
Average expected remaining working lives (years)	-	4
Actuarial loss recognized	-	3
Unrecognised actuarial loss, at beginning of the period	-	(89)
Actuarial loss for the period – obligation	-	(10)
Actuarial loss for the period – plan assets	-	(10)
Actuarial loss recognised	-	3
<b>Unrecognised actuarial loss, at end of period</b>	<b>-</b>	<b>(106)</b>

#### 5. Profit on disposal of investment properties

	Year to 31 December 2008	23 October 2006 - 31 December 2007
Net sales proceeds	50.1	610.7
Fair value at last valuation	(54.8)	(554.1)
Capital expenditures since last valuation	-	(16.5)
<b>(Loss)/Profit</b>	<b>(4.7)</b>	<b>40.1</b>

The loss on disposals of EUR 4.7 million (2007: profit EUR 40.1 million) is before related goodwill impairment charge amounting to EUR 5.9 million (2007: EUR 115.9 million) (note 14) and credit arising from release of associated deferred tax liabilities of EUR 6.4 million (2007: EUR 79.0 million).

#### 6. Finance income

	Year to 31 December 2008	23 October 2006 - 31 December 2007
Interest income, bank deposits	6.2	7.4
Interest income, other	4.3	-
<b>Total</b>	<b>10.5</b>	<b>7.4</b>

The other interest income above includes a realised gain of EUR 3.3 million which arose on derivative financial instruments settled in conjunction with the repayment of associated loan balances during the period.

#### 7. Finance expenses

	Year to 31 December 2008	23 October 2006 - 31 December 2007
Interest payable on loans	(31.7)	(97.3)
Loan arrangement fees	(5.2)	(7.0)
Net currency exchange losses	(27.0)	(15.0)
<b>Total</b>	<b>(63.9)</b>	<b>(119.3)</b>
<b>Interest and other financial expenses</b>		
Attributable to continuing operations	(32.7)	(79.5)
Attributable to discontinued operations (note 12)	(4.2)	(39.8)
<b>Net currency exchange losses</b>		
Attributable to continuing operations	(27.0)	(15.0)
Attributable to discontinued operations (note 12)	-	-

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.

## NR Nordic & Russia Properties Limited

### Notes to the accounts

In millions of Euro, unless otherwise stated

## 8. Taxation

	Year to 31 December 2008	23 October 2006 - 31 December 2007
<b>Both continuing and discontinued operations</b>		
Overseas current tax expense	(0.9)	(2.0)
Overseas current tax expense – discontinued operations	(0.9)	0.7
Deferred tax credit	42.7	74.1
Deferred tax credit – discontinued operations	-	(14.5)
<b>Net income tax credit</b>	<b>40.9</b>	<b>58.3</b>
Attributable to continuing operations	41.8	72.1
Attributable to discontinued operation (note 12)	(0.9)	(13.8)

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 2008	23 October 2006 - 31 December 2007
<b>(Loss)/ profit before tax</b>	<b>(215.3)</b>	<b>19.8</b>
Adjustment for impairment of goodwill	59.0	133.1
<b>Adjusted (loss)/ profit before tax</b>	<b>(156.3)</b>	<b>152.9</b>
Tax charge calculated at domestic tax rates applicable to the profit in the respective countries*	38.8	(29.3)
Tax relating to previous year	(0.1)	-
Income and expenses not subjected to tax	3.2	91.0
Expenses not deductible for tax purposes	(1.0)	(3.4)
<b>Net income tax credit</b>	<b>40.9</b>	<b>58.3</b>
Attributable to continuing operations	41.8	72.1
Attributable to discontinued operation (note 12)	(0.9)	(13.8)

\* The tax rates differ between the countries and are as follows: Sweden 28% (28%), Finland 26% (26%), Russia 24% (24%), Lithuania 15% (15%) and Jersey 0% (0%).

## 9. Profit of NR Nordic & Russia Properties Limited

In accordance with Jersey Companies Act 1991, the Company is not required to present its own income statement. The Company is a holding company as described further in note 15. Loss attributable to members includes EUR 76.3 million (2007: EUR 23.9 million) which has been dealt with in the accounts of the Company and includes administrative expenses of EUR 2.1 million (2007: EUR 14.3 million), write-down of investments of EUR 72.5 million and net finance income which includes interest income from intercompany loans less the effect of net foreign currency translation losses, amounting to negative EUR 10.9 million (2007: EUR 5.9 million).

