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Application has been made for all of the Ordinary Shares issued and to be issued pursuant to the Placing to be admitted to trading on the AIM market of the London Stock Exchange plc. The Ordinary Shares are not dealt in on any recognized investment exchange and no application is being or has been made for the Ordinary Shares to be admitted to any such exchange. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.**

It is expected that Admission will take place, and dealings in the Ordinary Shares will commence on AIM, on 11 December 2006.

Although the whole text of this document should be read, your attention is drawn in particular to the section entitled “Risk Factors” in Part III of this document.

Metro Baltic Horizons plc

(Incorporated and registered in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 with registered number 117760C)

Placing of up to 26,200,268 Ordinary Shares of nominal value of €0.01 each at 100 pence per share payable in full on subscription

Admission to trading on AIM

Nominated Adviser and Broker



The Company, whose registered office appears on page 5, and the Directors of the Company, whose names appear on page 5 of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors (each of whom has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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This document does not comprise a prospectus for the purpose of the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland and has not been delivered to the Registrar of Companies in Dublin. Ordinary Shares will not be offered to more than 100 persons in Ireland and therefore will only be offered in circumstances where it is lawful to do so without a prospectus being made available to the public. The attention of non UK persons is drawn to the paragraph entitled “Selling Restrictions” in Part V of this document (“Placing, Admission and Related Matters”).

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KEY INFORMATION

The following information should be read in conjunction with the full text of the rest of this document, from which it is derived.

Background

- Metro Baltic Horizons (the “Company”) plc has been formed to invest in property development and income producing opportunities in the capital cities of the three Baltic States, namely Estonia, Latvia and Lithuania and also in the city of St Petersburg, Russia;
- The Company intends to invest principally in prime residential and office development opportunities in the Baltics and prime office developments in St Petersburg and anticipates focusing on property development opportunities;
- The Company has entered into an Investment Management Agreement with Metro Frontier Limited (the “Investment Manager”) which has entered into an advisory agreement with Metro Capital Management AS the (“Investment Adviser”);
- The Investment Adviser is an experienced and fast growing property asset manager and developer based in Estonia with offices in Tallinn, Riga and St Petersburg. It has a team of 19 experienced investment professionals managing a portfolio of 19 existing projects across the Baltics, generating an average annual return on invested equity in excess of 60%; and
- Application will be made for the Company’s Ordinary Shares to be traded in London on AIM.

The Opportunity

- The Baltic States have been amongst the best performing of all European economies in recent years, experiencing an average GDP growth of over 8% over the past 4 years to 31 December 2005 compared to an EU (25) average of 1.6%;
- The Russian economy has experienced similar growth and the strong trading, cultural and business links between St Petersburg, the Baltics, and Estonia in particular, support the rationale for addressing the St Petersburg property market as part of the broader Baltic property investment initiative;
- The Investment Manager and the Investment Adviser both have extensive knowledge and experience of the Baltic and St Petersburg property markets, providing a strong competitive advantage in a market where attractive property assets are typically sold “off-market” between principals and without external agent involvement. The Investment Manager believes that it can utilise its local presence and database of contacts in the Baltics and St Petersburg to source suitable property investment opportunities for the Company which would not otherwise be available to it;
- The Investment Manager will recommend property development opportunities to the Company and expects to target development projects which can demonstrate an ability to generate a minimum 25% IRR to the Company;
- The Investment Adviser has already identified a number of potential opportunities for the Company which are in line with the Company’s investment objectives with an estimated aggregate ungeared equity requirement of €185m; and
- The Company will borrow funds from commercial lenders as it anticipates that higher returns will be achievable through investments than the cost of such debt financing.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of AIM admission document	6 December 2006
Admission and dealings in Ordinary Shares to commence on AIM	11 December 2006
Crediting of Ordinary Shares to CREST accounts (as applicable)	11 December 2006
Definitive share certificates dispatched (as applicable)	20 December 2006

Note:

Each of the times and dates in the above timetable is subject to change.

PLACING STATISTICS

Placing Price	100p
Number of Ordinary Shares in issue at the date of this document	2
Number of Ordinary Shares being issued	26,200,268
Number of Ordinary Shares in issue immediately following Admission*	26,200,270
Market Capitalisation of the Company at the Placing Price*	£26.2m
Gross proceeds of the Placing receivable by the Company*	£26.2m
Estimated expenses of the Placing payable by the Company	£1.6m
Proceeds of the Placing receivable by the Company after expenses*	£24.6m

* assuming the Placing is fully subscribed

DIRECTORS AND ADVISERS

Directors	Stuart McDonald (<i>Non-executive Chairman</i>) Robin James (<i>Non-executive Director</i>) Kristel Meos (<i>Non-executive Director</i>) Gunnar Okk (<i>Non-executive Director</i>) all of the registered office below
Company Secretary Registered Office	Philip Scales IOMA House Hope Street Douglas Isle of Man IM1 1AP Telephone number: +44(0) 1624 681 200
Investment Manager	Metro Frontier Limited 33 Athol Street Douglas Isle of Man IM1 1LB
Investment Adviser	Metro Capital Management AS Kreutzwaldi 12 10124 Tallinn Estonia
Nominated Adviser (NOMAD), Broker and Placing Agent	Oriel Securities Limited 125 Wood Street London EC2V 7AN
Administrator	IOMA Fund and Investment Management Limited IOMA House Hope Street Douglas Isle of Man IM1 1AP Telephone number: +44(0) 1624 681 200
Provider of Accounting & Financial Control Services	M G Capital Limited 15 Northbrook Walk Ranelagh Dublin 6 Ireland
Legal Advisers to the Company	Stephenson Harwood One, St Paul's Churchyard London EC4M 8SH
Legal Advisers to the NOMAD	Norton Rose Kempson House Camomile Street London EC3A 7AN
Isle of Man Legal Advisers to the Company	Dickinson Cruickshank 33 Athol Street Douglas Isle of Man IM1 1LB
Auditors	Ernst & Young LLC Rose House 51-59 Circular Road Douglas Isle of Man IM1 1AZ

Reporting Accountant	Ernst & Young LLP 1 More London Place London SE1 2AF
Tax Advisers	AS PricewaterhouseCoopers Parnu mnt. 15 10141 Tallinn Estonia
Custodian	Northern Trust Fiduciary Services (Ireland) Limited George's Court 54-62 Townsend Street Dublin 2 Ireland
CREST Settlement Agent	Computershare Investor Services (Channel Islands Limited) Ordnance House 31 Pier Road, St Helier Jersey

PART I

THE COMPANY

INTRODUCTION

Metro Baltic Horizons plc (“the Company”) is a newly incorporated Isle of Man company which has been established to invest in property development and income-producing opportunities in the capital cities of the three Baltic States, namely Estonia, Latvia and Lithuania and also in the city of St Petersburg, Russia. These cities share many common characteristics, which the Directors believe make them attractive investment markets. These characteristics include a trend of above average EU GDP growth, increasing foreign direct investment, significant infrastructure investment, rising levels of disposable income, expanding availability of commercial and personal finance including mortgages, and limited quality property stock.

Initially, the Company intends to invest principally in prime residential and office development opportunities in the Baltics and prime office developments in St Petersburg, with a secondary focus on retail investment in the Target Region and prime residential development in St Petersburg. Given the relative shortage of prime cash flow producing properties available in the Target Region and the anticipated continued growth in demand, particularly for prime offices and high-end residential units, the Company anticipates focusing on property development opportunities.

INVESTMENT OBJECTIVE AND DIVIDEND POLICY

The investment objective of the Company is to provide Shareholders with a high level of total returns. The Directors expect that the total return to investors will principally comprise capital growth, but with potential for dividends over the medium to long term.

The Investment Manager will recommend property development opportunities to the Company and expects to target development projects which can demonstrate an ability to generate a minimum 25% IRR to the Company.

As the Company expects to focus on property development opportunities, when a property development is completed the Directors will decide whether the property is sold or held for investment purposes, based on the market conditions and the availability of other development opportunities at the time. Where a property is held for investment purposes the net rental income may be distributed by way of an annual dividend.

THE INVESTMENT REGION

The Baltic States

The Baltic States have been amongst the best performing of all European economies in recent years. GDP growth in the Baltics has averaged 8.0% over the past four years to 31 December 2005 compared to an EU (25) average of 1.6%. This sustained period of high GDP growth, coupled with a pro-business environment, including low flat tax rates, has helped increase disposable income and consumption. This has, in turn, had a positive impact on property prices across the Baltics. The Investment Manager believes that there remains considerable demand for high quality office, commercial and residential developments.

The Company’s target focus on the Baltic capital cities represents a catchment area of 2.2m people. With a strong legal framework, clear title registration systems, strong demand and limited barriers to foreign property ownership, the Directors believe that Baltic property is an accessible and attractive asset class with good long-term prospects for continued capital appreciation.

There is a developed banking system in each of the Baltic States and significant availability of local borrowing on generally attractive commercial terms. Estonia, Lithuania and Latvia are forecast to enter the Eurozone of currencies in 2-3 years when the Maastricht criteria have been met. The formal adoption of the Euro is expected to further reduce local borrowing costs.

St Petersburg

The general improvement in the Russian economy, which has experienced an average GDP growth of 6.02% over the last 5 years, and the increased stability in Russian government finances, have been evident across all major indicators (money markets, stock exchange, currency etc.). St Petersburg is Russia’s second largest city, with a population of circa 4.6m, and is the capital of one of Russia’s

best performing regions, with above average earnings, growth and foreign direct investment as well as below average unemployment.

St Petersburg is located approximately 350kms by motorway from Tallinn, the closest EU capital, and only 140kms from Estonia's eastern border. As St Petersburg was centrally planned and designed by prominent European architects, it is considered Russia's most European city. The trading, cultural and business links between St Petersburg, the Baltics and Estonia in particular, are very strong and the Directors believe that all of these factors support the rationale for addressing the St Petersburg property market as part of a broader Baltic property investment initiative.

There is extensive development currently underway in St Petersburg and demand for prime offices, high-end residential, business hotels, warehousing and retail space is forecast to remain buoyant.

BACKGROUND TO THE BALTIC AND ST PETERSBURG INVESTMENT OPPORTUNITY

The Baltic States

The economic transformation of the Baltic States of Estonia, Latvia and Lithuania since their breakaway from the Soviet Union in 1991 has been dramatic. According to official EU statistics, the Baltic States were the three fastest growing economies in the EU in 2005, with an average GDP growth rate of 9.3% and, as continued levels of high growth are forecast, the Investment Manager believes that the Baltic States should continue to be an attractive area for investment.

The post-communist and more recently the post-EU entry eras have witnessed changing demographics, increased consumer confidence and aspirations, greater trade flows, significant state and private investment in infrastructure and increased availability of commercial and personal credit. Each of the Baltic States has rapidly modernised, developed fully functioning market economies and has achieved macro-economic stability. These political and economic reforms provide a stable and attractive backdrop to property development and investment. Furthermore these markets, due to their smaller size and northern European location, have not yet attracted the comparative scale of western money and development activity seen in certain other emerging European markets.

St Petersburg

Russia's economic transformation since the financial crisis of 1997 has also been impressive, spurred on in particular by President Putin's economic and fiscal policies and high oil, gas and commodity prices. Russia is now being seen by investors as an increasingly attractive and stable investment destination which is reflected in key indicators and the re-rating of Russian sovereign debt to Investment Grade in December 2005. High oil, gas and commodity prices continue to bolster Russian state finances.

Due to its close proximity to the EU, pro-business local government, above average regional earnings, foreign direct investment and growth, St Petersburg is regarded as a favourable investment location. A study by Expert Ratings Agency in November 2005 underpins this trend, with St Petersburg rated as Russia's most favourable investment destination. The local property market is relatively immature with limited new supply in the office, retail, commercial and residential markets. The location of Tallinn as the nearest EU capital to St Petersburg, which is only 350kms by motorway and 140kms from the eastern Estonian border, is an indicator of the close business and trading links between the two areas and supports the logic of addressing the St Petersburg market from a Baltic base.

Attractive Property Development Opportunities

The Directors, based on advice from the Investment Manager and the Investment Adviser who have extensive knowledge and experience of the Baltic and St Petersburg property markets, believe that these areas represent an attractive location for property development and investment.

The relative immaturity of the property markets in the cities being targeted by the Company means that many of the larger, more attractive property assets traded are effectively sold 'off-market' between principals and without external agent involvement. This provides a competitive advantage to those parties with strong local knowledge and contacts that can access such deal flow. The Investment Manager believes that it can utilise its local presence and database of contacts in the Baltics and St Petersburg to source suitable property investment opportunities for the Company which would not otherwise be available to it.

COMPETITIVE STRENGTHS

The Directors believe that the structure of the Company and the combined experience and resources of the Investment Manager and Investment Adviser will provide a number of competitive advantages to Shareholders for investment in the Target Region.

Experienced Management Team With a Proven Track Record

The Investment Adviser has an established team with significant professional property development expertise in the Target Region. The Investment Adviser has 19 existing property development projects which have generated an average return to investors after costs in excess of 60% per annum.

Local Market Presence

The Investment Adviser has offices in Tallinn, Riga and St Petersburg. These offices currently employ a total staff of 19 people covering a wide range of property development and related activities.

Local Market Knowledge

The Investment Adviser has established strong local market knowledge and a network of local contacts which it believes will provide the Company with access to property development opportunities, facilitate the execution of the transactions, the management of the development projects, marketing of completed developments or ongoing property management.

Attractive Pipeline of Property Development Opportunities

The strong local offices and knowledge of the Investment Adviser team has enabled them to assemble an attractive pipeline of property development opportunities which it believes demonstrate financial returns above the target minimum IRR's for the Company.

Alignment of Interests of Shareholders and Investment Manager

The Investment Manager is entitled to a performance fee under the terms of the Investment Management Agreement with the Company, linked to the total return achieved by Shareholders. If a performance fee is due in respect of a period, it will be satisfied by the Company partly in cash and partly by the issue of Ordinary Shares (at least 25%) at a price as set out in paragraph 7.1 of Part VIII.

In order to further align the interests of the Investment Manager with those of the Company's Shareholders, the Investment Manager or parties associated with the Investment Manager will invest in the Company a minimum of 1% of the Placing proceeds.

The Directors believe that these arrangements align the economic interests of the Investment Manager with those of the Company's Shareholders.

INVESTMENT STRATEGY

The Company intends to invest in and develop a portfolio of high quality property assets spread across the capital cities of the three Baltic states (Tallinn in Estonia, Riga in Latvia and Vilnius in Lithuania) and St Petersburg, Russia. In contrast to certain other property investment funds investing in the region and across emerging Europe, the Company will have a development capability rather than just a passive investment mandate focused on limited existing property stock.

At present, the Investment Manager anticipates there being significant property investment opportunities, particularly for office and residential development in the Riga and St Petersburg markets, although it also remains confident of its ability to identify available property investment opportunities in Tallinn and Vilnius. The relative shortage of high quality income-producing assets in the Target Region will mean that a majority of the funds raised pursuant to the Placing may initially be invested in development projects.

The Company's investment portfolio will principally focus on prime office, residential and retail investment and development opportunities. The Company may also invest selectively in land acquisition and in joint ventures with other reputable developers. The Company expects to immediately dispose of any completed residential developments but may keep any developed commercial properties as part of its portfolio and seek to maximize the cashflow yield of such properties and thereby further enhance shareholder returns. In these circumstances, the Investment Manager may seek to refinance any residual bank debt or similar facilities associated with such properties, with the objective of releasing the Company's original equity investment for further investment into other suitable projects.

Assuming the Placing is fully subscribed, it is expected that the Company's property investment portfolio will comprise up to 10 properties or development projects. Although there is no predetermined allocation of investment across the target cities, the Investment Manager intends that, once the proceeds of the Placing have been fully invested, no single property or investment will represent more than 30% of the gross assets of the Company. However, in exceptional circumstances, the Company may make a single investment in excess of this gross asset threshold. The Company's preferred strategy will be to be the sole investor in any project in which it invests but it may also invest as part of a syndicate, partnership or other investor grouping, subject to having a majority of voting shares in each case. In exceptional circumstances, the Investment Manager may recommend that the Company acquire a minority stake in a suitable property or development opportunity provided that the Company also receives appropriate voting and other protections in respect of key decisions relating to such investment.

The Company intends to use one or more special purpose vehicles ("SPVs") to hold its investments. The Company may use a single SPV for an individual property but, if it deems it appropriate, may choose to use a single SPV to hold multiple properties. SPVs will be incorporated in such jurisdictions as the Company deems appropriate taking into account investment management risks and endeavouring to minimise the overall tax liabilities of the Company and any of its subsidiaries. The Company may own all or a portion of the shares of these SPVs. The Company does not intend to invest in other collective investment companies.

The Investment Manager intends that the proceeds of the Placing will be fully committed within 12 months of Admission.

PIPELINE INVESTMENTS

The Investment Adviser has been able to source "off-market" a number of property development opportunities in the Target Region. Certain of these projects are at contract stage or in advanced exclusive negotiations. Other projects are in advanced negotiations but not subject to formal exclusivity agreements. The Investment Manager believes that, although these projects are still subject to final due diligence and contract, they conform to the Company's stated investment strategy and objectives and represent suitable investment targets. If all of these property investment opportunities were to be acquired and developed as envisaged, it would require an estimated aggregate maximum equity investment by the Company of €185m. Other investment opportunities have also been identified by the Investment Manager in other locations within the Target Region and are also under consideration, although they are not subject to any contract and due diligence is yet to be completed.

The following table summarises the main characteristics of pipeline investments.

PIPELINE PROJECTS			<i>Total estimated required equity capital (€m)</i>
	<i>Type</i>	<i>Gross Area of development (m²)</i>	
RIGA, LATVIA			
Riga A	residential	104,379	25.0
Riga B	office	104,379	27.6
Riga C	residential	50,522	9.5
Riga D	residential	57,000	8.2
Riga E	residential	26,410	7.8
JURMALA, LATVIA			
Jurmala A	residential	10,320	2.9
Jurmala B	residential	25,000	8.0
TALLINN, ESTONIA			
Tallinn A	mixed	44,899	12.0
ST PETERSBURG			
St Petersburg A	office	23,398	13.5
St Petersburg B	office	147,500	20.8
St Petersburg C	office	6,010	2.9
St Petersburg D	office	320,000	40.6
St Petersburg E	residential	10,000	6.3
Total		929,817	185.1

The principal pipeline projects under consideration are as follows:

- (1) **Riga A & B** – this project involves the acquisition of a site of 6.0 ha close to the centre of Riga. The plans include the development of circa 209,000m² of business and residential space.
- (2) **Riga C** – this project involves the acquisition of 2.5 ha of land, which is located in one of the fastest developing areas close to the centre Riga. The plans include the development of circa 50,500m² of mainly residential space.
- (3) **Riga D** – this project involves the acquisition of 3.8 ha of land close to Riga city centre. The plans include the development of circa 57,000m² of mainly residential space.
- (5) **Riga E** – this project involves the acquisition of 0.65 ha of land located by River Daugava close to the centre of Riga, in a prestigious and fast developing neighbourhood. The plans include the development of circa 26,000m² of mainly residential space.
- (6) **Jurmala A** – this project involves the acquisition of 0.5 ha of land by the River Lielupe in Jurmala. The plans include the development of circa 10,000m² of residential space.
- (7) **Jurmala B** – this project involves the acquisition of long term rental rights on 4 ha by the River Lielupe in Jurmala. The plans include the development of circa 25,000m² of residential space
- (8) **Tallinn A** – this project involves the acquisition of 2.8 ha of land in a prime location in Tallinn. The plans include the development of circa 45,000m² of business and residential space.
- (9) **St Petersburg A** – this project involves the acquisition of a newly built prime office building in central St Petersburg by the River Neva. The current useable area in the building is approximately 6,500m² with a potential for an additional 6,800m² usable space to be constructed within 18 months. The Investment Adviser believes that this building when reconfigured and fully let could generate a yield of circa 19%.
- (10) **St Petersburg B** – this project involves acquisition of 6.2 ha in the centre of St Petersburg. The plan includes the development of circa 147,000m² of prime office space.
- (11) **St Petersburg C** – the project involves the acquisition and redevelopment of an old building structure in central St Petersburg. The plans include the development of circa 6,000m² of prime office space.

