Metro Baltic Horizons plc
Annual Report
31 December 2014

Metro Baltic Horizons plc

Financial statements for the year ended 31 December 2014

Contents

Metro Baltic Horizons plc

Financial statements for the year ended 31 December 2014

Directors, Officers and Advisors

Directors	Ronan Reid Brendan Murphy Tim Crowley
Company Secretary	Philip Scales
Nominated Adviser & Broker	SP Angel Corporate Finance Prince Frederick House 35-39 Maddox Street London
Auditors	Grant Thornton 24-26 City Quay Dublin 2 Ireland
Legal Advisers (UK)	Jones Day 21 Tudor Street London EC4Y 0DJ
Legal Advisers (Isle of Man)	Gough Advocates 5th Floor Anglo International House Bank Hill North Quay IM1 4QE
Legal Advisers (International)	Egorov Puginsky Afanasiev & Partners 24 Nevsky pr Suite 132 191186 St. Petersburg Russia

Overview

- During 2014 the Company reached settlements with the members of its previous Board and with its previous auditors resulting in the Company receiving €3.5m (£2.5m plus £425k).

- Net asset value per share (NAV) as of year end decreased by 48% to €0.11 (31 December 2013: €0.21). The NAV is derived from the Group's cash holdings.

- In September 2014 the directors approved a distribution to shareholders. The distribution resulted in a dividend paid of €5,123k (2013: nil) and a purchase of the Company's own equity instruments in the amount of €704k (2013: nil).

- Group profit/(loss) after tax was €2,903k (2013: € loss of 1,011k).

- Focus for the near future is on maximising shareholder returns through litigation against the Company's former investment manager, advisers and related parties.

Metro Baltic Horizons plc

Financial statements for the year ended 31 December 2014

Chairman's statement

Dear Shareholders,

In the past year your Board continued to make considerable progress in recovering shareholder value in the company. The board reached settlements with the Company's previous board and auditors that resulted in an aggregate cash payment of €3.5m (£2.925m).

In September the board initiated a distribution to shareholders which by year end had resulted in a dividend paid of €5.1m and a purchase of the Company's own equity of €0.7m. Post year end a further distribution of €0.46m and a purchase of the Company's own equity of €0.08m.

Our focus is now solely on continuing our case against the former advisors to the Company namely Mr James Kenny, Mr Mart Habakuk, Metro Capital Management AS, Tolmain Advisory Services Limited, Mr Paul McGuinness, MG Capital Limited and McGuinness Investments OU and we expect these proceedings to come to trial in early to mid 2016 and the Board remains confident in achieving a successful outcome at trial.

The Company has currently cash of circa €2m, including restricted cash held with the Isle of Man Court pursuant to an Order for security for costs or with legal advisors.

The Company does not intend to make further property investments and is further seeking to contain the ongoing costs of operation. The Board will keep shareholders appraised on the outcome of these proposed resolutions. As the company is no longer a listed entity we will seek in the near future to make a grey market trading facility available.

Ronan Reid
Chairman

Metro Baltic Horizons Plc

26 August 2015

Directors' report

The Directors present their annual report and audited financial statements for the year ended 31 December 2014.

Principal activities
The principal activity of the Group was investing in and developing land and buildings in the Baltic States and in the St. Petersburg area of Russia. Following the deconsolidation of the Group's Estonian subsidiary, OU Pirita Tee 26, and the sale of the Company's shareholding in Pedragon Limited the Company does not intend to make further property investments and is continuing to pursue legal action against its former professional advisors. The Company cancelled it's admission to trading on the AIM Market on 10 September 2014 and has re-registered the Company as a company under the Isle of Man Companies Act 2006.

Business review
A review of the business during the year is contained in the Chairman's Statement.

Results for the period
The (loss)/profit attributable to the shareholders in the group for the year ended 31 December 2014 was €2,903k (2013: € loss of 1,011k). The results for the year are set out in the consolidated statement of comprehensive income on pages 11 and 12. The loss for the year has been transferred to reserves.

Basis of preparation
The Board have considered and reviewed the current financial status and the cash-flow projections of the Group. Having completed this review and given consideration to the other factors detailed in Note 2.2 to the financial statements, the Directors are of the opinion that there are adequate financial resources available to enable the Company and Group meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. Accordingly, although the Group disposed of its last remaining investment property during the year, the Group will continue in operational existence for the foreseeable future and the financial statements have therefore been prepared on a Going Concern basis.

Dividend
The Directors have declared dividends in the year ended 31 December 2014 amounting to €5,123k (2013: Nil).

Directors
The Directors who served during the year were Ronan Reid, Brendan Murphy and Tim Crowley.

Auditors
Grant Thornton, Chartered Accountants & Registered Auditors have indicated their willingness to continue in office.

