Metro Baltic Horizons plc
Annual Report
31 December 2013

Metro Baltic Horizons plc

Financial statements for the year ended 31 December 2013

Contents

Metro Baltic Horizons plc

Financial statements for the year ended 31 December 2013

Directors, Officers and Advisors

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

Overview

- The Company sold its last property in April 2013 for net cash consideration of €5.5m.
- Post year end, the Company reached settlements with the members of its previous Board and with its previous auditors resulting in the Company receiving €3.6m (£2.5m plus £425k).
- Net asset value per share (NAV) as of year end (pre-litigation settlements) decreased by 16% to €0.21 (31 December 2012: €0.25). The NAV is derived from the Group's cash holdings and the Russian property, classified within the disposal group held for sale at 31 December 2012 and sold during the year ended 31 December 2013.
- Group (loss)/profit after tax was €(1,011k) (2012: €3,156k).
- The total gross property portfolio was valued at €0 (31 December 2012: €7.72m), due to the sale of the final property during the year ended 31 December 2013.
- Focus for the near future is on maximising shareholder returns through litigation against the Company's former investment manager, advisers and related parties.

Financial statements for the year ended 31 December 2013

Chairman's statement

Dear Shareholders

In the past year your Board has made considerable progress in recovering shareholder value in the company.

As notified last year, the final asset sold was the St Petersburg property. This was completed in April 2013 for consideration of €5.5m with the purchaser also taking over disputed loan notes and other liabilities of €2.3m relating to the property.

Our litigation against the Company's previous board and auditors was settled in 2014 and resulted in an aggregate cash payment of €3.6m (£2.925m).

Our focus is now solely on continuing our case against the former advisors to the Company namely Mr James Kenny, Mr Mart Habakuk, Metro Capital Management AS, Tolmain Advisory Services Limited, Mr Paul McGuinness, MG Capital Limited and McGuinness Investments OU and we expect these proceedings to come to trial in 2015.

The loss attributable to the shareholders of €1.0m in 2013 primarily reflected the costs of the above litigation as well as the limited ongoing costs of the Company.

The Company is currently in a strong cash position with cash, including restricted cash held with the Isle of Man Court pursuant to an Order for security for costs or with legal advisors, of approximately €8.8m as of today's date.

The Company does not intend to make further property investments and is further seeking to contain the ongoing costs of operation. The Company, in conjunction with its professional advisers, is considering proposals to be put to shareholders relating to a potential distribution and the continued listing of the Company's shares. . The Company intends that a circular setting out these proposals will be published prior to the suspension of trading in the Company's shares due to take effect from 7:30am on Tuesday 15 July 2014.

The Board will keep shareholders appraised on the outcome of these proposed resolutions.

Ronan Reid

Chairman

Metro Baltic Horizons Plc

19 June 2014

Directors' report

The Directors present their annual report and audited financial statements for the year ended 31 December 2013.

Principal activities
The principal activity of the Group was investing in and developing land and buildings in the Baltic States and in the St. Petersburg area of Russia. Following the deconsolidation of the Group's Estonian subsidiary, OU Pirita Tee 26, and the sale, subsequent to the year end, of the Company's shareholding in Pedragon Limited and therefore the Group's St. Petersburg property, the future activities of the Group are expected to be that of pursuing legal actions against its former directors and professional advisors.

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

Results for the period
The (loss)/profit attributable to the shareholders in the group for the year ended 31 December 2013 was €(1,011k) (2012: €3,248k). The results for the year are set out in the consolidated statement of comprehensive income on pages 12 and 13. The loss for the year has been transferred to reserves. The loss attributable to the Group's non-controlling interest totalling €0 (2012: €92k) was added to their share of losses forward prior to deconsolidation.

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

Dividend
The Directors have not declared any dividends in the year ended 31 December 2013 (2012: Nil).

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

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

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

	31 December 2013	**31 December 2012**
	Number of shares	*Number of shares*
Tim Crowley	440,587	440,537
Ronan Reid	601,275	601,275
Brendan Murphy	10,725	10,725

Directors remuneration
Remuneration to Directors during each of the financial years ending 31 December 2013 and 31 December 2012 consisted entirely of Directors' fees and can be analysed as follows;

	2013	**2012**
	€	**€**
Ronan Reid	25,000	25,000
Brendan Murphy	17,500	17,500
Tim Crowley	17,500	17,500
	60,000	60,000

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

Substantial holdings
The following entities had substantial holdings in the share capital of the Group at 31 December 2013;

	Shares held	**% of total**
Pershing International Nominees Limited	14,827,127	56.56%
Halb Nominees Limited	2,065,000	7.88%
Chase Nominees Limited	1,836,510	7.01%

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

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

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Acts 1931 to 2004. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board

P Scales
Secretary

19 June 2014

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

We have audited the financial statements of Metro Baltic Horizons plc for the year ended 31 December 2013 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