- (12) **St Petersburg D** – the project involves the acquisition of 16 ha in the centre of St Petersburg. The plans include the development of circa 320,000m² of prime office space.
- (13) **St Petersburg E** – the project involves the acquisition of high class apartments “off-plan” in the centre of St Petersburg. The apartments will be fully refurbished and sold.

No assurance can be given that any of the property development opportunities outlined above will be completed by the Company. Given that the total equity required to undertake all of the pipeline projects detailed above is in excess of the equity funds being raised through the Placing, the Investment Manager will prioritise the opportunities and recommend to the Company those opportunities which are deemed most suitable in the light of the Company’s stated investment objectives and the funds raised through the Placing.

The benefit of the identified property development opportunities and the due diligence, structuring and planning relating to these projects will be transferred by the Investment Manager to the Company immediately after Admission, in return for a one-off structuring and negotiation fee payable to the Investment Manager of 0.5% of Placing proceeds to be satisfied in cash.

INVESTMENT PROCESS

The Investment Manager, in conjunction with the Investment Adviser, will provide a range of activities and services to ensure that the investment process is successful in achieving the investment objectives of the Company. The investment process to be undertaken by the Investment Manager and the Investment Adviser will be broadly as follows:

Sourcing investments

The Investment Adviser will source investment opportunities primarily through its own offices in the Target Region and through its broad network of contacts with city and municipal officials, developers, advisers and brokers in the Target Region.

Project analysis and appraisal

Each prospective investment opportunity will be assessed on, *inter alia*, a total return expectation and agreed risk criteria. If the Investment Manager and the Investment Adviser are satisfied that a prospective investment opportunity meets the Company’s current investment strategy, it will be approved for more detailed analysis and due diligence. The Investment Adviser will then work with the Investment Manager and such other agents, advisers and consultants as they deem appropriate in carrying out due diligence on the prospective opportunity.

If the Investment Adviser is satisfied with the results of the due diligence and other investigations, it will put a proposal to the Investment Manager in relation to the opportunity. On the basis of such proposal, the Investment Manager will prepare a comprehensive transaction proposal which will be submitted to the Board for consideration and which will consider and report on, *inter alia*, the following:

- Location of the property
- Status of ownership, planning, tenure and registration where relevant
- Development plans and attendant costs, timings and contractors
- Appraisal of the anticipated internal rate of return of the project and sensitivities on key variables
- Proposed financing strategy including details of available project finance from suitable lenders
- Transaction structure, conditions precedent, transaction costs, advisers and timeline to completion

If the Board approves the transaction proposal, it will inform the Investment Manager, in conjunction with the Investment Adviser, who will be responsible for putting the proposal into effect and the ongoing monitoring and management of the relevant investment.

BORROWING

In order to maximise Shareholders’ returns, the Directors believe that it would be in the interests of the Company to borrow funds from commercial banks in the Target Region to part-finance the acquisition and/or development of suitable property investment opportunities. The Investment Adviser currently manages a portfolio of 19 property investment and development projects in the Baltics on

behalf of itself and a range of third party private and institutional investors, and through such projects has developed relationships with a number of domestic and international banks active in the Target Region. The Investment Adviser believes that a number of banks, including those with whom it has an existing relationship, would be willing to provide finance to the Company to finance property acquisition and development activities and that such finance can be secured on competitive terms. Once the proceeds of the proposed Placing have been fully invested, the Directors will employ borrowings at the individual property level which will be on a non-recourse basis. The Directors currently intend that the maximum level of borrowings across all properties will not exceed 70% of the aggregate value of all of the Company's property investments.

PROPERTY VALUATION POLICY

It is the Board's intention that the Company's portfolio of investments will be valued on a semi-annual basis by Colliers International. The Investment Adviser is currently in discussion with Colliers International with a view to appointing them to carry out this role. Any valuation will be reviewed by the Board or a committee of the Board. The Investment Manager may also, at its discretion or at the discretion of the Directors, arrange for additional valuations from time to time from other suitably qualified persons.

The net asset value attributable to an Ordinary Share as at 30 June and 31 December each year (commencing 30 June 2007), based on the valuation of the Company's property portfolio, will be calculated in accordance with IFRS. The net asset value at the end of each period will be published through a Regulatory Information Service as soon as reasonably practicable.

PART II

MANAGEMENT, ADVICE AND ADMINISTRATION

DIRECTORS

The Company's Board comprises four non-executive directors as follows:

Stuart McDonald, *Non-Executive Chairman* (aged 63) was with NM Rothschild & Sons Limited from 1970 to 1984 latterly as an executive director. Between 1984 and 1992, he was Joint Chief Executive of London & Edinburgh Trust plc, a listed international property investment and development company. He now acts as consultant to a number of property companies, business start up and smaller companies. He has previously acted as chairman and non-executive director to a number of listed and private companies.

Robin James, *Non-Executive Director* (aged 61) was, until June 2005, CEO of the banking and financial services group, Singer and Friedlander (Isle of Man) Holdings Ltd. and spent nine years with Kleinwort Benson Limited in the UK and South Africa. Robin is currently retained as a consultant to Boston Limited, a licensed corporate service provider and is a non-executive director of a diverse number of companies including Marriott International Funds PLC and Equest Balkan Properties plc.

Kristel Meos, *Non-Executive Director* (aged 33) is Head of Private Wealth Management at Hansabank Ltd. Kristel has worked at Hansabank since 1995, first as a dealer in fixed income and later as Head of Trading Operations. She is currently a Board member of Baltic Property Trust AS, the largest property investment fund in the Baltics to date.

Gunnar Okk, *Non-Executive Director* (aged 46) is Senior Vice President and Head of Administration of Nordic Investment Bank. Formerly President and CEO of Estonia Energy Ltd, Director for Marketing and Communications at Bank of Tallinn Ltd and Managing Director of Statoil. Gunnar has also held the positions of Chairman of the Estonian National Committee of the World Energy Council, Vice Chairman of the Hansabank Ltd Supervisory Council and Vice Chairman of the Estonian Confederation of Employers and Industry.

INVESTMENT MANAGER

Metro Frontier Limited has been engaged by the Company to act as investment manager to the Company and its subsidiaries, to assist in the management of the Company's investments pursuant to an investment management agreement (further details of which are set out in paragraph 7.1 of Part VIII of this document). The Investment Manager is an Isle of Man company incorporated on 18 September 2006 and is not regulated in the Isle of Man or elsewhere in relation to the conduct of investment business or any other activity.

In return for the provision of its services to the Company, the Investment Manager will be paid a management fee and, assuming certain investment return targets are met, an incentive fee.

INVESTMENT ADVISER

Metro Capital Management AS has been engaged by the Investment Manager to act as investment adviser pursuant to an investment advisory agreement. The Investment Adviser will provide advice and assistance to the Investment Manager in carrying out its obligations to the Company. The fees of the Investment Adviser will be met by the Investment Manager.

The Investment Adviser is an experienced and fast growing property asset manager and developer based in Estonia with offices in Tallinn, Riga and St Petersburg. It was formed in 2002 following the merger of two Estonian property asset management companies established in 1997 and 2001 respectively and has a professional staff of 19 currently managing a portfolio of 19 projects across the Baltics ranging from mature cash flow yielding properties to early stage development projects in prime city locations. Gross assets under management are approximately €80m of which approximately €50m represents owner's equity. To date, the average annual return on invested equity in property developments managed by the Investment Adviser is in excess of 60% per annum.

The Investment Adviser currently manages property investments for approximately 200 private and institutional investors including insurance companies, pension funds, investment funds, private banking clients of international banks and Baltic based high net worth individuals.

LOCK-UP ARRANGEMENTS

Key individuals and members of the Metro Group will subscribe for 1,383,636 Ordinary Shares in the Placing. Each of the directors and shareholders of the Investment Adviser and each of the key individuals of the Metro Group to whom shares are to be issued (the “Lock-Up Parties”) has given an undertaking that, save in certain limited circumstances, it will not dispose of any of its Ordinary Shares for a period of twelve months from the date of Admission, except with the permission of the Company and Oriel Securities. The Lock-Up Parties have also agreed that for a further twelve months following the end of the first twelve month period, they will only dispose of Ordinary Shares held by them through Oriel Securities.

KEY INDIVIDUALS OF THE METRO GROUP

The following executives of the Metro Group will be principally responsible for providing property and general investment advice to the Company.

Mart Habakuk (aged 37) is Chief Executive of the Investment Adviser. Mart worked with PricewaterhouseCoopers from 1993-2001 as an auditor and consultant and from 1998 was Managing Director of PricewaterhouseCoopers’ Financial Advisory Services division in Estonia. In 2001, Mart established HRV Capital AS, a property investment management business that he merged with Metro Aktivate AS in 2004 to form the Investment Adviser. Mart is Chairman of the supervisory board of the Estonian Business School and is a member of the listing committee of the Tallinn Stock Exchange. Mart has a BSc from Tallinn Technical University and an MBA from the University of Georgia, USA.

James Kenny (aged 41) is Chief Executive of the Investment Manager. He has over 18 years’ corporate finance and investment experience with Smurfit Corporation, NatWest Bank, ABN AMRO Corporate Finance and ABN AMRO Rothschild where he was an Executive Director with responsibility for various regions including the Baltics, Russia and the Former Soviet Union. In this latter role he acted as adviser on a number of significant transactions in the region including the privatisation and IPO of Estonian Telecom in 1998 and various advisory mandates in the Latvian banking sector. In 2000, James founded and was Chief Executive of a new London based corporate finance and private equity business, Evolution Capital Limited, which is now part of the Evolution Securities Group. In recent years, he has acted as a consultant to various financial groups, listed and private companies as well as actively investing in the Baltic market where he has worked in partnership with the Investment Adviser for several years. James Kenny is a non-executive Director of Firestone Diamonds plc, a non-executive Director of Axeon plc and has a B.Comm (Hons) and Masters in Business Studies (Finance) from University College, Dublin.

Sulo Nigul (aged 40) is an Executive Director of the Investment Adviser where he has responsibility for zoning and construction management. Sulo has been active in the Estonian real estate market since 1993 and was centrally involved in the development of many projects including four major residential estates in the Tallinn area. Sulo founded Metro Aktivate in 1997 and was Chief Executive until its merger with HRV Capital in 2004. Sulo is a graduate of Tartu University and has an MBA from the Estonian Business School.

Boris Petrov (aged 37) is Managing Director of the Investment Adviser’s St Petersburg office. Boris previously founded and ran a number of businesses in the automotive sector in St Petersburg as well as having undertaken various property developments in St Petersburg. Between 2000 and 2005 Boris acted as an authorised representative of the Russian Federal Agency for Federal Property Management. Since 2002, he has also been the St Petersburg business and security liaison officer for the Office of the Deputy Chairman of the State Duma of the Russian Federation. Boris has a BA and MA from the St Petersburg State Electro-Technical University.

Igor Stepanovs (aged 42) is an Executive Director of the Investment Adviser’s Latvian office and has specific responsibility for zoning and new project development. Igor previously worked with Rigas Konercbanka and Privatais Investiciju Fonds. In 1999 Igor established his own property investment and development company through which he has undertaken various investment and development projects particularly in Riga and Jurmala. Igor is a graduate of the Agricultural School of Kandava.

Marika Joeleht (aged 37) is Chief Financial Officer of the Investment Adviser and has worked in financial control in the real estate sector since 1996. Marika has a BSc from Tallinn Technical University and an MBA from Estonia Business School.

Riin Rannamets (aged 26) is Finance Manager of the Investment Adviser and has specific responsibility within the Metro Group for valuation, investor reporting and project finance. She has

worked for the Metro Group since 2001. Riin previously worked in the Financial Advisory Services division of PricewaterhouseCoopers in Estonia. Riin has a Bachelor of Business Administration and an MSc in international economics and business administration from the Stockholm School of Economics.

Metro Group has also retained the services of certain senior consultants to provide strategic and economic advisory support including:

Madis Uurike (aged 63), formerly the Minister of Finance of the Republic of Estonia (1992-1994). Since 1994, Madis has been a key figure in several projects in Estonia, including the renovation of Tallinn Airport. He has been a member of the supervisory board of the listed Swedish companies Havsfrun and Prifast which operate in the field of real estate development and management. Madis has also worked as a member of the supervisory board of the real estate company Sisab, which is 100% owned by the city of Stockholm. Prior to becoming the Minister of Finance, Madis was director of BGB, one of the biggest listed real estate companies in Sweden.

WELL DEVELOPED APPROACH TO PROPERTY DEVELOPMENT PROJECTS

The Investment Adviser has adapted its investment approach in each of its target markets. This approach combines an extensive network of contacts in each local market and strong execution capability.

- The Investment Adviser will use its contacts to identify properties for purchase 'off market'. Some of these properties will have planning approval in place or will be in areas zoned for a particular type of development, subject to certain limitations in density, height etc.
- The strong in-house planning team works closely with the large real estate brokerage firms in the Target Region, providing valuable input to the planning process. Established relationships with officials and leading political parties also facilitates a low-risk and fast rezoning process, including the receipt of planning and building permits, approval of changes in projects, etc.
- The Investment Adviser has a team of experienced project managers who are able to organise transparent and successful bidding processes for each key area in the development process, including architects, engineers, construction companies, etc.
- The Investment Adviser also utilises its in-house legal team in each area of the Target Region to ensure low risk and cost efficient transactions. This has helped to avoid any legal action against the Investment Adviser during its existence. Much effort is also invested into achieving tax efficient transactions.
- Refinance arrangements are entered into based on revised planning approvals and construction contracts, securing equity release for reinvestment into other projects.

FEES

Management Fee

The Investment Manager will receive an annual management fee of 1 per cent. of the ongoing gross asset value of the Company, to be prepared by the Company's appointed property valuation adviser as at 30 June and 31 December in each year. A further fee of 0.5 per cent. of capital employed in Russian property projects will also be payable, reflecting the more expensive operating conditions in St Petersburg.

Such fees shall be payable quarterly in arrears, provided that the first payment of the management fee shall include a pro rated amount of such management fee in respect of the period from the date of Admission until the date of first payment.

Performance Fee

The Investment Manager will also receive an incentive fee which will be calculated as 25 per cent. of the excess return over a 12 per cent. annual hurdle. The performance fee is to be settled by the Company (as to at least 25 per cent.) by the issue of Ordinary Shares (valued by reference to the average middle market closing price of Ordinary Shares over the last 20 days trading in the accounting period in relation to which the performance fee is being paid) at the discretion of the Investment Manager, with the balance being paid in cash. Such shares will be issued at not less than the net asset value per Ordinary Share, except that if the average middle market closing price is less than the prevailing net asset value per Ordinary Share, the performance fee can be settled (in whole

or in part) by the purchase in the market of Ordinary Shares at prices below the prevailing net asset value.

Further details of the full Performance Fee calculation are set forth in paragraph 7.1 of Part VIII of this document.

Structuring Fee

The Company has agreed to pay the Investment Manager an initial structuring and pipeline transfer fee of 0.5 per cent. of the Gross Placing Proceeds for advice in connection with the pipeline projects.

Subscription by Investment Manager

Under the terms of the Investment Management Agreement, the Investment Manager shall, or shall procure that a member of its group or parties associated with the Investment Manager, invest in the Company a minimum of 1 per cent. of the Placing proceeds and, save in certain limited circumstances, shall not dispose of any of its Ordinary Shares for a period of one year from the date of Admission. This commitment is designed to further align the interests of the Investment Manager with those of the Shareholders as a whole.

CONFLICTS MANAGEMENT

The Investment Manager and the Investment Adviser may also provide investment advisory services to other clients who are active in the Target Region in addition to the Company. In providing such services, the Investment Manager may use information obtained by it in managing the Company's, or such other clients', investments. Many investments in the Target Region may only be available to, or appropriate for, one or a few clients of the Investment Manager, and therefore they may not recommend to the Company all of the investment opportunities that they identify. The Investment Manager will manage its duties to the Company pursuant to the terms of the Investment Management Agreement and to other clients for whom it acts or represents pursuant to the terms of any other contracts which it may have entered into with such clients.

The Investment Management Agreement contains provisions dealing with conflicts management. In the event of a conflict arising, the Investment Manager (although not regulated by the FSA) has agreed to take reasonable steps to ensure that the conflict is resolved fairly, in accordance with FSA rules, as if it were governed by such rules. The FSA rules require an authorised manager or adviser to manage conflicts of interest fairly both between itself and its customers and between one customer and another. Furthermore, the activities of the Investment Manager are subject to the overall direction and review of the Directors.

ADMINISTRATOR AND FINANCIAL CONTROLLER

The Company has engaged IOMA Fund and Investment Management Limited as the Administrator. The Administrator will provide the Company with, *inter alia*, administration, registrar, secretarial and safe-keeping services pursuant to the Administration Agreement. For these services the Company will pay the Administrator a fee of £25,000 per annum. Further details on the Administration Agreement are set out in paragraph 7.3 of Part VIII of this document.

The Company has engaged MG Capital Limited to provide financial control and accounting services to the Company. MG Capital Limited will provide accounting services pursuant to the Financial Controller Agreement, details of which are set out in paragraph 7.6 of Part VIII of this document. For these services the Company will pay MG Capital Limited a fee of £45,000 per annum.

The Administrator has appointed Computershare Investor Services (Channel Islands) Limited as CREST Settlement Agent pursuant to a CREST Services Agreement between the Administrator, the CREST Settlement Agent and the Company. The fees and expenses of the CREST Settlement Agent will be paid by the Company.

CUSTODIAN

The Company has engaged Northern Trust Fiduciary Services (Ireland) Limited as the Custodian. Pursuant to an agreement between the Company and the Custodian, the Custodian will be responsible for holding cash, debt and equity securities of the Company but not for property or for any property held by subsidiaries of the Company. Those assets held by the Custodian will be held to the order of the Company.

The Custodian will be entitled to receive a fee of €30,000 per annum, payable monthly in arrears. Further details on the Custodian Agreement are set out in paragraph 7.4 of Part VIII of this document.

CORPORATE GOVERNANCE

The Directors recognise the value of high standards of corporate governance and will take appropriate measures to ensure that the Company adheres to the requirements of the Combined Code, in so far as the Directors deem appropriate given the Company's size, structure and nature of business.

The Articles require that at each Annual General Meeting one third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one third) shall retire from office by rotation. The retiring Directors shall be eligible for re-election.

The Board has established an audit committee, comprising no fewer than two Directors of the Board. The audit committee will meet at least twice a year and will be responsible for ensuring that the financial performance of the Company is properly reported and monitored, including reviews of the annual and interim accounts, results announcements, internal control systems and procedures and accounting policies.

The Directors will monitor performance and remuneration and plan for succession of the Board, either through board meetings or, if appropriate, through the use of an appropriately constituted committee.

THE PLACING AND USE OF PROCEEDS

The Company proposes to raise up to €38.775 million (before expenses) pursuant to the Placing. The Company will issue one class of ordinary shares, each of €0.01 nominal value, which will be admitted to trading on AIM. The net proceeds of the Placing will be used to fund property investments in accordance with the investment strategy outlined in this document and to pay ancillary costs.