Directors' interests
The beneficial interests of the Directors and Secretary in the shares of the Group and Company are as noted below. All interests are in the ordinary share capital of the parent company, Metro Baltic Horizons plc:

	31 December 2014	**31 December 2013**
	Number of shares	*Number of shares*
Tim Crowley	440,587	440,587
Ronan Reid	601,275	601,275
Brendan Murphy	10,725	10,725

Directors remuneration
Remuneration to Directors during each of the financial years ending 31 December 2014 and 31 December 2013 consisted entirely of Directors' fees and can be analysed as follows;

	2014	**2013**
	€	**€**
Ronan Reid	25,000	25,000
Brendan Murphy	17,500	17,500
Tim Crowley	17,500	17,500
	67,500	60,000

Secretary
The Secretary who served during the year was Philip Scales.

Substantial holdings
The following entities had substantial holdings in the share capital of the Group at 31 December 2014;

	Shares held	**% of total**
Pershing International Nominees Limited	13,201,724	55.37
Fitel Nominees Limited	2,010,547	8.43
Chase Nominees Limited	1,510,976	6.34

The Board and subcommittees
The Board considers all Directors, including the Chairman, to be independent. All the Directors are non-executive. The Group and Company has an audit committee consisting of all the Board members.

Directors' responsibility statement
The Directors are responsible for preparing the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Directors are required to prepare financial statements for each financial period which present fairly the financial position of the Group and Company and the financial performance and cash flows of the Group for that period. In preparing those financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether all applicable accounting standards have been followed; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Company or Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 and other irregularities.

By Order of the Board

P Scales
Secretary

26 August 2015

Independent auditors' report to the members of Metro Baltic Horizons plc

We have audited the financial statements of Metro Baltic Horizons plc for the year ended 31 December 2014 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

This report is made solely to the Company's members, as a body. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 7 and 8, 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 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Financial statements for the year ended 31 December 2014

Independent auditors' report
to the members of Metro Baltic Horizons plc (cont'd)

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's affairs in accordance with IFRS as at 31 December 2014 and of its profit for the year then ended;

- The parent company statement of financial position and cash flow statement give a true and fair view in accordance with IFRS of the state of the parent company's affairs as at 31 December 2014

Grant Thornton
Chartered Accountants & Registered Auditors
24-26 City Quay
Dublin 2

Date: 26 August 2015

Metro Baltic Horizons plc

Consolidated statement of total comprehensive income
for the year ended 31 December 2014

	Note	31 December 2014 €'000	31 December 2013 €'000
Continuing operations			
Other Income	3	3,544	-
Administrative expenses	4	(953)	(1,077)
Net foreign currency gain/(loss)		212	(59)
Net operating profit/(loss) before tax and finance income and expense		2,803	(1,136)
Profit/(loss) before tax		2,803	(1,136)
Income tax	5	-	-
Profit/(loss) for the year – continuing operations		2,803	(1,136)
Profit for year from discontinued operations	**7**	**100**	**125**
Profit/(loss) for financial year		2,903	(1,011)
Other comprehensive income		-	-
Total comprehensive income/(loss)		**2,903**	**(1,011)**

The notes on pages 19 to 39 form part of these financial statements.

Metro Baltic Horizons plc

Consolidated statement of total comprehensive income (cont'd)
for the year ended 31 December 2014

	Note	31 December 2014 €'000	31 December 2013 €'000
Total comprehensive income			
Total comprehensive income/(loss)		2,903	(1,011)
Total Comprehensive income/(loss) attributable to:			
Equity holders of the parent – continuing operations		2,803	(1,136)
Equity holders of the parent – discontinued operations		100	125
		2,903	(1,011)

	Note	31 December 2014 €'cents	31 December 2013 €'cents
Basic and diluted earnings per share			
Earnings/(loss) per share from continuing operations	6	10.95	(4.34)
Earnings per share from discontinued operations	6	0.39	0.48
Total earnings/(loss) per share		11.34	(3.86)

The Directors have chosen not to include the Company statement of total comprehensive income as permitted by the Isle of Man Companies Acts.

The notes on pages 19 to 39 form part of these financial statements.

Metro Baltic Horizons plc

Consolidated statement of financial position
as at 31 December 2014

	Note	31 December 2014 €'000	31 December 2013 €'000
Assets			
Current assets			
Restricted cash	10	1,054	1,567
Cash and cash equivalents	9	1,718	4,153
Current assets		2,772	5,720
Total assets		**2,772**	**5,720**
Equity			
Issued capital	12	234	262
Distributable Reserve	14	30,387	36,186
Retained earnings		(28,026)	(30,929)
Total equity attributable to equity holders of the parent		**2,595**	**5,519**
Liabilities			
Current liabilities			
Trade and other payables	11	177	201
Total liabilities		**177**	**201**
Total equity and liabilities		**2,772**	**5,720**
Net asset value per ordinary share – basic (cents)	13	0.11	0.21

The financial statements were approved by the Board and authorised for issue on 26 August 2015.