This report is made solely to the Company's members, as a body, pursuant to Section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Company's affairs as at 31 December 2013 and of the Group's loss for the year then ended;

- have been properly prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB); and

- have been prepared in accordance with the requirements of the Companies Acts 1931 to 2004.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Acts 1931 to 2004 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

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

Date: 19 June 2014

Consolidated statement of total comprehensive income
for the year ended 31 December 2013

	Note	31 December 2013 €'000	31 December 2012 €'000
Continuing operations			
Administrative expenses	3	(1,077)	178
Net foreign currency (loss)/gain		(59)	9
Gain arising on loss of control in former subsidiary entity	7	-	746
Net operating (loss)/profit before tax and finance income and expense		(1,136)	933
(Loss)/profit before tax		(1,136)	933
Income tax credit	4	-	-
(Loss)/profit for the year – continuing operations		(1,136)	933
Profit for year from discontinued operations	**7**	**125**	**2,223**
(Loss)/profit for financial year		(1,011)	3,156
Other comprehensive income		-	-
Total comprehensive income (loss)/profit		(1,011)	3,156

The notes on pages 21 to 47 form part of these financial statements.

Consolidated statement of total comprehensive income (cont'd)
for the year ended 31 December 2013

	Note	31 December 2013 €'000	31 December 2012 €'000
Total comprehensive income			
Total comprehensive (loss)/income		(1,011)	3,156
Total Comprehensive (loss)/income attributable to:			
Equity holders of the parent – continuing operations		(1,136)	933
Equity holders of the parent – discontinued operations		125	2,315
Non-controlling interest – discontinued operations		-	(92)
		(1,011)	3,156

	Note	31 December 2013 €'cents	31 December 2012 €'cents
Basic and diluted earnings per share			
(Loss)/earnings per share from continuing operations	5	(4.34)	3.56
Earnings per share from discontinued operations	5	0.48	8.84
Total (loss)/earnings per share		(3.86)	12.40

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

The notes on pages 21 to 47 form part of these financial statements.

Consolidated statement of financial position
as at 31 December 2013

	Note	**31 December 2013 €'000**	**31 December 2012 €'000**
Assets			
Current assets			
Restricted cash	11	1,567	-
Cash and cash equivalents	10	4,153	1,152
Current assets		5,720	1,152
Assets included in disposal group as held for sale	7	-	8,022
Total assets		**5,720**	**9,174**
Equity			
Issued capital	14	262	262
Distributable Reserve	16	36,186	36,186
Retained earnings		(30,899)	(29,888)
Foreign currency translation reserve		(30)	(30)
Total equity attributable to equity holders of the parent		5,519	6,530

The notes on pages 21 to 47 form part of these financial statements.

Consolidated statement of financial position
as at 31 December 2013

	Note	31 December 2013 €'000	31 December 2012 €'000
Liabilities			
Current liabilities			
Trade and other payables	13	201	172
Interest bearing loans			
- Bank loans	12	-	-
- Other loans		-	-
Income tax payable		-	-
Total current liabilities		201	172
Liabilities included in disposal group as held for sale	7	-	2,472
Total liabilities		**201**	**2,644**
Total equity and liabilities		**5,720**	**9,174**
Net asset value per ordinary share – basic (cents)	15	0.21	0.25

The financial statements were approved by the Board and authorised for issue on the 19th June 2014.

Ronan Reid
Director

Brendan Murphy
Director

The notes on pages 21 to 47 form part of these financial statements.

Company statement of financial position
as at 31 December 2013

	Note	31 December 2013 €'000	31 December 2012 €'000
Assets			
Non-current assets			
Investment in subsidiaries	18	443	-
Current assets			
Restricted cash	11	1,567	-
Cash and cash equivalents	10	4,152	1,152
Total current assets		5,719	1,152
Assets classified as held for sale	18	-	5,675
Total assets		**6,162**	**6,827**
Equity			
Issued capital	14	262	262
Distributable reserves	16	36,186	36,186
Retained earnings (deficit)		(30,371)	(29,721)
Total equity		6,077	6,727
Liabilities			
Current liabilities			
Trade and other payables	13	85	100
Total liabilities		85	100
Total equity and liabilities		**6,162**	**6,827**

The financial statements were approved by the Board and authorised for issue on the 19th June 2014.

Ronan Reid — Director

Brendan Murphy — Director

The notes on pages 21 to 47 form part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2013

	Issued capital	Distributable reserves	Foreign currency translation reserve	Retained earnings/ (deficit)	Total	Non-controlling interest	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
As at 1 January 2012	262	36,186	(30)	(33,136)	3,282	(1,279)	2,003
Profit/(loss) for year	-	-	-	3,248	3,248	(92)	3,156
Total comprehensive income for year	-	-	-	3,248	3,248	(92)	3,156
Transactions with owners							
De-recognition of non-controlling interest on loss of control (Note 7)	-	-	-	-	-	1,371	1,371
As at 31 December 2012	262	36,186	(30)	(29,888)	6,530	-	6,530
Loss for year	-	-		(1,011)	(1,011)	-	(1,011)
Total comprehensive loss for year	-	-	-	(1,011)	(1,011)	-	(1,011)
As at 31 December 2013	262	36,186	(30)	(30,899)	5,519	-	5,519

The notes on pages 21 to 47 form part of these financial statements.