REPURCHASE OF ORDINARY SHARES

The Directors shall have the authority to repurchase up to 14.99 per cent. of the Company's issued Ordinary Shares during the period from the date of Admission until the Company's Annual General Meeting in 2007. Any repurchase of Ordinary Shares will be in accordance with Isle of Man law. The Directors will consider repurchasing Ordinary Shares if they believe it to be in Shareholders' interests generally, but particularly in order to redress any imbalance between the supply of, and demand for, Ordinary Shares. Subject to Shareholder approval, the Directors expect to renew the authority to repurchase Ordinary Shares at the Annual General Meeting in 2007, and annually thereafter.

A special resolution, expressed to take effect on completion of the Placing, has been passed at an extraordinary general meeting of the Company authorising the cancellation of the share premium account which will be created as a result of the Placing. Following Admission, pursuant to the Law, the Company will apply to the courts of the Isle of Man for confirmation of the reduction of capital and approval of such amounts being available for distribution to the Shareholders. The Directors consider this process necessary to provide the Company with maximum flexibility in managing its capital and enabling it to pay dividends at any time when its profits (realised and unrealised) are not otherwise available for distribution. Further details of this special resolution are set out in paragraph 3.4 of Part VIII of this document.

FURTHER ISSUES OF ORDINARY SHARES

The Directors have authority under the Company's Articles to allot any authorised but unissued Ordinary Shares on a non-pre-emptive basis following Admission. Such authority shall only be exercised at prices which are not less than the net asset value per Ordinary Share unless Shareholders consent by special resolution, or Ordinary Shares are first offered to Shareholders pre-emptively.

LIFE OF THE COMPANY

The Company currently does not have a fixed life but an ordinary resolution for the continuation of the Company will be proposed at the annual general meeting of the Company to be held in 2014 and, if passed, every three years thereafter. Upon any such resolution not being passed, proposals will be put forward to the effect that the Company be reorganised, unitised, reconstructed or wound up.

CURRENCY, CASH INVESTMENT AND DIVIDEND PAYMENTS

The Directors anticipate that the Company's property investments will be made predominantly in Euros and that the returns from such investments will also be in Euros. Accordingly, pending investment in property assets, the proceeds of the Placing will be converted into Euros shortly after Admission and will be invested in Euro-denominated short-term deposits with recognised financial institutions or in government bonds.

The Company's reporting currency will be Euros and, although dividends will be set and declared in Euros, they will be paid in Sterling converted by the Registrar at or before payment, at the then prevailing spot rate. In addition, following Admission, the Ordinary Share price will be quoted in Sterling. The Company will not enter into any hedging arrangements in connection with the movements in the exchange rate between the Sterling and the Euro. The Company does, however, intend to reduce its currency exposure by borrowing in Euros.

FINANCIAL STATEMENTS

The Company will prepare financial statements in accordance with IFRS. The Company's financial statements will be prepared as at and for the year ended 31 December in each year. The first such financial statements will be as at and for the period from incorporation to 31 December 2007. An unaudited interim report covering the 6 months to 30 June will also be prepared covering the six month period to 30 June each year. The first such report will however be audited to cover the period to 30 June 2007. The Company's financial statements will be prepared using the Euro as the Company's functional currency. The Company has appointed Ernst & Young LLC as its auditor.

OPERATING COSTS OF THE COMPANY

The Company will bear its on-going operational expenses. These expenses include but are not limited to:

- direct costs of investing and realising the assets of the Company, including dealing costs, any stamp duty and registration fees;
- professionals' costs associated with investing and realising the assets of the Company, including the fees and expenses of property surveyors, valuers, sales agents, consultants, tax advisors, brokers, lawyers and accountants (including introductory fees payable to any sales agents and corporate finance fees);
- the management fee and any performance fee payable to the Investment Manager under the Investment Management Agreement;
- fees and expenses of specialist property advisers, including letting agents and architects;
- legal and professional expenses which the Investment Manager incurs on behalf of the Company in connection with the ongoing administration of the Company or otherwise;
- the cost of borrowings incurred by the Company (including upfront arrangement fees payable to lenders in return for providing loan facilities and interest payable in respect of the borrowings);
- directors' fees and expenses;
- audit costs;
- fees and expenses associated with maintaining the Company's admission to trading on AIM;
- taxes and duties imposed by any fiscal authority and any other governmental fees;
- costs of valuing and pricing assets and of publishing share prices and other notices in the financial press;
- expenses of publishing reports, notices and proxy materials to Shareholders and the expenses of convening and holding meetings of Shareholders;
- expenses of preparing, printing and/or filing all reports and other documents relating to the Company including placement memoranda, explanatory memoranda, marketing documents, annual, semi-annual and extraordinary reports required to be lodged with all authorities having jurisdiction over the Company;
- expenses of making any distributions;
- fees in relation to services provided by the Investment Adviser, Administrator, CREST Services Provider and Custodian; and
- insurance premia (including Directors and Officers insurance for members of the Board).

PART III

RISK FACTORS

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. If you are in any doubt about the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

The Directors believe the following risks to be the most significant for potential Shareholders. The risks listed, however, do not necessarily comprise all those associated with an investment in the Company and are not intended to be presented in any assumed order of priority. In particular, the Company's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it or its subsidiary companies operate or intend to operate as well as overall global financial conditions.

Potential Shareholders should also take their own tax advice as to the consequences of their owning shares in the Company as well as receiving returns from it. Tax commentary in this document is provided for information only and no representation or warranty, express or implied, is given to Shareholders in any jurisdiction as to the tax consequences of their acquiring, owning or disposing of any shares in the Company, and neither the Company, the Directors, Oriel Securities, the Investment Manager nor, without limit, any member of the Metro Group will be responsible for any tax consequences for any such Shareholders.

Investor Profile

An investment in the Company is suitable only for financially sophisticated investors who are capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss that might result from such investment which may be equal to the whole amount invested.

Such an investment should be seen as long-term in nature and complementary to existing investments in a range of other financial assets and should not form a major part of an investment portfolio. Investors should not consider investing in the Ordinary Shares unless they already have a diversified investment portfolio.

AIM

The Ordinary Shares will be admitted to AIM. The AIM Rules are less demanding than the rules of the Official List of the UK Listing Authority. Further, as it is not a requirement of AIM, the London Stock Exchange has not itself examined or approved the contents of this document. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Market value of the Ordinary Shares

Shareholders should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and Shareholders may therefore not recover any or all of their original investment, especially as the market in Ordinary Shares on AIM may have limited liquidity. The market value of the Ordinary Shares and the income derived from them can fluctuate. The market value of the Ordinary Shares may vary considerably from their underlying net asset value.

In addition, the price at which Shareholders may dispose of their shares in the Company may be influenced by a number of factors, some of which may pertain to the Company, and others of which may affect quoted companies generally. Shareholders may realise less than the original amount invested.

New Company

The Company was incorporated on 18 September 2006 and has no operating history. The Company is subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that the Company will not achieve its investment objective and that the value of a Shareholder's investment in the Company could decline substantially. There can be no assurance that the Company will be able to achieve the returns referred to in this document.

The Company may be unable to find a sufficient number of attractive opportunities to meet its investment objectives and those that have been identified may not be completed. Shareholders will be relying on the ability of the Investment Manager (with the assistance of the Investment Adviser and other advisers) to identify, negotiate and structure the investments to be made by the Company.

Forward-Looking Statements

This document contains certain forward-looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Group's plans, goals and prospects. These statements and assumptions that underlie them are based on the current expectations of the Directors and/or the Investment Manager and are subject to a number of factors, many of which are beyond their control. As a result, there can be no assurance that actual performance of the Group will not differ materially from the matters described in this document.

Valuation of Assets

Shareholders should be aware that the Company intends to perform valuations of its assets on a semi-annual basis only. As a result, the Company's share price may not accurately reflect the value of its underlying assets between such valuations. For further information, please refer to the Company's Property Valuation Policy in Part I of this document ("Property Valuation Policy").

Potential Currency Exchange Rates Risk

The Euro will be the Company's functional currency. However, the Company anticipates that its business will be conducted in jurisdictions which could generate revenue, expenses and liabilities in currencies other than Euros, principally US dollars. As a result, the Company will be subject to the effects of exchange rate fluctuations with respect to any of these currencies.

The Company has not hedged the exchange rate risk to which it will be subject between the date of this document and the point at which it exchanges the Sterling denominated net proceeds of the Placing into Euros following Settlement, and therefore the investment made by a placee pursuant to the Placing could be worth less following such exchange.

Reporting Currency and Dividend Currency different from Market Quotation Currency

The Company will report its results of operations and its financial conditions in Euros. Following Admission, the Ordinary Share price will be quoted on AIM in Sterling. As a consequence, Shareholders will experience fluctuations in the market price of their Ordinary Shares as a result of, *inter alia*, movements in the exchange rate between Sterling and the Euro.

In addition, the amount of any dividends declared by the Company will be determined based on the Euro-denominated results of operations. The Company will declare its dividends (if any) in Euros and the amount received by Shareholders will, unless they elect to receive payment in Euros, be an amount in Sterling, converted from the Euro dividend amount at the current spot exchange rate at or before the time of payment. As a result, Shareholders may not realise a yield based on the Sterling denominated price at which they purchased such Ordinary Shares equivalent to the Euro-denominated yield targeted by the Company. Further, Shareholders will be subject to the risk of currency fluctuations between the declaration of a dividend and its payment in Sterling.

Possible Adverse Economic Conditions and Emerging Market Risk

The financial operations of the Company will be affected by general economic conditions and by conditions within the property markets in the Target Region and by the particular financial condition of the developers and other parties doing business with the Company. The returns that are likely to be achieved from an investment in the Company which has its assets invested substantially in a number of the countries in the Target Region will be materially affected by the political and economic climate in those countries. In particular, changes in the rates of inflation and interest may affect the Company's income and capital value or the value of an investment property. The Target Region in which the Company intends to invest is not as fully developed as Western Europe. Further, investment in the Target Region carries risks of political, legal and economic instability which could adversely affect the Company's results or operations.

With any investment in a foreign country, there exists the risk of adverse political or regulatory developments including but not limited to nationalisation, confiscation without fair compensation,

terrorism, war or currency restrictions. The latter may be imposed to prevent capital flight and may make it difficult or impossible to exchange local currency into foreign or repatriate foreign currency.

Further, a deterioration in the Western European economies can be expected to have an adverse effect on the economies of the Target Region and potentially therefore on property values and the level of rents in the Target Region.

Conflicts of Interest

The Investment Manager and Investment Adviser may provide investment management, advisory and other services to other clients (including investment companies) who are active in the Target Region, and in the future may provide such services to additional clients. In providing such services, they may use information obtained by them in managing the Company's, or such other clients', investments. Many investments in the Target Region may only be available to, or appropriate for, one or a few clients of the Investment Manager or the Investment Adviser, and therefore they may not recommend to the Company all of the investment opportunities they locate.

Further, the Investment Adviser and Investment Manager may recommend to the Company the purchase or sale of assets from or to others of their investment clients. Any such transaction would pose a conflict of interest for the Investment Manager and the Investment Adviser.

Corruption in the Target Region

Corruption or any distortion of official processes within territories where the Company makes investments may negatively affect those economies and therefore could have an adverse impact on the Company's performance.

Potential Environmental Liability

Under various laws and regulations, an owner of property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for removal of, these substances. The owner's liability as to any property is generally not limited under such laws and could exceed the value of the property and/or the aggregate assets of the owner. The presence of such substances, or the failure to remediate properly contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on the Company's return from such investment.

Impact of Law and Governmental Regulation

The Company and contractors with whom the Company deals will need to comply with relevant local regulations relating to environmental, health and safety, land use and development standards. The institution and enforcement of such regulations could have the effect of increasing the expenditure relating to, in lowering the income or rate of return from, as well as adversely affecting the value of, the Company's assets. Changes in law relating to ownership of land could have an adverse effect on the value of Ordinary Shares. New laws may be introduced, which may be retrospective and affect environmental planning, land use and development regulations and may restrict development in the Target Region.

Tax Related Risks

Certain countries in the Target Region, as well as the jurisdiction of incorporation of the Company or any of its subsidiaries, have tax regimes which may impose withholding or other taxes on the profits or other returns derived from the projects in which the Company has an investment or VAT or other such taxes on the fees payable to the Investment Manager or the Investment Adviser. These taxes may be non-recoverable. It is anticipated that the rates of withholding tax will vary across jurisdictions and will change from time to time which could have a material and adverse effect on the Company's performance.

If the Company is unable to minimise its tax liabilities in the countries where it holds assets or in the jurisdictions of incorporation of any group company, its financial condition will be adversely affected, as will the results of its operations, and therefore the amounts available for periodic dividends and also the amount of assets available for distribution upon any winding up of the Company. No assurance may be given that the Company will be able to achieve a sufficiently tax efficient structure (or that, if it does, that the law will not thereafter change adversely) to prevent an adverse impact on

the Company's ability to achieve its target dividend yield or the assets which would be available for distribution upon a winding up.

Further, the tax regimes applying in the UK and Isle of Man may change, thereby affecting the Company's tax treatment in these jurisdictions. For further information, please refer to Part VII of this document ("Taxation").

Shareholder Tax Risk

Shareholders should take their own tax advice as to the consequences of owning Ordinary Shares in the Company as well as receiving returns from it. In particular, Shareholders should be aware that ownership of shares in the Company can be treated in different ways in different jurisdictions, due to the manner in which the Company may finance the acquisition of its property investments.

Regulatory Regime and Permits

The profitability of the Company will be in part dependent upon the continuation of a favourable regulatory climate with respect to its investments. The failure to obtain or to continue to comply with all necessary approvals, licences or permits, including renewals thereof or modifications thereto, may adversely affect the Company's performance, as could delays caused in obtaining such consents due to objections from third parties.

Risks Associated with the Enforcement of the Company's Rights

Due to the relatively undeveloped legal systems in some of the jurisdictions in which the Company may invest, it may find it difficult, impossible or very costly to enforce the rights it may have under agreements it may enter into, including agreements relating to its potential pipeline investments. For further information on the Company's pipeline investments, please refer to Part I of this document.

Gearing

The Company will use borrowings to fund part of the initial cost of its property acquisitions and may decide to refinance properties within its portfolio from time to time. By utilising borrowings in this way, if the value of the Company's assets should decline then the effect of the gearing will be to have a disproportionately negative impact on the value of the Company's assets. If the Company cannot generate adequate cash flows to service its debt, it may suffer a partial or total loss of its capital.

Management

The Company is dependent on the diligence, skill and network of business contacts of the senior management of the Investment Manager and the Investment Adviser, the loss of whose services could have a material adverse effect on the business, financial condition or results of operations of the Group. Future success depends on the Group's ability to attract and retain key employees within the investment management team.

Land and Property Ownership Rights

The legal systems in some parts of the Target Region may not afford to the Company the same level of certainty in relation to issues such as title to property-related rights as may be achieved in more developed markets. Further, the countries in which the Company intends to invest have different laws and regulations (as well as tax provisions) relating to land and property ownership by foreign companies. Whilst the Company will use its reasonable endeavours to operate property owning structures that comply with such laws and regulations as well as with a view to mitigating the tax effect of local tax regulations, there can be no guarantee that in the future the countries in which the Company invests will not adopt laws and regulations which may adversely impact on the Company's ability to own and operate land and property. Accordingly, in such circumstances, the returns to the Company may be materially and adversely affected.

Property Risk

Property and property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations may be subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. The performance of the Company would be adversely affected by a downturn in the property market in terms of capital value or a weakening of

rental yields. In the event of default by an occupational tenant, the Company will suffer a rental shortfall and incur additional cost including legal expenses, in maintaining, insuring and re-letting the property.

Any future property market recession would materially adversely affect the value of properties.

Returns from an investment in property depend largely upon the amount of rental income generated from the property and the expenses incurred in the development or redevelopment and management of the property, as well as upon changes in its market value.

Rental income and the market value for properties are generally affected by overall conditions in the local economy, such as growth in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which in turn may impact the demand for premises, especially for office space for commercial enterprises in the service sector. Furthermore, movements in interest rates may also affect the cost of financing for real estate companies.

Both rental income and property values may also be affected by other factors specific to the real estate market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of the bankruptcy or insolvency of tenants or otherwise, the periodic need to renovate, repair and release space and the costs thereof, the costs of maintenance and insurance, and increased operating costs. In addition, certain significant expenditures, including operating expenses, must be met by the owner even when the property is vacant.

Investments in property are relatively illiquid and more difficult to realise than equities or bonds, since there is no established market for trading investment property.

Joint Venture Risk

While the Company will seek to have full control over most of its investments, (directly or indirectly) from time to time the Investment Manager may propose to the Board certain transactions in which the Company will not be the sole investor. Whilst the Investment Manager has undertaken to propose only joint venture partners (whether investors or developers) whose investment rationale is comparable to the Company's, the Company's position may nonetheless be compromised by circumstances of the joint venture partner, such as bankruptcy, litigation, or potential disagreement on investment strategy.

Development Risk

The returns on Ordinary Shares may be subject to the risks associated with the development of real estate projects.

These risks may include the risk:

- relating to project financing. The release of bank financing will be staged and conditional on milestones in the development being reached. In the event that the development does not proceed as expected (due to unexpected factors such as landslip, accident, supplier default, planning or title disputes etc), the bank may refuse to provide further financing. If the Company is unable to arrange alternative financing, it may not be possible to complete the development;
- that planning consents are not obtained, or are delayed significantly, or are granted subject to uneconomic conditions;
- that laws are introduced, which may be retrospective and affect existing building consents, which restrict development;
- that a development is significantly delayed or costs exceed budget due to unforeseen factors;
- of unforeseen construction constraints (including geological and archaeological factors);
- of title disputes, legal disputes with neighbouring land owners and legal disputes with architects, project managers and suppliers;
- that building methods or materials prove to be defective;
- that a construction company used on a development becomes insolvent, that it may prove impossible to recover compensation;
- that it takes longer to sign up tenants than expected; and
- of fraud on the part of service providers or suppliers used on a development.

Dividends

Shareholders should note that payment of any dividends will be at the discretion of the Board after taking into account various factors, including the Company's operating results, financial condition and current and anticipated cash needs.

The income from property investments will be denominated in Euros and local currencies of the countries in the Target Region and, therefore, the Company is likely to have some exposure to variations in currency exchange rates which might affect the Company's ability to achieve its target dividend yield.

It is possible that not all of the total revenues recorded in the Group's consolidated financial statements will be available to the Company in the form of distributable profits from which to pay a dividend. The Directors may consider alternative means for making such distributions to Shareholders.

Concentration Risk

Certain property investments may represent a significant proportion of the Company's gross assets. As a result, the impact on the Company's performance and the potential returns to Shareholders will initially be more adversely affected if any one of the property investments performs badly than would be the case if the Company's portfolio of property investments was more diversified.

Custody of Real Estate Assets

The Company has appointed the Custodian to provide custody of its cash and any debt and equity securities in which it may invest from time to time including, for the avoidance of doubt, the shares issued by any SPV established by the Company from time to time. However, the Custodian will not provide custody to any asset that may from time to time be acquired by any SPV or any real estate property whatsoever whether owned directly by the Company or indirectly through an SPV. Accordingly, in the event of insolvency of the Company or an SPV, such assets may not be protected.

