

Metro Baltic Horizons plc
Report and Condensed Consolidated Financial Statements
for the period ending 30 June 2012

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Directors, Officers and Advisers

Directors	Ronan Reid Brendan Murphy Tim Crowley	(Non-Executive Chairman) (Non-Executive Director) (Non-Executive Director)
Company Secretary	Philip Scales	
Investment Manager	Gild Property Asset Management AS Roosikrantsi 11 Tallinn 10119 Estonia	
	Boris Petrov 10A Bolshaya Pushkarskaya Street St. Petersburg Russia	
Nominated Adviser & Broker	Fairfax I.S. PLC 46 Berkeley Square Mayfair London W1J 5AT	
Auditors	Grant Thornton 24-26 City Quay Dublin 2 Ireland	
Property Valuers	Newsec Tallin Roseni av. 7 EE-10111 Tallinn Estonia	
	Jones Lang LaSalle Fontanka Emb., 13 191011 St. Petersburg Business centre "Oscar"	
Legal Advisors	Jones Day 21 Tudor Street London, EC4Y 0DJ	
	Gough Advocates 5 th Floor Anglo International House Bank Hill, North Quay IM1 4QE	
	Glikman & Partners Liivalia 45 10145 Tallinn Estonia	
	Egorov Puginsky Afanasiev & Partners 24 Nevsky pr, Suite 132 191186 St. Petersburg Russia	

Highlights

- Net asset value per share (NAV) after deferred tax liabilities decreased by 68% to €0.11 (30 June 2011: €0.34). The Company's valuations remain as those reflected in the Financial Statements to the year ended 31st December 2011.
- Total gross property portfolio (including minority interests) valued at €8.97 million as at 30 June 2012 (30 June 2011: €18.1 million). The decrease in the gross property portfolio primarily reflects the revaluation of the St Petersburg property
- At the period end, the Group held a total of €6.7 million of bank and other borrowings, €3.8 million of which was held at the SPV level and as such are non recourse to the Company
- There are still some tentative signs of stabilisation in St Petersburg which may benefit remaining with this property but market recovery is unlikely to facilitate any meaningful recovery in the Pirita Tee property.
- Strategic reviews of the St Petersburg property are underway, including longer term development options.
- The Company intends to imminently commence legal proceedings against various parties including the former directors, professional advisers and investment management team in relation to a material proportion of the losses suffered by the Company.

Chairman's Statement

The Company has entered a period of stability and review. The predominant costs of the Company remain legal costs and the costs of being a public company. The Board has sought to extract value from the Pirita Tee site but this has proven problematic due to the lack of recovery in markets and the continued weak banking environment. The Company's strategy is now predominantly focused on recovery of value from the St Petersburg property and to continue to engage in litigation, defensively against enforcement of the BAP loan notes in Estonia and Russia and pro-actively against the Company's former Board and advisers.

Ronan Reid
Chairman
28th September 2012

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2012

	Note	Unaudited 30 June 2012 6 months Group €'000	Audited 31 Dec 2011 12 months Group €'000	Unaudited 30 June 2011 6 months Group €'000
Continuing operations				
Rental income		452	814	407
Rental and related expenses		-438	-765	-393
Net rental and related income		<u>14</u>	<u>49</u>	<u>14</u>
Administrative expenses		-417	-1,405	-370
Changes in value of investment property		0	6,153	0
Net foreign currency gain		38	120	2
(Loss)/gain arising on loss of control in former subsidiary entity		-	-536	-
Net operating profit/ (loss) before tax and finance income and expense		<u>-365</u>	<u>-7,925</u>	<u>-354</u>
Finance expense		-48	-548	-606
Profit/(loss) before tax		<u>-412</u>	<u>-8,473</u>	<u>-960</u>
Income tax (charge)/ credit		4	1,078	-
Profit/(loss) for the year		<u>-408</u>	<u>-7,395</u>	<u>-960</u>
		=====	=====	=====
Other comprehensive income				
Profit/(loss) for the year		-408	-7,395	-960
(Loss)/profit for year from discounted operations				
Other comprehensive income for the year, net of tax		-	-128	-
		-	10	-
Total comprehensive profit / (loss) for the year, net of tax		<u>-408</u>	<u>-7,513</u>	<u>-960</u>
		=====	=====	=====
Attributable to:				
Equity holders of the parent		-399	-7,090	-872
Non-controlling interest		-9	-423	-88
		<u>-408</u>	<u>-7,513</u>	<u>-960</u>
		=====	=====	=====
Earnings per share for continuing operations				
Basic profit / (loss) for the year attributable to ordinary equity holders of the parent (cents)	3	(1.5)	(28.7)	(3.3)