Ronan Reid — Director
Brendan Murphy — Director

The notes on pages 19 to 39 form part of these financial statements.

Metro Baltic Horizons plc

Company statement of financial position
as at 31 December 2014

	Note	31 December 2014 €'000	31 December 2013 €'000
Assets			
Non-current assets			
Investment in subsidiaries	16	-	443
Current assets			
Restricted cash	10	1,054	1,567
Cash and cash equivalents	9	1,718	4,152
Total current assets		2,772	5,719
Total assets		**2,772**	**6,162**
Equity			
Issued capital	12	234	262
Distributable reserves	14	30,387	36,186
Retained earnings (deficit)		(27,913)	(30,371)
Total equity		**2,708**	**6,077**
Liabilities			
Current liabilities			
Trade and other payables	11	64	85
Total liabilities		**64**	**85**
Total equity and liabilities		**2,772**	**6,162**

The financial statements were approved by the Board and authorised for issue on 26 August 2015.

Ronan Reid
Director

Brendan Murphy
Director

The notes on pages 19 to 39 form part of these financial statements.

Metro Baltic Horizons plc

Consolidated statement of changes in equity
for the year ended 31 December 2014

	Issued capital	Distributable reserves	Retained earnings/ (deficit)	Total
	€'000	€'000	€'000	€'000
As at 1 January 2013	262	36,186	(29,918)	6,530
Total comprehensive loss for year	-	-	(1,011)	(1,011)
As at 31 December 2013	262	36,186	(30,929)	5,519
Total comprehensive income for year	-	-	2,903	2,903
Dividends (note 12)	-	(5,123)	-	(5,123)
Share repurchase (note 12)	(28)	(676)	-	(704)
As at 31 December 2014	234	30,387	(28,026)	2,595

The notes on pages 19 to 39 form part of these financial statements.

Metro Baltic Horizons plc

Company statement of changes in equity
for the year ended 31 December 2014

	Issued capital €'000	Distributable reserves €'000	Retained earnings €'000	Total €'000
At 1 January 2013	262	36,186	(29,721)	6,727
Total comprehensive income	-	-	(650)	(650)
At 31 December 2013	262	36,186	(30,371)	6,077

	Issued capital €'000	Distributable reserves €'000	Retained earnings €'000	Total €'000
At 31 January 2014	262	36,186	(30,371)	6,077
Total comprehensive income	-	-	2,458	2,458
Dividends (note 12)	-	(5,123)	-	(5,123)
Share repurchase (note 12)	(28)	(676)	-	(704)
At 31 December 2014	234	30,387	(27,913)	2,708

The notes on pages 19 to 39 form part of these financial statements.

Metro Baltic Horizons plc

Consolidated statement of cash flows
for the year ended 31 December 2014

	Note	2014 €'000	2013 €'000
Cash flows from operating activities			
Profit/(loss) before tax		2,803	(1,136)
Non-cash adjustment to reconcile profit/(loss) before tax to net cash flows			
Foreign exchange (gain)/loss		-	59
Taxes paid and other miscellaneous items		-	(9)
Working capital adjustments			
Decrease/(increase) in restricted cash		513	(1,567)
(Decrease)/increase in trade and other payables		(24)	29
Net cash flows from continuing operations		3,292	(2,624)
Net cash flows from discontinued operations	7	100	(102)
Net cash flows from operating activities		3,392	(2,726)
Cash flows from investing activities			
Proceeds from sale of subsidiaries		-	5,500
Net cash generated from investing activities		-	5,500
Cash flows from financing activities			
Dividend payment (note 12)		(5,123)	-
Share repurchase (note 12)		(704)	-
Net cash flows from financing activities		(5,827)	-
Net (decrease)/increase in cash and cash equivalents		(2,435)	2,774
Cash and cash equivalents at the beginning of the year	9	4,153	1,379
Cash and cash equivalents at the end of the year	9	1,718	4,153

The notes on pages 19 to 39 form part of these financial statements.