PART IV

BACKGROUND TO INVESTMENT REGIONS AND SECTOR



THE BALTIC STATES HISTORICAL OVERVIEW

The Baltic States of Estonia, Latvia and Lithuania and North West Russia are all closely linked in terms of history, geography and economic development. The region has been a battlefield at various times between the Teutonic Order, the Hanseatic League, Poland, Denmark, Sweden and Russia. Estonia, Latvia and Lithuania each became sovereign nations in the aftermath of World War I. They declared independence in 1918, fought independence wars against Germany and Russia, and were recognised as independent countries in 1920.

Following the Nazi-Soviet pact of 1939, the Soviet Army entered and occupied the whole territory of Estonia, Latvia, and Lithuania, and installed new, pro-Soviet governments. The three countries were formally annexed into the USSR in August 1940. Soviet control was interrupted by German invasion of the region in 1941 and the German occupation lasted until late 1944, when the countries were re-occupied by the Soviet Army.

Estonia, Latvia and Lithuania each re-declared their independence between 1990 and 1991, following the collapse of the Soviet Union, and their independence was formally recognised on September 6, 1991 at which time integration with the West, and with Western Europe in particular, was seen as the main strategic goal. Over the following decade, the Baltic States established themselves as progressive, stable, parliamentary democracies pursuing pro-business economic and fiscal policies.

In 2002, the Baltic States applied to become members of the North Atlantic Treaty Organisation (NATO) and the European Union (EU). Membership of NATO was achieved on March 29, 2004, and accession to the EU took place on May 1, 2004. All three countries have already benefited from significant direct foreign investment in recent years and stand to benefit from the inflow of EU structural funds in the years ahead. Each of the Baltic States are expected to further their European integration by formally joining the Euro zone of currencies in the next two to three years, subject to meeting the entry criteria.

With the collapse of the Soviet Union in December 1991, the Russian Federation became an independent country. While likely to remain outside the EU, Russia's ties to Europe are significant and continue to increase. The EU is a major market for Russian produce and a major source of foreign investment. Europe is increasingly reliant upon Russia for its oil and gas supplies. The Northwest of Russia in particular, stands to benefit from increasing trade links between the two, with the Baltics positioned as a natural gateway between Europe and Russia. St. Petersburg, with a population of circa 4.6 million, is the second largest city in Russia after Moscow and is the economic

hub of Northwest Russia. It is the principal port and transport hub between Russia and Europe and will continue to benefit from its close historical, economic and geographic links to continental Europe, the Baltic States and Scandinavia.

Estonia

Economy

Estonia is the smallest of the three Baltic States with a population of circa 1.34 million. It is, however, the wealthiest of the three measured on a per capita basis with per capita GDP of €7,843 in 2005. Since 2000, the annual growth rate of the Estonian economy has exceeded 6.5%. The economy grew by an estimated 9.8% in 2005 and is forecast to continue to grow strongly in 2006. As a consequence of the strong economic growth, wages have also been rising and unemployment falling, leading to increased consumer spending which is in turn boosting economic growth. In addition to rising domestic consumption, growth is also being driven by both domestic consumption, export growth and significant FDI inflows.

	2002	2003	2004	2005	2006(f)	2007(f)	2008(f)
GDP (€m)	7,472	8,138	9,043	10,540	11,854	13,339	14,850
GDP per capita (€)	5,500	6,012	6,702	7,843	8,860	9,990	11,160
GDP Growth rate	7.2%	6.7%	7.8%	9.8%	9.4%	8.1%	7.4%
Unemployment	10.3%	10.0%	9.7%	7.6%	6.4%	5.0%	4.6%
Real Average Wage Growth	7.7%	8.0%	5.2%	6.1%	7.7%	6.9%	6.7%
Export Growth	-1.1%	9.0%	17.2%	25.1%	14.2%	13.4%	10.5%
Inflow of FDI % of GDP	4.1%	10.1%	9.3%	21.2%	9.2%	6.8%	6.0%
Inflation (CPI)	3.6%	1.3%	3.0%	4.1%	3.6%	3.4%	3.1%

Political Environment

Estonia is a politically stable parliamentary democracy. A new coalition government was formed in April 2005 and is forecast to remain in power until March 2007. The 2006 report on the Index of Economic Freedom compiled by the Heritage Foundation ranked Estonia number 7 in the world in terms of economic freedom.

Currency

The currency of Estonia is the Estonian Crown (EEK) which is pegged to the Euro at a rate of 15.6466. Estonia is targeting Eurozone entry in 2007; however, its inflation rate is currently above the 3% limit set by the Maastricht criteria (although this is forecast to come down in 2007 and 2008) and this is likely to delay entry.

Tax

Estonia has a flat tax system and zero per cent corporate tax for businesses that reinvest (i.e. do not distribute) profits. This, combined with there being very limited restrictions on non-nationals owning property and corporate entities, means that Estonia is considered to be investor friendly.

Tallinn

The capital city Tallinn has a population of over 500,000 representing circa 39% of the population. Tallinn is the main driving force in the economy being home to half of all registered companies, 50-60% of GDP and nearly 75% of total business profits.

Property Market

Office

At the end of 2005, prime modern office stock in Tallinn was 120,000 sqm with 8,000 sqm of new prime office stock added in 2005 and a further 8,000 sqm expected to be added in 2006. An increase in construction costs and existing rental levels has resulted in a slowing of further development. Demand remained strong with a total take up of 23,000 sqm in 2005, exceeding new supply, and leading to a tightening in the market. Vacancy rates have dropped below 1%. Favourable lending conditions have increased interest in buying office space as many companies seek to reduce their rental overheads by replacing them with monthly loan repayments due to a combination of low interest rates and high price growth. Yields have fallen over the last 12 months and prime office buildings currently attract buyers at yields of 7.0-7.5%.

Residential

Residential prices of new build apartments increased by circa 30% in 2005, and by as much as 50% in the city centre, as demand continues to outpace supply. In the centre of Tallinn, sale prices range from €2,100-€3,400 per sqm, being somewhat higher in the old town and lower in the suburbs. The residential market in Tallinn and its surrounding counties has experienced significant growth from 1,000 new apartments built in 2000 to more than 3,000 in 2005. This is expected to reach 3,500 units in 2006; however, supply is expected to remain lower than demand over the coming two to three years as the number of detailed plans approved by the city of Tallinn is still low and construction periods have lengthened due to a lack of construction personnel in the labour market. In 2005 rents remained stable with the average price for a furnished apartment being €9-€13 per sqm. Typical monthly rent ranged from €650-€800 for a 70 sqm, 3 room, city centre newly-built flat.

The mortgage market in Estonia has developed rapidly. The average annual growth rate for the last five years stands at 55% and total household mortgages amounted to €2.3 billion as of the third quarter of 2005. The rapid growth pattern of the mortgage market is set to continue as the ratio of mortgage loans to GDP in 2005, of 23%, is still significantly below the EU average of 48%.

Industrial

The industrial market is the least developed real estate segment in Tallinn. The Greater Tallinn area has approximately 270,000 sqm of modern warehouse stock of which 200,000 sqm is located out of the city. The Greater Tallinn area is within the ring road which is up to 15 km from the city border. 75,000 sqm of industrial space was leased in 2005 which represents a vacancy rate of less than 2%. Demand is expected to remain high as the economy is growing rapidly and both retailers and production companies will continue to require additional space. Rents inside the city vary from €3.0-€4.5 per month per sqm for old premises and €4.5-€5.7 per month per sqm for new premises.

Retail

There was a period of rapid development in the retail market three to four years ago with many retailers expanding rapidly and trying to establish market position. Total retail stock is 390,000 sqm which makes Tallinn the most heavily retailed city in the Baltics. Over the last 18 months there has been limited new development and, with vacancy rates in shopping centres now close to 0%, rents are increasing. More recently, demand has increased again due to the continuing increase in purchasing power resulting from rising wages. Further retail development is also anticipated.

Latvia

Economy

Latvia is the second largest of the Baltic states and has a population of circa 2.3 million. It has recently been the strongest performer economically amongst the Baltic States with GDP growth rate of 10.5% in 2005. Its per capita income is estimated at €5,504 in 2005, up from €4,558 in 2004, and is expected to continue growing rapidly.

The leading growth sectors in the economy are trade, transport and communication and construction. Growth is broadly based, being driven both by very strong exports, up an estimated 30.4% in 2005, and by increasing domestic consumer demand (retail sales grew in excess of 20% in 2005).

	2002	2003	2004	2005	2006(f)	2007(f)	2008(f)
GDP (€m)	8,193	9,096	10,549	12,669	14,914	16,994	18,911
GDP per capita (€)	3,501	3,909	4,558	5,504	6,545	7,534	8,468
GDP Growth rate	6.4%	7.2%	8.5%	10.5%	10.0%	7.5%	7.0%
Unemployment	12.2%	10.5%	10.4%	9.0%	8.0%	7.0%	n/a
Real Average Wage Growth	6.0%	7.8%	2.4%	9.7%	10.0%	9.0%	n/a
Export Growth	8.6%	14.3%	21.4%	30.4%	22.8%	16.1%	n/a
Inflow of FDI % of GDP	2.8%	2.7%	5.1%	4.0%	4.7%	4.7%	4.8%
Inflation (CPI)	1.9%	2.9%	6.2%	6.7%	6.3%	4.2%	3.9%

Politics

Politically, since independence in 1991, Latvia has been a stable parliamentary democracy. The focus of its economic policy is currently on fulfilling the Maastricht Treaty criteria and securing Eurozone membership.

Currency

The currency is the Latvian Lat (LVL) which, in preparation for Eurozone entry, has been pegged since January 2005 at a rate of 0.702804 LVL to the Euro. As with Estonia, the fast growing economy combined with external factors such as the rising oil prices has resulted in Latvia breaching the Maastricht inflation criteria and this is likely to delay its entry date to the Eurozone.

Tax

Latvia has a low tax burden with a flat income tax rate of 25% and a corporate tax rate of 15%.

Riga

Riga, the capital of Latvia, has a population of circa 732,000 representing approximately 32% of the population. It is the backbone of the economy generating 53% of the country's industrial output and attracting approximately 60% of its total foreign investment. Riga is already a significant gateway between Russia and Europe and the city's strategic development plan for 2008-2016, includes the establishment of physical infrastructure to facilitate the further development as a key logistics centre for the region. This plan will form the basis for property and economic development for the city into the foreseeable future.

Property Market

Office

In 2005 total prime office stock in Riga reached 260,000 sqm. Although 55,800 sqm of new office stock was added in 2005, the demand for new or renovated offices with parking in the city centre remains strong. The lower end of prime office rents have increased by 20% from €13-€20 to €16-€20 per sqm as demand for prime office stock and the overall price level increased.

Residential

Market prices for newly constructed apartments in Riga increased by 70-90% on average during 2005 while in the rest of the city prices grew by on average 30%. Sales prices for new apartments located in the city centre vary between €1,800 and €4,300 per sqm; prices in the old town are higher while those in the suburbs are lower. Demand is increasing due to fast economic growth, consumer confidence, and a developing mortgage market.

Mortgage loan rates start as low as 1.8% depending on currency and other conditions, with the maximum term offered being 40 years. Individuals can borrow up to 95% of a property's value using

guarantees from the state home loan insurance company. The mortgage market is growing fast but still has some way to go to reach EU levels as outstanding mortgage loans in Latvia total only 21% of annual GDP compared to the EU (25) average of 48% of GDP. The typical rent for a 70 sqm, three room, city centre new build apartment is from €8-€12 per month per sqm depending on quality of the premises.

Retail

Total available rental space in retail centres grew to 540,000 sqm in 2005, an increase of 100,000 sqm from 2004. Demand for space in retail centres is very strong and vacancy rates low. The lack of suitable retailing sites in central Riga has encouraged retailers to expand their activities into suburban retail centres. Rents in retail centres and active trading streets increased in 2005 on average by 10 – 30%, ranging from €25 – €30 per sqm for medium sized (100 sqm) units, to as high as €50 per sqm for smaller units. Anchor tenants normally pay €9 – €12 per sqm. In the most popular shopping district in Riga, as well as in top old Riga shopping areas, rents range from €20 – €55 per month per sqm.

Industrial

Demand for industrial premises continues to strengthen due to the rapidly growing retail and import sectors. Industrial rents vary from €1.5 – €2 per sqm for unrenovated spaces in older factory sites, to up to €5 – €7 per sqm for renovated or newly built facilities with differing levels of services and space.

Lithuania

Economy

Lithuania is the largest of the Baltic states with a population of about 3.4 million. In 2005, though the slowest growing of the Baltic economies, it is estimated to have recorded a 7.5% GDP growth rate. Lithuania's per capita income is estimated at €6,030 in 2005, up from €5,264 in 2004, and is expected to continue growing rapidly.

The Lithuanian economy is supported by strong underlying growth in industry and construction sectors. Demand is a function both of domestic consumer consumption and rapidly rising exports. Consumption growth is underpinned by rising wages and falling unemployment (down from 12.4% in 2003 to 8.2% in 2005). Real wage growth was estimated to be circa 7.8% during 2005 and is expected to continue growing at higher rates over the next two years. This combined with lower CPI inflation resulted in more restrained nominal wage growth than seen in Estonia and Latvia despite the robust growth in the economy.

	2002	2003	2004	2005	2006(f)	2007(f)
GDP (€m)	15,016	16,442	18,084	20,587	23,100	25,340
GDP per capita (€)	4,328	4,760	5,264	6,030	6,800	7,500
GDP Growth rate	6.8%	10.5%	7.0%	7.5%	7.5%	6.5%
Unemployment	13.5%	12.4%	11.4%	8.2%	6.7%	6.0%
Real Wage Growth	3.8%	9.3%	4.9%	7.8%	9.0%	8.0%
Export Growth	13.4%	6.2%	12.0%	27.1%	16.0%	11.0%
Inflow of FDI % of GDP	5.1%	1.0%	3.4%	3.9%	4.0%	4.0%
Inflation (CPI)	0.3%	-1.1%	1.2%	2.7%	3.3%	3.5%

Politics

Politically Lithuania has been a stable parliamentary democracy since independence in 1991. The focus of its economic policy is currently on fulfilling the Maastricht Treaty criteria and securing Eurozone membership.

Currency

The Lithuanian currency is the Lita (LTL) which is pegged at a rate of 3.4528 LTLs to the Euro. Despite signs of rising producer prices Lithuanian CPI inflation was low in 2005 at 2.7% and leaves Lithuania well positioned for Eurozone entry in 2007.

Tax

Income tax in Lithuania is taxable at rates of 15% and 33%. The standard corporate tax rate is 15% decreasing to 13% for small companies.

Vilnius

Vilnius, the capital of Lithuania, has a population of circa 540,000 representing 15% of the population of the country. Vilnius is the major economic centre of Lithuania and one of the largest financial centres of the Baltic states. Even though it accounts for only 15% of Lithuania's population, it generates approximately 35% of GDP.

Property Market

Office

Modern office space increased by 42,500 sqm in 2005 with total office stock reaching 197,000 sqm at the end of 2005. Demand remains strong with a vacancy rate of circa 4%, despite the increasing office supply. Most take-up is coming from existing local and foreign companies, with local companies having a preference for modern office buildings not only for better working conditions but also for the prestige associated with certain addresses. Rents for modern office space have been flat over the last 12 months. Current rents for prime office buildings range from €13 to €16 per sqm. Forecasts of increasing prices for land plots, and growing workforce and building material prime costs, should support prices.

Residential

Prices of both new build and older Vilnius apartments increased by 40 – 65% in suburban districts in 2005. Newly constructed apartments (internally 'unfurnished') command €1,800 to €2,800 per sqm in prestigious city districts, more in the old town and somewhat less in residential districts. Demand is

such that 85% of all flats scheduled for delivery in 2006 had been pre-sold from plans by the end of January. Demand for apartments remains high and existing supply is struggling to keep up with the demand. The highest demand is still for cheaper one or two-roomed apartments with a starting price of €1,000 – €1,200 per sqm.

A little more than half (52%) of the dwelling stock in Vilnius was built in 1961 – 1980 and consists of standard Soviet-era, pre-fabricated concrete panel block buildings. Although many of these buildings are generally in reasonable condition, they do not meet the requirements of contemporary living and, due to the poor building quality during the Soviet era, these pre-fabricated buildings are deteriorating rapidly and will need replacing in the coming years. Despite this, because of strong demand, these panel block flats sell for only €200 per sqm less than new build apartments in the same districts.

Mortgage loan rates are typically 3.5% depending on currency, term, and other conditions. The maximum term is 40 years. Prospective buyers can borrow up to 100% of a property's value using guarantees from the state home loan insurance company. Since 2001 the housing loans' portfolio has been increasing by nearly 80% per year. Housing loans provided by credit institutions increased by €580 million, or 78.2% during 2005. Despite this growth, outstanding mortgage loans in Lithuania totalled only 6.9% of annual GDP compared to the EU (25) average of 48% of GDP.

Retail

The gross leaseable retail area in Vilnius currently stands at 450,000 sqm. This figure is expected to grow significantly in 2006 and 2007 with the planned completion of a number of big retail centres. Growing purchasing power and new emerging brands in the market are supporting the successful development of retail space. Although retail space is growing year by year, demand remains high. Rents for a 150 – 250 sqm unit in a prestigious retail centre vary from €11 up to €29 per sqm. Retail centres located further from the city centre are attracting rents from €8.7 to €17.4 per sqm. Rents were broadly stable during 2005.

Industrial

Total supply of modern warehouse space grew by circa 60% in 2005 to 160,000 sqm. However, this was mainly comprised of units built for specific users as opposed to speculative development. Over 90% of this space is located in Vilnius' industrial zones. Vacancy rates are low as developers typically seek to have a tenant signed before commencing construction. New modern warehouses located near the city centre cost €4.3 to €5.8 per sqm, depending on the size, with warehousing located near the city limits achieving €3.7 to €4.6 per sqm and newly renovated premises achieving €2.3 to €4.0 per sqm. Rents were broadly stable in 2005 with supply and demand relatively balanced.

Russia

Economy

The Russian economy sank into recession following the collapse of the Soviet Union in 1991 which culminated in a financial crash in August 1998 when Russia defaulted on its national debt. Since then the Russian economy has performed very strongly. Much of the reason for this recovery is attributed to world oil prices which have risen dramatically from approximately \$11 per barrel in January 1999 to approximately \$74 as at the end of June 2006. As a consequence, Russia has been able to run substantial trade surpluses which have fed domestic growth while at the same time allowing it to pay off its external creditors and build a large stabilisation fund. Russia's external debt has fallen from \$133.6bn in 2000 to \$81.0bn in 2005 while the stabilisation fund balances have risen from \$12.7bn to \$180.6bn over the same period (reserves reached €200bn in March 2006). The Government has also been running fiscal surpluses.

In 2005 Russia fully repaid its debt to the IMF, as well as \$15bn out of its \$28bn debt to the Paris Club of creditor nations. Russia's adoption of a stable financial policy and the growth in foreign currency reserves have led to an improvement in the country's credit ratings. This improvement in the country's financial position has led the major rating agencies to upgrade Russian debt to investment grade since December 2005. Standard and Poors currently rates the Russian sovereign risk a BBB+, up from CCC- at the time of the 1998 financial crisis. Fitch currently rates Russian foreign currency debt at BBB+ while Moodys Investors Services rates it as Baa2.

Sensible economic policies have also brought down inflation and interest rates as well as unemployment. Strong per capita income growth is now driving the domestic consumer market and property market. Russia was recently ranked in sixth place globally based on attractiveness to international investors.