## 10. Earnings per share

### a) Basic

	Year to 31 December 2008	23 October 2006 - 31 December 2007
(Loss)/Profit attributable to equity holders of the Company (EUR millions)	(169.1)	78.1
Weighted average number of ordinary shares in issue	475,924,532	449,004,422
Basic (loss)/earnings per share (EUR)	(0.36)	0.17

## NR Nordic & Russia Properties Limited

### Notes to the accounts

In millions of Euro, unless otherwise stated

## 10. Earnings per share (continued)

### 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. The convertible debt is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options.

	Year to 31 December 2008	23 October 2006 - 31 December 2007
(Loss)/Profit attributable to equity holders of the Company	(169.1)	78.1
Interest expenses on convertible debt (net of tax)	2.6	3.9
<b>(Loss)/Profit used to determine diluted earnings per share</b>	<b>(166.5)</b>	<b>82.0</b>
Weighted average number of shares in issue	475,924,532	449,004,422
Adjustment for:		
- Assumed conversion of convertible debt	59,275,323	63,053,633
<b>Weighted average number of ordinary shares in issue for diluted earnings per share</b>	<b>535,199,855</b>	<b>512,058,055</b>
<b>Diluted (loss)/earnings per share (EUR)</b>	<b>(0.31)</b>	<b>0.16</b>

## 11. Dividends

The dividends per share declared and paid are as follows:

	Year to 31 December 2008	23 October 2006 - 31 December 2007
Final ordinary dividend of EUR 0.039 for 31 December 2007 paid on 29 May 2008	18.6	-
Interim ordinary dividend of EUR 0.010 for 30 June 2008 paid on 31 October 2008 (2007: EUR 0.039 for 30 June 2007 paid on 19 October 2007)	4.8	18.6
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	-
Equity amounts attributable to holders of convertible loan notes	2.1	-
<b>Dividends paid to shareholders</b>	<b>63.5</b>	<b>18.6</b>
Special dividend of EUR 0.055 per share approved on 23 December 2008	26.2	-
<b>Dividends</b>	<b>89.7</b>	<b>18.6</b>

A final ordinary dividend of EUR 0.017 per share amounting to a total of EUR 8.2 million is proposed by the Board. The dividend proposed is not accounted for until it has been approved at the Annual General Meeting.

## 12. Disposals during the period and 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.

## NR Nordic & Russia Properties Limited

### Notes to the accounts

In millions of Euro, unless otherwise stated

## 12. Disposals during the period and disposal group (continued)

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

	Year to 31 December 2008	23 October 2006 - 31 December 2007
Gross rental revenue	9.6	63.8
Property operating expenses	(1.5)	(5.9)
<b>Net rental income</b>	<b>8.1</b>	<b>57.9</b>
Valuation gains on investment properties	-	45.8
Administrative expenses	(0.3)	(1.4)
Impairment of goodwill	-	(20.3)
<b>Results before interest and taxes</b>	<b>7.8</b>	<b>82.0</b>
Other finance expenses	(4.2)	(39.8)
Net changes in fair value of derivatives	-	3.8
<b>Results before tax</b>	<b>3.6</b>	<b>46.0</b>
Current tax income tax expense	(0.9)	(13.8)
<b>Results after tax</b>	<b>2.7</b>	<b>32.2</b>
Profit from disposal group	1.7	-
<b>Profit from discontinued operations</b>	<b>4.4</b>	<b>32.2</b>
Earnings (loss) per share from discontinued operations		
Basic, EUR	0.01	0.07
Diluted, EUR	0.01	0.06
The cash flow from the discontinued operations are presented below:		
Net cash provided by operating activities	2.6	68.8
Net cash provided by/(used in) investing activities	722.0	(68.6)
Net cash provided by/(used in) financing activities	(632.0)	28.0

Completion of the Finnish Hotel Portfolio disposal (39 properties) generated capital profits of EUR 47.5 million over the two financial periods, being valuation gains on investment properties (EUR 45.8 million) and the profit from disposal group (EUR 1.7 million).

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.

At 31 December 2007 this disposal group was treated as a disposal group held for sale as shown in the table below.

