Annual Report

Year to 31 December 2011

NR Nordic & Russia Properties Limited

NR Nordic & Russia Properties Limited
Highlights

- On 14 February 2011, the Company announced that it had signed share purchase agreements with Kungsleden AB (a public company) (the "Core Asset Transaction") and Mr. Thomas Lindeborg (the "Russian Asset Transaction") to sell all of the Group's remaining investment properties except for the Berns Hotel

- On 1 April 2011, the Company announced the completion of the Core Asset Transaction in accordance with the previously announced terms generating net cash of EUR 125.0 million, based on the proforma balance sheet, after repayment of secured bank debt of EUR 198.9 million at a discount to its par value

- On 6 April 2011, the Company repaid all of its convertible loan notes at a discount of EUR 4.8 million to their year-end value of EUR 36.9 million

- On 11 April 2011, the Company announced the completion of the Russian Asset Transaction generating net cash of EUR 61.3 million

- On 30 June 2011, the Company announced the completion of the sale of the real estate asset Katthavet 8 in Stockholm, also known as "Berns", generating net cash of EUR 4.5 million.

- Property portfolio comprised nil (2010: 31) properties with a total portfolio value of EUR nil (2010: EUR 494.9 million)

- Disposal of 31 (2010: 7) properties with total sales proceeds of EUR 496.1 million (2010: 49.5 million). No properties were acquired. In December 2010, the Group acquired the Asset Manager, Nordic & Russia Asset Management AB ("NRAM")

- Group Loan To Value (LTV) of 0% (2010: 67%) and Interest Cover Ratio (ICR) of 2.20x (2010: 2.91x)

- Leverage decreased to 0% (2010: 65%)

- Diluted NAV per share[1] of EUR 0.14 (2010: EUR 0.42)

- Basic profit per share for the year of EUR 0.04 (2010: loss of EUR 0.07)

1) Calculated based on 476.5 million fully diluted shares outstanding as at 31 December 2011 (2010: 546.7 million fully diluted shares outstanding as at 31 December 2010).

Chairman's Statement

For the year ended 31 December 2011 the Group made a profit of EUR 21.0 million (2010: EUR 34.5 million loss), with the disposal of the Group's investment property assets completing during the year. Underlying property operating performance was stable and in line with expectations and previous years, on a like for like basis.

As previously announced the Group entered into Sale and Purchase Agreements ("SPA's") on 11 February 2011 to sell all of its investment property assets, except for the Berns Hotel, to Kungsleden (the Core Asset Transaction") and Mr Thomas Lindeborg (the "Russian Asset Transaction") (together the "Transactions"). Thomas Lindeborg, who was a director of the Company at the time, was excluded from all Board deliberations in respect of the Russian Asset Transaction.

The Core Asset Transaction was completed on 31 March 2011 and the Russian Asset Transaction on 11 April 2011.The Swedish, Polish and German properties, in the Core Asset Transaction, were sold to Kungsleden for SEK 3,368 million (EUR 274.2 million) and the Russian Properties were sold to a company controlled by Thomas Lindeborg for EUR 93 million. The consideration was received in cash, other than a EUR 20 million short term vendor loan note provided by the Company to Kungsleden (see note 15), which was repaid in full in October 2011. In conjunction with these Transactions, favourable repayment terms were agreed with the Group's major debt providers, including the convertible loan note holders, which created further value for shareholders. All external debt had been repaid to the lenders. The Transactions are described in more detail in note 31.

On 20 June 2011, the Group disposed of its last investment property "Berns Hotel" for SEK 390 million (EUR 42.6 million) and the consideration was received in cash.

As a consequence of these Transactions, the Board adopted a break-up basis for the preparation of the Group's and the Company's FY2010 financial statements resulting in certain assets and liabilities being valued on a net realisable basis and this annual report follows the same principles.

The Board viewed the Transactions, taken together, as an opportunity for the Company to realise nearly all of its assets at the same time and therefore execute its asset realisation strategy earlier than anticipated. The prices together represented an attractive opportunity based on prevailing market conditions, the characteristics of the portfolio and the share price at the time.

Kungsleden was contracted to manage the Group's accounting and administration services to meet ongoing requirements arising from the Group's remaining subsidiaries in Sweden and Finland that are currently in liquidation. This agreement terminated on 31 December 2011. From 1 January 2012, Sanne Group has been contracted to perform this function until the ultimate liquidation or disposal of the Group.

The Group's Swedish and Finnish subsidiaries, which were previously holding companies of entities which held the investment properties, are currently in liquidation. Liquidations of the subsidiaries are expected to complete in early Q2 2012. Following the liquidation of the Group's subsidiaries, the board of directors aims to distribute final dividends to shareholders as soon as reasonably possible.

During the year the Company has paid out EUR 0.185 per share on 30 June 2011, EUR 0.09 per share on 5 August 2011 and 0.04 per share on 12 December 2011. Taken together the Company has paid out a total of EUR 0.315 per share amounting to EUR 149.9 million after the completion of the Transactions. In determining the timing and quantum of any cash dividends paid by the Company, the Board will have regard, among other things, to the impact of all outstanding and potential tax and other liabilities, as well as other obligations of the Company at the relevant time, any of which may have a material impact on the value and timing of any such distributions.

To prevent a conflict of interest in relation to the Russian Asset Transaction, Thomas Lindeborg resigned from the Board in February 2011. Chris Coles resigned from the board in May 2011. I would like to thank all the Directors and the Asset Management team for all their efforts and hard work in the year.

David Hunter

Review of reported results

The review below summarises the key year-on-year variances behind the movement in the Group's profit for the year, which improved by EUR 55.5 million on the year, and basic Net Asset Value, which fell by EUR 129.4 million (27 cents per issued share) due mainly to the payment of dividends during the year.

Income statement

	EUR million
FY2010 Loss for the year	(34.5)
FY2011 Profit for the year	21.0
Total variance	**55.5**

Key year-on-year variances	
Gross rental revenue	(59.6)
Property operating costs	19.0
Revaluation loss on investment properties	82.1
Profit on disposal of investment properties	(2.0)
Administrative expenses	4.7
Impairment of Goodwill	42.7
Write-downs	0.1
Net finance expenses	12.6
Deferred tax credit	(42.5)
Current income tax expense	(1.6)
Total variance	**55.5**

Property related movements

Significant movements within the Income Statement relating to property income and expense, and revaluation movements are as a result of the disposal of investment properties through the sale of shares in holding companies in the first half of the year, ceasing income, expenses and leading to no further fair value adjustments.

Previously written off amounts

As a result of the group adopting the break up basis for the consolidated financial statements, deferred tax balances and goodwill were written off in the year to 31 December 2010. As a result, no deferred tax assets or liabilities, or goodwill exist for the year ended 31 December 2011 and no movement in such balances were recorded in the Group's Income Statement for the year.

Administrative expenses

Total administrative expenses amounted to EUR 4 million. At 31 December 2010, EUR 6.0 million was accrued for the Transactions. During the year to 31 December 2011, a net EUR 3 million was released from this accrual, leaving accruals for EUR 3 million for on-going costs related to winding up the Group.

Net finance expenses – gains and losses on unwinding derivatives and repaying debt, and interest income and expenses

Finance income of EUR 12.7 million contains a gain of EUR 10.1 million as a result of a discount when repaying loan facilities, a gain of EUR 1.0 million on the buy-back of discounted "A" and "B" loan notes, EUR 0.8 million interest on vendor loan notes and interest of EUR 0.8 million on bank balances.

Finance expense of EUR 5.2 million contains EUR 4.5 million interest on bank loans, EUR 0.6 million interest on convertible loan notes and EUR 0.1 million interest on other loans.

Net finance expenses – currency exchange gains and losses

The Group is exposed to movements in exchange rates; principally the EUR/SEK rate because the reporting currency is Euro while the primary operating currency of the Group was Swedish Krona before the disposal of the property holding companies and a significant amount of the Group's cash remained in Swedish Krona at year end.

For FY2011, the net currency gain is EUR 0.8 million (FY2010: EUR 33.6 million), of which EUR nil relates to the unrealised gain on the translation of foreign denominated loan balances (FY2010: EUR 28.1 million).