Company statement of changes in equity
for the year ended 31 December 2013

	Issued capital €'000	Distributable reserves €'000	Retained earnings €'000	Total €'000
At 1 January 2012	262	36,186	(31,077)	5,371
Total comprehensive income	-	-	1,356	1,356
At 31 December 2012	262	36,186	(29,721)	6,727

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

The notes on pages 21 to 47 form part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2013

	Note	2013 €'000	2012 €'000
Cash flows from operating activities			
(Loss)/profit before tax		(1,136)	933
Non-cash adjustment to reconcile (loss)/profit before tax to net cash flows			
Foreign exchange loss/(gain)		59	(9)
Gain arising from loss of control in former subsidiary entity	7	-	(746)
Taxes paid and other miscellaneous items		(9)	28
Working capital adjustments			
Increase in restricted cash		(1,567)	-
Increase /(decrease) in trade and other payables		29	(955)
Net cash flows from continuing operations		(2,624)	(749)
Net cash flows from discontinued operations	7	(102)	83
Net cash flows from operating activities		(2,726)	(666)
Cash flows from investing activities			
Proceeds from sale of subsidiaries		5,500	-
Net cash used in investing activities from discontinued operations	7	-	(2)
Net cash generated from investing activities		5,500	(2)
Cash flows from financing activities			
Net cash used in financing activities from discontinued operations	7	-	(81)
Net cash flows from financing activities		-	(81)
Net increase /(decrease) in cash and cash equivalents		2,774	(749)
Cash and cash equivalents at the beginning of the year	10	1,379	2,128
Cash and cash equivalents at the end of the year	10	4,153	1,379

The notes on pages 21 to 47 form part of these financial statements.

Company statement of cash flows
for the year ended 31 December 2013

	Note	31 December 2013 €'000	31 December 2012 €'000
Cash flows from operating activities			
(Loss)/profit before tax		(650)	1,356
Non-cash adjustment to reconcile (loss)/profit before tax to net cash flows			
Net impairment adjustment	18	175	(1,820)
Working capital adjustments			
Increase in restricted cash		(1,567)	-
Decrease in trade and other payables		(15)	-
Net cash used in operating activities		(2,057)	(464)
Cash flows from investing activities			
Proceeds from sale of subsidiaries		5,500	-
Advanced to subsidiaries	18	(443)	(355)
Net cash generated from/(used in) investing activities		5,057	(355)
Net increase/(decrease) in cash and cash equivalents		3,000	(819)
Cash and cash equivalents at the beginning of the year	10	1,152	1,971
Cash and cash equivalents at the end of the year	10	4,152	1,152

The notes on pages 21 to 47 form part of these financial statements

Notes to the financial statements
for the year ended 31 December 2013

1. General information

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

This report of the Company for the year ended 31 December 2013 comprises the Company and its subsidiaries (together referred to as the "Group").

The Company's registered address is IOMA House, Hope Street, Douglas, Isle of Man. The Company was admitted to trading on the AIM market of the London Stock Exchange and commenced operations on 11 December 2006. The shares were suspended on 11 November 2010 and relisted on 3 August 2012.

2. Principal accounting policies

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

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The IFRS applied are those effective for accounting periods beginning on or after 1 January 2013.

2.2 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, which have been measured at Fair Value.

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

The remaining property was situated in St. Petersburg, Russia and was disposed of in April 2013 as part of a transaction involving the sale of the share capital in the Group's Cypriot subsidiary, Pedragon Limited. This transaction generated cash of €5.5m and also resulted in the assumption, by the acquirer, of the "BAP Loan" which had a carrying value of €2.3m.

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

2. Principal accounting policies (cont'd)

2.3 Basis of consolidation

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

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

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

If the Group loses control over a subsidiary, it:

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

2. Principal accounting policies (cont'd)

2.4 Changes in accounting policy and disclosures

New IFRS Standards and Interpretations not applied
The IASB and IFRIC have issued additional standards and interpretations which are effective for periods commencing later than 1 January 2013. The following standards and interpretations have yet to be adopted by the Group:

International Financial Reporting Standards (IFRS/IAS)		***Effective date***
IAS 16	Property, Plant and Equipment (Amendment)	1 January 2016
IAS 19	Employee Benefits (Amendment)	1 July 2014
IAS 27	Separate Financial Statements (Amendment)	1 January 2014
IAS 32	Financial Instruments: Presentation (Amendment)	1 January 2014
IAS 36	Impairment of Assets (Amendment)	1 January 2014
IAS 38	Intangible Assets (Amendment)	1 January 2016
IAS 39	Financial Instruments: Recognition and Measurement (Amendment)	1 January 2014
IFRIC 21	Levies	1 January 2014
IFRS 9	Financial Instruments – Classification and Measurement	1 January 2018
IFRS 10	Consolidated Financial Statements (Amendment)	1 January 2014
IFRS 12	Disclosure of Interest in Other Entities (Amendment)	1 January 2014
IFRS 13	Fair Value Measurement (Amendment)	1 July 2014
IFRS 14	Regulatory Deferral Accounts	1 January 2016

The Group does not anticipate that the adoption of these standards and interpretations will have a material effect on its financial statements on initial adoption.

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

- IAS 1 Presentation of Financial Statements (Amendment)
- IAS 19 Employee Benefits (Amendment)
- IFRS 10 Consolidated Financial Statements
- IFRS 13 Fair Value Measurement

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

2. Principal accounting policies (cont'd)

2.5 Summary of significant accounting policies

a) Revenue recognition

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

Rental income
Rental revenues are accounted for on an accruals basis.

Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in finance income in the consolidated statement of total comprehensive income.

b) Investment property

Property held to earn rentals and/or for capital appreciation and that is not occupied by the companies in the Group, is classified as investment property. Investment property is initially measured at cost including transaction costs. Subsequent to initial recognition investment property is carried at Fair Value and adjustments to fair value are reflected in the Consolidated Statement of Total Comprehensive Income as part of the profit or loss for that period.

Properties held by the Group are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of a property are recognised in the Consolidated Statement of Total Comprehensive Income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

All directly attributable transaction costs associated with the purchase of the investment properties are included within the cost of the property. Development costs and borrowing costs are also capitalised where appropriate.

c) Borrowing costs

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

2. Principal accounting policies (cont'd)

2.5 Summary of significant accounting policies

d) Expenses

Expenses are accounted for on an accruals basis. Fees payable to the Property Adviser may be calculated with reference to the cost or valuation of the underlying properties held by the Group in accordance with contractual agreements.

All administration expenses are charged through the Consolidated Statement of Total Comprehensive Income.

e) Cash and cash equivalents

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

f) Restricted cash

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

g) Income tax and deferred tax

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

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

2. Principal accounting policies (cont'd)

2.5 Summary of significant accounting policies (cont'd)

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

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

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

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

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

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

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

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

2. Principal accounting policies (cont'd)

2.5 Summary of significant accounting policies (cont'd)

h) Foreign currency translation

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

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

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

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

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

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

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Total Comprehensive Income as part of the profit or loss for the period.

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

2. Principal accounting policies (cont'd)

2.5 Summary of significant accounting policies (cont'd)

i) Operating segments

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

j) Financial assets

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

k) Investments in subsidiaries and associate undertakings

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

l) Financial liabilities

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

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

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

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

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

2. Principal accounting policies (cont'd)

2.5 Summary of significant accounting policies (cont'd)

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

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

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

n) Judgements

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

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

Revaluation of investment properties
The Group carries its investment properties at Fair Value, with changes in fair value being recognised in the Consolidated Statement of Total Comprehensive Income as part of the profit or loss for the period.

2. Principal accounting policies (cont'd)

2.5 Summary of significant accounting policies (cont'd)

o) Fair values

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

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

3. Administrative expenses

Administrative expenses include the following:

	31 December 2013 Group €'000	31 December 2012 Group €'000
Investment management fees	-	(714)
Legal and other professional fees	598	153
Administrators fees	65	99
Directors' remuneration	60	60
Auditors' remuneration – audit services	38	50
Accountancy Services	23	30
Other administrative expenses	118	144
Provision for doubtful account expense (Note 18)	175	-
	1,077	(178)

Investment management fees were accrued at 1.5% per annum of gross assets under management in Russia and 1% per annum of all other gross assets until 7 August 2011. The above fees were accrued based on the investment management contracts with the former investment manager and former investment adviser. Litigation is currently being pursued against both parties by the Group and it is the view of the Directors that no management fees will be paid to the former investment manager or investment adviser. This view is supported by legal opinion received. Accordingly, in the prior year, the Directors reversed all amounts previously accrued in respect of same.

4. Income tax

	31 December 2013 Group €'000	31 December 2012 Group €'000
Deferred tax		
Released to profit and loss	-	1,235
Tax credit for the year	-	1,235
Reclassified to discontinued operations (Note 7)	-	(1,235)
	-	-

Previously, deferred tax was recognised for capital gains tax or equivalent that would be payable on the disposal of investment or other property assets at their fair market value. Given the structure of the sale of the Group's St. Petersburg property in April 2013, no tax liability arose. Accordingly, the liability was released to profit in the year ended 31 December 2012 and reclassified as part of discontinued operations.