	31 December 2007
Goodwill	85.4
Investment properties	804.6
Other investments	2.2
<b>Non-current assets</b>	<b>892.2</b>
Derivative financial instruments	6.5
Trade and other receivables	7.3
Cash and cash equivalents	28.2
<b>Current assets</b>	<b>42.0</b>
<b>Disposal group held for sale</b>	<b>934.2</b>
Interest-bearing loans and borrowings	(565.4)
Deferred tax liabilities	(97.3)
<b>Non-current liabilities</b>	<b>(662.7)</b>
Interest-bearing loans and borrowings	(1.0)
Trade and other payables	(14.6)
<b>Current liabilities</b>	<b>(15.6)</b>
<b>Liabilities directly associated with disposal group held for sale</b>	<b>(678.3)</b>



## NR Nordic & Russia Properties Limited

### Notes to the accounts

*In millions of Euro, unless otherwise stated*

### 13. Investment properties

	31 December 2008	31 December 2007
At 1 January	760.9	-
Additions through business combinations	-	1,831.6
Additions through asset acquisitions	84.6	220.1
Capital expenditures	8.1	43.4
Disposals (note 5)	(54.8)	(570.6)
Exchange differences	(67.9)	(25.9)
Revaluation	(126.3)	66.9
Investment properties attributable to disposal group held for sale (note 12)	-	(804.6)
<b>End of period</b>	<b>604.6</b>	<b>760.9</b>

The prior period revaluation attributable to continuing operations was EUR 21.1 million; the remainder (EUR 45.8 million) related to the disposal group (note 12).

The investment properties have been valued by DTZ Sweden AB and DTZ Russia Ltd, independent expert valuers, as at 31 December 2008. Amongst other things, this assumes that the properties had been properly marketed and that exchange of contracts took place on this date.

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. Goodwill

	31 December 2008	31 December 2007
At 1 January 2008	108.3	-
Arising on acquisitions during the period	-	326.8
Impaired during the period	(53.1)	(17.2)
Impaired directly as a result of investment property disposals	(5.9)	(115.9)
Goodwill attributable to disposal group held for sale (note 12)	-	(85.4)
<b>End of period</b>	<b>49.3</b>	<b>108.3</b>

The goodwill of €326.8m that arose last period, which was allocated where possible to each individual property on acquisition, represented:

- a portfolio premium paid for the investment properties acquired;
- the acquisition of latent deferred tax liabilities; and
- the acquisition of net negative value derivative financial instruments.

The remaining amount of goodwill relating to the portfolio premium has been fully written off in the year.

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

As last period, further investment property assets have been disposed of, and as a result, allocated goodwill has been written off. This charge is off-set by any associated deferred tax liabilities released to the income statement.

Goodwill relating to the negative value of the derivative financial instruments was impaired last period.

## NR Nordic & Russia Properties Limited

### Notes to the accounts

In millions of Euro, unless otherwise stated

#### 15. Investments in subsidiaries – Parent Company

	31 December 2008	31 December 2007
At 1 January	44.0	-
Contribution	137.2	-
Write down	(72.5)	-
Subsidiaries at acquired cost	-	44.0
<b>Closing Balance</b>	<b>108.7</b>	<b>44.0</b>

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.

#### 16. Long term receivables

	Group 31 December 2008	Group 31 December 2007
Rental shortfall guarantee	-	2.5
Other receivables	10.0	2.3
<b>End of period</b>	<b>10.0</b>	<b>4.8</b>
Attributable to continuing operations	10.0	2.6
Attributable to disposal group held for sale (note 12)	-	2.2

  

	Parent 31 December 2008	Parent 31 December 2007
Amounts owed to Group undertakings	210.6	466.1
<b>End of period</b>	<b>210.6</b>	<b>466.1</b>
Attributable to continuing operations	210.6	466.1
Attributable to disposal group held for sale (note 12)	-	-

As a condition of the sale of the Finnish hotel portfolio, the Group provided a vendor loan note for EUR 25 million to the purchaser, Capman. The loan note converted to equity giving the Group an 8.3% stake in the hotel property fund. The vendor note has been written down to EUR 10 million to reflect Management's view of its realisable value.