Metro Baltic Horizons plc

Company statement of cash flows
for the year ended 31 December 2014

	Note	31 December 2014 €'000	31 December 2013 €'000
Cash flows from operating activities			
Profit/(loss) before tax		2,458	(650)
Non-cash adjustment to reconcile profit/(loss) before tax to net cash flows			
Net impairment adjustment	16	820	175
Working capital adjustments			
Decrease/(increase) in restricted cash		513	(1,567)
Decrease in trade and other payables		(21)	(15)
Net cash provided by/(used in) operating activities		3,770	(2,057)
Cash flows from investing activities			
Proceeds from sale of subsidiaries		-	5,500
Contributions to subsidiaries	16	(377)	(443)
Net cash (used in)/generated from investing activities		(377)	5,057
Cash flows from financing activities			
Dividend payment (note 12)		(5,123)	-
Share repurchase (note 12)		(704)	-
Net cash flows from financing activities		(5,827)	-
Net (decrease)/increase in cash and cash equivalents		(2,434)	3,000
Cash and cash equivalents at the beginning of the year	9	4,152	1,152
Cash and cash equivalents at the end of the year	9	1,718	4,152

The notes on pages 19 to 39 form part of these financial statements

1. General information

The Company was incorporated in the Isle of Man on 18 September 2006 as Metro Baltic Hermitage plc. On 13 November 2006 the Company passed a special resolution to change its name to Metro Baltic Horizons plc. The Company was established to invest in and develop property in the Baltic States and in the St. Petersburg area of Russia.

This report of the Company for the year ended 31 December 2014 comprises the Company and its subsidiaries (together referred to as the "Group").

The Company's registered address is IOMA House, Hope Street, Douglas, Isle of Man. On 6 August 2014 the Company de-listed from the AIM market of the London Stock Exchange and on the same date re-registered the Company as a company under the Isle of Man Companies Act 2006.

2. Principal accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below. Certain comparative amounts have been reclassified to conform to the current year's presentation.

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The IFRS applied are those effective for accounting periods beginning on or after 1 January 2014.

2.2 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis.

Previously, the primary purpose of the Group was the investment in and development of property in the Baltic States and the St. Petersburg area of Russia. During the 2013 financial year the last of these properties was disposed of.

The Board has considered and reviewed the current financial status and the cash-flow projections of the Group. Having completed this review and given consideration to the other factors detailed above, the Directors are of the opinion that there are adequate financial resources available to enable the Company and Group to meet its obligations as they fall due for a period of at least 12 months from the date of approval of these financial statements. Accordingly, although the Group disposed of its last remaining investment property in the 2013 financial year, the Group is in the process of undertaking significant legal action and as such, will continue in operational existence for the foreseeable future and the financial statements have therefore been prepared on a Going Concern basis.

2. Principal accounting policies (cont'd)

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the subsidiaries controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefit from its activities.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at the carrying amounts at the date when control is lost;
- Derecognises the carrying amount of any non–controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them);
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control;
- Recognises any investment retained in the former subsidiary at its fair value at the date that control is lost; and
- Recognises any resulting difference as a gain or loss in profit or loss attributable to parent.

2. Principal accounting policies (cont'd)

2.4 Changes in accounting policy and disclosures

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Group. Information on those expected to be relevant to the Group's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

IFRS 9 'Financial Instruments' (2014)

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Group's management have yet to assess the impact of IFRS 9 on these consolidated financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2017. The Group's management have not yet assessed the impact of IFRS 15 on these consolidated financial statements.

Amendments to IFRS 11 Joint Arrangements

These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

The amendments are effective for reporting periods beginning on or after 1 January 2016. The Group does not expect that this amendment will have a material impact on the Group's statement of financial position.

2. **Principal accounting policies (cont'd)**

2.4 Changes in accounting policy and disclosures (cont'd)

The Group has adopted the following standards and amendments during the year:

- IAS 32 Financial Instruments: Presentation (Amendment)
- IAS 36 Impairment of Assets (Amendment)
- IAS 39 Financial Instruments: Recognition and Measurement (Amendment)
- IFRS 10 Consolidated Financial Statements (Amendment)
- IFRS 13 Fair Value Measurement (Amendment)

The application of the above standards did not result in material changes in the Group's consolidated financial statements.

2.5 Summary of significant accounting policies

a) Revenue recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably.

b) Expenses

Expenses are accounted for on an accruals basis. All administration expenses are charged through the Consolidated Statement of Total Comprehensive Income.

c) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and short-term deposits which are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

d) Restricted cash

Restricted cash balances relate primarily to amounts held by the High Court of Isle of Man for on-going legal cases. The remainder of restricted cash relates to amounts held by the Company's UK and Isle of Man legal advisers.

e) Income tax and deferred tax

Income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts

for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

2. Principal accounting policies (cont'd)

2.5 Summary of significant accounting policies (cont'd)

e) Income tax and deferred tax (cont'd)

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

- Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates, tax laws, and tax plans that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised in other comprehensive income. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Where evidence is available that a deferred tax liability will not crystallise, the liability is reversed.

2. Principal accounting policies (cont'd)

2.5 Summary of significant accounting policies (cont'd)

g) Foreign currency translation

The consolidated financial statements are presented in Euro which is the Company's functional currency and the presentation currency of the Company and Group.