	2002	2003	2004	2005	2006(f)	2007(f)
GDP \$bn	345	432	582	740	945	1,167
GDP per capita \$	2,374	2,985	4,042	5,167	6,630	8,242
GDP Growth	4.7%	8.2%	7.2%	6.1%	6.0%	5.5%
Unemployment %	8.6%	8.0%	7.7%	6.8%	6.6%	n/a
Export Growth	5.5%	26.7%	34.8%	33.9%	9.9%	8.1%
Inflation (CPI)	15.0%	12.0%	11.7%	10.9%	11.0%	10.0%
FDI \$bn	4.0	6.7	9.4	6.6	17.0	n/a

Politics

The political climate in Russia is continuing to demonstrate stability. Confidence in President Putin has been helped through his prudent management of the country's oil revenues which has resulted in strong public finances, falling debt and the growing stabilisation fund. Commentators anticipate President Putin's successor will continue the current economic policies. No new parliamentary or presidential elections are scheduled until 2007 and 2008 respectively.

Currency

The Russian Rouble has been relatively stable against the Dollar over the past 3 years moving in a range between 26 and 32 Roubles to the Dollar. Russia's position as an oil exporter with a healthy balance of trade is likely to continue to support the currency.

Tax

Russian companies are subject to a profits tax at a combined federal and regional rate of 24% (for the St Petersburg region). Land tax ranges from 0.3% to 1.5% per annum. Property tax is levied at a rate of 2.2% on net book value.

St. Petersburg

St. Petersburg is the second largest city in Russia with a population of circa 4.6 million. It has long been considered Russia's gateway to Europe and its strategic position on the Baltic Sea has allowed it to become one of the largest transport hubs in Russia. This position has been a key factor in attracting investment in warehouses, logistics centres and industrial premises. The city is also benefiting from the transfer of a number of government institutions and major corporates from Moscow and elsewhere in Russia and from its growing importance as a finance centre.

St. Petersburg's size and strategic location have allowed it to benefit disproportionately from Russia's rapid economic growth and foreign investment. For example, unemployment in St. Petersburg, at circa 3%, is considerably lower than the Russian average of 7.7%. Furthermore, in 2005 foreign investment into St Petersburg increased by 44% compared to 2004 and direct foreign investment increased 2.2 times. The pattern of foreign direct investment shows the increasing connections to Europe and the West, with 25% of the investment in the first half of 2005 coming from the US, 14% from Sweden, 12% from Finland, 7% from the Netherlands and 6% from Germany.

	2001	2002	2003	2004
GDP Rub (bn)	275.0	367.8	435.7	524.0
FDI \$(mn)	1171.5	881.0	695.8	985.1

Since 2003 St. Petersburg has begun to experience a divergence from the national income average. As with Moscow, St. Petersburg's demography is experiencing the rapid development of an influential middle class and an increasing expatriate population.

St. Petersburg is also considered to be a lower investment risk than other areas of Russia while offering some of the best potential. A recent study by the Expert Ratings Agency found that St. Petersburg offered the second greatest potential of any region in Russia but with the lowest risk. This compared with Moscow which offered the highest potential but was ranked ninth in terms of risk.

Property Market

Office

St. Petersburg's modern office market, virtually non-existent a few years ago, is in the early stages of development both in terms of size and quality. As a consequence, the St. Petersburg office market is still quite centralised around the city's historic centre although this is expected to change rapidly.

At the end of 2005, prime office space in St. Petersburg totalled 285,500 sqm, of which, new space constructed in 2005 totalled 60,000 sqm (by comparison, Moscow's office stock stood at 4,687,500 sqm).

At the end of 2005 rental rates for prime office space ranged from \$650 – \$700 per sqm. Vacancy rates at 5% are below those in many European capitals.

Residential

The high end residential sector has performed very well over 2005 with an increasing supply of quality units becoming available on the outskirts of the Golden triangle, an area of St. Petersburg which is considered most desirable for both office and residential development. Prices for high quality developments in desirable locations range from \$1,500 per sqm up to as high as \$7,000 per sqm. Demand for high end residential property is expected to remain strong supported by a growing middle class and demand from expatriates.

Retail banking in Russia generally is under developed with the vast majority of loans going to companies. Inter bank loans represent 18% of total banking assets. According to recent analysis only 15% of total customer loans in the system are extended to individuals and secured consumer loans to purchase goods and services constitute most of the loans outstanding. It is noted that lower interest rates and strong economic growth are propelling consumer lending and that banks are finding this segment very attractive given its high margins and low penetration, with retail loans representing only 4% of GDP. Growth in the use of mortgages in the coming years should underpin the residential property market prices.

Retail

Steadily growing incomes in St. Petersburg continue to drive the retail sector. Modern international standard shopping centres are a relatively recent development in St. Petersburg. At the end of the first quarter of 2006 total modern shopping centre stock reached 472,300 sqm, comprising nine modern shopping centres. The historical centre of St. Petersburg is considered to be the most prestigious and expensive place for retail in the city; however, due to a lack of available plots and building restrictions, the fastest rate of retail development is occurring outside the centre close to the metro stations in residential areas.

Industrial

The stock of modern quality warehouses remains hugely underdeveloped in St. Petersburg. The majority of the existing stock is old Soviet style facilities located in traditional industrial zones. The

limited supply of high quality warehouses offered for rent has forced many logistics, manufacturing and retail companies to refurbish existing facilities rather than build new warehouses. As a consequence of tight supply, St. Petersburg's warehousing segment currently has vacancy rates at close to zero and prime warehouse rents are among the highest in Europe at \$120 – \$170 per sqm.

PART V

PLACING, ADMISSION AND RELATED MATTERS

1. THE PLACING

Under the terms of the Placing Agreement, Oriel Securities, as agent for the Company, has undertaken to use its reasonable endeavours to place up to 26,200,268 Ordinary Shares with investors at 100p per Ordinary Share. The Placing, which is not underwritten, is conditional upon the Admission of the Ordinary Shares to trading on AIM by 31 December 2006, or such later time as Oriel Securities and the Company agree. Further details of the Placing Agreement are set out in paragraph 7.2 of Part VIII of this document.

The Placing is intended to raise up to €38.775m before expenses. Assuming the Placing is fully subscribed, the expenses of the Placing are estimated at circa 6 per cent. of the funds raised.

Dealings in the Placing Shares on AIM are expected to commence on 11 December 2006. In the case of placees requesting their Placing Shares in uncertificated form, it is expected that the appropriate CREST accounts will be credited with the Placing Shares comprising their placing participation with effect from 11 December 2006. In the case of placees requesting their Placing Shares in certificated form it is expected that certificates in respect of such shares will be despatched by post not later than 20 December 2006. Pending despatch of definitive share certificates or crediting of CREST accounts, the Company's registrars will certify any instrument of transfer against the register.

2. THE PLACING AGREEMENT

The Placing Agreement contains provisions entitling Oriel Securities to terminate the Placing (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Placing Agreement will lapse and any monies received in respect of the Placing will be returned to applicants without interest.

The Placing Agreement also contains warranties and indemnities from the Company, the Directors, the Investment Manager and the Investment Adviser to Oriel Securities which are standard for this type of agreement.

3. TERMS AND CONDITIONS OF THE PLACING

3.1 INTRODUCTION

These terms and conditions apply to persons making an offer to purchase Ordinary Shares under the Placing.

The Issue is subject to the satisfaction of certain conditions contained in the Placing Agreement, which are typical for an agreement of this nature. Certain conditions are related to events which are outside the control of the Company, the Directors and Oriel Securities.

Each person to whom these conditions apply, as described above, who confirms his agreement to Oriel Securities, the Registrar and the Company to purchase Ordinary Shares under the Placing (an "Investor") hereby agrees with Oriel Securities, the Registrar and the Company to be bound by these terms and conditions as being the terms and conditions upon which Ordinary Shares will be sold under the Placing. An Investor shall, without limitation, become so bound if Oriel Securities (a) confirms to such Investor (i) the Placing Price; and (ii) its allocation of Ordinary Shares and (b) notify, on behalf of the Company, the name of the Investor to the Registrar.

3.2 AGREEMENT TO ACQUIRE ORDINARY SHARES

Conditional on (i) Admission occurring and becoming effective by 8.00 a.m. on or prior to 11 December 2006 (or such later date as the Company and Oriel Securities may agree (not being later than 31 December 2006)); and (ii) the confirmation mentioned in the immediately preceding paragraph 3.1 above, an Investor agrees to become a member of the Company and agrees to acquire Ordinary Shares at the Placing Price. The number of Ordinary Shares issued to such Investor under the Placing shall be in accordance with the arrangements described above. To the fullest extent permitted by law, each Investor acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights such Investor may have.

3.3 PAYMENT FOR ORDINARY SHARES

Each Investor undertakes to pay the Placing Price for the Ordinary Shares issued to such Investor in such manner as shall be directed by Oriel Securities.

In the event of any failure by an Investor to pay as so directed by Oriel Securities, the relevant Investor shall be deemed hereby to have appointed Oriel Securities or any nominee of Oriel Securities to sell (in one or more transactions) any or all of the Ordinary Shares in respect of which payment shall not have been made as so directed and to have agreed to indemnify on demand Oriel Securities in respect of any liability for UK stamp duty and/or stamp duty reserve tax arising in respect of any such sale or sales.

3.4 REPRESENTATIONS AND WARRANTIES

By receiving this document, each Investor and, in the case of paragraphs 3.4(3) and 3.4(4) below, any person confirming his agreement to purchase Ordinary Shares on behalf of an Investor or authorising Oriel Securities to notify an Investor's name to the Registrar, is deemed to represent and warrant to Oriel Securities, the Registrar and the Company that:

- (1) in agreeing to subscribe for Ordinary Shares under the Placing, the Investor is relying only on this document or any supplementary admission document (as the case may be) or any regulatory announcement issued by the Company, and not on any other information or representation concerning the Company or the Placing. Such Investor agrees that none of the Company, the Registrar, Oriel Securities nor any of their respective officers or directors will have any liability for any such other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any such other information or representation;
- (2) if the laws of any place outside the United Kingdom or the Isle of Man are applicable to the Investor's agreement to purchase Ordinary Shares and/or acceptance thereof, such Investor has complied with all such laws and none of Oriel Securities, the Company and the Registrar will infringe any laws outside the United Kingdom as a result of such Investor's agreement to purchase Ordinary Shares and/or acceptance thereof or any actions arising from such Investor's rights and obligations under the Investor's agreement to purchase Ordinary Shares and/or acceptance thereof or under the Articles;
- (3) in the case of a person who confirms to Oriel Securities on behalf of an Investor an agreement to purchase Ordinary Shares and/or who authorises Oriel Securities to notify the Investor's name to the Registrar as mentioned under paragraph 3.1 above, that person represents and warrants that he has authority to do so on behalf of the Investor; and
- (4) the Investor is not, and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of sections 67, 70, 93 and 96 of the UK Finance Act 1986 (depository receipts and clearance services).

3.5 SUPPLY AND DISCLOSURE OF INFORMATION

If any of Oriel Securities, the Registrar or the Company or any of their agents request any information about an Investor's agreement to purchase Ordinary Shares, such Investor must promptly disclose it to them.

3.6 MISCELLANEOUS

The rights and remedies of Oriel Securities, the Registrar and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

On application, each Investor may be asked to disclose, in writing or orally to Oriel Securities:

- (a) if he is an individual, his nationality; or
- (b) if he is a discretionary fund manager, the jurisdiction in which the funds are managed or owned. All documents will be sent at the Investor's risk. They may be sent by post to such Investor at an address notified to Oriel Securities.

Each Investor agrees to be bound by the Articles (as amended from time to time) once the Ordinary Shares, which such Investor has agreed to purchase, have been registered in the name of such Investor.

The contract to purchase Ordinary Shares and the appointments and authorities mentioned herein will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of Oriel Securities, the Company and the Registrar, each Investor irrevocably submits to the non-exclusive jurisdiction of the English courts in respect of these matters. This does not prevent an action being taken against an Investor in any other jurisdiction.

In the case of a joint agreement to purchase Ordinary Shares, references to an "Investor" are to each of such Investors and such Investors' liability is joint and several.

Oriel Securities and the Company expressly reserve the right to modify the Placing (including, without limitation, its timetable and settlement) at any time before allocations are determined.

4. ALLOCATION

The rights attaching to the Ordinary Shares will be uniform in all respects and they will form a single class for all purposes. A maximum of 26.2 million Ordinary Shares are available under the Placing. All Ordinary Shares issued pursuant to the Placing will be issued, payable in full, at the Placing Price. General information about liability for UK stamp duty and stamp duty reserve tax is contained in Part VII of this document.

5. ANNOUNCEMENTS REGARDING THE PLACING

The result of the Placing is expected to be announced by the Company through a Regulatory Information Service on 11 December 2006, and, in any event, prior to Admission. Conditional dealings in the Ordinary Shares issued pursuant to the Placing will not be permitted.

6. DEALING ARRANGEMENTS

Application has been made for all the Ordinary Shares issued and to be issued pursuant to the Placing to be admitted to trading on the AIM market of the London Stock Exchange. It is expected that Admission will take place and dealings in the Ordinary Shares will commence at 8.00 a.m. (London time) on 11 December 2006. Settlement of dealings from that date will be on a three business day rolling basis. These dates and times may be changed.

Each Investor will be required to undertake to pay the Placing Price for the Ordinary Shares sold or issued to such Investor in such manner as shall be directed by Oriel Securities.

7. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations. The Articles permit the holding of Ordinary Shares under the CREST system. All the Ordinary Shares will be in registered form and no temporary documents of title will be issued.

The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. It is expected that Admission will become effective and dealings in Ordinary Shares will commence on 11 December 2006. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

8. ADMINISTRATION AND CUSTODY

Information regarding the administration and custody arrangements of the Company are set out in paragraphs 7.3 and 7.4 respectively of Part VIII of this document.

9. ANTI-MONEY LAUNDERING PROCEDURES

Due to anti-money laundering requirements operating within various jurisdictions, including the Isle of Man and the UK, the Administrator and Oriel Securities will require evidence of identification from applicants and/or persons on whose behalf an application is made in the Placing.

Oriel Securities and the Administrator, on behalf of the Company, reserve the right to request such information as is necessary to verify the identity of an initial applicant or a transferee. No Ordinary Shares will be allotted to an applicant, and no transfer will be registered, until the identity of the

applicant or the transferee, as the case may be, has been verified to the satisfaction of Oriel Securities and the Administrator.

10. RISK FACTORS

Certain risk factors in relation to the Company and its business are brought to your attention in Part III of this document.

11. TAXATION

Information regarding United Kingdom and Isle of Man taxation with regard to potential Shareholders is set out in Part VII of this document. No other taxation advice is being provided to Shareholders in this document. If you are in any doubt as to your tax position, you should consult your professional adviser immediately.

12. DURATION

Under the Articles, Shareholders will be given the opportunity to review the duration of the Company at appropriate intervals. Accordingly, at the annual general meeting of the Company to be held in 2014, the Directors are obliged to propose an ordinary resolution that the Company shall continue in existence. If the resolution is passed then the Directors shall propose the same resolution at every third annual general meeting thereafter. If the resolution is not passed then the Directors shall, within 3 months after the date of the resolution, put forward proposals to Shareholders to the effect that the Company be reorganised, unitised, reconstructed or wound up.

13. SELLING RESTRICTIONS

The Placing will be made to institutional and certain other investors in the UK and in various other jurisdictions in Europe. No Ordinary Shares have been used or are available in whole or in part to the public in the UK or elsewhere in connection with the Placing. Certain restrictions that apply to the distribution of this document and the Ordinary Shares in such jurisdictions are described below.

United Kingdom

Ordinary Shares must not and will not be offered to the public in the United Kingdom (within the meaning of section 102B of the Financial Services and Markets Act 2000, as amended (“FSMA”)) and therefore will only be offered in circumstances where it is lawful to do so without an approved prospectus (within the meaning of section 85 FSMA) being made available to the public beforehand.

No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. This document may not therefore be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Accordingly, no person receiving a copy of this document in any territory other than the United Kingdom, may treat the same as constituting an offer or invitation to them to acquire, subscribe for or purchase Ordinary Shares nor should they in any event acquire, subscribe for or purchase Ordinary Shares unless such an invitation, acquisition, subscription or purchase complies with any registration or other legal requirements in the relevant territory. Any person outside the United Kingdom wishing to acquire, subscribe for or purchase Ordinary Shares should satisfy themselves that, in doing so, they comply with the laws of any relevant territory, and that they obtain any requisite governmental or other consents and observe any other applicable formalities.

United States

The Ordinary Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Oriel Securities, as Placing Agent, has agreed that it will not offer, sell or deliver the Ordinary Shares, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Admission Date, within the United States or to, or for the account or benefit of U.S. persons, and it will have sent to each sub placing agent with which it contracts to use reasonable endeavours to place the Ordinary Shares during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Ordinary Shares within the United States or to or for the account or benefit of U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Ordinary Shares within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Austria

No public offer within the meaning of section 24 of the Austrian Investment Funds Act (Investmentfondsgesetz) (“IFA”) or section 33 of the IFA or section 1 paragraph 1 number 1 of the Austrian Capital Markets Act (Kapitalmarktgesetz) (“CMA”) of the Ordinary Shares is made in Austria. The Ordinary Shares are not registered or authorised for public distribution under the Austrian Investment Funds Act or any other Austrian law.

The Ordinary Shares are offered by way of a private placement in Austria to not more than ten addressees in Austria whereby Oriel Securities has laid down the identity of the addressees of the offer by name before the offer was made.

The Company is not under the supervision of the Austrian Financial Market Authority (Finanzmarktaufsichtsbehörde) or any other Austrian supervision authority. Furthermore, the structure of the Company, its investment objectives, investor’s participation therein, etc. may differ from the structure, investment objectives, investor’s participation, etc. of investment vehicles provided for in the IFA, the CMA or the Austrian Real Estate Investment Funds Act (Immobilien-Investmentfondsgesetz) (“REIFA”).

Neither this document nor any other document in connection with the Ordinary Shares and/or the Company is a prospectus according to the IFA, the CMA or the REIFA and has therefore not been drawn up, audited and published in accordance with such acts.

Neither this document nor any other document in connection with the Company and/or the Ordinary Shares may be distributed, passed on or disclosed to any other person in Austria, save as specifically agreed with Oriel Securities. No steps may be taken that would constitute a public offer of the Ordinary Shares in Austria and the offer of the Ordinary Shares may not be advertised in Austria. This document is distributed under the condition that the above obligations are accepted by the recipient and that the recipient undertakes to comply with the above restrictions and the confidentiality obligations.

France

This transaction does not require a prospectus approved by the Autorités des Marchés Financiers. Qualified investors and other persons falling within a restricted circle of investors can participate in the Placing only for their own account in accordance with the provisions of articles D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the Code Monétaire et Financier. The Ordinary Shares to be subscribed by such investors can only be subsequently offered, directly or indirectly, to the public in France in accordance with the provisions of articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the Code Monétaire et Financier.

Germany

The information in this document is not an offer to sell Ordinary Shares of the Company to the public in the Federal Republic of Germany, and an offer and sale of the Ordinary Shares may only be made in the Federal Republic of Germany to (i) institutional investors who on a professional or commercial basis purchase shares themselves for their own account or for the account of a third party and therefore qualify as qualified investors (qualifizierte Anleger) within the meaning of section 2 no. 6 of the German Securities Prospectus Act (Wertpapierprospektgesetz) (“GSPA”) or (ii) a restricted circle (maximum 99) of non-qualified investors in Germany. No securities prospectus has been or will be published with respect to the Ordinary Shares and no application to the competent authorities has been made under the GSPA to publicly market the securities. Accordingly, neither this document nor any other offering document may be distributed to the public in Germany.