#### 17. Deferred tax assets and liabilities

	31 December 2008	31 December 2007
Tax losses carried forward	13.9	13.0
Other	-	2.3
<b>Deferred tax assets</b>	<b>13.9</b>	<b>15.3</b>
Investment properties	(57.3)	(195.5)
Derivatives	(4.1)	(7.9)
Other	(1.0)	-
<b>Deferred tax liabilities</b>	<b>(62.4)</b>	<b>(203.4)</b>
Attributable to continuing operations	(62.4)	(106.1)
Attributable to disposal group held for sale (note 12)	-	(97.3)

The movement on the deferred tax account is as follows:

	Properties	Derivatives	Tax losses	Other	Total
Beginning of period	(98.2)	(7.9)	13.0	2.3	(90.8)
Exchange differences	(0.4)	-	-	-	(0.4)
Income statement credit (Note 8)	41.3	3.8	0.9	(3.3)	42.7
<b>End of period</b>	<b>(57.3)</b>	<b>(4.1)</b>	<b>13.9</b>	<b>(1.0)</b>	<b>(48.5)</b>

## NR Nordic & Russia Properties Limited

### Notes to the accounts

In millions of Euro, unless otherwise stated

## 18. Derivative financial instruments

	Year to 31 December 2008	23 October 2006 - 31 December 2007
Fair value at 1 January 2008 / 23 October 2006	23.5	-
Acquired through Business combinations	-	(16.4)
Revaluation gains on financial instruments	(7.0)	46.4
<b>Fair value at end of period</b>	<b>16.5</b>	<b>30.0</b>
Attributable to continuing operations (net)	16.5	23.5
Attributable to disposal group held for sale (note 12)	-	6.5

	31 December 2008		31 December 2007	
	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Interest rate swaps	-	(16.4)	21.4	-
Currency swaps	32.9	-	8.6	-
<b>Total</b>	<b>32.9</b>	<b>(16.4)</b>	<b>30.0</b>	<b>-</b>
Attributable to continuing operations	32.9	(16.4)	23.5	-
Attributable to disposal group held for sale (note 12)	-	-	6.5	-

At 31 December 2008, the notional principle amount of outstanding currency swap contracts was EUR 210.7 million (2007: EUR 365.9 million) and of outstanding interest rate swaps EUR 264.2 million (2007: EUR 1,013.7 million).

At 31 December 2008, the fixed interest rates vary from 4.0% to 12.0% (3.2% to 4.4%) and the main floating rates are EURIBOR (Euro Interbank Offered Rate) 3 months and STIBOR (Stockholm Interbank Offered Rate) 3 months.

## 19. Trade and other receivables

	Group 31 December 2008	Group 31 December 2007
Trade receivables	1.9	10.1
Tax receivable	1.4	3.2
Other short-term receivables	13.1	17.9
Prepaid expenses and accrued income	7.7	11.7
<b>End of period</b>	<b>24.1</b>	<b>42.9</b>
Attributable to continuing operations	24.1	35.6
Attributable to disposal group held for sale (Note 12)	-	7.3

	Parent 31 December 2008	Parent 31 December 2007
Other short-term receivables	0.3	0.8
Prepaid expenses and accrued income	7.8	0.4
<b>End of period</b>	<b>8.1</b>	<b>1.2</b>
Attributable to continuing operations	8.1	1.2
Attributable to disposal group held for sale (Note 12)	-	-

Trade receivables that are less than three months past due are not considered impaired. As of 31 December, trade receivables of EUR 0.1 million (2007: EUR 0.2 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 2008	31 December 2007
< 3 months	-	-
3 to 6 months	0.1	0.2
Over 6 months	-	-
<b>Total</b>	<b>0.1</b>	<b>0.2</b>

## NR Nordic & Russia Properties Limited

### Notes to the accounts

*In millions of Euro, unless otherwise stated*

## 20. Cash and cash equivalents

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

	<b>Group</b> <b>31 December 2008</b>	<b>Group</b> <b>31 December 2007</b>
Cash at bank and on hand	102.3	142.2
Short-term deposits	0.1	-
<b>End of period</b>	<b>102.4</b>	<b>142.2</b>
Attributable to continuing operations	102.4	114.0
Attributable to disposal group held for sale (Note 12)	-	28.2

  

	<b>Parent</b> <b>31 December 2008</b>	<b>Parent</b> <b>31 December 2007</b>
Cash at bank and on hand	48.1	16.9
Short-term deposits	0.1	-
<b>End of period</b>	<b>48.2</b>	<b>16.9</b>
Attributable to continuing operations	48.2	16.9
Attributable to disposal group held for sale (Note 12)	-	-

The average interest rate is approximately 1.5% (2007: 2.5%).