Group **Deferred tax asset and liability**	**31 December 2013 Liabilities**	**31 December 2012 Liabilities**
	€'000	**€'000**
Opening deferred tax assets	-	-
Opening deferred tax liabilities	-	1,235
	-	1,235
Consolidated statement of comprehensive income		
Release of liability as reversal is no longer probable	-	(1,235)
Closing balance	-	-

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

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

5. Earnings per share

The calculation of basic earnings per share at 31 December 2013 was based on the (loss)/profit attributable to shareholders of (€1,011k), (2012: €3,248k) split between a (loss)/profit from continuing operations of (€1,136k), (2012: €933k) and profit from discontinued operations of €125k, (2012: €2,315k). The weighted average number of ordinary shares in issue during the years ended 31 December 2013 and 31 December 2012 was 26,200,270.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares. There were no potentially dilutive shares at 31 December 2013 or 31 December 2012.

	31 December 2013 Group €'000	**31 December 2012 Group €'000**
Basic and diluted earnings per share		
(Loss)/profit attributable to equity holders of the parent – continuing operations	(1,136)	933
Profit attributable to equity holders of the the parent – discontinued operations	125	2,315

	31 December 2013 Group €'000	**31 December 2012 Group €'000**
Weighted average number of ordinary shares in issue during the year	26,200,270	26,200,270
	€' cents	€' cents
(Loss)/earnings per share from continuing operations	(4.34)	3.56
Earnings per share from discontinued operations	0.48	8.84
Total (loss)/earnings per share	(3.86)	12.40

6. Investment property

	Investment Property €'000
At 31 December 2011 and 1 January 2012	8,948
Fair value adjustment – discontinued operations (Note 7)	1,444
Reclassification of investment property to held for sale (Note 7)	(7,722)
Derecognised following loss of control (Note 7)	(2,670)
At 31 December 2012 and 1 January 2013	-
Fair value adjustment – discontinued operations (Note 7)	-
At 31 December 2013	-

During the year, the Group disposed of the remaining investment property which it had presented as part of its disposal group held for sale in the prior year. As the sale occurred before the prior year financial statements were approved, it was possible to reasonably estimate the fair value as of 31 December 2012. The valuation of the Pirita Tee property (derecognised following the loss of control) was performed by the Directors in the prior year.

7. Gain/(loss) on de-recognition of subsidiary entity, assets classified as held for sale and discontinued operations

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

	2013 €'000	2012 €'000
Arising on loss of control of Pirita Tee during the previous financial year (see below)	-	(142)
Arising from subsidiary undertakings classified as held for sale (see below)	125	2,365
Profit for year from discontinued operations	125	2,223

In November 2012 the Group lost control of its 80% holding in OU Pirita Tee 26, the entity that owned the Pirita site in Tallinn, Estonia, realising a gain on de-recognition of €746k. The Group ceased to consolidate the results, assets and liabilities of this entity from the date of the loss of control. Amounts previously included in respect of non-controlling interests (€1,371k) were also derecognised from the date control was lost. The gain on de-recognition was calculated as follows:

	2013 €'000	2012 €'000
Net liabilities at date of loss of control	-	2,117
Non-controlling interest	-	(1,371)
Gain on de-recognition of subsidiary	-	746

7. Gain / (loss) on de-recognition of subsidiary entity, assets classified as held for sale and discontinued operations (cont'd)

The results of this operating segment have been included in the consolidated statement of total comprehensive income within the single line item "Profit for year from discontinued operations". The detailed analysis of the segment's results is set out below.

	2013 €'000	2012 €'000
Net rental income	-	6
Changes in value of investment property (Note 6)	-	(100)
Operating loss	-	(94)
Finance costs	-	(48)
Loss for year from discontinued operations	-	(142)

The carrying amounts of assets and liabilities derecognised upon the loss of control are summarised below as are the details of the amounts consolidated in the previous financial year.

	2013 €'000	2012 €'000
Current assets		
Cash and cash equivalents	-	9
Total assets	-	9
Current liabilities		
Bank loans	-	1,074
Other loans	-	1,052
Total liabilities	-	2,126
Net liabilities at date of loss of control	-	(2,117)

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

	2013 €'000	2012 €'000
Operating activities	-	(14)
Financing activities*	-	2
	-	(12)

*Financing activities are net of transfers from other group companies totalling €80,000.

During the year, the Group disposed of its subsidiary entities Pedragon Limited, Goldbrick Limited, and OOO Gruppa Kub. The assets and liabilities of these entities were classified as being part of a disposal group held for sale in the prior year. As this disposal group was an operating segment for the purposes of management reporting the results of the operations of this operating segment have been included in the consolidated statement of total comprehensive income within the single line item "Profit for year from discontinued operations". The detailed analysis of the segment's results is set out below.