Functional and presentation currency
Items included in the financial statements of each of the Group entities are measured in the currency of the primary economic environment in which the entity operates (the "functional currency"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

(i) assets and liabilities are translated at the closing rate at the date of the statement of financial position;
(ii) income and expenses are translated at the average exchange rate prevailing in the period and gains or losses are dealt with in the Consolidated Statement of Total Comprehensive Income as part of the profit or loss for the period.

Any gains or losses that arise on consolidation from the retranslation of the subsidiary entity from its functional currency to the presentation currency of the Group are taken directly to other comprehensive income and included within the foreign currency exchange reserve.

On disposal or de-recognition of a foreign entity, the related cumulative translation differences recognised in equity are reclassified to profit and loss and are recognised as part of the gain or loss on disposal or de-recognition.

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 the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Total Comprehensive Income as part of the profit or loss for the period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

2. Principal accounting policies (cont'd)

2.5 Summary of significant accounting policies (cont'd)

h) Operating segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are reviewed regularly by the chief operating decision maker in order to allocate resources and to assess their performance.

i) Financial assets

All financial assets are recognised initially at fair value. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

j) Investments in subsidiaries and associate undertakings

All investments in subsidiary companies and associate undertakings are recorded at cost less provision for any permanent diminution in value.

k) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as accounts payable, accruals and other liabilities, loans or borrowings and are initially recorded at fair value and subsequently at amortised cost. The Group determines the classification of its financial liabilities at initial recognition.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Consolidated Statement of Total Comprehensive Income as part of the profit or loss for the period.

De-recognition
A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Consolidated Statement of Total Comprehensive Income as part of the profit or loss for the period.

2. Principal accounting policies (cont'd)

2.5 Summary of significant accounting policies (cont'd)

l) Non – current assets and disposal Groups classified as held for sale and profit or loss from discontinued operations

Non-current assets and disposal Groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal Groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal Group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A discontinued operation is a component that is disposed of or classified as held for sale. In the Consolidated Statement of Total Comprehensive Income of the reporting period, and of the comparative period, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the Consolidated Statement of Total Comprehensive Income.

m) Judgements

In the preparation of the Group's consolidated financial statements, management is required to make certain judgements and estimates that affect the reported amounts of its assets and liabilities, revenues and expenses at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities. Significant areas requiring management's judgement include assessment of the fair value of investment properties and properties under construction and also the determination of deferred tax balances.

Deferred tax assets / liabilities
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

n) Fair values

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: valuation techniques for which the lowest level of inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: valuation techniques for which the lowest level of inputs that have a significant effect on the recorded fair value are not based on observable market data

3. Other Income

The Company reached a final settlement with former Company directors, Robin James, Kristel Meos and Gunnar Okk (together, the "Former Directors") in March 2014. In entering this settlement the Former Directors have neither admitted liability nor wrongdoing. Under the terms of the settlement agreement, the Company has agreed to dismiss all claims against the Former Directors. The Company received £2,500,000.

The Company and its former auditors, Ernst & Young LLC ("EY") have agreed to terms for the settlement of proceedings issued by EY against the Company on 4 July 2012 in the High Court of Justice of the Isle of Man, and the Company's counterclaim against EY in those proceedings. Under the terms of the settlement agreement, the Company and EY have agreed to settle their respective claims. The Company received £425,000 in full and final settlement of all claims and counterclaims. In entering into this settlement agreement, neither EY nor the Company have admitted liability or wrongdoing.

The proceeds from the settlement of the cases were recognized as Other Income from continuing operations.

4. Administrative expenses

Administrative expenses comprise the following:

	31 December 2014 Group €'000	**31 December 2013 Group €'000**
Legal and other professional fees	701	598
Administrators fees	34	65
Directors' remuneration	68	60
Auditors' remuneration – audit services	41	38
Accountancy Services	12	23
Other administrative expenses	97	118
Provision for doubtful account expense	-	175
	953	1,077

5. Income tax

The Company is resident in the Isle of Man. Its activities in the Isle of Man are liable to tax at a 0% tax rate.

The Group has significant accumulated tax deductible losses which are available for offset against future taxable profits. No deferred tax has been recognised in respect of these losses on the basis that there is uncertainty as to whether or not there will be suitable taxable profits against which these losses can be utilised.

6. Earnings per share

The calculation of basic earnings per share at 31 December 2014 was based on the profit/(loss) attributable to shareholders of €2,903k, (2013: (€1,011k)) split between a profit/(loss) from continuing operations of €2,803k, (2013: (€1,136k)) and profit from discontinued operations of €100k, (2013: €125k). The weighted average number of ordinary shares in issue during the year ended 31 December 2014 was 25,601,092 and 31 December 2013 was 26,200,270.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares. There were no potentially dilutive shares at 31 December 2014 or 31 December 2013.