## 21. Equity – Issued capital

The Company was incorporated with unlimited capital and registered in Jersey on 23 October 2006. On incorporation, 11,000 ordinary shares of no par value were issued at a total price of EUR 11,000.

	<b>Share capital</b> <b>(EUR m)</b>	<b>Share</b> <b>premium</b> <b>(EUR m)</b>	<b>No. of ordinary</b> <b>shares</b>
<b>Issued and fully paid at 1 January 2008 and 31 December 2008</b>	<b>85.9</b>	<b>10.7</b>	<b>475 924 532</b>

The total authorised number of shares is 475,924,532 shares with a par value of EUR 1 per share. All issued shares are fully paid.

## 22. Share-based payment transactions

The Company has granted certain options to two board members. The total outstanding options are disclosed below:

	<b>Mr. Jens</b> <b>Engwall</b>	<b>Mr. Michael</b> <b>Hirst</b>	<b>Total</b>
<b>Outstanding and exercisable at 1 January 2008 and 31 December 2008</b>	<b>428,571</b>	<b>57,143</b>	<b>485,714</b>

Mr. Kari Österlund who resigned from the board during the year continues to hold share options of 57,143.

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 Black & Scholes 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 31,200 (16,500). 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).

## NR Nordic & Russia Properties Limited

### Notes to the accounts

In millions of Euro, unless otherwise stated

## 23. Interest bearing loans and borrowings

	31 December 2008	31 December 2007
Amounts falling due within one year:		
Bank loans	42.8	5.0
Other loans	0.9	1.1
<b>Total amounts falling due within one year (recorded as current)</b>	<b>43.7</b>	<b>6.1</b>
Amounts falling due after more than one year:		
Bank loans	319.1	502.2
Other loans	2.1	3.2
Vendor notes	7.6	8.4
<b>Total amounts of loans falling due after more than one year</b>	<b>328.8</b>	<b>513.8</b>
Convertible loan	39.5	38.4
<b>Total amounts falling due after more than one year</b>	<b>368.3</b>	<b>552.2</b>
<b>Total borrowings</b>	<b>412.0</b>	<b>558.3</b>
Cash and cash equivalents attributable to continuing operations	(102.4)	(114.0)
<b>Net borrowings</b>	<b>309.6</b>	<b>444.3</b>

The gross movement of the borrowings is as follows:

At 1 January 2008	1,124.6	-
Borrowings in acquired subsidiaries	-	1,498.0
Borrowings drawn	38.6	120.8
Convertible loan	1.1	38.4
Borrowings repaid	(691.5)	(543.4)
Borrowings disposed of	(50.7)	-
Amortisation of loan arrangement fees	-	7.0
Net exchange differences and other non-cash movements	(10.1)	3.9
<b>End of period</b>	<b>412.0</b>	<b>1,124.7</b>
Attributable to continuing operations	412.0	558.3
Attributable to disposal group held for sale (Note 12)	-	566.4

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

Maturity year	Amount (EUR m)	% amount
2009	43.7	11.7
2011	48.7	13.1
2012	-	-
2013	267.5	71.8
2014	12.6	3.4
<b>Total</b>	<b>372.5</b>	<b>100.0</b>

The average interest rate is approximately 5.4% (2007: 5.5%), 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. 17% (2007: 88%) of the loans are in EUR, 79% (2007: 10%) in SEK and the other 4% (2%) are in USD.

The facility maturing in 2013 includes a 2 year extension, which is at the discretion of the Group, on condition that LTV is no more than 75%; current LTV on this facility is 59%.

The Group has access to a revolving credit facility of EUR 10.0 million that was not used at the end of the reporting period.