Consolidated Statement of Financial Position

As at 30 June 2012

	Note	Unaudited 30 June 2012 6 months Group €'000	Audited 31 Dec 2011 12 months Group €'000	Unaudited 30 June 2011 6 months Group €'000
ASSETS				
Non current assets				
Investment property		8,978	8,948	18,074
Other Assets		20	16	15
		<u>8,998</u>	<u>8,964</u>	<u>18,089</u>
CURRENT ASSETS				
Other current assets		110	115	158
Trade and other receivables		33	39	99
Cash and cash equivalents		1,683	2,128	2,981
Restricted cash				
		<u>1,826</u>	<u>2,282</u>	<u>3,238</u>
TOTAL ASSETS		<u>10,824</u>	<u>11,246</u>	<u>21,327</u>
EQUITY				
Issued capital		262	262	262
Distributed reserves		36,186	36,186	36,186
Retained earnings		-33,536	-33,136	-27,428
Foreign Exchange Movements		-30	-30	-176
Total equity attributable to ordinary shareholders		<u>2,882</u>	<u>3,282</u>	<u>8,844</u>
Minority Interest		-1,288	-1,279	-1,831
TOTAL EQUITY		<u>1,594</u>	<u>2,003</u>	<u>7,013</u>
LIABILITIES				
Non-current liabilities				
Bank loans				
Other loans		1,052	1,052	2,319
Deferred tax liabilities		1,235	1,235	2,313
Total Non Current Liabilities		<u>2,287</u>	<u>2,287</u>	<u>4,632</u>
CURRENT LIABILITIES				
Trade and other payables		1,184	1,196	835
Bank Loans		3,773	3,777	6,825
Other loans		1,902	1,902	1,919
Other liabilities		84	81	103
Total Current Liabilities		<u>6,943</u>	<u>6,956</u>	<u>9,682</u>
TOTAL LIABILITIES		<u>9,230</u>	<u>9,243</u>	<u>14,314</u>
TOTAL EQUITY AND LIABILITIES		<u>10,824</u>	<u>11,246</u>	<u>21,327</u>
Net asset value per ordinary share-basic (cents)	4	11	12	34

Approved on behalf of the Board of Directors on 28th September 2012 and signed by

Ronan Reid
Director

Brendan Murphy
Director

Attributable to the equity holders of the parent

	Issued Capital €000	Distributable Reserves €000	FX Gains or Losses €000	Retained Earnings €000	Total €000	Non-Controlling Interest €000	Total Equity €000
As at 1 January 2012	262	36,186	-30	-33,137	3,281	-1,279	2,002
Loss for the period	-	-	-	-399	-399	-9	-408
Total comprehensive income	-	-	-	-399	-399	-9	-408
As at 30 June 2012	262	36,186	-30	-33,536	2,882	-1,288	1,594
	=====	=====	=====	=====	=====	=====	=====
	Issued Capital €000	Distributable Reserves €000	Foreign Currency Translation Reserve €000	Retained Earnings €000	Total €000	Non- Controlling Interest €000	Total Equity €000
<i>As at 1 January 2011 (as restated)</i>	262	36,186	(176)	(26,046)	10,226	(2,253)	7,973
Loss for year	-	-	-	(7,100)	(7,100)	(423)	(7,523)
Other Comprehensive Income	-	-	(10)	10	-	-	-
Total comprehensive income for year	-	-	(10)	(7,090)	(7,100)	(423)	(7,523)
<i>Transactions with owners</i>							
De-recognition of non- controlling interest on loss of control (note 9)	-	-	156	-	156	1,397	1,553
As at 31 December 2011	262	36,186	(30)	(33,136)	3,282	(1,279)	2,003
	=====	=====	=====	=====	=====	=====	=====
	Issued Capital €000	Distributable Reserves €000	FX Gains or Losses €000	Retained Earnings €000	Total €000	Non-Controlling Interest €000	Total Equity €000
As at 1 January 2011	262	36,186	-176	-26,556	9,716	-1,743	7,973
Loss for the period	-	-	-	-872	-872	-88	-960
Total comprehensive income	-	-	-	-872	-872	-88	-960
As at 30 June 2011	262	36,186	-176	-27,428	8,844	-1,813	7,013
	=====	=====	=====	=====	=====	=====	=====