7. Gain/(loss) on de-recognition of subsidiary entity, assets classified as held for sale and discontinued operations (cont'd)

	2013 €'000	2012 €'000
Net rental income	125	2
Changes in value of investment property (Note 6)	-	1,544
Foreign exchange gain	-	23
Operating profit	125	1,569
Finance costs	-	(439)
Profit from discontinued operations before tax	125	1,130
Taxation credit	-	1,235
Profit for year from discontinued operations	125	2,365

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

	2013 €'000	2012 €'000
Non-current assets		
Investment property (Note 6)	-	7,722
Other assets	-	18
Current assets		
Trade and other receivables	-	55
Cash and cash equivalents	-	227
Total assets	-	8,022
Current liabilities		
Trade and other payables	-	131
Other loans	-	2,341
Total liabilities	-	2,472
Net assets	-	5,550

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

	2013 €'000	2012 €'000
Operating activities	(102)	97
Investing activities	-	(2)
	(102)	95

8. Operating segment information

For management purposes, the Group was organised into business units based on their activities. At the previous year end the Group had two operating segments comprising the Pirita Road and Bolshaya Pusharskaya (St. Petersburg) properties. As detailed in Note 7, the results of the activities of these operating segments were classified within discontinued operations during the prior year on the basis that either:

– the subsidiary entity owning the property has been deconsolidated at year end; or
– the assets and liabilities of the entities comprising that segment had been classified as part of a disposal group held for sale.

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

9. Trade and other receivables and amounts due from group companies

As at 31 December 2013 and 2012, none of the receivable balances were overdue.

	31 December 2013 Company €'000	**31 December 2012 Company €'000**
Interest due from group companies	-	10,204
Impairment of interest due	-	(10,204)
	-	-

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

10. Cash and cash equivalents

	31 December 2013 Group €'000	**31 December 2012 Group €'000**
Sterling cash	177	526
Euro cash	3,976	671
Rouble cash	-	182
Total cash and cash equivalents	4,153	1,379
Cash and cash equivalents in entities classified as held for sale	-	(227)
Cash and cash equivalents	4,153	1,152

10. Cash and cash equivalents (cont'd)

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

	31 December 2013 Group €'000	31 December 2012 Group €'000
Cash at banks and on hand	4,153	1,379

	31 December 2013 Company €'000	31 December 2012 Company €'000
Sterling cash	176	526
Euro cash	3,976	626
Cash and cash equivalents	4,152	1,152

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

	31 December 2013 Company €'000	31 December 2012 Company €'000
Cash at banks and on hand	4,152	1,152

11. Restricted Cash

The Company has €1,567k of restricted cash at 31 December 2013 (2012: €Nil). This balance is made up of €1,471k of cash held by the High Court of the Isle of Man for on-going litigation at 31 December 2013. The remaining €96k relates to cash held by the Company's UK and Isle of Man legal advisers.

12. Interest bearing bank loans

	31 December 2013 Group €'000	31 December 2012 Group €'000
At beginning of year	-	3,777
Accrued interest	-	48
Repaid during year	-	(81)
Settled on foreclosure	-	(2,670)
At end of year / date of loss of control	-	1,074
Derecognised on loss of control (Note 7)	-	(1,074)
	-	-

During July 2012, Unicredit exercised their security and foreclosed on the property situated at Pirita Road. There was no recourse to other assets or subsidiaries of the Group for the shortfall between the outstanding loan balance and the proceeds recovered by the bank.

There were no Group interest bearing bank loans at 31 December 2013.

13. Trade and other payables

	31 December 2013 Group €'000	31 December 2012 Group €'000
Directors' fees	82	38
Other trade payables and accruals	119	134
Total trade and other payables	201	172

	31 December 2013 Company €'000	31 December 2012 Company €'000
Other trade payables and accruals	85	100

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

13. Trade and other payables (cont'd.)

Terms and conditions of the above financial liabilities:

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

14. Issued capital

	31 December 2013		31 December 2012	
	Number of shares	**€'000**	**Number of shares**	**€'000**
Authorised:				
Ordinary shares of €0.01	250,000,000	2,500	250,000,000	2,500
Issued and fully paid:				
Ordinary shares of €0.01	26,200,270	262	26,200,270	262

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

15. Net asset value per share

	31 December 2013 Group €'000	31 December 2012 Group €'000
Net asset value attributable to ordinary shareholders	5,519	6,530
Ordinary shares in issues at the end of the period	26,200,270	26,200,270
Net asset value per share (cents per share)	0.21	0.25

16. Share premium and distributable reserves

By virtue of a special resolution passed on 5 December 2006 with confirmation of the High Court of the Isle of Man on 13 August 2007, the amount standing to the credit of the Share Premium Account of €36,186,000 was transferred to a Distributable Reserve and the share premium account was cancelled.