The convertible loan movement is as follows:

	Nominal value (total)	Fair value (total)	Liability (total)	Equity (total)
Opening balance	64.7	67.9	38.4	30.2
Issue of convertible loan notes	4.0	4.0	2.4	1.6
Repayment	-	(3.2)	(2.0)	(1.2)
Conversion	-	-	-	-
Interest adjustment	-	-	0.7	-
<b>End of period</b>	<b>68.7</b>	<b>68.7</b>	<b>39.5</b>	<b>30.6</b>

## NR Nordic & Russia Properties Limited

### Notes to the accounts

*In millions of Euro, unless otherwise stated*

### 23. Interest bearing loans and borrowings (continued)

During the period the Company issued 5,500,000 new convertible loan notes, which are held by LR Real Estate Asset Management AB as part settlement of the 2007 performance fee. Last period the Company issued 96,845,470 convertible loan notes of which 32,057,246 were converted into shares of the Company and 64,788,224 remain outstanding and are owned by LR Swedish Holdings No. 1 AB. Total outstanding convertible loan notes are 70,288,224. The convertible loan notes are convertible into ordinary 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.

### 24. Trade and other payables

	<b>Group</b> <b>31 December 2008</b>	<b>Group</b> <b>31 December 2007</b>
Trade payables	1.7	8.8
Social security and other taxes	-	11.8
Dividend	26.2	-
Accrued expenses and prepaid income	19.3	47.4
Other payables	9.5	7.4
<b>End of period</b>	<b>56.7</b>	<b>75.4</b>
Attributable to continuing operations	56.7	60.8
Attributable to disposal group held for sale (Note 12)	-	14.6

  

	<b>Parent</b> <b>31 December 2008</b>	<b>Parent</b> <b>31 December 2007</b>
Trade payables	0.2	2.5
Dividend	26.2	-
Accrued expenses and prepaid income	1.0	13.0
Other payables	-	-
<b>End of period</b>	<b>27.4</b>	<b>15.5</b>
Attributable to continuing operations	27.4	15.5
Attributable to disposal group held for sale (Note 12)	-	-

### 25. IFRS 7 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 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.

## NR Nordic & Russia Properties Limited

### Notes to the accounts

*In millions of Euro, unless otherwise stated*

## 25. IFRS 7 Financial instruments (continued)

### Financial Instruments - Categories

	Group 31 December 2008 Fair value	Group 31 December 2007 Fair value
<b>Both continuing and discontinued</b>		
<b><u>Financial assets</u></b>		
Fair value through income statement – held for trading		
Derivative financial assets	32.9	30.0
Loans and receivables		
Trade and other receivables	26.4	36.0
Cash and cash equivalent	102.4	142.2
<b><u>Financial Liabilities</u></b>		
Fair value through income statement – held for trading		
Derivative financial liabilities	16.4	-
Amortised cost		
Borrowings	372.5	1,086.3
Trade and other payables	56.7	75.4

In the table above, the fair value of each class of financial instrument represent the carrying value at the balance sheet date. In addition, trade and other receivables exclude prepayments.

### 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 Notes 21 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%.

Group	31 December 2008	31 December 2007
Interest bearing loans and borrowings (Notes 23 and 12) <sup>1</sup>	372.5	1,086.3
Fair value of investment properties (Notes 13 and 12)	604.6	1,565.5
Loan to value ratio	61.6%	69.4%

*1) Excluding convertible loan notes*

There were no changes in the Group's approach to capital management during the year. The Group is not subject to any externally imposed capital requirements.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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.

## NR Nordic & Russia Properties Limited

### Notes to the accounts

In millions of Euro, unless otherwise stated

## 25. IFRS 7 Financial instruments (continued)

### 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 has no significant interest bearing assets and therefore, the related cash flows arising are substantially independent of changes in market interest rates. The Group's interest rate risk arises from short-term and long-term borrowings (Note 23).

The Group's policy is to eliminate substantially the exposure to interest rate fluctuations 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 and the economic environment.

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 yields curves prevailing on the reporting dates. The derivatives are held for hedging purposes and provide protection against the effects of the 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 2008	31 December 2007
Total value of variable rate borrowings	326.5	1,048.5
Total notional value of derivative instruments <sup>1</sup>	264.2	1,013.7
Total unhedged position	62.3	34.8

<sup>1</sup> The total notional value of derivative instruments does not agree to the Consolidated Balance Sheet, as the related derivative instruments are marked-to-market 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 2008	31 December 2007
<u>1% increase in</u>		
SEK interest rates	10.2	22.1
Euro interest rates	1.4	27.7
USD interest rates	(0.1)	(0.1)
Roubles interest rates	0.1	-
<u>1% decrease in</u>		
SEK interest rates	(10.2)	(22.1)
Euro interest rates	(1.4)	(27.7)
USD interest rates	0.1	0.1
Roubles interest rates	(0.1)	-

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.