Net finance expenses – fair value of derivatives

The Group previously used derivative financial instruments to hedge interest and currency risk exposures. During the first half of 2011, the Group's bank loans were repaid, and consequently, the interest and currency rate swaps used to hedge the associated risks were unwound. During the year to 31 December 2011, a gain was realised on derivatives of EUR 4.1 million, of which EUR 1.1 million (2010: EUR 27.2 million loss) related to currency swaps and EUR 3.0 million (2010: EUR 5.8 million gain) related to interest rate swaps.

Balance Sheet

	EUR / share (basic)	EUR million
FY2010 NAV (basic)	0.41	196.8
FY2011 NAV (basic)	0.14	67.4
Total variance	**(0.27)**	**(129.4)**
Key year-on-year variances		
Investment properties	(1.04)	(494.9)
Cash and cash equivalents (excluding dividends paid)	0.25	117.7
Dividends paid	(0.32)	(149.9)
Trade payables and trade receivables	0.05	21.5
Interest-bearing loans	0.68	323.5
Derivative financial instruments	0.04	20.6
Convertible loan notes	0.07	32.1
Total variance	**(0.27)**	**(129.4)**

Investment properties

During the first half of the year to 31 December 2011, the group disposed of its entire remaining property portfolio leaving nil on the Balance Sheet at year end (2010: EUR 494.9 million). As at 31 December 2010, all investment properties were valued in line with their sales price in the Transactions except for the Berns Hotel, which had been valued by DTZ Sweden at 31 December 2010. The profit on sale of the portfolio amounted to EUR 0.2 million.

Cash

At the year-end, the cash balance was EUR 72.4 million representing a decrease of EUR 32.2 million when compared to the balance at 31 December 2010. During the year dividends of EUR 149.9 million were paid, along with capital expenditure of EUR 1.9 million, a net reduction in loan balances of EUR 323.5 million and repayment of the convertible loan notes of EUR 32.1 million. The disposals of investment properties generated cash of EUR 496.1 million.

Interest-bearing loans and convertible loan notes

As at 31 December 2011, outstanding bank loans amounted to EUR nil, a decrease of EUR 323.5million on the year due to the repayment of external loans following receipt of proceeds on disposals of the investment portfolio.

On 5 April 2011, the Company settled all of the convertible loan notes at a discounted value of EUR 32.1 million resulting in a gain of EUR 4.8 million recognised in 2010.

Net Asset Value

Diluted Net Asset Value per share was EUR 0.14 (2010: EUR 0.42). This represents a decrease of approximately 66.7% on the previous year-end. The key drivers of the change are shown in the table above.

Diluted Net Asset Value calculation EUR million	31 December 2011	31 December 2010
Net Asset Value - Equity attributable to equity holders of the parent	67.4	196.8
Convertible loans	-	32.1
Options	0.6	0.6
Diluted Net Asset Value	**68.0**	**229.5**
Number of shares, fully diluted		
Issued and fully paid	475.9	475.9
Convertible loans	-	70.3
Options	0.5	0.5
Total	**476.4**	**546.7**
Basic NAV per share	0.14	0.41
Diluted NAV per share	0.14	0.42

Due to the settlement of all of the convertible loan notes on 5 April 2011, there will be no future dilution of the convertible loan notes.

Dividends paid in that year are shown in the table below:

Dividends (EUR)	31 December 2011	31 December 2010
Ordinary dividends	0.315	0.010
Special dividends	-	0.010
Total dividends	0.315	0.020

Asset Manager

In November 2010, LR Real Estate Asset Management AB ("LR Ream") served 12 months' notice to terminate the asset management agreement. The Company decided to internalise the Asset Manager and therefore acquired LR Ream (renamed Nordic & Russia Asset Management AB ("NRAM")). NRAM is one of the subsidiaries sold to Kungsleden. At closing, the old asset management agreement terminated and the Company entered into a new Transitional Services Agreement with NRAM which terminated on 31 December 2011.

Board Changes

Thomas Lindeborg announced his resignation on 17 February 2011 which subsequently received Jersey regulatory approval on 18 March 2011. Chris Coles announced his resignation on 9 May 2011 which subsequently received Jersey regulatory approval on 30 June 2011.

Looking Ahead

The Board will make further announcements in due course providing an update on the timing and quantum of any dividends, the future of the Company's Euronext listing and, among other things, the winding up of the Company and its remaining dormant subsidiaries.

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

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NR Nordic & Russia Properties Limited

Directors' Report

The directors present their report and the consolidated financial statements and the Company's financial statements for the year to 31 December 2011.

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 of the Company and Group for the year are set out in the financial statements on pages 9 to 16. The directors will make a separate announcement about the timing and quantum of dividends.

Directors

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

David Hunter	Chairman	
Christopher Lovell	Director	
Martin Sabey	Director	
Iain Watters	Director	
Christopher Coles	Director	Resigned 30 June 2011
Peregrine Moncreiffe	Director	
Thomas Lindeborg	Director	Resigned 18 March 2011

Directors' interest

Mr. Thomas Lindeborg is the beneficial owner of the Nollitnac Group which bought the Groups' Russian Assets (Russian Asset Transaction). See note 29.

Directors' responsibilities for the financial statements

The directors are responsible for preparing the financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and 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) as adopted by the European Union and under the historical cost convention, except for financial assets and financial liabilities (including derivative instruments) carried at fair value through profit or loss, investment properties carried at fair value and financial assets and liabilities carried at amortised cost. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud, errors and non-compliance with the law or regulations.

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

Independent Auditors

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

Approved by the Board

M Sabey

Director 23 April 2012

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NR Nordic & Russia Properties Limited

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

We have audited the financial statements of NR Nordic & Russia Properties Limited for the year ended 31 December 2011 which comprise the Group and Parent Company Income Statements, the Group and Parent Company Statements of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements have been prepared under the break-up basis.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Highlights, Chairman's Statement, Finance and Property Review, and Directors Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2011 and of the group's profit and the parent company's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

G. Davies

Geraint Davies
for and on behalf of Ernst & Young LLP
Jersey, Channel Islands
Date: 24 April 2012

Notes:
1. The maintenance and integrity of the NR Nordic & Russia Properties Limited web site 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 web site.
2. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

NR Nordic & Russia Properties Limited

Consolidated Income Statement

In millions of Euro

	Note	Group Year to 31 Dec 2011	Group Year to 31 Dec 2010
Gross rental revenue	2	22.7	82.3
Property operating expenses	2,3	(7.7)	(26.7)
Net rental income	2	**15.0**	**55.6**
Revaluation losses on investment properties	2,13	-	(82.1)
Profit on disposals of investment properties	2,6	0.2	2.2
Net results on investment properties	2	**0.2**	**(79.9)**
Administrative expenses	2	(4.0)	(8.7)
Write-downs	2	-	(0.1)
Impairment of goodwill	2,12	-	(42.7)
Operating profit / (loss)	2	**11.2**	**(75.8)**
Finance income	2,7	12.7	9.2
Finance expenses – interest and other	2,8	(5.2)	(21.6)
Finance expenses – net currency exchange gains	2,7	0.8	33.6
Net changes in fair value of derivatives	2,17	4.1	(21.4)
Net finance expenses		**12.4**	**(0.2)**
Profit / (loss) before income tax		**23.6**	**(76.0)**
Current income tax expense	2,9	(2.6)	(1.0)
Deferred income tax credit	2,9,16	-	42.5
Profit / (loss) for the year *		**21.0**	**(34.5)**
Earnings per share:			
Basic and diluted earnings per share (EUR)	10	0.04	(0.07)

Consolidated Statement of Comprehensive Income

	Year to 31 Dec 2011	Year to 31 Dec 2010
Profit / (loss) for the year	**21.0**	**(34.5)**
Other comprehensive income		
Currency translation differences	(0.5)	25.0
Other comprehensive income / (expense) for the year	**(0.5)**	**25.0**
Total comprehensive income / (loss) for the year *	**20.5**	**(9.5)**

* The total results and comprehensive profit / (loss) of the Group was generated by discontinued operations.

The notes on pages 17 to 39 are an integral part of these consolidated financial statements.