	31 December 2014 Group €'000	31 December 2013 Group €'000
Basic and diluted earnings per share		
Profit/(loss) attributable to equity holders of the parent – continuing operations	2,803	(1,136)
Profit attributable to equity holders of the parent – discontinued operations	100	125

	31 December 2014 Group €'000	31 December 2013 Group €'000
Weighted average number of ordinary shares in issue during the year	25,601,092	26,200,270
	€' cents	€' cents
Profit/(loss) earnings per share from continuing operations	10.95	(4.34)
Earnings per share from discontinued operations	0.39	0.48
Total profit/(loss) earnings per share	11.34	(3.86)

7. Discontinued operations

The profit for the year from discontinued operations arises as follows;

	2014 €'000	2013 €'000
Arising from subsidiary undertakings classified as held for sale (see below)	100	125
Profit for year from discontinued operations	100	125

In 2013, the Group disposed of its subsidiary entities Pedragon Limited, Goldbrick Limited, and OOO Gruppa Kub. The assets and liabilities of these entities were classified as being part of a disposal Group held for sale at the year ended 31 December 2012. As this disposal Group was an operating segment for the purposes of management reporting the results of the operations of this operating segment have been included in the consolidated statement of total comprehensive income within the single line item "Profit for year from discontinued operations".

In 2014, additional consideration amounting to €100k was received by the Group related to the above mentioned disposal. As this disposal Group was an operating segment for the purposes of management reporting the results of the operations of this operating segment have been included in the consolidated statement of total comprehensive income within the single line item "Profit for year from discontinued operations". The detailed analysis of the segment's results is set out below.

	2014 €'000	2013 €'000
Net rental income	-	125
Contractual consideration income	100	-
Operating profit	100	125
Finance costs	-	-
Profit from discontinued operations before tax	100	125
Taxation	-	-
Profit for year from discontinued operations	100	125

7. Discontinued operations (cont'd)

The carrying amounts of assets and liabilities classified as part of a disposal Group held for sale are as follows:

	2014 €'000	2013 €'000
Non-current assets		
Investment property	-	-
Other assets	-	-
Current assets		
Trade and other receivables	-	-
Cash and cash equivalents	-	-
Total assets	-	-
Current liabilities		
Trade and other payables	-	-
Other loans	-	-
Total liabilities	-	-
Net assets	-	-

Cash flows generated by this operating segment for the reporting periods under review can be summarised as follows:

	2014 €'000	2013 €'000
Operating activities	100	(102)
	100	(102)

8. Operating segment information

As there is only one operating segment, there is no need for detailed operating segment disclosures or reconciliations as required by IFRS 8. All other disclosures required by IFRS 8 in respect of these segments are included within Note 7.

9. Cash and cash equivalents

	31 December 2014 Group €'000	31 December 2013 Group €'000
Sterling cash	1,710	177
Euro cash	8	3,976
Total cash and cash equivalents	1,718	4,153

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	31 December 2014 Group €'000	31 December 2013 Group €'000
Cash at banks and on hand	1,718	4,153

	31 December 2014 Company €'000	31 December 2013 Company €'000
Sterling cash	1,710	176
Euro cash	8	3,976
Cash and cash equivalents	1,718	4,152

10. Restricted Cash

The Company had €1,054k of restricted cash at 31 December 2014 (2013: €1,567k). This balance was made up of €952k (2013: €1,471k) held by the High Court of the Isle of Man for on-going litigation at 31 December 2014. The remaining €102k (2013: €96k) relates to amounts held by the Company's UK and Isle of Man legal advisers.

11. Trade and other payables

	31 December 2014 Group €'000	31 December 2013 Group €'000
Directors' fees	38	82
Other trade payables and accruals	139	119
Total trade and other payables	177	201

	31 December 2014 Company €'000	31 December 2013 Company €'000
Other trade payables and accruals	64	85

The net carrying amount of trade and other payables is considered to be a reasonable approximation of fair value.

Terms and conditions of the above financial liabilities:

Directors' fees are non-interest bearing and are normally settled on 30-day terms. Other trade payables and accruals are non-interest bearing and are normally settled on 30-day terms.

12. Issued Capital

	31 December 2014		31 December 2013	
	Number of shares	€'000	Number of shares	€'000
Authorised:				
Ordinary shares of €0.01	250,000,000	2,500	250,000,000	2,500
Issued and fully paid:				
Ordinary shares of €0.01	23,437,594	234	26,200,270	262

Two shares were issued on 18 September 2006 on incorporation. 26,200,268 shares were issued on 11 December 2006 for total proceeds of €38,775,000. Share issue expenses associated with the issue totalled €2,327,000. The ordinary shares carry the right to receive, and shall participate in, any dividends or other distributions out of the profits of the Company available for dividend and resolved to be distributed in respect of any accounting period.