Consolidated Statement of Cash Flows
For the six months ended 30 June 2012

	Unaudited 30 June 2012 6 months Group €000	Audited 31 Dec 2011 12 months Group €000	Unaudited 30 June 2011 6 months Group €000
Cash flows from operating activities			
Loss before tax	-412	-8,473	-960
Non-cash adjustment to reconcile profit before tax to net Cash flows			
Finance cost	-	548	342
FX gain/(loss)	-	-120	2
Changes in value of investment property	-	6,153	-
Gain arising from loss of control in former subsidiary entity	-	536	-
Taxes paid and other miscellaneous items	-	-31	-
Working capital adjustments:			
(Decrease)/increase in creditors	-10	305	-57
Decrease/(increase) in debtors	7	-38	181
Net cash flows from operating activities	<u>-415</u>	<u>-1,120</u>	<u>-492</u>
Net cash flows from discontinued operations		53	
Net cash flows from operating activities	<u>-415</u>	<u>-1,067</u>	<u>-492</u>
	=====	=====	=====
Cash flows from investing activities			
Capital expenditure on investment properties and property, plant and equipment	30	-4	-
Finance Income	-	3,000	3,000
Net cash used in investing activities	<u>30</u>	<u>2,996</u>	<u>3,000</u>
Cash flows from financing activities			
Finance Expense	-	-207	-
Repayments of borrowings	-	-3	-
Net cash used in financing activities from discontinued operations	-	-64	-
Net cash flows from financing activities	<u>30</u>	<u>-274</u>	<u>3,000</u>
Net (decrease)/increase in cash and cash equivalents	<u>(445)</u>	<u>1,655</u>	<u>2,508</u>
Cash and cash equivalents at the beginning of the period	2,128	473	473
Cash and cash equivalents at the end of the period	<u>1,683</u>	<u>2,128</u>	<u>2,981</u>
	=====	=====	=====

Notes to the consolidated financial statements

For the period ended 30 June 2012

1. General Information

Metro Baltic Horizon plc (The “Company”) is a company incorporated and domiciled in the Isle of Man on 18 September 2006 for the purposes of investing in and developing property in the Baltic States and in the St. Petersburg area of Russia.

The interim report of the Company for the period to 30 June 2012 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 the AIM of the London Stock Exchange and commenced operations on the 11 December 2006.

The functional currency of the consolidated financial statements is the Euro and consequently the Company is reporting in Euro.

2. Basis of preparation

The Interim Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

The Interim Financial Statements do not include all the information and disclosures required in Annual Financial Statements, and should be read in conjunction with the Group’s Annual Financial Statements for the year ended 31 December 2011.

Significant accounting policies

The same accounting policies, presentation and methods of computation are followed in these Condensed Financial Statements as those followed in the preparation of the Group’s Annual Financial Statements for the year ended 31 December 2011.

3. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2012 was based on the loss attributable to shareholders of €399k and a weighted average number of ordinary shares outstanding during the period ended 30 June 2012 of 26,200k.

	Unaudited 30 June 2012 6 months Group €000	Audited 31 Dec 2011 12 months Group €000	Unaudited 30 June 2011 6 months Group €000
Basic earnings per share			
(Loss)/Profit attributable to ordinary shareholders	(399)	(7,090)	(872)
Weighted average number of ordinary shares in issue during the period ('000)	26,200	26,200	26,200
Basic earnings per share (expressed as cents per share)	(1.5)	(28.7)	(3.3)

4. Net Asset Value per share

	Unaudited 30 June 2012 Group €000	Audited 31 Dec 2011 Group €000	Unaudited 30 June 2011 Group €000
Net Asset Value attributable to ordinary shareholders	2,882	3,282	8,844
Deferred tax	1,235	1,235	2,313
	<hr/>	<hr/>	<hr/>
Net Asset Value excluding deferred tax	4,117	4,517	11,157
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net Asset Value per share (cents per share)	11	12	34
Net Asset Value excluding deferred tax (cents per share)	16	17	43