NR Nordic & Russia Properties Limited

Parent Company Income Statement

In millions of Euro

	Note	Parent Year to 31 Dec 2011	Parent Year to 31 Dec 2010
Revenue		-	-
Administrative expenses		(2.9)	(7.8)
Write downs	14	-	(55.5)
Operating profit / (loss)		**(2.9)**	**(63.3)**
Finance income	7	4.5	16.0
Finance expenses – interest and other	8	(0.6)	(2.7)
Finance expenses – net currency exchange gains	7	(0.6)	23.0
Net finance income		**3.3**	**36.3**
Profit / (loss) before income tax		**0.4**	**(27.0)**
Current income tax expense	9	-	-
Profit / (loss) for the year *		**0.4**	**(27.0)**

Statement of Comprehensive Income

	Year to 31 Dec 2011	Year to 31 Dec 2010
Profit / (loss) for the year	**0.4**	**(27.0)**
Other comprehensive income for the year	**-**	**-**
Total comprehensive income / (loss) for the year *	**0.4**	**(27.0)**

* The total results and comprehensive profit / (loss) of the Parent Company was generated by discontinued operations.

The notes on pages 17 to 39 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 2011	Group 31 December 2010
Assets			
Current assets			
Investment properties	2,13	-	494.9
Trade and other receivables	18	-	7.5
Cash and cash equivalents	19	72.4	104.6
Total current assets		**72.4**	**607.0**
Total assets		**72.4**	**607.0**
Equity			
Ordinary share capital	20	85.9	85.9
Ordinary share premium		10.7	10.7
Other reserves		130.8	280.7
Foreign currency translation reserve		5.5	6.0
Retained earnings		(165.5)	(186.5)
Total equity		**67.4**	**196.8**
Liabilities			
Current liabilities			
Derivative financial instruments	17	-	20.6
Interest-bearing loans and borrowings	22	-	323.5
Convertible loan notes	22	-	32.1
Trade and other payables	23	5.0	34.0
Total current liabilities		**5.0**	**410.2**
Total liabilities		**5.0**	**410.2**
Total equity and liabilities		**72.4**	**607.0**

The Financial Statements were approved by the Board on 23 April 2012, and signed on their behalf by:

Director

Director

The notes on pages 17 to 39 are an integral part of these consolidated financial statements.

NR Nordic & Russia Properties Limited

Parent Company Balance Sheet

	Note	Parent 31 December 2011	Parent 31 December 2010
Assets			
Current assets			
Investments in subsidiaries	14	50.3	50.3
Receivables from Group companies	15	1.9	156.6
Trade and other receivables	18	-	18.1
Cash and cash equivalents	19	8.0	20.7
Total current assets		**60.2**	**245.7**
Total assets		**60.2**	**245.7**
Equity			
Ordinary share capital	20	85.9	85.9
Ordinary share premium		10.7	10.7
Other reserves		130.8	280.7
Retained earnings		(170.2)	(170.6)
Total equity		**57.2**	**206.7**
Liabilities			
Current liabilities			
Convertible loan notes	22	-	32.1
Trade and other payables	23	3.0	6.9
Total current liabilities		**3.0**	**39.0**
Total liabilities		**3.0**	**39.0**
Total equity and liabilities		**60.2**	**245.7**

The notes on pages 17 to 39 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 2011

In millions of Euro

	Ordinary share capital	Ordinary share premium	Equity portion of convertible loan notes	Other reserves	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2011	**85.9**	**10.7**	**-**	**280.7**	**6.0**	**(186.5)**	**196.8**
Profit for the year	-	-	-	-	-	21.0	20.0
Other comprehensive income	-	-	-	-	(0.5)	-	(0.5)
Total comprehensive income/(loss)	-	-	-	-	(0.5)	21.0	20.5
Dividends (note 11)	-	-	-	(149.9)	-	-	**(149.9)**
Balance at 31December 2011	**85.9**	**10.7**	**-**	**130.8**	**5.5**	**(165.5)**	**67.4**

	Ordinary share capital	Ordinary share premium	Equity portion of convertible loan notes	Other reserves	Foreign currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2010	**85.9**	**10.7**	**30.6**	**267.7**	**(19.0)**	**(152.0)**	**223.9**
Loss for the year	-	-	-	-	-	(34.5)	(34.5)
Other comprehensive income	-	-	-	-	25.0	-	25.0
Total comprehensive income/(loss)	-	-	-	-	25.0	(34.5)	**(9.5)**
Transfer	-	-	(30.6)	30.6	-	-	**-**
Dividends (note 11)	-	-	-	(17.6)	-	-	**(17.6)**
Balance at 31December 2010	**85.9**	**10.7**	**-**	**280.7**	**6.0**	**(186.5)**	**196.8**

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

The notes on pages 17 to 39 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 2011

In millions of Euro

	Ordinary share capital	Ordinary share premium	Equity portion of convertible loan notes	Other reserves	Retained earnings	Share-holders' equity
Opening balance at 1 January 2011	**85.9**	**10.7**	**-**	**280.7**	**(170.6)**	**206.7**
Profit after taxation	-	-	-	-	0.4	0.4
Other comprehensive income/(loss)	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	0.4	0.4
Dividends (note 11)	-	-	-	(149.9)	-	(149.9)
Balance at 31 December 2011	**85.9**	**10.7**	**-**	**130.8**	**(170.2)**	**57.2**

	Ordinary share capital	Ordinary share premium	Equity portion of convertible loan notes	Other reserves	Retained earnings	Share-holders' equity
Opening balance at 1 January 2010	**85.9**	**10.7**	**30.6**	**267.7**	**(143.6)**	**251.3**
Loss after taxation	-	-	-	-	(27.0)	(27.0)
Other comprehensive income/(loss)	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	(27.0)	(27.0)
Transfer	-	-	(30.6)	30.6	-	-
Dividends (note 11)	-	-	-	(17.6)	-	(17.6)
Balance at 31 December 2010	**85.9**	**10.7**	**-**	**280.7**	**(170.6)**	**206.7**

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

The notes on pages 17 to 39 are an integral part of these consolidated financial statements.

NR Nordic & Russia Properties Limited

Consolidated Cash Flow Statement

In millions of Euro

	Note	Group Year to 31 December 2011	Group Year to 31 December 2010
Cash flow from operating activities			
Profit / (loss) before tax		21.0	(76.0)
Adjustments for:			
Impairment of goodwill	12	-	42.7
Write-downs		-	0.1
Unrealised net revaluation losses on investment properties	13	-	82.1
Profit on disposals of investment properties	6	(0.2)	(2.2)
Interest income	7	(12.7)	(9.2)
Interest expense	8	5.2	21.6
Currency gains	7	(0.8)	(33.6)
Unrealised net revaluation gains / losses on derivatives	17	(4.1)	21.4
Cash flow from operations before changes in working capital, interest and tax		**8.4**	**46.9**
Change in trade and other receivables		7.4	(2.3)
Change in trade and other payables		(29.0)	5.0
Cash flow from operations before interest and tax		**(13.2)**	**49.6**
Interest paid		(5.2)	(21.1)
Interest received		1.6	0.3
Income tax paid		(4.9)	(1.0)
Cash flow from operating activities		**(21.7)**	**27.8**
Cash flow from investing activities			
Acquisition of subsidiaries (net of cash acquired)	25	-	(0.2)
Proceeds from sale of investment properties	6	496.1	49.5
Capital expenditures on investment properties		(1.9)	(9.7)
Disposal of financial assets		(5.3)	-
Cash flow from investing activities		**488.9**	**39.6**
Cash flow from financing activities			
Dividend	11	(149.9)	(17.6)
Borrowings repaid		(356.8)	(34.8)
Cash flow from financing activities		**(506.7)**	**(52.4)**
Net (decrease) / increase in cash and cash equivalents *		(39.5)	15.0
Cash and cash equivalents at 1 January		104.6	79.3
Effect of exchange rate fluctuations on cash held		7.3	10.3
Cash and cash equivalents at year end	19	**72.4**	**104.6**

* All cash flows are from discontinued operations.