Denmark

This document has not been filed with or approved by the Danish Financial Supervision Authority (“Finanstilsynet”) or any other regulatory authority in Denmark. The Ordinary Shares have not been offered, sold or delivered directly or indirectly in Denmark, unless in compliance with Part 12 of the Danish Act on Trading in Securities and Executive Orders issued pursuant hereto.

The Netherlands

The Ordinary Shares may not be offered, transferred, delivered or sold whether directly or indirectly to any individual or legal entity in the Netherlands as part of the initial distribution, or at any time

thereafter, other than to individuals or legal entities who, or which, trade or invest in investment objects in the pursuit of their business (which includes banks, brokers, dealers, insurance companies, pension partnerships, other institutional investors and commercial enterprises regularly, as an ancillary activity, investing in securities).

Sweden

This document has not and will not be registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the Ordinary Shares offered hereunder be marketed and offered for sale in Sweden, other than under circumstances which are deemed not to be an offer to the public in Sweden under the Swedish Financial Instruments Trading Act (1991:980). This offering of Ordinary Shares will only be made to a limited number of identified persons or entities in Sweden.

Switzerland

The Company has not been authorised by the Swiss Federal Banking Commission as a foreign investment fund pursuant to Article 45 of the Swiss Mutual Fund Act of 18 March 1994. Accordingly, the Ordinary Shares may not be offered or distributed in or from Switzerland on the basis of a public solicitation, as such term is defined under the current practice of the Swiss Federal Banking Commission, and neither this document nor any other offering material relating to the Ordinary Shares may be distributed in connection with any such offering or distribution.

European Economic Area

No Ordinary Shares have been offered or sold, or will be offered or sold, to the public in any Member State of the European Economic Area which has implemented Directive 2003/71/EC (the “Prospectus Directive”) prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the relevant Member State or, where appropriate, approved by the competent authority in another Member State and notified to the competent authority in the relevant Member State, all in accordance with the Prospectus Directive except: (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000 as shown in its last annual or consolidated accounts; or (c) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

Republic of Ireland

This document does not comprise a prospectus for the purpose of the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland and has not been delivered to the Registrar of Companies in Dublin. Ordinary Shares will not be offered to more than 100 persons in Ireland and therefore will only be offered in circumstances where it is lawful to do so without a prospectus being made available to the public.

Norway

Neither this document nor the offering of the Ordinary Shares have been approved by Oslo Stock Exchange or the Norwegian Financial Supervisory Authority.

This offering of Ordinary Shares will be made to fewer than 100 persons or entities in Norway. Thus the Offering of the Ordinary Shares is exempt from the requirement of drawing up and publishing a Prospectus pursuant to the Securities Trading Act of 19 June 1997 Section 5-2.

Estonia

This document is being distributed to a limited number of pre-selected investors in circumstances where the offering of the Ordinary Shares in connection with this document does not constitute a public offer as defined in the Securities Market Act of the Republic of Estonia (*väärtpaberituruseadus*). The Ordinary Shares may not be offered or sold, directly or indirectly, to any resident of the Republic of Estonia, or in the Republic of Estonia, except pursuant to the applicable Estonian laws and regulations. Specifically, the Ordinary Shares may not be offered or sold, directly or indirectly, to the public in the Republic of Estonia.

Finland

The Ordinary Shares are being offered in Finland solely to a limited number of investors, and no public offer of Ordinary Shares is being made in Finland. This document has not been approved by the Finnish

Financial Supervision Authority or any other competent authority of a Member State of the European Union and does not constitute a prospectus under the Prospectus Directive (2003/71/EC), the Finnish Investment Funds Act (48/1999, as amended) or the Finnish Securities Market Act (495/1989, as amended).

FURTHER INFORMATION

Your attention is drawn to the additional information set out in Part VIII of this document.

PART VI
ACCOUNTANT'S REPORT



■ Ernst & Young LLP
1 More London Place
London SE1 2AF

■ Phone: 020 7951 2000
Fax: 020 7951 1345
www.ey.com/uk

The Directors
Metro Baltic Horizons plc
IOMA House
Hope Street
Isle of Man IM1 1AP

6 December 2006

Dear Sirs

Metro Baltic Horizons plc

Introduction

We report on the financial information set out in paragraphs 1 & 2 and the notes to the financial information below. This financial information has been prepared for inclusion in the AIM admission document dated 6 December 2006 (the "Admission Document") of Metro Baltic Horizons plc (the "Company") on the basis of the accounting policies set out in note 2 to the financial information.

This report is required by Schedule Two of the AIM Rules and is given for the purposes of complying with Schedule Two of the AIM Rules and for no other purpose.

Save for any responsibility arising under Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules, consenting to its inclusion in the AIM admission document.

Responsibility

The Directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view for the purposes of the Admission Document and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the circumstances of the Company and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

■ The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member practice of Ernst & Young Global. A list of members' names is available for inspection at the above address which is the firm's principal place of business and its registered office.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated and of its changes in equity for the period then ended in accordance with the basis of preparation set out in note 1 and in accordance with International Financial Reporting Standards as described in note 1.

Declaration

For the purposes of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Ernst & Young LLP', written in a cursive style.

Ernst & Young LLP
London

Selected Financial Information

1. Balance Sheet

	<i>Note</i>	<i>30 September 2006</i>
		€
ASSETS		
<i>Current assets</i>		
Receivables		0.02
Total assets		<u>0.02</u>
EQUITY & LIABILITIES		
<i>Equity</i>		
Called up share capital	5	0.02
Total equity		<u>0.02</u>

2. Statement of Changes in Equity

	<i>Share capital</i>	<i>Share Premium</i>	<i>Total equity</i>
	€	€	€
Allotment of share capital at incorporation	0.02	—	0.02
As at 30 September 2006	<u>0.02</u>	<u>—</u>	<u>0.02</u>

Notes to the Financial Information

1 Company Information and basis of preparation

Company Information

The Company was incorporated in the Isle of Man as Metro Baltic Hermitage plc on 18 September 2006. On 13 November 2006, the Company passed a special resolution to change its name to Metro Baltic Horizons plc.

Basis of preparation

The financial information has been prepared in accordance with International Financial Reporting Standards adopted by the European Union and is presented in Euros.

The financial information has been prepared by the directors solely for the purpose of supporting the information to be included in the Company's admission document prepared in connection with the intended offering of Ordinary Shares in the Company and the admission of the Ordinary Shares of the Company to trading on the Alternative Investment Market of the London Stock Exchange ("AIM") hereinafter referred to as the Offer.

Save for entering into the conditional agreements described in note 7, the Company has not traded, has prepared no financial statements for presentation to its members and has not declared or paid a dividend. Accordingly, no income statement is presented for the period to 30 September 2006.

A cash flow statement has not been presented as the Company entered into no cash transactions during the period to 30 September 2006.

Responsibility for preparation of the accounts

As required by Isle of Man company law, the directors have accepted responsibility for preparation of 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 profit or loss of the Company for that period. In preparing those financial statements, the directors accept responsibility for:-

- selecting suitable accounting policies and then applying them consistently;
- making judgments and estimates that are reasonable and prudent; and

- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors accept responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company at that time and to enable them to ensure that the financial statements are prepared properly and in accordance with any relevant enactment for the time being in force. They also accept responsibility for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

2 Accounting policies

Share capital

Ordinary Shares are classified as equity.

3 Administrative expenses

The fee for the audit of these financial statements and other professional costs in connection with the Offer will be charged in the income statement for the period from incorporation to 31 December 2007.

The directors received no management compensation in any form from the Company in the period.

4 Income tax

The Company is incorporated as an exempt company under Isle of Man law and is not subject to any taxes in the Isle of Man other than a flat rate corporate charge of £250 per annum. This cost will be charged in the income statement for the period from incorporation to 31 December 2007.

5 Share capital

	30 <i>September</i> 2006
<i>Authorised</i>	€
250,000,000 ordinary shares of €0.01 each	2,500,000
	<hr/> <hr/>
<i>Allotted, called up and fully paid</i>	
2 ordinary shares of €0.01 each	0.02
	<hr/> <hr/>

6 Reconciliation of movement in equity

	<i>Share</i> <i>Capital</i> €
Issue of share capital at incorporation on 18 September 2006	2
	<hr/>
As at 30 September 2006	2
	<hr/> <hr/>

The Company was incorporated on 18 September 2006 with an authorised share capital of €2,500,000 comprising 250,000,000 ordinary shares of €0.01 each, of which 2 ordinary shares were allotted and issued on incorporation

7 Post balance sheet events

In addition to a placing agreement and other arrangements and contracts in connection with the Offer, in readiness for the Offer and contingent upon its consummation and therefore commencing from the date when the Company is admitted to AIM, the Company entered into the following agreements on 5 December 2006:

Investment Management Agreement

Under this agreement, Metro Frontier Limited (the “Investment Manager”) has agreed to provide property management services to the Company in relation to the portfolio of assets held by the

Company from time to time. The Investment Manager is entitled to receive from the Company an annual management fee of 1 per cent of the Company's gross asset value and a further 0.5 per cent of capital employed in Russian property projects together, where applicable, with a performance fee of 25 per cent of the excess return over a 12 per cent annual return. A maximum of 25 per cent of the performance fee will be settled by the issue of the Company's Ordinary Shares, with the balance being payable in cash.

The Company has also agreed to pay the Investment Manager a structuring and property pipeline transfer fee of 0.5% of the gross proceeds from the Offering for advice in connection with property pipeline projects which may be acquired by the Company after the Offering has been completed. The Company has no current contractual obligation to acquire any of these property projects.

Administration Agreement

Under this agreement, the Company has engaged IOMA Fund and Investment Management Limited to act as administrator and registrar of the Company and to provide a company secretary in return for a set up fee of £5,000 and a quarterly fee aggregating £25,000 per annum plus disbursements.

Custodian Agreement

Under this agreement, the Company has engaged Northern Trust Fiduciary Services (Ireland) Limited to provide custodial services to the Company in relation to cash, debt and equity securities in return for a monthly fee aggregating €30,000 per annum plus disbursements.

Nominated Advisor Agreement

The Company has appointed Oriel Securities Limited as its nominated adviser and broker for a fee of £35,000 per annum.

Financial Controller Agreement

The Company has appointed MG Capital Limited to provide accounting and financial control services to the Company for an initial fee of £45,000 per annum.

Since the balance sheet date, the initial directors of the Company have resigned and the following non-executive directors were appointed on 12 October 2006:

Stuart McDonald

Robin James

Kristel Meos

Gunnar Okk

Under the Company's Articles of Association, the maximum total amount of remuneration payable to the directors is £175,000 per annum. No director holds any Ordinary Shares in the Company and none will subscribe for Ordinary Shares in the Company under the Offer.

PART VII

TAXATION

The following information, which relates only to UK and Isle of Man taxation, is applicable to the Company and to persons who are resident or ordinarily resident in the UK and who hold Ordinary Shares as investments. It is based on the law and practice currently in force in the UK and the Isle of Man. The information is not exhaustive and, if potential investors are in any doubt as to the taxation position, they should consult their professional advisers without delay. Investors should note that tax law and interpretation can change and that, in particular, the levels and basis of, and reliefs from, taxation may change and it may alter the benefits of investment in the Company.

UK Taxation

The Company

It is the intention of the Directors to conduct the affairs of the Company so that the central management and control of the Company is not exercised in the UK and so that the Company does not carry out any trade in the UK (whether or not through a permanent establishment situated there). The Company is not intending to invest in any United Kingdom property, nor will it maintain a United Kingdom bank account. On this basis, the Company should not be liable for United Kingdom taxation on its income and gains, other than certain income deriving from a United Kingdom source.

United Kingdom Shareholders

- (a) Shareholders who are resident in the United Kingdom or carrying on a trade in the United Kingdom for tax purposes will, depending on their circumstances, be liable to United Kingdom income tax or corporation tax on the gross amount of dividends paid by the Company whether directly or by way of reinvestment of income.
- (b) The Company is not at the date of this document, and the Directors intend to manage the Company's affairs such that it should not become, an offshore fund for United Kingdom taxation purposes. Accordingly, a shareholding in the Company should not be regarded as a material interest in an offshore fund and Sections 756A to 764 of the Income and Corporation Taxes Act 1988 (the "Taxes Act") should not apply. Consequently, depending on their circumstances, Shareholders who are resident or, in the case of individuals, ordinarily resident in the United Kingdom for taxation purposes may be subject to capital gains tax (or, in the case of a corporate Shareholder, corporation tax on capital gains) in respect of any gain arising on a disposal, including on redemption, of their Ordinary Shares unless the Shareholder is taxed as a dealer in securities, in which case the Directors have been advised that any gain will be treated as income and taxed as such. For Shareholders who are individuals, taper relief, and for Shareholders within the charge to United Kingdom corporation tax, indexation allowance, may reduce any chargeable gain arising on disposal of Ordinary Shares but will not create or increase an allowable loss.
- (c) The attention of UK resident and domiciled Shareholders is drawn to the provisions of Section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to an investor who holds, alone or together with associated persons, more than a 10 per cent. interest in the gains of the Company.
- (d) A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25 per cent. of the Ordinary Shares should note the provisions of the controlled foreign companies legislation contained in Sections 747-756 of the Taxes Act.
- (e) The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of Sections 739-745 of the Taxes Act (as amended by the Finance Act 2006) which may render such individuals liable to tax in respect of undistributed profits of the Company in certain circumstances.
- (f) The attention of UK resident and domiciled investors is drawn to Section 703 of the Taxes Act under which HM Revenue and Customs may seek to cancel tax advantages from certain transactions in securities.

- (g) The following comments are intended as a guide to the general UK Stamp Duty and Stamp Duty Reserve Tax (“SDRT”) position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply. No UK Stamp Duty or SDRT will be payable on the issue of the Placing Shares. UK Stamp Duty (at the rate of 0.5 per cent., rounded up where necessary to the next £5 of the amount of the value of the consideration for the transfer) is payable on any instrument of transfer of Ordinary Shares executed within, or in certain cases brought into, the United Kingdom. Provided that Ordinary Shares are not registered in any register of the Company kept in the UK any agreement to transfer Ordinary Shares should not be subject to SDRT.

Non-United Kingdom Shareholders

Shareholders who are not resident or ordinarily resident in the United Kingdom (or temporarily non-resident) and do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the United Kingdom with which the Ordinary Shares are connected will not normally be liable to United Kingdom taxation on capital gains arising on the sale or other disposal of Ordinary Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

Individual Savings Accounts (“ISA”) and Personal Equity Plans (“PEP”)

Shares in the Company will not be eligible to be held in the stocks and shares component of an ISA or an existing PEP.

Self-Invested Personal Pension Schemes (“SIPPs”)

Shares which are dealt in on AIM may be held for the purposes of a SIPP where such shares are considered suitable investments by the scheme administrator.

Isle of Man Taxation

The statements set out below are intended only as a general guide to certain aspects of current Isle of Man tax law and practice as at the date of this document. The summary does not purport to be a complete analysis of all Isle of Man tax issues for the Company or the holders of Ordinary Shares. Prospective purchasers of Ordinary Shares are advised to consult their own tax advisers on the taxation consequences of the acquisition, ownership and disposal of Ordinary Shares.

The Company will be treated for Isle of Man purposes as Isle of Man resident and liable to income tax at the general rate of 0%.

There is no capital or stamp taxes in the Isle of Man (save for capital duty as described below). No Isle of Man stamp duty or stamp duty reserve tax will be payable on the issue or transfer of, or any other dealing in, Ordinary Shares.

The Company would be liable to deduct and account for income tax under the Isle of Man Income Tax (Instalment Payments) Act 1974 if applicable, although this is not expected to be relevant to the Company as it does not have, nor does it currently intend to engage, any Isle of Man employees.

The Company is liable to capital duty in the Isle of Man. Capital duty is currently payable on incorporation or on any increase in the nominal value of the authorised share capital of the Company at the rate of £15 per £1,000 (or part thereof) of authorised share capital over £2,000 subject to a minimum of £125 and a maximum aggregate amount of £5,000 for each company.

Directive 2003/48 of the European Union on the taxation of savings income seeks to bring about the effective taxation of interest payments in a beneficial owner’s member state of tax residence through the automatic exchange of information on cross border interest payments to individual beneficial owners. During the transitional period set out in the Directive, three member states (namely Austria, Belgium and Luxembourg) shall not be required to exchange information but shall apply a withholding tax to savings income covered by the Directive. The Isle of Man has entered into agreements with all the EU member states to apply a retention tax during the transitional period in the same manner as the withholding tax under the Directive and, thereafter, to apply automatic exchange of information. These measures now apply in the Isle of Man, but the Directive does not currently extend to dividend payments.

In the event of the death of a sole holder of Ordinary Shares, an Isle of Man grant of probate or administration may be required, in respect of which certain fees will be payable to the Isle of Man Government.

The foregoing summary does not address tax considerations which may be applicable to certain Shareholders under the laws of jurisdictions other than the Isle of Man. The Company has no present plans to apply for any certifications or registrations, or to take any other actions under the laws of any jurisdiction which would afford relief to local investors therein from the normal tax regime otherwise applicable to an investment in Ordinary Shares. It is the responsibility of all persons interested in purchasing the Ordinary Shares to inform themselves as to any income or other tax consequences arising in the jurisdictions in which they are resident or domiciled for tax purposes, as well as any foreign exchange or other fiscal or legal restrictions, which are relevant to their particular circumstances in connection with the acquisition, holding or disposition of the Ordinary Shares.

PART VIII

ADDITIONAL INFORMATION

1. Directors' Responsibility

The Directors, whose names are set out on page 5 of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- 2.1 The Company was incorporated with limited liability in the Isle of Man as a public company under the Law with registered number 117760C on 18 September 2006. On 13 November 2006 the Company passed a special resolution to change its name to Metro Baltic Horizons plc. The principal legislation under which the Company was formed and now operates is the Law and the regulations made thereunder. The Company is domiciled in the Isle of Man.
- 2.2 The Company's registered office and its principal place of business are in the Isle of Man and are located at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP.
- 2.3 Save for its entry into the material contracts summarised in paragraph 7 of this Part VIII and certain non-material contracts, since its incorporation, the Company has not carried on business nor incurred borrowings.
- 2.4 For statutory purposes under the provisions of the Law, and in accordance with the Articles, the Company may not proceed to allotment unless a minimum of two shares has been subscribed for.

3. Share Capital

- 3.1 At incorporation the authorised share capital of the Company was €2,500,000 divided into 250,000,000 Ordinary Shares of €0.01 each of which two were issued as subscriber shares to the two subscribers to the Memorandum and Articles of Association. Neither the Law nor the Articles impose pre-emption rights on the issue of new shares. Accordingly, at incorporation, the Directors were generally and unconditionally authorised to allot securities in the Company up to the authorised but unissued share capital of the Company and such power was not limited in duration.
- 3.2 The authorised share capital and the maximum issued share capital of the Company (all of which will be fully paid-up) immediately following the Placing will be as follows:

	<i>Authorised</i>		<i>Issued*</i>	
	<i>No. of Shares</i>	<i>€ Nominal</i>	<i>No. of Shares</i>	<i>€ Nominal</i>
Ordinary Shares	250,000,000	2,500,000	2	0.01

* Assuming the Placing is fully subscribed.