12. Issued Capital (cont'd)

On 18 September 2014 the board voted to commence a distribution to shareholders whereby the shareholder could receive the distribution either as a return of capital or a dividend payment. As at 31 December 2014 the company repurchased and cancelled 2,762,676 ordinary shares for a total of €704k and paid a dividend of €5,123k.

13. Net asset value per share

	31 December 2014 Group €'000	31 December 2013 Group €'000
Net asset value attributable to ordinary shareholders	2,595	5,519
Ordinary shares in issue at the end of the period	23,437,594	26,200,270
Net asset value per share (cents per share)	0.11	0.21

14. Share premium and distributable reserves

By virtue of a special resolution passed on 5 December 2006 with confirmation of the High Court of the Isle of Man on 13 August 2007, the amount standing to the credit of the Share Premium Account of €36,186,377 was transferred to a Distributable Reserve and the share premium account was cancelled.

During the year, the Company made a distribution by way of capital reduction whereby 2,762,676 ordinary shares were repurchased for consideration of €704k, resulting in a reduction in distributable reserves of €676k. Additionally, during the year the Company made a distribution by way of a dividend, resulting in a reduction in distributable reserves of €5,123k.

15. Financial instruments

The Group holds cash, restricted cash and trade and other payables.

Risk Management
The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign exchange risk and interest rate risk. The Board regularly reviews and agrees policies for managing each of these risks and these are summarised below.

15. Financial instruments (cont'd)

Capital management
The Group is not subject to any external capital management requirements. The Group is primarily focused on its Net Asset Value per share to manage its equity and as a key measure of performance. In prior financial periods, the Net Asset Value was affected by market movements, particularly changes in the value of investment properties whose value changes are affected by factors outside the Group's control.

Given the factors disclosed in Note 7, movements in the value of investment properties is no longer a risk to the Group's Net Asset Value.

	31 December 2014 Group €'000	**31 December 2013 Group €'000**
Total assets	2,772	5,720
Total liabilities	(177)	(201)

Working capital is managed in each subsidiary on a standalone basis.

Credit risk
Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. In the event of a default by an issuer or counterparty the Group may suffer losses.

The Group is also exposed to credit risk on deposits with banks. Barclays Bank held the majority of the Group's cash at year end. Barclays Bank was rated by S&P as having a credit rating on short term deposits of "A-1".

The Company is exposed to credit risk on its capital contributions to subsidiaries. Credit risk is managed through monitoring changes in the Net Asset Value of its subsidiaries. Previously, this was principally affected by changes in the value of the underlying properties which were re-valued annually.

Liquidity risk
Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments. As the Group no longer holds investment properties which are relatively illiquid, the Group is no longer exposed to liquidity risk associated with investments in property.

15. Financial instruments (cont'd.)

The maturity profile of the Group's liabilities is as follows:

Maturity Profile

2014	**< 3 Months €'000**	**3-12 Months €'000**	**1-5 Years €'000**	**>5Years €'000**	**Total €'000**
Trade and other payables	177	-	-	-	177
					177

2013	**< 3 Months €'000**	**3-12 Months €'000**	**1-5 Years €'000**	**>5Years €'000**	**Total €'000**
Trade and other payables	201	-	-	-	201
					201

Foreign exchange risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument or cash balances denominated in foreign currencies will fluctuate because of changes in foreign exchange rates. The Group's main exposure is for Sterling balances. To mitigate the foreign exchange risk the Group will typically monitor the Euro/Sterling exchange rate on a regular basis and reviews the Sterling balance held to ensure exposure is not excessive. At this point the Group has decided not to engage in foreign currency hedging or other derivative instruments to further reduce this risk.

Change in GBP£/Euro Rate

	% change	**Effect on profit before tax €'000**
2014	+10%	-
	-10%	-
2013	+10%	-
	-10%	-

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the cash and cash equivalents balances held.

15. Financial instruments (cont'd.)

The interest rate profile of the Group at 31 December 2014 was as follows:

	Total €'000	Fixed rate €'000	Variable rate €'000	Non-interest bearing €'000	Weighted avg. rate %
Cash and cash equivalents	1,718	-	1,718	-	0.1%

The interest rate profile of the Group at 31 December 2013 was as follows:

	Total €'000	Fixed rate €'000	Variable rate €'000	Non-interest bearing €'000	Weighted avg. rate %
Cash and cash equivalents	4,153	-	4,153	-	0.1%

Impact of a 1% rise in the Euro floating rate

	% change	Effect on profit Before tax €'000
2014	+1%	-
	- 1%	-
2013	+1%	-
	- 1%	-

15. Financial instruments (cont'd.)

Fair Values
The table below sets out the Group's classification of each class of financial assets/ liabilities and their fair values:

	Note	Loans and receivables	Liabilities amortised cost	Total carrying amount	Fair Value
	Note	**€'000**	**€'000**	**€'000**	**€'000**
2014					
Cash and cash equivalents	9	1,718	-	1,718	1,718
Restricted cash	10	1,054	-	1,054	1,054
Trade and other payables	11	-	(177)	(177)	(177)
		2,772	(177)	2,595	2,595

At 31 December 2014 all items are valued using Level 1 inputs. Valuation methods for Levels 1, 2 and 3 are described in the "fair value hierarchy" section of the accounting policies, see Note 2.5(n).