The notes on pages 17 to 39 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 2011	Parent Year to 31 December 2010
Cash flow from operating activities			
Profit / (loss) before tax		0.4	(27.0)
Adjustments for:			
Loss on revaluation of investments / reversal of previous impairments	14	-	55.5
Interest income		(4.5)	(16.0)
Interest expense		0.6	2.7
Net currency translation gains		0.6	(23.0)
Cash flow (used in)/from operations before changes in working capital, interest and tax		**(2.9)**	**(7.8)**
Change in trade and other payables		(3.9)	6.1
Cash flow (used in)/from operations before interest and tax		**(6.8)**	**(1.7)**
Interest paid		(0.6)	(3.6)
Interest received		22.6	1.1
Cash flow (used in)/from operating activities		**15.2**	**(4.2)**
Cash flow from investing activities			
Repayments of loans from subsidiaries		154.7	52.5
Cash flow from investing activities		**154.7**	**52.5**
Cash flow from financing activities			
Dividend	11	(149.9)	(17.6)
Borrowings repaid		(32.1)	(12.3)
Cash flow from financing activities		**(182.0)**	**(29.9)**
Net (decrease) / increase in cash and cash equivalents *		(12.1)	18.4
Cash and cash equivalents at 1 January		20.7	1.8
Effect of exchange rate fluctuations on cash held		(0.6)	0.5
Cash and cash equivalents at year end	19	**8.0**	**20.7**

* All cash flows are from discontinued operations.

The notes on pages 17 to 39 are an integral part of these consolidated financial statements.

1. Notes to the accounts

General information

The consolidated financial statements of NR Nordic & Russia Properties Limited (the Company or the Parent Company) and its subsidiaries (together the Group) for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 4 April 2012. NR Nordic & Russia Properties Limited is a Jersey incorporated company which is pursuing an asset realisation strategy with the aim of returning all available capital to its shareholders, having its registered office at 13 Castle Street, St Helier, Jersey. The financial period of the Group and the Company is from 1 January 2011 to 31 December 2011 and the Company was incorporated on 23 October 2006. The Company is listed on the Euronext.

Significant accounting policies

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

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations (IFRS) as adopted by the European Union. The Company has also chosen to disclose the separate financial statements of the Parent Company for information purposes.

The consolidated financial statements have been prepared under the historical cost convention except for financial assets and financial liabilities (including derivative instruments) carried at fair value through profit or loss, investment properties carried at fair value and financial assets and liabilities carried at amortised cost.

Following the sale of all of the Group's investment properties the financial statements of the Company and the Group are not presented on a going concern basis, but on a break-up basis (also known as a 'liquidation basis'). The accounting policies remain in accordance with IFRS, but the measurement techniques for determining the fair value of the investment properties, and the carrying amounts of goodwill and deferred taxes have been amended to reflect their recoverable amount, as described below.

As a result of adopting the break-up basis, all assets and liabilities are classified as being 'current'.

The preparation of financial statements in conformity with IFRS requires the use of certain significant 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 *"Significant accounting estimates and assumptions"*.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

New standards and interpretations not applied

The IASB and IFRIC have issued a number of standards and interpretations with an effective date after the date of these financial statements. The directors have concluded that none of the new standards and interpretations will have any material impact on the financial statements in future periods.

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 per cent 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. The acquired company's identifiable assets, liabilities and contingent liabilities are reported at their fair values on the acquisition date, the excess resulting from the difference between the acquisition cost of the shares and participation interest acquired and the total of the fair value of the identifiable net assets is reported as goodwill. If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary, the difference will be reported directly in the income statement.

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

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

Foreign currency transaction

(a) Functional and presentational currency

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

(b) Transactions and balances

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

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

(c) Subsidiaries

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

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

(ii) income and expenses are translated at exchange rate prevailing at the date of the transaction. As a practical expedient the average exchange rate for the relevant period is used, unless rates fluctuated significantly.

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

Revenue recognition

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

(a) Rental income from operating leases

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

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

(b) Service charges and similar income

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

(c) Interest income

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

(d) Income from disposal of investment properties

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

Borrowing Costs

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

Current and deferred income tax

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets and liabilities are measured to reflect the tax consequences that would follow the manner in which the Group expects, at balance sheet date, to recover or settle the carrying amount of the assets or liabilities giving rise to the related temporary difference.

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 – Group as Lessor

The Group had entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so it accounts for the leases as operating leases.

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

Investment properties

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

Investment property comprises land and buildings owned by the Group as well as 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.

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

Investment properties are initially recognised at cost, including related transaction costs. After initial recognition, investment property is carried at fair value, which reflects market conditions at the balance sheet date, with changes in the fair value being recognised in the income statement.

Capital expenditure is added 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.

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

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

At 31 December 2011 there were no investment properties remaining on the balance sheet.

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

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

Goodwill

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

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

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

Impairment of tangible and intangible assets excluding goodwill

On each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets other than intangible assets with indefinite useful lives 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 are not subject to amortisation and are tested annually for impairment.

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

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

Trade receivables

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

Cash and cash equivalents

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

Derivative financial instruments and hedging activities

The Group used 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 speculative 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. Gains and losses on derecognition are recognised in the income statement during the period when derecognition takes place.

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). Gains and losses on derecognition are recognised in the income statement during the period when derecognition takes place.

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

Convertible loans

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

Trade payables

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

Share capital

Ordinary shares are classified as equity.

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

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

Provisions

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

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

Segment reporting

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

Dividend distribution

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

Subsidiaries and investments

Investments in subsidiaries are valued at historical cost less impairments.

Significant accounting estimates and judgements

The preparation of the Consolidated Financial Statements has required management to make certain significant 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 have been 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) the sales price in agreed transactions;

ii) 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;

iii) 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;

iv) 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

v) the views of third party expert property valuers.

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.

In millions of Euro, unless otherwise stated

(c) Fair value of derivatives and other financial instruments

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

For further information see note 24, Financial instruments.

(d) Taxes

The Group is subject to tax in numerous jurisdictions. Significant judgement is required in determining the world wide provision for taxes based on tax and case law in the jurisdictions in which the group operates.

There are some transactions for which the ultimate tax determination is uncertain. Evolving tax regimes and case law mean that there may be a higher degree of uncertainty in determining the outcome of historic transactions than was originally envisaged.

Where an assessment is made that the final tax provision is more likely than not to be different from the amount that was previously recorded, the resulting difference will impact the tax provisions in the period in which that assessment is made.

2. 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. Each segment is a group of cash generating units and these segments are considered to be the primary format. There were no inter-segment sales between geographical areas. The parent company is a holding company and does not operate in any segment.

The services provided by the Group are described in the general information section. The Sweden segment included one tenant that accounted for 38% (2010: 38%) of the gross rental revenue of the Group before disposal of the investment properties by sales of shares in companies.

Operating segments

	Year to 31 December 2011				
	Sweden	**Russia**	**Other**	**Unallocated**	**Total**
Gross rental revenue	16.2	5.8	0.7	-	22.7
Property operating expenses	(5.6)	(2.0)	(0.1)	-	(7.7)
Net rental income	**10.6**	**3.8**	**0.6**	**-**	**15.0**
Gains/(loss) on disposal of investment properties	0.2	-	-	-	0.2
Net results on investment properties	**0.2**	**-**	**-**	**-**	**0.2**
Administrative expenses	-	-	-	(4.0)	(4.0)
Operating profit	**10.8**	**3.8**	**0.6**	**(3.8)**	**11.2**
Net finance expenses					12.4
Profit before income tax					**23.6**
Net tax expense					(2.6)
Profit for the year					**21.0**
Segment assets					
Other assets	-	-	-	72.4	72.4
Total assets	**-**	**-**	**-**	**72.4**	**72.4**
Capital expenditure	**1.8**	**0.1**	**-**	**-**	**1.9**

2. Segment reporting (continued)

	Year to 31 December 2010				
	Sweden	Russia	Other	Unallocated	Total
Gross rental revenue	56.2	19.4	6.7	-	82.3
Property operating expenses	(19.6)	(5.9)	(1.2)	-	(26.7)
Net rental income	**36.6**	**13.5**	**5.5**	**-**	**55.6**
Revaluation losses on investment properties	(56.4)	(22.6)	(3.1)	-	(82.1)
Gains/(loss) on disposal of investment properties	2.6	-	(0.4)	-	2.2
Net results on investment properties	**(53.8)**	**(22.6)**	**(3.5)**	**-**	**(79.9)**
Administrative expenses	-	-	-	(8.7)	(8.7)
Write-downs	-	-	-	(0.1)	(0.1)
Impairment of goodwill	(36.5)	-	(6.2)	-	(42.7)
Operating loss	**(53.7)**	**(9.1)**	**(4.2)**	**(8.8)**	**(75.8)**
Net finance expenses					(0.2)
Loss before income tax					**(76.0)**
Net tax credit					41.5
Loss for the year					**(34.5)**
Segment assets					
Investment properties	381.9	92.5	20.5	-	494.9
Goodwill	-	-	-	-	-
Other assets	-	-	-	112.1	112.1
Total assets	**381.9**	**92.5**	**20.5**	**112.1**	**607.0**
Capital expenditure	**5.2**	**5.7**	**-**	**-**	**10.9**