17. Financial instruments

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

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

Capital management
The Group is not subject to any external capital management requirements. The Group is primarily focused on its Net Asset Value per share to manage its equity and as a key measure of performance. In prior financial periods, the Net Asset Value was affected by market movements, particularly changes in the value of investment properties whose value changes are affected by factors outside the Group's control. Given the factors disclosed in Note 7, movements in the value of investment properties is no longer a risk to the Group's Net Asset Value.

	31 December 2013 Group €'000	**31 December 2012 Group €'000**
Total assets	5,720	9,174
Total liabilities	(201)	(2,644)

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

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

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

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

17. Financial instruments (cont'd.)

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

The maturity profile of the Group's liabilities, excluding those classified as held for sale, is as follows:

Maturity Profile

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

2012	**< 3 Months €'000**	**3-12 Months €'000**	**1-5 Years €'000**	**>5Years €'000**	**Total €'000**
Trade and other payables	172	-	-	-	172
					172

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

Change in GBP£/Euro Rate

	% change	**Effect on profit before tax €'000**
2013	+10%	-
	-10%	-
2012	+10%	-
	-10%	-

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

17. Financial instruments (cont'd.)

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

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

The interest rate profile of the Group at 31 December 2012 was as follows:

	Total €'000	Fixed rate €'000	Variable rate €'000	Non-interest bearing €'000	Weighted avg. rate %
Cash and cash equivalents	1,379	-	1,379	-	0.1%
BAP holdings loan	(2,341)	(2,341)	-	-	20.0%
	(962)	(2,341)	1,379	-	

As detailed in Note 7, the BAP Holdings Loan and certain cash balances have been classified as part of a disposal group held for sale.

Impact of a 1% rise in the Euro floating rate

	% change	Effect on profit Before tax €'000
2013	+1%	-
	- 1%	-
2012	+1%	-
	- 1%	-

17. Financial instruments (cont'd.)

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

	Note	**Loans and receivables €'000**	**Liabilities amortised cost €'000**	**Total carrying amount €'000**	**Fair Value €'000**
2013					
Cash and cash equivalents	10	4,153	-	4,153	4,153
Restricted cash	11	1,567	-	1,567	1,567
Trade and other payables	13	-	(201)	(201)	(201)
		5,720	(201)	5,519	5,519

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

	Note	**Loans and receivables €'000**	**Liabilities amortised cost €'000**	**Total carrying amount €'000**	**Fair Value €'000**
2012					
Cash and cash equivalents	10	1,152	-	1,152	1,152
Assets included in disposal group as held for sale	7	8,022	-	8,022	8,022
Trade and other payables (excluding deferred revenue)	13	-	(172)	(172)	(172)
Liabilities included in disposal group as held for sale	7		(2,472)	(2,472)	(2,472)
		9,174	(2,644)	6,530	6,530

17. Financial instruments (cont'd.)

At 31 December 2012 all items are valued using Level 1 inputs. Valuation methods for Levels 1, 2 and 3 are described in the "fair value hierarchy" section of the accounting policies, see Note 2(o).

18. Subsidiaries and non-controlling interest

Investments in subsidiaries

	31 December 2013 Company €'000	**31 December 2012 Company €'000**
Share capital of subsidiaries	-	-
Loans to subsidiaries	443	33,596
Impairment of loans to subsidiaries	-	(30,096)
Capital contributions to subsidiaries	-	355
Impairment of capital contributions to subsidiaries	-	(355)
Reversal of previously recognised impairment provisions	-	2,175
Total investments in subsidiaries	443	5,675

The company has made loans and capital contributions to subsidiaries in prior years whose net asset values have fallen below the value of the loans and capital contributions granted. The Board decided, therefore, to write down the value of the loans, capital contributions and any accrued interest on those loans to bring the value into line with the cash that would be available to repay the company if the assets of the subsidiaries were disposed of at their book value and their existing liabilities repaid. This was reflected through accumulated impairment charges totalling € Nil (2012: €30.4 million). The loans to subsidiaries in the current year are not deemed to be impaired as the subsidiary has received significant sums of money post year end.

The reversal of provision for impairment charges recorded for the year end 31 December 2012 arises as a result of actual proceeds recovered following the sale of Pedragon Limited post period end exceeding carrying value (Note 7).

The carrying value of investments in subsidiaries as at 31 December 2012 included an amount of €175k with respect to the directors' estimated fair value of deferred consideration arising from the sale of the company's subsidiaries as described in Note 7. In the current year, the directors determined that it was appropriate to make an impairment provision against this amount.