	Note	Loans and receivables	Liabilities amortised cost	Total carrying amount	Fair Value
	Note	**€'000**	**€'000**	**€'000**	**€'000**
2013					
Cash and cash equivalents	9	4,153	-	4,153	4,153
Restricted cash	10	1,567	-	1,567	1,567
Trade and other payables	11	-	(201)	(201)	(201)
		5,720	(201)	5,519	5,519

15. Financial instruments (cont'd.)

At 31 December 2013 all items are valued using Level 1 inputs. Valuation methods for Levels 1, 2 and 3 are described in the "fair value hierarchy" section of the accounting policies, see Note 2.5(n).

16. Subsidiaries and non-controlling interest

Investments in subsidiaries

	31 December 2014 Company €'000	31 December 2013 Company (restated) €'000
Capital contributions to subsidiaries	820	443
Impairment of capital contributions to subsidiaries	(820)	-
Total investments in subsidiaries	-	443

Certain comparative amounts for the year ended 31 December 2013 have been restated from loans to subsidiaries to capital contributions to subsidiaries.

The Company has made capital contributions to subsidiaries whose net asset values have fallen below the value of the loans granted. The Board has decided therefore to write down the value of the capital contributions to bring the value into line with the cash that would be available to repay them if the assets of the subsidiaries were disposed of at their book value and their existing liabilities repaid. This was completed through an impairment charge totalling €820k (2013: €nil).

The following were the companies in the Group at 31 December 2014:

Name	Securities in issue	Principal activity	Country of incorporation	Beneficial interest 2014	2013
Metro Baltic Guernsey Ltd.	2 shares of €410 each	Intermediate holding co.	Guernsey	100%	100%
Metro Baltic Netherlands B.V.	18,000 shares of €1 each	Non-trading	Netherlands	100%	100%

As the parent has 100% share ownership of the two entities listed above, they are both judged to be fully controlled by the parent entity and as such are treated as subsidiaries and are fully consolidated. As noted above, Metro Baltic Netherlands B.V. is non trading and as such carries little risk and has little effect on the financials of the Group. Metro Baltic Guernsey Ltd is co-claimant with the Company in the proceedings being pursued in the Isle of Man.

17. Related party and key management transactions

Transactions between the Company and its subsidiaries which are related parties have been eliminated on consolidation and are not disclosed in this note.

Directors' fees for the year ended 31 December 2014 amounted to €94k (2013: €60k). Directors' fees payable at the year ended 31 December 2014 amounted to €38k (2013: €82k).

18. Commitments and Contingencies

The Group has no unprovided commitments as at 31 December 2014 and 2013.

19. Investment policy

The Company was established in 2006 to invest in and develop a portfolio of property assets spread across the Baltic States with a focus on prime office, residential and retail development and investment opportunities. Following the disposal of its property assets, the Company's current assets and activities are cash and litigation against its former advisers Tolmain Advisory Services Limited (formerly Metro Frontier Limited), Metro Capital Management AS, Mart Habakuk, James Kenny Paul McGuinness, MG Capital Limited and McGuinness Investments OU.

Current Permitted Investment Policy

The Company is approved to invest in and develop high quality property assets spread across the capital cities of the three Baltic States (although principally Tallinn in Estonia and Riga in Latvia) and St Petersburg, Russia.

In the unlikely event that the Company were to consider future investment the Company, as matters stand, could only consider a focus on prime office, residential and retail development and investment opportunities which the Company would believe could generate a target minimum internal rate of return of 25%. The Company could also invest selectively in land acquisition and in joint ventures with reputable developers. In such circumstances the Company would expect to immediately dispose of any completed residential developments but could lease out and keep any developed commercial properties as cash yielding part of an investment portfolio. But as stated the Company is unlikely to make any further property investments

20. Subsequent event

Post year end the Company continued to offer the shareholders a distribution or a purchase by the Company of its own equity. To date post year end a further distribution of €460k and a purchase of the Company's own equity of €81k has occurred.

21. Approval of financial statements

The financial statements were approved by the Board of Directors on 26 August 2015.