3. Property operating expenses

	Group Year to 31 December 2011	Group Year to 31 December 2010
Utilities	(2.8)	(9.0)
Caretaking, insurance and other expenses	(3.0)	(9.3)
Planned maintenance	(0.1)	(1.2)
Tenant improvements	-	(1.1)
Property tax	(1.1)	(3.3)
Site leasehold rent	(0.1)	(0.3)
Asset management fee	(0.6)	(2.5)
Property operating expenses	**(7.7)**	**(26.7)**

4. Auditor's remuneration

In EUR '000s	Group Year to 31 December 2011	Group Year to 31 December 2010
Audit fees		
Fees payable to the Company's auditors for the audit of the Company and its subsidiaries' annual accounts	129	206
The audit of the Company's services pursuant to legislation	**129**	**206**
Other services		
Tax services	156	30
All other services:		
- Other advisory services	112	41
- Interim review	22	19
Total non-audit fees	**290**	**90**

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

In millions of Euro, unless otherwise stated

5. Staff costs

In December 2010, the Swedish Subsidiary Nordic & Russia Holdings No 3 AB acquired the Asset Manager NRAM (previously LR Ream) from the London & Regional Properties group and hence took on its employees. The staff costs are included in administrative expenses. The table below show the Group's costs for staff for the period January to March 2011 (the period prior to disposal of NRAM, see note 31) and for December 2010.

	Group Year to 31 December 2011	**Group Year to 31 December 2010**
Number of employees employed by the Group	18	18

Staff costs	**EUR thousands**	**EUR thousands**
Wages and salaries	320	99
Discretionary bonuses	75	70
Social security costs	124	50
Pension costs	111	35
Asset Manager incentive	-	2,777
Total staff costs	**630**	**3,031**

The remuneration comprises fixed salary and variable components of salary payable. All employees have defined contribution pensions, with no other obligations for the company than to pay an annual premium during the time of employment. This implies that participating employees, after completing their employment, have the right to decide the time-frame during which the defined payments and subsequent return will be received as pension.

6. Profit on disposal of investment properties

	Group Year to 31 December 2011	**Group Year to 31 December 2010**
Investment properties sales price/2010: net sales proceeds	496.1	49.5
Carrying amount at 31 December 2010/2010: fair value at last valuation	(494.9)	(47.3)
Capital expenditures since 31 December 2010	(1.9)	-
Other adjustment – tax asset	0.9	-
Profit	**0.2**	**2.2**

7. Finance income

	Group Year to 31 December 2011	**Group Year to 31 December 2010**
Interest income, bank deposits	0.8	0.3
Interest income, other	0.8	8.9
Gains on repayment of debt	11.1	-
Net currency exchange gains	0.7	33.6
Total	**13.4**	**42.8**

The gains on repayment of debt of EUR 11.1 million contains a gain of EUR 10.1 million as a result of a discount when repaying loan facilities and a gain of EUR 1.0 million on the buy-back of discounted "A" and "B" loan notes.

	Parent Year to 31 December 2011	**Parent Year to 31 December 2010**
Interest received from Group undertakings	2.6	7.2
Interest income, bank deposits	0.2	-
Interest income, other	1.7	8.8
Net currency exchange gains	-	23.0
Total	**4.5**	**39.0**

The other interest income of EUR 1.7 million contains a gain of EUR 1.0 million on the buy-back of discounted "A" and "B" loan notes and EUR 0.8 million interest on vendor loan notes.

In millions of Euro, unless otherwise stated

8. Finance expenses

	Group Year to 31 December 2011	Group Year to 31 December 2010
Interest payable on loans	(4.6)	(19.1)
Interest payable on convertible loans	(0.6)	(2.7)
Loan arrangement fees	-	0.2
Loss on unwinding of swaps	-	-
Total	**(5.2)**	**(21.6)**

Finance expense of EUR 5.2 million contains EUR 4.5 million interest on bank loans, EUR 0.6 million interest on convertible loan notes, and EUR 0.1 million interest on other loans.

	Parent Year to 31 December 2011	Parent Year to 31 December 2010
Interest payable on convertible loans	(0.6)	(2.7)
Net currency exchange losses	(0.6)	-
Total	**(1.2)**	**(2.7)**

9. Taxation

Profits arising in the Company for the 2011 Year of Assessment will be subject to Jersey Income Tax at the rate of 0% (2010: 0%).

	Group Year to 31 December 2011	Group Year to 31 December 2010
Overseas current tax expense	(2.6)	(1.0)
Deferred tax credit	-	42.5
Net income tax (expense) / credit	**(2.6)**	**41.5**

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:

	Group Year to 31 December 2011	Group Year to 31 December 2010
Profit / (loss) before tax	**23.9**	**(76.0)**
Adjustment for impairment of goodwill	-	42.7
Adjusted profit / (loss) before tax	**23.9**	**(33.3)**
Tax credit calculated at domestic tax rates applicable to the profit in the respective countries*	(2.6)	14.2
Tax relating to previous year	-	(3.2)
Expenses not deductible for tax purposes	-	(1.5)
Change in judgement relating to method of recovery of investment property**	-	33.7
Value of deferred tax / tax credits transferred to buyers in relation to the Transactions	-	-
Other adjustment***	-	(1.7)
Net income tax (expense) / credit	**(2.6)**	**41.5**

*The tax rates differ between the countries and are as follows: Sweden 26.3% (26.3%), Finland 26% (26%), Russia 20% (20%), and Jersey 0% (0%). There has been no change in the tax rates during 2011.
** The sale of the investment properties via the sale of shares in companies does not give rise to any future deferred tax assets or liabilities.
*** Other adjustment includes deferred tax not accounted for due to asset disposals and the value of tax losses carried forward.

In Sweden and Finland the Group has tax losses carried forward of EUR 9.2 million and EUR 29.1 million respectively which has not been valued in the balance sheet as an asset. In Sweden the losses carried forward are available indefinitely and in Finland they mature after ten years (EUR 19.4 million expire 2018 and EUR 7.1 million expire 2019 and EUR 2.6 in 2020). As the group is winding up and the Swedish and Finnish subsidiaries are in liquidation, it is not expected that the tax losses carried forward will be utilized.

There were no changes in deferred tax and therefore no changes in temporary differences. See note 16.

In millions of Euro, unless otherwise stated

10. Earnings per share

a) Basic

	Group Year to 31 December 2011	Group Year to 31 December 2010
Profit / losses attributable to equity holders of the Company (EUR millions)	20.6	(34.5)
Weighted average number of ordinary shares in issue	475,924,532	475,924,532
Basic profit / losses per share (EUR)	0.04	(0.07)

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 one category of dilutive potential ordinary shares: share options (2010: two categories of dilutive potential ordinary shares: convertible loan notes and share options). However, the calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share. Potential ordinary shares are anti-dilutive because their conversion to ordinary shares would increase the profit per share from continuing operations.

Due to the settlement of all of the convertible loan notes on 5 April 2011, there will be no future dilution of the convertible loan notes.

11. Dividends

The dividends per share declared and paid are as follows:	Group Year to 31 December 2011	Group Year to 31 December 2010
Final ordinary dividend of EUR 0.017 for 31 December 2009 paid on 18 June 2010	-	8.1
Interim ordinary dividend of EUR 0.185 for 31 December 2010 paid on 21 June 2011	88.1	-
Interim ordinary dividend of EUR 0.090 for 30 June 2011 paid on 5 August 2011 (2010: EUR 0.010 for 30 June 2010 paid on 8 October 2010)	42.8	4.8
Interim ordinary dividend of EUR 0.040 for 30 September 2011 paid on 9 December 2011	19.0	-
Special dividend of EUR 0.010 per share declared and paid on 8 October 2010	-	4.8
Dividends paid to shareholders	**149.9**	**17.6**

Total dividends amount to EUR 0.315 (2010: 0.020) per share.