## NR Nordic & Russia Properties Limited

### Notes to the accounts

*In millions of Euro, unless otherwise stated*

## 25. IFRS 7 Financial instruments (continued)

### Foreign exchange rate risk

Foreign exchange rate risk is the risk of the Group entities' net asset value decreasing due to a movement in foreign exchange rates.

The Group operates internationally and transacts in currencies other than the Group entities' functional currency. Transactions in currencies other than the functional currency expose the entities in the Group to foreign exchange rate risk. 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 periods.

### Foreign currency sensitivity analysis

Foreign exchange risk for an entity arises when the financial instruments are denominated in a currency that is not the functional currency of the entity that holds them. The table below shows the Group entities' sensitivity to foreign exchange rates on Swedish Krona, Russian Roubles, Euro, US Dollar and Danish Krona financial instruments including intercompany loans but excluding trade payables and trade receivables which do not present a material exposure. 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. The table does not include the foreign exchange exposure on translation of non-Euro subsidiaries.

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

	Income statement	
	31 December 2008	31 December 2007
Exposed currency strengthens by 10%		
SEK	16.7	16.3
RUB	0.7	0.2
EUR	(21.6)	(16.8)
USD	5.6	7.6
DKK	0.1	0.2
Exposed currency weakens by 10%		
SEK	(13.7)	(13.4)
RUB	(0.5)	(0.2)
EUR	17.6	13.8
USD	(4.6)	(6.2)
DKK	(0.1)	(0.2)

The impact on equity is the same as the impact on the income statement as shown above. Please note that the effect shown above only shows the impact on a subsidiary level and not on a consolidated Group level.

## NR Nordic & Russia Properties Limited

### Notes to the accounts

*In millions of Euro, unless otherwise stated*

## 25. IFRS 7 Financial instruments (continued)

### 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 Group has policies that limit the amount of credit exposure to any financial institution. Limits on the level of credit risk by category and territory are approved quarterly by the Board of Directors. The utilisation of credit limits is regularly monitored.

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. As at the balance sheet date the book value of loans EUR 372.5 million and the fair values of swaps approximates the maximum credit risk the Group is exposed to.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate.

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 instrument at the 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 credit risk in respect of its tenants.

At 31 December 2008, trade receivables consisting of rents receivable of EUR 0.1 million (2007: EUR 0.2 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.

The ageing analysis of these trade receivables is as follows:

Group	31 December 2008	31 December 2007
< 3 months	-	-
3 to 6 months	0.1	0.2
Over 6 months	-	-
	<b>0.1</b>	<b>0.2</b>

### 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.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. 12% of the Group's debt will mature in less than one year at 31 December 2008 (2007: 1%) based on the carrying value of borrowings reflected in the financial statements, excluding discontinued operations.

The Group manages its liquidity risk by maintaining sufficient cash and having a committed revolving credit facility. 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, comprising undrawn borrowing facility (note 23) and cash and cash equivalents (note 20), 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.

**NR Nordic & Russia Properties Limited****Notes to the accounts***In millions of Euro, unless otherwise stated***25. IFRS 7 Financial instruments (continued)**

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**

<b>2008</b>	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
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 (including net settled derivatives)	16.8	16.6	38.1	0.7	72.2

**Group**

<b>2007</b>	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Bank loans and overdrafts	6.1	-	1,063.4	16.8	1,086.3
Trade and other payables	75.4	-	-	-	75.4
Finance lease liabilities	-	-	-	-	-
Interest on bank loans and overdrafts (including net settled derivatives)	56.9	56.9	165.4	34.8	314.0