18. Subsidiaries and non-controlling interest (cont'd)

The following were the companies in the Group at 31 December 2013:

Name	Securities in issue	Principal activity	Country of incorporation	Beneficial interest 2013	2012
Metro Baltic Guernsey Ltd.	2 shares of €1 each	Intermediate holding co.	Guernsey	100%	100%
Metro Baltic Netherlands B.V.	18,000 shares of €1 each	Non-trading	Netherlands	100%	100%

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

19. BAP Holdings loan

In or about April 2009, MCM, the former Investment Adviser to the Group, arranged that certain Group companies, Goldbrick Investments Ltd ("Goldbrick") and Pedragon Investments Limited ("Pedragon"), enter into a series of transactions with OÜ BAP Holding ("BAP Estonia"), a special purpose vehicle incorporated in Estonia by MCM to issue high yield bonds. The transactions included a loan agreement dated 4 April 2009 (referred to above as the BAP Loan) secured by a mortgage over the St Petersburg property (the "Mortgage").

On 15 June 2011, BAP Holding OOO, a Russian incorporated entity ("BAP Russia"), issued proceedings against the Company's subsidiary Goldbrick in the Arbitration Court of St Petersburg. Pedragon, was subsequently joined into the proceedings as a third party. The proceedings were primarily for the purpose of enforcing a mortgage over the Company's property asset in St Petersburg, Bolshaya Pushkarskay 10, owned by Goldbrick. BAP Russia is acting as assignee of the mortgage from BAP Estonia which lent money to Pedragon pursuant to a credit line agreement dated 4 April 2009.

On 21 July 2011, Pedragon issued proceedings against BAP Estonia and BAP Russia in the Harju County Court, Estonia, seeking to establish that the credit line agreement between Pedragon and BAP Estonia was invalid and BAP Russia (as purported assignee of BAP Estonia's claims against Pedragon) did not have any claims against Pedragon arising out of the credit line agreement.

On 19 April 2013, the Group sold Pedragon, Goldbrick and OOO Gruppa KUB. As a consequence of the sale, the claim by BAP Russia is no longer against a subsidiary of the Group and the claim against BAP Estonia and BAP Russia is no longer being pursued by a subsidiary of the Group. As referred to in note 2.2, the purchaser of Pedragon, Goldbrick, and OOO Gruppa KUB has assumed the liability of the BAP Loan.

20. Employees

At 31 December 2013 the Group had no (2012: 41) employees. The average number of employees for the year ended 31 December 2013 was nil (2012: 41).

	31 December 2013 Group €'000	31 December 2012 Group €'000
Wages and salaries	-	260
Social security cost	-	58
	-	318

21. Related party and key management transactions

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

As disclosed in Note 3, a gain of €714k arose in the prior year as a result of a decision to reverse the accrual in respect of amounts owing at 31 December 2011 to the former Investment Manager on the basis that the Directors have received legal advice that the likelihood of the amounts accrued at the previous year end becoming payable was remote. There is no performance fee expense or performance fee payable for the year ended 31 December 2013 (2012: Nil).

Directors' fees for the year ended 31 December 2013 amounted to €60k (2012: €60k). Directors' fees payable at the year ended 31 December 2013 amounted to €82k (2012: €38k).

During the financial year ended 31 December 2009, the Group arranged a loan ("BAP Loan") from BAP Estonia, a special purpose vehicle established and part-funded by the former Investment Adviser to raise funds for the Group. The balance outstanding at 31 December 2013 was €0 which is included in liabilities held for sale (2012: €2.3m). The former Investment Adviser invested €625k in BAP Estonia during 2008. The balance of the funding of BAP Estonia was sourced through the issue of secured, high yield bonds (the "Loan Notes"), approximately 90% of which were issued to parties connected to or related to the former Investment Adviser. In 2012 the Loan Notes and ownership of BAP Estonia were transferred to another Estonian entity whose relationship to the former Investment Manager is unknown. The purchaser of Pedragon, Goldbrick and OOO Gruppa KUB has assumed the liability of the BAP Loan as disclosed at Note 19 above.

22. Commitments

The Group has no unprovided commitments as at year end (2012: Nil).

23. Investment policy

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

Current Permitted Investment Policy

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

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

Under the AIM Rules for Companies, trading in the Company's shares will be suspended from 7:30am on 15 July 2014. The Company intends to put proposals to shareholders relating to the potential delisting of shares and a potential distribution at a general meeting to be held in advance of that date.

24. Subsequent event

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

24. Subsequent event (cont'd)

The Company and its former auditors, Ernst & Young LLC ("EY") have agreed terms for the settlement of proceedings issued by EY against the Company on 4 July 2012 in the High Court of Justice of the Isle of Man, and the Company's counterclaim against EY in those proceedings. Under the terms of the settlement agreement, the Company and EY have agreed to settle their respective claims, and the Company will receive £425,000 in full and final settlement of all claims and counterclaims. In entering into this settlement agreement, neither EY nor the Company have admitted liability or wrongdoing. No amounts have been recognised in the 2013 financial statements regarding these settlements.

25. Approval of financial statements

The financial statements were approved by the Board of Directors on 19 June 2014