12. Goodwill

	Group 31 December 2011	Group 31 December 2010
At 1 January	-	42.7
Impaired during the year	-	(35.3)
Goodwill realised through sale of investment properties	-	(7.4)
End of year	**-**	**-**

Goodwill relates to the acquisition of deferred tax liabilities as part of the portfolio of properties acquired in 2006 and amounted originally to EUR 326.8 million.

During 2010, an impairment had arisen due to the devaluation of the original investment properties remaining at year end and goodwill had been written off as a result of the sale of investment properties via the sale of shares in companies which does not give rise to any future deferred tax assets or liabilities. This charge was off-set by any associated deferred tax liabilities released to the income statement.

Goodwill allocated to investment properties sold during the prior year had been written off in the year to 31 December 2010. This charge was off-set by any associated deferred tax liabilities released to the income statement.

In millions of Euro, unless otherwise stated

13. Investment properties

	Group 31 December 2011	Group 31 December 2010
At 1 January	494.9	554.6
Capital expenditure	1.9	9.7
Disposals	(496.8)	(47.3)
Exchange differences	-	60.0
Revaluation	-	(82.1)
End of year	**-**	**494.9**
Property valued at their sales price	-	456.6
Property valued by an external valuer	-	38.3
End of year	**-**	**494.9**

As at 31 December 2010, the investment properties had been valued at their sales prices and the value attributed to deferred tax in the Transactions except for the Berns Hotel property which had been valued by DTZ Sweden AB, independent expert valuers, as at 31 December 2010 on the assumption, inter alia, that the properties had been properly marketed and that exchange of contracts took place on this date.

All remaining properties were disposed of during the first half of the year to 31 December 2011.

Prior to the disposals in the year, the Group had entered into commercial property leases on its investment property portfolio. The Group had determined, based on an evaluation of the terms and conditions of the arrangements, that it retained all the significant risks and rewards of ownership of these properties and so it accounted for the leases as operating leases.

The Group had one tenant that accounted for 38% (2010: 38%) of the total rental income. The Group's 5 largest tenants accounted for 58% (2010: 58%) of the total rental income.

14. Investments in subsidiaries

	Parent 31 December 2011	Parent 31 December 2010
At 1 January	50.3	79.6
Contribution	-	26.2
Write downs	-	(55.5)
Closing Balance	**50.3**	**50.3**

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 Nordic & Russia Holdings No 3 AB which itself owns all the Group's other subsidiaries, through further wholly owned intermediate holding companies.

15. Receivables from Group companies

	Parent 31 December 2011	Parent 31 December 2010
Amounts owed from Group undertakings	1.9	156.6
End of year	**1.9**	**156.6**

16. Deferred tax assets and liabilities

The entire amount of deferred tax balance was derecognised through the Income Statement during the prior year as the group changed the preparation of the financial statements to the break-up basis. As the group has disposed of all of its investment properties via the sale of shares in companies, it is not expected to generate profit in the future to utilize deferred tax assets.

In millions of Euro, unless otherwise stated

17. Derivative financial instruments

	Group Year to 31 December 2011	Group Year to 31 December 2010
Fair value at 1 January	(20.6)	0.8
Revaluation gain / (losses) on financial instruments	4.1	(21.4)
Finance costs on unwinding derivatives	16.5	-
Fair value at end of year	**-**	**(20.6)**

	31 December 2011		31 December 2010	
	Fair value assets	Fair value liabilities	Fair value assets	Fair value liabilities
Interest rate swaps	-	-	-	(14.9)
Currency swaps	-	-	-	(5.7)
Total	**-**	**-**	**-**	**(20.6)**

At 31 December 2011, the notional principle amount of outstanding currency swap contracts was nil (2010: EUR 209.2 million) and of outstanding interest rate swaps was nil (2010: EUR 323.3 million).

During the year to 31 December 2011, the fixed interest rates varied from 4.0% to 13.0% (2010: 4.0% to 13.0%) and the main floating rates were EURIBOR (Euro Interbank Offered Rate) 3 months and STIBOR (Stockholm Interbank Offered Rate) 3 months.

The Group has had swap arrangements with Citibank ("Citi"), Svenska Handelsbanken ("SHB") and SEB. After completion of the Core Asset Transactions on 31 March 2011, the swap arrangements with Citi were unwound and repaid on 1 April 2011. The swap arrangements with SHB were disposed of in the same transaction. On 11 April 2011, the swap arrangement with SEB was transferred to the buyer of the Group's Russian assets under the terms of the Russian Asset Transaction.

18. Trade and other receivables

	Group 31 December 2011	Group 31 December 2010
Trade receivables	-	2.0
Tax receivable	-	1.1
Other short-term receivables	-	3.3
Prepaid expenses and accrued income	-	1.1
End of year	**-**	**7.5**

	Parent 31 December 2011	Parent 31 December 2010
Other short-term receivables	-	0.1
Prepaid expenses and accrued income	-	18.0
End of year	**-**	**18.1**

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2011, trade receivables of nil (2010: EUR 0.1 million) were past due but not impaired. These related to a number of independent customers for whom there was no recent history of default. It was assessed that a portion of the receivables was expected to be recovered. The ageing of these receivables is as follows:

	31 December 2010	31 December 2010
< 3 months	-	0.1
3 to 6 months	-	-
Over 6 months	-	-
Total	**-**	**0.1**

In millions of Euro, unless otherwise stated

19. Cash and cash equivalents

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

	Group 31 December 2011	Group 31 December 2010
Cash at bank and on hand	72.4	104.6
Short-term deposits	-	-
End of year	**72.4**	**104.6**

	Parent 31 December 2011	Parent 31 December 2010
Cash at bank and on hand	8.0	20.7
End of year	**8.0**	**20.7**

The average interest rate is approximately 0.9% (2010: 0.4%).

20. Equity – Issued capital

	Share capital (EUR m)	Share premium (EUR m)	No. of ordinary shares
Issued and fully paid at 1 January 2011 and 31 December 2011	**85.9**	**10.7**	**475,924,532**

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

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

21. Share-based payment transactions

The total outstanding options are disclosed below:

	Total
Outstanding and exercisable at 1 January 2011 and 31 December 2011	**542,857**

The Company has granted certain options to three resigned board members who continue to hold their share options of 428,571 to Jens Engwall, 57,143 to Michael Hirst and Kari Österlund respectively.

Each option gives the holder the right to acquire one new share at the price of EUR 1.05. The options may be exercised at any time during the period starting 15 November 2009 through 15 November 2016. No premium was paid by the option holders.

The directors believe that the prospect of the options being exercised is highly unlikely as the exercise price of the options exceeds that of the open market price. The market price of the shares of the Company are highly unlikely to increase above the exercise price given the current state of affairs of the Group, having disposed of all real estate assets and being in the winding up phase.

In millions of Euro, unless otherwise stated

22. Interest bearing loans and borrowings - Group

	Group 31 December 2011	Group 31 December 2010
Amounts falling due or being disposed of within one year:		
Bank loans	-	320.2
Other loans	-	2.0
Vendor notes	-	1.3
Total amounts of loans falling due within one year	-	**323.5**
Convertible loan	-	32.1
Total amounts falling due within one year	-	**355.6**
Amounts falling due after more than one year:		
Bank loans	-	-
Other loans	-	-
Vendor notes	-	-
Total amounts of loans falling due after more than one year	-	-
Convertible loan	-	-
Total amounts falling due after more than one year	-	-
Total borrowings	-	**355.6**
Cash and cash equivalents	(72.4)	(104.6)
Net (cash surplus) / borrowings	**(72.4)**	**251.0**

The gross movement of the borrowings is as follows:

At 1 January	355.6	389.8
Borrowings drawn	-	0.3
Convertible loan	(32.1)	(4.5)
Borrowings repaid	(324.7)	(38.9)
Net exchange differences and other non-cash movements	1.2	8.9
End of year	-	**355.6**

The average interest rate was approximately 5.7% (2010: 5.6%), excluding impact of arrangement fees. The loans were floating, however through interest swaps the loans were economically hedged until maturity. 0% (2010: 84%) of the loans were in EUR, 0% (2010: 12%) in SEK and the other 0% (2010: 4%) were in USD.