- 3.3 By an ordinary resolution dated 5 December 2006 the Company took authority, in accordance with section 13 of the Companies Act 1992 of the Isle of Man, to make market purchases of fully paid Ordinary Shares, provided that the maximum number of Ordinary Shares authorised to be purchased shall be 14.99 per cent. of the issued ordinary share capital of the Company issued pursuant to the Placing. The Company is permitted to fund the payments for purchases of Ordinary Shares in any manner permitted by section 15 of the Companies Act 1992 of the Isle of Man. Such authority shall expire at the Annual General Meeting of the Company in 2007 unless such authority is varied, revoked or renewed prior to such date by a special resolution of the Company in general meeting.
- 3.4 By a special resolution dated 5 December 2006 it was resolved that, conditional on the Placing becoming unconditional and the approval of the High Court of Justice of the Isle of Man, the amount standing to the credit of the share premium account of the Company following completion of the Placing be cancelled and the amount of the share premium account so cancelled be credited as a distributable reserve to be established in the books of account of the Company which shall be able to be applied in any manner in which the Company's profits

available for distribution are able to be applied, including the purchase of the Company's own shares and payment of dividends. In deciding whether to give its confirmation, the court will be concerned to protect the interests of any creditors of the Company as at the date the reduction takes effect. The court will require all such creditors to have been paid or to have consented to the reduction. Until the court has confirmed the reduction of the share premium account (and the terms of any undertaking regarding creditors required by the court to be complied with), the Company will only be able to distribute dividends and to repurchase Ordinary Shares out of existing distributable profits.

- 3.5 In accordance with the power granted to the Directors by the Articles, it is expected that the Ordinary Shares to be issued under the Placing will be allotted (conditional upon Admission) pursuant to a resolution of the Board to be passed shortly before Admission. There are no provisions of Isle of Man law equivalent to Sections 89 to 96 of the Companies Act 1985 of England and Wales which confer pre-emption rights on existing Shareholders in connection with the allotment of equity securities for cash.
- 3.6 The liability of Shareholders is limited to the amount payable and which remain unpaid in respect of Ordinary Shares held.
- 3.7 The Ordinary Shares carry the right to vote at general meetings, to dividends, and to the surplus assets of the Company on a winding-up.
- 3.8 Save pursuant to the Placing, since the date of incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
- 3.9 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.10 As of the date of this document, the Company has no listed or unlisted securities not representing share capital.
- 3.11 On the assumption that the Placing is fully subscribed at the Placing Price, the Company will have on Admission 26,200,270 million Ordinary Shares in issue.

4. Directors' and other interests

- 4.1 The maximum amount of remuneration payable to the Directors permitted under the Articles is £175,000 per annum.
- 4.2 It is estimated that the aggregate emoluments (including benefits in kind and pension contributions (of which none is to be made)) of the Directors for the period ending 31 December 2007 will amount to no more than €125,000.
- 4.3 The Directors were appointed as non-executive directors on 12 October 2006. Letters of appointment dated 5 December 2006 stated that their appointment and any subsequent termination or retirement shall be subject to the Articles. Save as described above, there are no existing or proposed service contracts between any of the Directors and the Company.
- 4.4 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.
- 4.5 No Director has any interest in any transactions which are or were unusual in their nature or significant to the business of the Company and which have been effected by the Company since incorporation and remain in any way outstanding or unperformed.
- 4.6 No Director (nor any member of a Director's family) has had a related financial product (as defined in the AIM Rules) referenced to Ordinary Shares.
- 4.7 No Director (and persons connected with the Directors) has agreed to subscribe for any shares under the Placing, and no Director (and persons connected with the Directors) has any interest in the share capital of the Company.
- 4.8 The Company is not aware of any person or persons who directly or indirectly, jointly or severally, exercise or could exercise control of the Company.

- 4.9 Save as set out below, the Company is not aware of any person holding directly or indirectly more than 3 per cent. of the Company's issued share capital or any person who will hold, directly or indirectly, more than 3 per cent. of the Company's issued share capital after Admission.

<i>Shareholder</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of issued Ordinary Shares</i>
Garrett Kelleher	3,716,350	14.2%
IIU Nominees	3,378,500	12.9%
Henderson Global Investors	2,620,000	10.0%
Carmignac Gestion	1,310,000	5.0%
SEB Ühispanga Progressiivne Pensionifond	900,000	3.4%
Nordplus Consulting	844,625	3.2%

- 4.10 The Company will purchase directors and officers liability insurance for the benefit of the Directors.

- 4.11 No Director has any unspent convictions relating to indictable offences, has been bankrupt or has made, or been the subject of, any individual voluntary arrangement.

- 4.12 Save as for set out below, none of the Directors has been a director of any company at the time of or within twelve months preceding the date of its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors.

Stuart McDonald was a non-executive director of Premier Health Group plc and, through Premier Health Group plc, two of its wholly owned subsidiary companies and an executive director of Global Money Transfer Holdings Limited when these companies had administration orders made against them on 4 October 2002 and 20 September 2002 respectively. Global Money Transfer Holdings Limited was subsequently placed in liquidation on 11 April 2003. There has been no public criticism of the directors of these companies.

Stuart McDonald was also a non-executive director of Mason Corporate Holdings Limited which has been in administrative receivership since 7 December 2001. There has been no public criticism of the directors of this company.

None of the Directors has been a partner of any partnership at the time of or within twelve months preceding the date of its compulsory liquidation, administration or partnership voluntary arrangement or the receivership of any assets of such partnership nor have any of their assets been the subject of receivership.

- 4.13 None of the Directors has been publicly criticised by any statutory or regulatory authority or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

- 4.14 There is no Director's shareholding qualification under the Articles or otherwise.

- 4.15 The directorships held by each of the Directors over the five years preceding the date of this document and the partnerships in which they have been partners in the five years preceding the date of this document are as follows:

Stuart McDonald

Current Directorships/Partnerships

CanCo (UK) Ltd	Noonwest Ltd
Combined Recycling and Power Ltd	Ocean Food Group plc
Queensberry Ltd	

Past Directorships/Partnerships

Global Money Transfer Holdings Ltd	Mason Corporate Holdings Ltd
Global Money Transfer.Com Ltd.	Premier Health Group plc
Global Money Co. UK Ltd	

Robin James

Current Directorships/Partnerships

Southern African Regional Development Limited	Firanji Limited
Willowbank Limited	White Stork Limited

Metronome Limited
Advance Adhesives Limited
Ontermo Limited
Barbute Limited
Falcata Limited
Meigle Limited
Tinto Limited
Buckholm Limited
Padbury Limited
Apsley Holdings Limited
Kcristal Limited
Caprin Limited
RMB Holdings Limited
Marriott International Funds PLC
Aarkad PLC

Past Directorships/Partnerships

Sorenson Promotions Limited
Desert Palm Limited
Frankus Investments Limited
Najay Limited
Huntsman Limited
Cranshaw Limited
Cardoness Limited
Lomas Limited
Bourmerdes Limited
Nordic Limited
Equifax (Isle of Man) Limited
Outwell Limited
Castle House Developments Limited
Markland (Euriom) Limited
Holmeleigh Limited
Glemham Investments Limited
Trioncemore Limited
Ortega Limited
Pmoel Ventures Limited
Stranton Limited
Castlehurst Limited
Hilmarton Investments Limited
Granuaile Shipping Limited
Flamewing Limited
Clyde Limited
Calfar (48) Limited
Westville Limited
Raptor Wildlife Communications Limited
Granuaile Investments Limited
Seal 'N' Fly Limited
Abbeywood Properties Limited
Blue Water Trading Limited
Castle Park Limited
Chesterhill Limited
Cradley Limited
Fairmead Limited
Leiden Limited
Minervax Limited
Ruby Management Limited
Appledale Limited
Singer & Friedlander Investment Management (IOM) Limited
Tulloch Limited
S&F Nominees (Isle of Man) Limited
Singer & Friedlander (Isle of Man) Limited
Riverside Education Support Services Limited
Markhall Limited
KPMG CEE Management Services Limited

Blue Bird 1938 Limited
Odlum Enterprises Limited
Maguire Europe Sales Limited
Armet Limited
Croycam Limited
Fairydean Limited
Burlingame Limited
The SFIM UK Technology Fund plc
Merebeck Limited
Arnewood Properties Limited
Marriott Isle of Man Limited
Sphere Limited
Lhuingys Aer Vannin Ltd
Equest Balkan Properties plc
Heather Capital Ltd

Markland Birmingham Limited
Kroy Limited
Condra Limited
Orianda Limited
Ollaberry Limited
Dalfam Limited
Minstead Limited
Lochside Limited
Delifoods Limited
Pmoel Investments Limited
Teaching Services Overseas Limited
Cranleigh Limited
Wynnstay Investments Limited
Inchmere Limited
Hartside Limited
Thriplow Limited
Forthright Limited
Portocosta Limited
Paragon Limited
Vickery Limited
Insight Market Development Consultants Limited
Greenfield Enterprises Limited
Davelton Limited
Carlaway Limited
Chemical Industries Limited
Calfar (47) Limited
Redwood Investments Limited
Parima Limited
K & J Ventures Limited
Taralee Properties Limited
Beachfield Enterprises Limited
Calfar (37) Limited
Calfar (4) Limited
Cornsay Limited
Fletcher Limited
Ilam Limited
Leith Investments Limited
Rolata Limited
Tapestry Investments Limited
Peardale Limited
Singer & Friedlander Trust Company (Isle of Man) Limited
SFIM International Limited
Singer & Friedlander (Isle of Man) Holdings Ltd
Quiros Limited
Monteforte Limited
Maddox Limited
Kirvennie Limited

Kilsture Limited
 Jeroen Limited
 Calfar (20) Limited
 Calfar (16) Limited
 Calfar (14) Limited
 Calfar (12) Limited
 Calfar (34) Limited
 Calfar (32) Limited
 Calfar (28) Limited
 Calfar (26) Limited
 Calfar (24) Limited
 Calfar (22) Limited
 Chestnut Hill Properties Limited
 Broomfield Limited
 Farthing Limited
 Rosewood Limited
 Court Management Limited
 Burntech Limited
 Kothar Limited
 White Rose Limited
 Duke Associates Limited
 Colby Limited
 Lynwhite Limited
 Inter Forest Resources Limited
 Starair Limited
 Inanna Limited
 Renfield Properties Limited
 TCI Arizona Limited
 Walvis Limited
 Fsharpb2b Limited
 Oxenforth Limited
 Praze Limited
 Calfar (8) Limited
 Calfar (3) Limited
 Calfar (9) Limited
 Zesta Limited
 Wiklund Limited
 Endicot Limited
 Hezlett Limited
 Withypool Limited
 Drygrange Limited
 Erriff Limited
 Calfar (18) Limited
 Tilsley Limited
 Northanger Limited
 Orpine Investments Limited
 Dinnans Limited
 Calfar (10) Limited
 Ocerb Limited
 Hascourt Limited
 Sirol Limited
 Sapphire Leasing Limited
 Moonbeam Management Limited
 Jameson Shipping Limited
 Silver Bridge Limited
 Magoeba Limited
 AG-Con Consulting Limited
 A&T Limited
 Golden Dawn Limited
 Sunburst Management Limited
 Rowsley Management Limited
 Oriana Services Limited
 Davien Enterprises Limited
 BST Properties Limited
 MMD Consulting Limited

FSP Limited
 Equipment Leasing and Maintenance Limited
 Calfar (17) Limited
 Calfar (15) Limited
 Calfar (13) Limited
 Calfar (35) Limited
 Calfar (33) Limited
 Calfar (29) Limited
 Calfar (27) Limited
 Calfar (25) Limited
 Calfar (23) Limited
 Calfar (21) Limited
 Halley Investments Limited
 Calchas Limited
 Pendeau Limited
 Calfar (38) Limited
 Court Services Limited
 Phoenix Seafood Co. Limited
 E.D.M.I. Limited
 Sasol Financing International plc
 Endurance Limited
 Ebony Enterprises Limited
 Centuriongold Limited
 Garvellan Limited
 KBI Co Limited
 BD2U Consulting Limited
 Netherdale Limited
 Devenish Limited
 Arnhem Limited
 Shelloo Nominees Limited
 Fairholme Limited
 Calfar (45) Limited
 Calfar (5) Limited
 Bonomi Limited
 Ocean Air (Overseas) Limited
 Takano Limited
 Eulalia Limited
 Lhargan Limited
 Lindhoven Limited
 Craycroft Limited
 R L Estates Limited
 Calfar (19) Limited
 Stanlake Limited
 Conaty Limited
 Calfar (31) Limited
 Calfar (30) Limited
 Calfar (11) Limited
 MO Investments Limited
 Isenbras Limited
 Banalfin Limited
 Calem Management Limited
 Millennia InterFood Business Limited
 Healthcare Limited
 Alderdale Limited
 Windrush Services Limited
 Anglo-Irish Refrigeration Limited
 Copper Craft Limited
 Shipper Electronics Limited
 Chabelle (Pty) Limited
 Sunbeam Enterprises Limited
 Mullins Limited
 Long Air Charter Company Limited
 BST Investments Limited
 PMOEL Enterprises Limited
 Tullis Holdings Limited

Tillingbourne Limited
Bucoros Enterprises Limited
Grangefield Services Limited
Padmore Limited
Vestar Limited
Carmargue Limited
TTSI & Company Limited
Hagen Limited
Singer & Friedlander (Overseas) Limited
Marriott Singer Investment Funds PLC

Nador – 95 RT Limited
Edgewood Limited
Glendarvin Limited
Allensford Limited
Sceptre Investments Limited
Lynwood Securities Limited
Solalex (Isle of Man) Limited
Cartographics Limited
Singer & Friedlander Properties (IOM) Limited

Kristel Meos

Current Directorships/Partnerships

Baltic Property Trust AS

IPC

Past Directorships/Partnerships

None

Gunnar Okk

Current Directorships/Partnerships

None

Past Directorships/Partnerships

Narva Power AS

Estonian Oil Shale AS

5. Articles of Association

The Articles of Association of the Company contain provisions, *inter alia*, to the following effect:

5.1.1 Voting

Members have the right to receive notice of, and to vote at, general meetings of the Company. Each member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself able to vote, shall at a general meeting on a show of hands have one vote and, on a poll, every member who is present in person or by proxy has one vote in respect of each share held.

5.1.2 Shares

- (a) The special rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate duly convened meeting of the holders of such shares. The necessary quorum shall be two persons at least holding or representing by proxy at least one-third in number of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present not less than one person holding shares of the class who is present shall be a quorum). The special rights conferred upon the shares or any shares or class of shares issued with preferred, deferred, or other special rights shall not be deemed to be varied by the exercise of any power under the disclosure provisions requiring shareholders to disclose an interest in the Company's shares as set out in the Articles.
- (b) Subject to the Articles, the unissued shares shall be at the disposal of the Directors, who may allot, grant options over or otherwise dispose of them to such persons at such times and generally on such terms and conditions as they think proper provided that no shares are issued at a discount.
- (c) The Company may also pay such brokerages and/or commissions as may be lawful under the Act.
- (d) No person shall be recognised by the Company as holding any shares upon any claim to or interest in a share other than an absolute right of the registered holder to the entirety of a share.

5.1.3 Further Issues of Ordinary Shares

The Directors have authority under the Company's Articles to allot any authorised but unissued Ordinary Shares on a non-pre-emptive basis following Admission. Such authority shall only be exercised at prices which are not less than the net asset value per Ordinary Share unless Shareholders consent by special resolution, or ordinary shares are first offered to Shareholders pre-emptively.

5.1.4 Power to require disclosure

The Directors may serve notice on any member requiring that member to disclose to the Company the identity of any person (other than the member) who has an interest in the shares held by the member and the nature of such interest. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors shall determine.

If any member is in default in supplying to the Company the information required by the Company within the prescribed period, the Board may at any time following 14 days from the expiry of the date on which the information is due to be received by the Board, serve a disenfranchisement notice on the member. The disenfranchisement notice may direct that in respect of the shares in respect of which the default has occurred (the “default shares”), the member shall not be entitled to be present or to vote in general meetings or class meetings.

5.1.5 Transfer of and transmission of shares

The Articles are consistent with CREST membership and, *inter alia*, allow for the holding and transfer of shares in uncertificated form.

Any member may transfer all or any of his shares by instrument of transfer in writing in any form which the Board may approve. The instrument of transfer of a share shall be executed by or on behalf of the transferor.

The Board may refuse to register any transfer of shares unless the instrument of transfer is lodged at the registered office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

The Directors may refuse to register a transfer of any share which is not fully paid up or on which the Company has a lien provided that this would not prevent dealings from taking place on an open and proper basis.

The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine provided that such suspension shall not be for more than 30 days in any year.

5.1.6 Alteration of capital

The Company may from time to time, subject to the provisions of the Law, purchase its own shares (including any redeemable shares) in any manner authorised by the Law.

The Company may by ordinary resolution consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; subdivide all or any of its shares into shares of a smaller amount than is fixed by the Company’s Memorandum of Association; cancel any shares which at the date of the resolution have not been taken or agreed to be taken and diminish its authorised share capital accordingly; and convert all or any fully paid up shares into stock and reconvert that stock into paid up shares of any denomination.

The Company may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or any undistributable reserve in any manner permitted by and with and subject to any consent required by the Law.

5.1.7 Powers and duties of the Board

- (a) Save as mentioned below, a Director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material interest (other than by virtue of his interest, directly or indirectly, in shares or debentures or other securities of the Company).
- (b) Subject to the Law, a Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
 - (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the Company or any of its subsidiaries;

- (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
 - (iii) a contract, arrangement, transaction or proposal concerning the offer of shares, debentures or other securities of the Company or its subsidiaries in which offer he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to or may participate;
 - (iv) a contract, arrangement, transaction or proposal concerning any other company in which he is interested, directly or indirectly, as an officer, creditor, shareholder or otherwise, provided that he, together with persons connected with him, is not to his knowledge the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of any such company (or of any third party company through which his interest is derived) or of the voting rights of such company;
 - (v) a contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiaries which accords to the Director only such privileges and advantages as are generally accorded to the employees to whom the arrangement relates; or
 - (vi) a contract, arrangement, transaction or proposal for the purchase or maintenance of insurance for the benefit of the Director or persons including the Directors.
- (c) Any Director may act by himself or by his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
 - (d) Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him.

5.1.8 Remuneration of Directors

- (a) The Directors shall be entitled to receive by way of fees for their services such sum as the Board shall determine provided that the aggregate amount of such fees shall not exceed £175,000 per annum (or such greater sum as may be determined from time to time by ordinary resolution of the Company). The Directors shall also be entitled to be paid all reasonable out of pocket expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.
- (b) A Director may hold any other office or place of profit under the Company (other than as a holder of employment or executive office) in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine.
- (c) The Directors may from time to time appoint one or more of their body to be holder of any executive office including the office of managing director on such terms and for such periods as they may determine.

5.1.9 Retirement of Directors

At each annual general meeting, any Director who was elected or last re-elected a Director at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation.

5.1.10 Dividends and distribution of assets on a winding up

- (a) Subject to the rights of persons entitled to shares with special rights as to dividends, the Company in general meeting may declare a dividend but no dividend shall exceed the amount recommended by the Board.
- (b) No dividend shall be paid other than from the profits resulting from the Company's business.
- (c) The Directors may if they think fit from time to time pay the members such interim dividends as appear to be justified by the profits of the Company available for distribution.

- (d) No dividend or other amount payable to any Shareholder shall bear interest against the Company.
- (e) All dividends unclaimed for 12 months and other amounts payable as aforesaid may be invested or otherwise made use of for the benefit of the Company until claimed. All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall be forfeited and shall revert to the Company.
- (f) The Directors are also empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits as they think proper.
- (g) If the Company should be wound up the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by law, divide amongst the members in specie the whole or any part of the assets of the Company and may for such purposes value any assets and determine how the division should be carried out as between the members or different classes of members.

5.1.11 Borrowing

The Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

5.1.12 Register of Shareholders

The Company shall keep the register at its registered office, in accordance with the Law.