## NR Nordic & Russia Properties Limited

### Notes to the accounts

*In millions of Euro, unless otherwise stated*

## 26. Reconciliation of operating (loss)/profit to cash generated from operations

	Group Year to 31 December 2008	Group 23 October 2006 - 31 December 2007
<b>Continuing operations</b>		
Loss before taxes	(215.3)	(26.2)
Adjustments for:		
Impairment of goodwill	59.0	112.8
Write downs	17.3	-
Unrealised net revaluation losses (gains) on investments properties	126.3	(21.1)
Loss/(Gain) on disposal of investment properties	4.7	(40.1)
Interest income	(10.5)	(7.4)
Interest expense	32.7	64.5
Currency losses	27.0	15.0
Unrealised net revaluation losses/(gains) on derivatives	7.0	(42.6)
Asset management performance fee	-	10.8
<b>Cash flow from operations before changes in working capital, interest and tax</b>	<b>48.2</b>	<b>65.7</b>
Change in trade and other receivables	6.9	16.5
Change in trade and other payables	(17.2)	(6.0)
<b>Cash flow from operations before interest and tax</b>	<b>37.9</b>	<b>76.2</b>
Interest paid	(34.0)	(57.1)
Interest received	9.3	7.4
Income tax paid	-	(2.0)
<b>Cash generated from continuing operations</b>	<b>13.2</b>	<b>24.5</b>
<b>Discontinued operation</b>		
Profit before taxes (note 12)	3.6	46.0
Adjustments for:		
Impairment of goodwill	-	20.3
Unrealised net revaluation gains on investments properties	-	(45.8)
Interest expense	4.2	39.8
Unrealised net revaluation gains on derivatives	-	(3.8)
Provision for pensions	-	(0.5)
<b>Cash flow from operations before changes in working capital, interest and tax</b>	<b>7.8</b>	<b>56.0</b>
Change in trade and other receivables	(1.0)	13.3
Change in trade and other payables	-	14.2
<b>Cash flow from operations before interest and tax</b>	<b>6.8</b>	<b>83.5</b>
Interest paid	(4.2)	(15.4)
Income tax paid	-	0.7
<b>Cash generated from discontinued operations</b>	<b>2.6</b>	<b>68.8</b>
<b>Cash flow from operating activities</b>	<b>15.8</b>	<b>93.3</b>

## 27. Capital commitments

At 31 December 2008, the Group was contractually committed to EUR 6.6 million (2007: EUR 43.0 million) of future expenditure for the purchase, development and enhancement of the current investment property portfolio.

## 28. 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.

## NR Nordic & Russia Properties Limited

### Notes to the accounts

*In millions of Euro, unless otherwise stated*

## 29. Events after the balance sheet date

On 20 January the vendor note to Capman (buyer of the Finnish Hotel portfolio) has been converted into shares in the Capman Hotel fund according to the original vendor note agreement.

The approved special dividend of EUR 26.2 million was paid out on the 6 February 2009.

On the 27 January 2009, the HSH Nordbank loan (EUR 15 million) was repaid and on the 16 March 2009, the loan from SEB for the hotel in St Petersburg was refinanced.

## 30. Related Party transactions

At 31 December 2008, 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 4.3 million for the period ending 31 December 2008 (2007: 5.0 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 2008 (EUR 10.8 million for the period ending 31 December 2007);
- 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;
- the disposal of the property "Hästägaren" to LR Nordic Group which is a member of the London & Regional Group; and
- the purchase agreement whereby the Group acquired two properties in St Petersburg, Russia, from the London & Regional Group. The acquisitions were consistent with the Group's right of first refusal over London & Regional's assets in the region and were made following independent valuations by 3<sup>rd</sup> party appraisers.

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.

## 31. Minority interest

Last year this represented investments held by other owners than the Company and its subsidiaries in Kiinteistö Oy Raatihouenkatu 16, Kiinteistö Oy Rovaniemen Valtakatu 23 and Kiinteistö Oy Vaasan Ay-keskus, which have been disposed in 2008.

## 32. 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 or, in the case of the chairman, three years commencing on 27 October 2006 but may be terminated at any time on three months' notice. 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	2008 Fee (EUR)	2007 Fee (EUR)
Mr. Jens Engwall	350,000	150,000
Mr. Kari Österlund	35,000	60,000
Mr. Michael Hirst OBE	60,000	60,000
Mr. Christopher Lovell	30,000	30,000
Mr. Martin Sabey	30,000	30,000
<b>Total</b>	<b>505,000</b>	<b>330,000</b>

Mr. Ian Livingstone will not receive a fee for his services as a non-executive director. Mr. Colin Kingsnorth and Mr. Robert Ware will not receive a fee for their services as Directors. Mr. Kari Österlund, who resigned during the year, received a pro-rate payment of EUR 35,000. Upon termination of the appointment as a director, the director is only entitled to such fee that has accrued to the date of termination. In addition to the above, the Company has granted certain options to three board members – see note 22.