All loans maturing in 2012 and 2014 were assigned to the buyers as part of the Transactions, except for a loan of EUR 0.9 million (Rental Shortfall Guarantee) maturing in December 2012, which was settled early.

The properties held by the Group were pledged as security for the interest-bearing loans. All pledges were released after repayment of the debts in conjunction with the closing of the Transactions.

Convertible loan notes – Group and Company

Due to the settlement of all of the convertible loan notes on 5 April 2011, there will be no future dilution of the convertible loan notes.

The convertible loan movement is as follows:

	Nominal value (total)	Liability (total)	Equity (total)
Opening balance	**59.6**	**32.1**	**30.6**
Repayment	(59.6)	(32.1)	(30.6)
End of year	-	-	-

At 31 December 2010 the Company had 70,288,224 outstanding convertible loan notes of which 64,788,224 were held by LR Swedish Holdings No. 1 AB and 5,500,000 are held by LR Nordic Properties AB. The convertible loan notes were convertible into shares of the Company.

The Company has paid EUR 32.7 million, including accrued interest for the first quarter of 2011 of EUR 0.6 million, in full settlement of the convertible loan notes. The discount on the liability is recognised as a gain under financial income in the year 2010 (note 7).

Interest was payable twice yearly in arrears at the rate of 4 per cent per annum. An additional payment should 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 were only transferable to certain connected persons of London & Regional Group and are not traded on any stock exchange.

In millions of Euro, unless otherwise stated

22. Interest bearing loans and borrowings – Group (continued)

The holder of convertible loan notes could 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 were subject to certain restrictions on conversion to the effect that the London & Regional Group and certain connected persons' shareholdings in the Company should not after conversion exceed 24.9 per cent of the total number of the shares in issue.

23. Trade and other payables

	Group 31 December 2011	Group 31 December 2010
Trade payables	0.2	3.5
Accrued expenses and prepaid income	3.5	23.2
Other payables	1.3	7.3
End of year	**5.0**	**34.0**

	Parent 31 December 2011	Parent 31 December 2010
Trade payables	0.2	0.2
Accrued expenses and prepaid income	2.8	6.5
Other payables	-	0.2
End of year	**3.0**	**6.9**

24. Financial instruments

Financial risk management objectives and policies

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

The Group's principal financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables. The accounting policy with respect to these financial instruments is described within the significant accounting policies in note 1.

The Parent Company's principal financial instruments include investments in subsidiaries, long term receivables, cash and cash equivalents and trade and other payables. Investments in subsidiaries are held at cost under IAS 27 and are not exposed to market risks. Long term receivables represent amounts owed to the Parent Company from subsidiary undertakings. The long term receivables expose the Parent Company to interest rate risk, which at a Group level is offset by an equal and opposite effect in the underlying subsidiaries. There is no fixed maturity date on these inter-company loans and therefore no perceived liquidity risk. The market risk exposures on trade and other receivables, cash and cash equivalents and trade and other payables are included in the group disclosures that follow. As stated in note 22, the convertible loan notes bore interest at a fixed rate of 4% per annum over the term of the notes and were repaid during the first half of the year to 31 December 2011. In light of the above, the Parent Company is not exposed to significant market risk exposures.

The Board of Directors oversees the management of these risks. The Group's asset manager was governed by a finance policy established by the Board of Directors. The Group's asset manager ensured 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. Services provided by the asset manager ceased on 31 December 2011 as a result of the disposal of the Group's investment portfolio during the year. The Board of Directors continues to perform those activities stated above.

Financial instruments at fair value through profit or loss comprise derivative financial assets and liabilities which the Group measures at fair value using techniques for which all inputs that have a significant effect on the recorded fair value are observable in an active market and classified as level 2. There were no transfers between the different levels. Since trade receivables and payables generally are paid within a short period of time the difference between their carrying values and fair values are not deemed to be material.

In millions of Euro, unless otherwise stated

24. Financial instruments (continued)

Financial Instruments - Categories

	Group 31 December 2011	Group 31 December 2010
Financial assets		
Cash and receivables		
Trade and other receivables	-	7.5
Cash and cash equivalent	72.4	104.6
Financial Liabilities		
Fair value through income statement – held for trading		
Derivative financial liabilities	-	20.6
Loans and payables		
Interest-bearing loans and borrowings (current and non-current)	-	323.5
Convertible loan notes	-	32.1
Trade and other payables	5.0	34.0

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 in order to optimise return to shareholders. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Equity shareholders' funds comprise issued capital, reserves and retained earnings as disclosed in Note 10 and on page 13. The Group previously mainly monitored 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 was the intention of the Group to maintain the loan to value ratio below 70%.

	Group 31 December 2011	Group 31 December 2010
Interest bearing loans and borrowings (Note 22)[1]	-	323.5
Fair value of investment properties (Note 13)	-	494.9
Fair value of currency swap (Note 17)	-	(5.7)
Loan to value ratio	0.0%	66.5%

1)Excluding convertible loan notes

Following disposal of the investment portfolio and the related repayment of all external loans and termination of derivative instruments, the loan to value ratio is now nil and is not expected to change as the Group is in a winding up phase.

Market risk

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

Interest rate risk

Interest rate risk is the risk of the Group's net asset value decreasing due to movement in interest rates. The Group's risk arises from interest earned from cash balances (2010: short-term and long-term borrowings (Note 22) and interest earned from cash balances).

The interest rate derivative instruments disposed of during the year were used to hedge the variability of cash flows from debt instruments. The fair values of derivatives were determined by discounting the future cash flows using the mid-point of the relevant yield curves prevailing on the reporting dates. The derivatives were held for hedging purposes and provided protection against the effects of rising short term interest rates. The derivatives were terminated during the year following the repayment of the Group's external debt.

In millions of Euro, unless otherwise stated

24. Financial instruments (continued)

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 2011	Group 31 December 2010
Total value of variable rate borrowings	-	317.9
Total notional value of derivative instruments [1]	-	323.3
Total unhedged position	-	(5.4)

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

The Group's previous exposure to interest rate risk was largely mitigated by the Group's hedging strategy, which 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 helped 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 were 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. As at 31 December 2011, the Group's interest rate risk arises from interest earned from cash balances (2010: short-term and long-term borrowings (Note 22) and interest earned from cash balances).

	Income statement	
	31 December 2011	31 December 2010
1% increase in		
SEK interest rates	0.4	7.1
EUR interest rates	0.3	1.6
USD interest rates	-	(0.1)
1% decrease in		
SEK interest rates	(0.4)	(7.1)
EUR interest rates	(0.3)	(1.6)
USD 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.

Foreign exchange rate risk

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

From time to time the Group may use foreign currency forward contracts and other foreign currency derivative financial instruments to manage foreign exchange rate risk arising from such transactions. There were no new foreign currency derivative financial instruments entered into during the financial years 2010-2011.

Foreign currency sensitivity analysis

The table below shows the Group's sensitivity to foreign exchange rates on Swedish Krona, Russian Rouble and US Dollar. 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.

In millions of Euro, unless otherwise stated

24. Financial instruments (continued)

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

	Impact on equity	
	31 December 2011	31 December 2010
Currency strengthens against EUR by 10%		
SEK	4.2	17.1
RUB	-	0.5
USD	-	3.1
DKK	-	0.2
Currency weakens against EUR by 10%		
SEK	(3.4)	(14.0)
RUB	-	(0.4)
USD	-	(2.5)
DKK	-	(0.2)

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

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its leasing activities and from its financial activities, including deposits with banks and financial institutions and derivatives. The Group's maximum exposure to credit risk amounts to EUR 72.4 million (2010: EUR 111.0 million).

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.

At 31 December 2011, trade receivables consisting of rents receivable of nil (2010: EUR 0.1 million) were past due but not impaired. These relate to customers for whom there is no recent history of default. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The ageing analysis of these trade receivables is as follows:

	Group 31 December 2011	Group 31 December 2010
< 3 months	-	0.1
3 to 6 months	-	-
Over 6 months	-	-
	-	**0.1**

Liquidity risk

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

Nil per cent of the Group's debt will mature or be repaid in less than one year at 31 December 2011 (2010: 90.0%), while nil per cent will mature or be repaid between one and two years from 31 December 2011 (2010: 7.0%), based on the carrying value of borrowings reflected in the financial statements (note 22).The Group manages its liquidity risk by maintaining sufficient cash. The Group's aim is to enter into long-term financing in order to reduce refinancing risk. Surplus liquidity is held in cash or short-term deposit with financial institutions. These institutions must have a minimum rating of A-.