5.1.13 Duration

At the annual general meeting of the Company to be held in 2014, the Directors are obliged to propose an ordinary resolution that the Company shall continue in existence. If the resolution is passed then the Directors shall propose the same resolution at every third annual general meeting thereafter. If the resolution is not passed then the Directors shall, within 3 months after the date of the resolution, put forward proposals to Shareholders to the effect that the Company be reorganised, unitised, reconstructed or wound up.

5.1.14 Charging Expenses to Capital

All the management, administration, finance and other expenses of the Company may be charged to the capital of the Company if the Directors by resolution so determine.

6. Overseas Investors

No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. This document may not therefore be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Accordingly, no person receiving a copy of this document in any territory other than the United Kingdom, may treat the same as constituting an offer or invitation to him to acquire, subscribe for or purchase Ordinary Shares nor should he in any event acquire, subscribe for or purchase Ordinary Shares unless such an invitation, acquisition, subscription or purchase complies with any registration or other legal requirements in the relevant territory. Any person outside the United Kingdom wishing to acquire, subscribe for or purchase Ordinary Shares should satisfy himself that, in doing so, he complies with the laws of any relevant territory, and that he obtains any requisite governmental or other consents and observes any other applicable formalities.

The Company is not registered with the US Securities Exchange Commission under the US Investment Companies Act of 1940, as amended (the "1940 Act"). In addition, the Ordinary Shares are not registered under the US Securities Act of 1933, as amended (the "1933 Act"). Therefore, the Ordinary Shares may not be publicly offered or sold in the US or directly or indirectly to or for the benefit of a "US Person" as defined herein. A "US Person" as used herein means a "US Person" as defined under Regulation S of the 1933 Act, as well as the following (1) a citizen or resident of the US; (2) a partnership or corporation organised or incorporated under the laws of any state, territory or possession of the US; (3) any estate or trust, other than an estate or trust which is not subject to US income tax on its income derived from sources outside

the US and not effectively connected with the conduct of a trade or business within the US; or (4) any estate or trust which has a US person as its executor, administrator, or trustee. Ordinary Shares will be offered or sold within the United States only to Qualified Purchasers, as defined under the 1940 Act.

7. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material:

- 7.1 An Investment Management Agreement dated 5 December 2006 between the Company and the Investment Manager pursuant to which the Investment Manager has agreed to provide property management services to the Company in relation to the portfolio of assets held by it from time to time. The Investment Manager will not be providing any services to the Company directly that would require it to undertake investment business or any other regulated activity in the Isle of Man.

No asset owned or controlled by the Investment Adviser or the Investment Manager will be recommended to the Board for purchase or investment by the Company other than at the specific request of the Board.

The Investment Manager is entitled to receive from the Company a management fee and a structuring fee, together, where applicable, with a performance fee.

Management fee

The Company shall pay to the Investment Manager a management fee of 1 per cent of the Gross Asset Value of the company, plus 50 basis points of any capital employed in Russian property projects. Such fees will be paid quarterly in arrears.

Structuring Fee

The Company has agreed to pay the Investment Manager an initial structuring and pipeline transfer fee of 0.5 per cent. of the Gross Placing Proceeds for advice in connection with the pipeline projects.

Performance fee

In addition, the Investment Manager will be entitled to a performance fee in certain circumstances. This fee is payable by reference to the increase in NAV per Ordinary Share over the course of a 'performance period'. The first performance period begins on Admission and ends on 31 December 2006; each subsequent performance period is a period of one financial year. The Investment Manager will become entitled to a performance fee in respect of a performance period only if two conditions are met.

First, a performance hurdle condition must be met. The performance hurdle is that NAV per Ordinary Share at the end of the relevant performance period exceeds an amount equal to the Placing Price increased at a rate of 12 per cent. per annum up to the end of the relevant performance period.

The second condition to be met (a 'high watermark' test) is that the NAV per Ordinary Share at the end of the relevant performance period is higher than the highest previously recorded NAV per Ordinary Share at the end of a performance period in relation to which a performance fee was last earned (or if no performance fee has been earned since Admission, is higher than the Placing Price).

If the performance hurdle is met, and the high watermark exceeded, the performance fee will be an amount equal to 25 per cent. of the excess of the NAV per Ordinary Share at the end of the relevant performance period over the higher of (i) the performance hurdle; (ii) the NAV per Ordinary Share at the start of the relevant performance period; and (iii) the high watermark (in each case on a per Ordinary Share basis), multiplied by the time weighted average of the number of Ordinary Shares in issue in the performance period (or since Admission in the first performance period) (together, if applicable, with an amount equal to the VAT thereon).

If a performance fee is due in respect of a period, it will be satisfied by the Company (as to at least 25 per cent.) by the issue of Ordinary Shares, at the discretion of the Investment Manager, with the balance being paid in cash, in each case within 30 days of the audit of the consolidated accounts of the Company for the period and agreement of the performance fee by the Board.

As the accounts are reported in Euros and the Ordinary Shares are quoted in Sterling, to determine the number of Ordinary Shares to be issued in satisfaction of a performance fee (calculated in Euros) an average Euro price per Ordinary Share is calculated by taking the average closing mid market price of the Ordinary Shares in the 20 trading days prior to the end of the period to which the performance fee relates and converting such amount to Euros in a manner consistent with the currency conversion policies adopted in the Company's accounts using the relevant exchange rate prevailing on the final day of the relevant period to which the performance fee relates. Such shares will be issued at not less than the net asset value per Ordinary Share, except that if the average closing middle market price as calculated is less than the prevailing net asset value per Ordinary Share, the Investment Manager may require that all or part of the performance fee is applied to buying Ordinary Shares in the market, at a price or prices below the prevailing net asset value per Ordinary Share, with any remaining number of Ordinary Shares to which the Investment Manager is entitled being issued at the prevailing net asset value per Ordinary Share.

The Investment Manager has the benefit of an indemnity from the Company in relation to liabilities incurred by the Investment Manager in the discharge of its duties other than those arising by reason of any fraud, wilful default or negligence on the part of the Manager.

The Investment Manager's appointment as investment manager is terminable by the Investment Manager or the Company on not less than 12 months' notice, such notice to expire at any time on or after the fifth anniversary of Admission. The Management Agreement may also be terminated by either the Investment Manager or the Company if the other party has gone into liquidation, administration or receivership or has committed a material breach of the Management Agreement.

- 7.2 A Placing Agreement dated 5 December 2006 between the Company, Oriel Securities Limited, the Investment Manager, the Investment Adviser and the Directors, pursuant to which Oriel Securities has agreed to use its reasonable endeavours as agent for the Company to procure places at the Placing Price for up to 26,200,268 million Placing Shares. In consideration for its services Oriel Securities will be paid a corporate finance fee of up to £100,000 and a commission of 3.5 per cent. of the aggregate value, at the Placing Price of the Placing Shares issued pursuant to the Placing.

The Placing Agreement contains certain warranties and indemnities (which are of a customary nature) given by the Company, the Investment Manager and the Investment Adviser (jointly and severally) and the Directors (severally) in favour of Oriel Securities. These warranties and indemnities are subject to certain common limitations. The Placing Agreement may be terminated in certain circumstances prior to Admission.

The terms of the Placing Agreement provide that Oriel Securities has the power to appoint agents or to delegate to third parties, with power to sub-delegate, the exercise of any powers, authorities and discretions which are necessary for, or reasonably incidental to its appointment under the Placing Agreement.

- 7.3 An Administration Agreement dated 5 December 2006 between the Company and the Administrator pursuant to which the Administrator is appointed to act as administrator and registrar of the Company and to provide a company secretary. The Administrator shall be entitled to receive a set up fee of £5,000 and to an annual fee of £25,000 payable quarterly in arrear. The Company shall also reimburse the Administrator of all expenses reasonably and properly included.

The Administrator will utilise the services of Computershare Investor Services (Channel Islands Limited) ("Computershare") for the purposes of settling share transactions through CREST. The cost of this service will be borne by the Company. Computershare will be entitled to a sign on fee of £750 plus a minimum fee of £4,500 per annum plus out of pocket expenses.

The Agreement contains an indemnity in favour of the Administrator against claims against it except to the extent that the claim is due to the negligence, wilful default or fraud of the Administrator. The Agreement may be terminated by either party giving to the other not less than 90 days' notice in writing or otherwise in circumstances, including *inter alia*, if one of the parties goes into liquidation.

- 7.4 A Custodian Agreement dated 5 December 2006 between the Company and Northern Trust Fiduciary Services (Ireland) Limited, pursuant to which the Custodian is appointed to provide custodial services to the Company. The Custodian shall be entitled to receive fees of €30,000 payable monthly in arrears. The Custodian shall also be entitled to reimbursement of out-of-pocket expenses properly incurred by the Custodian in carrying out its duties.

The Agreement may be terminated by either party giving to the other not less than 90 days' notice in writing or otherwise in circumstances including, *inter alia*, if one of the parties goes into liquidation.

- 7.5 A Nominated Adviser and Broker Agreement dated 5 December 2006 between the Company and Oriel Securities Limited pursuant to which Oriel Securities Limited has agreed to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. Under the Nominated Adviser and Broker Agreement, Oriel Securities has agreed to provide, *inter alia*, advice and guidance to the Directors as to their responsibilities and obligations to ensure compliance by the Company on an ongoing basis with the AIM Rules. The Company has undertaken, among other things, to inform and consult Oriel Securities in respect of any relevant transactions, dealings and announcements in order that Oriel Securities may fulfil its responsibilities to the London Stock Exchange as nominated adviser. The Nominated Adviser and Broker Agreement may be terminated, *inter alia*, by the Company or the Nominated Adviser on one month's prior written notice. The Nominated Adviser and Broker Agreement contains certain indemnities given by the Company to the Nominated Adviser. Under the Nominated Adviser and Broker Agreement, Oriel Securities is entitled to an annual fee of £35,000 payable in four equal tranches quarterly in advance.
- 7.6 A Financial Controller Agreement dated 5 December 2006 between the Company and MG Capital Limited whereby MG Capital Limited was appointed to provide accounting and financial control services to the Company for an initial fee of £45,000 per annum. The agreement is terminable by either party on three months notice.
- 7.7 Directors' Letters of Appointment dated 5 December and entered into by Stuart McDonald, Robin James, Kristel Meos and Gunnar Okk.
- 7.8 A Lock-Up Agreement dated 5 December 2006 between Oriel Securities Limited, the Company and each of the directors and shareholders of the Investment Advisor and each of the key individuals of the Metro Group (as set out on pages 15 and 16) to whom shares are to be issued (the "Lock-Up Parties") pursuant to which the Lock-Up Parties has agreed not to dispose of the 1,383,636 Ordinary Shares to be acquired by it pursuant to the Placing, together with any shares in the capital of the Company which are derived from such Ordinary Shares (including, without limitation, from any sub-division, bonus issue or rights issue) except with the prior written consent of Oriel Securities Limited (in its capacity as nominated adviser) and the Company for twelve months from the date of admission. The Lock-Up Parties have also agreed that for a further twelve months following the end of the first twelve month period, they will only dispose of Ordinary Shares held by them through Oriel Securities.

The undertaking by the Lock-Up Parties not to dispose of the Ordinary Shares shall not apply:

- (a) to either the provision of an irrevocable undertaking to accept, or to the acceptance of, or to the sale or transfer pursuant to an acceptance of, a general offer made to all holders of the same class of shares in the Company as the Ordinary Shares (or to all such shareholders other than the offeror and/or any body corporate controlled by the offeror and/or any persons acting in concert with the offeror (within the meaning of the City Code on Takeovers and Mergers) to acquire the whole or any part of the issued share capital of the Company;
- (b) to any scheme of arrangement under section 425 of the UK Companies Act 1985 providing for the acquisition by any person (or group of persons acting in concert) of more than 50 per cent. of the issued Ordinary Shares of the Company;
- (c) to any compromise or any scheme of reconstruction (or equivalent provision under applicable law) under section 110 of the UK Insolvency Act 1986 in relation of the Company; or

- (d) to the disposal or agreement to dispose of any Ordinary Shares to the Company made pursuant to an offer by the Company to purchase its own shares which is made on identical terms to all holders of Ordinary Shares and otherwise complies with the UK Companies Act 1985, the AIM Rules and the rules of the London Stock Exchange plc from time to time.

Save for the agreements summarised above, the Company has not entered into any material contract or entered into any other contract which contains any provision under which the Company has any obligations or entitlement that is material to the Company as at the date of this document.

8. Working Capital

In the Directors' opinion, having made due and careful enquiry, the working capital available to the Company will, from Admission, be sufficient for its present requirements, that is for at least the next 12 months.

9. Miscellaneous

- 9.1 The Company will be applying to CRESTCo for the Ordinary Shares to be admitted to CREST as a participating security. It is expected that the Admission of the Ordinary Shares to CREST as a participating security will be effective from or soon after Admission. Shareholders who are direct or sponsored members of CRESTCo will be able to dematerialise the Ordinary Shares in accordance with the rules and practices instituted by CRESTCo.
- 9.2 The Company has not been and is not currently engaged in any legal or arbitration proceedings nor, so far as the Company is aware, are there any such legal or arbitration proceedings pending or threatened by or against the Company which may have or have had since the Company's incorporation a significant effect on the Company's financial position.
- 9.3 None of the Ordinary Shares available under the Placing is being underwritten.
- 9.4 The Directors confirm that the Company was incorporated and registered on the date referred to in paragraph 2 above and that, save for its entry into the material contracts described in paragraph 7 above, the Company has not traded, no accounts have been made up and no dividends have been declared.
- 9.5 There has been no significant change in the financial or trading position of the Company since the date of its incorporation or any factors which have influenced its activities.
- 9.6 The Company does not have nor has it had since incorporation any employees and it neither owns nor leases any premises.
- 9.7 The estimated total costs and expenses payable by the Company in connection with the Placing and Admission (including professional fees, the costs of printing and the other fees payable, excluding placing commission) will be approximately £1.6 million, being approximately 6 per cent. of the gross amount raised.
- 9.8 The Company is not dependent on any patents or other intellectual property rights or licences.
- 9.9 Save as disclosed in this document, the Company currently has no significant investments in progress.
- 9.10 Save as disclosed in this document, no person has received, directly or indirectly, from the Company since 18 September 2006 (the date of incorporation of the Company) or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Placing Price, or any other benefit with a value of £10,000 or more at the date of Admission.
- 9.12 The accounting reference date of the Company is 31 December.
- 9.13 Where information contained in this document has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, so far as the Company is aware, and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 9.14 Oriel Securities Limited has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

- 9.15 Ernst and Young LLP has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 9.16 Colliers International has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 9.17 The ISIN number of the Ordinary Shares is IM00B1G4ZQ34. The SEDOL code of the Ordinary Shares is B1G4ZQ3.
- 9.18 The Company will not make any material change in the investment objectives and policy of the Company without the approval of Shareholders by ordinary resolution.
- 9.19 Other than as provided in the City Code on Takeovers and Mergers there are no rules or provisions relating to mandatory takeover bids in relation to the Ordinary Shares. There are no rules or provisions relating to squeeze-out and/or sell-out rules, save as provided by Section 154 of the Act, relating to the Ordinary Shares.

10. Documents Available for Inspection

Copies of the following documents will be available for inspection at the registered office of the Company and at the offices of Stephenson Harwood, One, St Paul's Churchyard, London, EC4M 8SH during business hours on any weekday from the date of this document (Saturdays, Sundays and public holidays excepted) until the date of Admission:

- the Memorandum and Articles of the Company;
- the material contracts referred to in paragraph 7 of this Part VIII;
- the Accountants' Report set out in Part VI of this document;
- the Financial Information set out in Part VI of this document;
- the consent letters referred to in paragraph 9 of this Part VIII; and
- this document.

Dated: 6 December 2006

DEFINITIONS

“Act”	the Isle of Man Companies Act 1931 (as amended)
“Administrator”	IOMA Fund and Investment Management Limited or such other administrator as may be appointed by the Company from time to time
“Admission”	the admission of the Ordinary Shares to trading on AIM, and admission becoming effective in accordance with the AIM Rules
“Admission Date”	the date on which Admission occurs
“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules”	the rules for AIM companies and their nominated advisers issued by the London Stock Exchange in relation to AIM traded securities
“Articles”	the articles of association of the Company
“Board” or “Directors”	the board of directors of the Company including a duly constituted committee thereof
“Colliers International”	Colliers International Property Consultants, Inc
“Combined Code”	the Combined Code on Corporate Governance published in July 2003 by the Financial Reporting Council
“the Company” or “MBH”	Metro Baltic Horizons plc
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
“CRESTCo”	CRESTCo Limited
“CREST Regulations”	the Isle of Man Transfer of Securities Regulations 2005
“CREST Settlement Agreement”	Computeshare Investor Services (Channel Islands) Limited or such other CREST accredited registrar as may be appointed by the Company from time to time
“EU”	European Union
“EU (25)”	the 25 member states of the European Union
“Euro” or “€”	the official currency of the European Union
“Euro Placing Price”	the price, in Euro, at which each Ordinary Share is sold to investors in the Placing, calculated using the spot exchange rate at which the Company converts the Placing proceeds from Sterling to Euro
“Euro Placing Proceeds”	the aggregate amount, in Euro, received by the Company on its exchange from Sterling into Euro of the net proceeds received in the Placing
“FSA”	Financial Services Authority
“GDP”	gross domestic product
“Gross Asset Value”	the aggregate value of the assets of the Group determined in accordance with the accounting principles adopted by the Group from time to time and reflected in the annual accounts and the interim accounts
“IFRS”	International Financial Reporting Standards
“IRR”	Internal rate of return
“Investment Adviser”	Metro Capital Management AS
“Investment Management Agreement”	the agreement dated 5 December 2006 entered into between the Company and the Investment Manager as described in paragraph 7 of Part VIII of this document
“Investment Manager”	Metro Frontier Limited

“Law”	the Isle of Man Companies Acts 1931 to 2004 and subordinate legislation made thereunder and every modification or reenactment thereof for the time being in force
“Metro Group”	Metro Capital Management AS and its subsidiaries
“Net Asset Value” or “NAV”	the aggregate value of the assets of the Group less its aggregate liabilities, calculated in accordance with the accounting principles adopted by the Group from time to time
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of €0.01 each in the capital of the Company
“Oriell Securities”	Oriell Securities Limited, trading as Oriell Securities, the Company’s nominated adviser for the purposes of the AIM Rules, and broker
“Placing”	the placing by Oriell Securities on behalf of the Company of the Placing Shares at the Placing Price, pursuant to the terms of the Placing Agreement
“Placing Agreement”	the agreement dated 5 December 2006 between the Company, the Directors, the Investment Manager, the Investment Adviser and Oriell Securities, as described in paragraph 7 of Part VIII of this document
“Placing Price”	100p per Ordinary Share
“Placing Shares”	up to 26.2 million Ordinary Shares
“Registrar”	IOMA Fund and Investment Management Limited or such other registrar as may be appointed by the Company from time to time
“Regulatory Information Service”	a regulatory information service approved by the London Stock Exchange and retained by the Company from time to time
“Securities Act”	US Securities Act of 1993, as amended
“Settlement”	receipt by the Company of the net proceeds of the Placing from Oriell Securities pursuant to the terms of the Placing Agreement
“Shareholders”	holders of Ordinary Shares
“Sterling” or “£”	the official currency of the United Kingdom
“Target Region”	Estonia, Latvia, Lithuania and St Petersburg, Russia
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“United States”	has the meaning given in Regulation S of the Securities Act
“US person”	has the meaning given in Regulation S of the Securities Act