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

In millions of Euro, unless otherwise stated

24. 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 **2011**	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
Bank loans and overdrafts	-	-	-	-	-
Trade and other payables					
Interest on bank loans and overdrafts	-	-	-	-	-
Convertible loan notes	-	-	-	-	-

Group **2010**	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
Bank loans and overdrafts	291.2	22.7	9.6	-	323.5
Trade and other payables	34.0	-	-	-	34.0
Interest on bank loans and overdrafts	6.1	1.2	1.3	-	8.6
Convertible loan notes	32.1	-	-	-	32.1

Group **2011**	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
Net settled derivatives	-	-	-	-	-

Group **2010**	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
Net settled derivatives	5.7	-	-	-	5.7

The tables above only show the contractual status as at 31 December 2011. In reality, there is no cash flow movement as the Group has repaid/disposed of all of its loans and unwound and repaid/disposed all of its derivatives.

25. Business combination

Acquisitions of EUR nil took place during the year to 31 December 2011 (2010: , the Group acquired 100 % of the shares of the Group's Asset Manager Nordic & Russia Asset Management AB (NRAM), an unlisted company based in Stockholm, Sweden.)

The fair value of the identifiable assets and liabilities of NRAM as at the date of acquisition were:

	Fair value recognised on acquisition
Non-current assets	0.2
Tax receivables	1.0
Other current receivables	1.4
Cash and cash equivalents	0.3
	1.9
Provisions for pensions	0.2
Accrued personnel costs	0.7
Other current liabilities	0.9
	1.8
Net assets	**0.1**
Goodwill arising on acquisition	0.1
Total consideration	**0.2**

The total consideration of EUR 0.2 million for the 100% interest consisted of EUR 0.2 million cash.

The loss for the Group for the period from the date of acquisition to 31 December 2010 amounted to EUR 0.1 million. If the combination had taken place at the beginning of the year, the loss for the Group would have been EUR 1.8 million higher and revenue would have been EUR 3.5 million higher.

The goodwill of EUR 0.1 million was created by a premium arising from the acquisition and was expected to be non-deductible for tax purposes. The goodwill was impaired in full by year-end 2010.

As per 31 March 2011, NRAM was sold to Kungsleden AB as part of the Core Asset Transaction.

26. Capital commitments

At 31 December 2011, the Group was contractually committed to EUR nil (2010: EUR 1.7 million) of future expenditure for the purchase, development and enhancement of the current investment property portfolio. All of the prior year commitments have subsequently been met or transferred under the terms of the Transactions.

27. Contingent liabilities

The Group has a number of warranties outstanding from historic sales transactions. The Board considers the likelihood of any claims to be low and to date it has not received any valid claims. If appropriate, the Board will arrange insurance to mitigate the risk of liabilities arising from future claims.

28. Events after the balance sheet date

No significant events have happened within the Group after the date of the Balance Sheet.

29. Related Party transactions

At 31 December 2010, 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. LR Nordic Properties 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 Company has paid EUR 32.7 million, including accrued interest for the first quarter of 2011 of EUR 0.6 million, in full settlement of the convertible loan notes on 31 March 2011. The discount on the liability is recognised as a gain under financial income in the year 2010 (note 7).

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 below:

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

- the management agreement according to which LR Real Estate Asset Management AB, a member of the London & Regional Group, is the asset manager and receives a fee of 0.4 per cent based on gross asset value; EUR 2.5 million for the period ending 31 December 2010 (2009: EUR 2.3 million) and a performance fee of 25 per cent of any increase in net asset value above 10 per cent. No performance fee was due for 2010 (2009: EUR nil). The agreement was terminated on 6 December 2010 upon the sale of the Asset Manager to the Group;
- the acquisition of Nordic & Russia Asset Management AB (previously LR Real Estate Asset Management AB); and
- the lease agreement Stockholm Katthavet 8 "Berns Hotel" between the Group and the London & Regional Group;

Mr. Thomas Lindeborg is the beneficial owner of Nollitnac Holding AB which has acquired the Group's four Russian investment properties (the Russian Asset Transaction) from Nordic & Russia Holdings No 3 AB. The sales price of the assets was EUR 93 million, which represents a discount of EUR 24.0 million when compared to the 30 June 2010 valuation. Thomas Lindeborg, who was a Director of the Company during part 2010 was excluded from all Board deliberations in respect of this transaction.

In the opinion of the directors, this transaction was conducted at arm's length. The sale at a discount to their net asset value was justified by the continuing difficult conditions in the Russian property market which was depressed by the lack of affordable debt financing and diminished investor appetite. No competing offers were received before or after the announcement of the Russian Asset Transaction.

In millions of Euro, unless otherwise stated

30. Key management compensation

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

Name	2011 Annual Fee (EUR)	2010 Annual Fee (EUR)
David Hunter	50,000	50,000
Iain Watters	30,000	30,000
Christopher Coles	30,000	30,000
Christopher Lovell	30,000	30,000
Martin Sabey	30,000	30,000
Peregrine Moncreiffe	30,000	30,000
Thomas Lindeborg (appointed 6 August 2010/resigned 17 February 2011)	30,000	30,000
Ian Livingstone (left the Board 6 August 2010)	-	30,000
Michael Hirst OBE (left the Board 6 August 2010)	-	30,000
Erik Rune, CEO of Asset Manager (NRAM) *	75,000	22,800

* 2011 January –March to reflect the timing when the Asset Manager was a part of the Group and 2010 December's salary only to reflect the timing of the acquisition of the Asset Manager.

The actual cost in 2011 of Directors' fees on a pro-rata basis amounted to EUR 308,699 (2010: EUR 345,910). Fees are paid to directors on a pro-rata basis if they have been appointed or they have resigned during the year. During the year Christopher Coles, Christopher Lovell, Martin Sabey and Peregrine Moncreiffe received a further payment of EUR 30,000 each for additional services carried out up to 30 June 2011.

The Company has agreed to an incentive fee payable in instalments at key milestones in closing of the Transactions and the liquidation process. Upon meeting certain conditions, companies related to David Hunter, Iain Watters and Peregrine Moncreiffe will receive in total EUR 500,000, EUR 100,000 and EUR 50,000 respectively. The payments are staged on completion of the different steps in each contract. The total amount of EUR 650,000 has been accrued for in the administrative expenses in the prior year. During the year, a company related to David Hunter received EUR 350,000, a company related to Iain Watters received EUR 100,000 and a company related to Peregrine Moncreiffe received EUR 50,000 as consultancy fees.

In millions of Euro, unless otherwise stated

31. The "Transactions"

The Core Asset Transaction and the Russian Asset Transaction are described below:

	Core Asset Transaction	Russian Asset Transaction
Completion date	31 March 2011	11 April 2011
Buyer	Kungsleden AB	Nollitnac Holding AB
Number of Investment properties sold	23 in Sweden 1 in Germany 2 in Poland	4 in Russia
Seller	Fastighets AB Scapularum and Nordic & Russia Holdings no 3 AB	Nordic & Russia Holdings No 3 AB
Description of transaction	Sale of shares in Nordic & Russia Holdings No 4 AB, Nordic & Russia Asset Management AB, Fastighets AB Melker, Fastighets AB Brytaren, Fastighets AB Finnslätten, Fastighets AB Bergwester and Fastighets AB Saxen	Sale of shares in Nollitnac Russia Group AB
Warranties	None	None
Insurance policy	Warrants risk agreed as part of the transaction	n/a
Sales Price of investment properties	SEK 3.368 million (EUR 274.2 million)	EUR 93 million
Vendor financing provided by the Company	EUR 20 million with interest at 7% per annum until 30/09/2011 rising to 12% per annum until maturity 31/12/2011	n/a
Bank debt repaid / sold at par value	EUR (266.8) million	EUR (36.3) million
Discount realised on debt	EUR 10.1 million	n/a
Interest swaps repaid / sold	EUR (8.2) million	EUR (0.2) million
Currency swaps repaid / sold	EUR (7.3) million	n/a
Net cash generated (based on preliminary calculations)	EUR 125.0 million	EUR 61.3 million