Metro Baltic Horizons plc
Annual Report
31 December 2010

Contents

Directors, Officers and Advisers

Directors	Ronan Reid	(Non-Executive Chairman – appointed 29th October 2010)
	Brendan Murphy	(Non-Executive Director– appointed 29th October 2010)
	Tim Crowley	(Non-Executive Director – appointed 15th April 2011)
	Robin James	(Resigned 10th May 2011)
	Kristel Meos	(Removed 11th May 2011)
Company Secretary	Philip Scales	
Investment Manager	Metro Frontier Limited 33-37 Athol Street Douglas Isle of Man IM1 1LB	
Investment Adviser	Metro Capital Management AS Viru Valjak 2 Tallinn 10111 Estonia	
Nominated Adviser & Broker	Fairfax I.S. PLC 46 Berkeley Square Mayfair London WIJ 5AT	
Auditors	Ernst & Young LLC Rose House 51-59 Circular Road Douglas Isle of Man IM1 1AZ	
Legal Advisers (UK)	Jones Day 21 Tudor Street EC4Y 0DJ Stephenson Harwood One St. Paul's Churchyard London EC4M 8SH	
Legal Advisers (Isle of Man)	Appleby 33-37 Athol Street Douglas Isle of Man IM1 1LB	

Directors, Officers and Advisers

Property Valuers	Colliers International Riga Office Balasta dambis 1a Riga, LV 1048 Latvia
	Newsec Tallin Roseni av. 7 EE-10111 Tallinn Estonia
	Jones Lang LaSalle Fontanka Emb., 13 191011 St. Petersburg Business centre “Oscar”.

Overview

- Some market stabilisation has now emerged, allowing full disposal of the Metro Plaza property in Talinn and a stabilised valuation for the St Petersburg property. Any market recovery will not be in sufficient time to allow any material recovery of value in respect of the Pirita Tee or Krasta properties.

- The Board now currently consists of Ronan Reid, Brendan Murphy and Tim Crowley with Robin James having resigned and Kristel Meos having been removed from the Board.

- A preliminary internal investigation by the Board into the current assets and historic affairs of the Group has taken considerable time and is ongoing. Matters have arisen in regard of previous announcements and related party transactions and could result in possible litigation in respect of losses incurred by the Group.

- One such transaction pertains to a loan agreement which is the subject of dispute. The amount claimed under same is approximately €1.9m (as at 20 April 2011) from a subsidiary of MBH plc and proceedings in Russia have commenced seeking an order for the sale of the St Petersburg property. These have been adjourned until year end and will allow lodgement of relevant defence documents in Estonia and other possible litigation.

- Shares having been suspended on 11th November 2010 will relist as of 3rd August 2011.

- Net asset value per share (NAV) after deferred tax liabilities declined by 5% to €0.37 (31 December 2009:€0.39). The NAV is derived from the Group's cash holdings and the Russian property.

- Loss after tax of €582k (2009: loss of €8.6 million).

- Total gross property portfolio (including minority interests) valued at €18.1 million (31 December 2009: €35.8 million).

- At year end, the Group had a total of €6.75 million of asset-level bank debt, of which approximately €2.97 million related to the Krasta property and €3.78 million related to the Pirita Tee property.

- Working capital pressures remain but the Group having disposed of Metro Plaza have significantly more liquidity available at Company level than in previous years and this will allow consideration of development of Pirita Tee and St Petersburg sites with development partners to allow the possibility of delivering future value.

Chairman's Statement

Dear Shareholders

Having been appointed to the Board of the Company (the "**Board**") on 29 October 2010, I was appointed Chairman on 2 December 2010.

The reason for both my own and fellow directors' (Brendan Murphy and Tim Crowley) appointment was to address investor concerns at developments in the Company and not solely limited to the poor share price performance. We raised issues consistently with the investment manager and the Chairman on several occasions and in writing prior to our appointment.

One such catalyst was the proposal on the part of the existing directors to issue shares to the Investment Manager, Metro Frontier Ltd ("**Metro Frontier**"), in lieu of management fees due. This would have resulted in the issue to Metro Frontier and the Investment Adviser, Metro Capital Management AS ("**MCM**") of a significant shareholding in the Company. The management fees due in respect of 2009 were charged based upon the Net Asset Value ("**NAV**") of the Company (and subject to a discount) whereas the shares in lieu were sought to be issued at the prevailing share price, which was a fraction of NAV. While the Board was authorised to issue shares below NAV, I believed that, as a consequence of the large number of shares to be issued and the fact that the shares were being issued to a related party, this matter should be put to shareholders. Subsequently, and as a result of our intercession, this share issue was cancelled.

Since our appointment, Robin James resigned as Chairman on 2 December 2010 and as a director on 10 May 2011. Kristel Meos was dismissed as a director on 11 May 2011. James Kenny resigned from the board of Metro Frontier and the Supervisory Board of MCM in November 2010. It is our intention to further widen the Board in the coming months.

As is outlined below, on joining the Board we were faced with a liquidity crisis as well as significant issues relating to prior transactions and the outlook for some of the Company's investments. This unfortunately necessitated the suspension of trading in the Company's the shares on 11 November 2010. Following the completion of a forensic review undertaken by the Board, application has been made by the Company to recommence trading in the shares on 3 August 2011.

The reconstituted Board has worked tirelessly to ensure sufficient liquidity in the Company to discharge its ongoing expenses. All third party debt provided to the Group is ring-fenced within subsidiary companies without recourse to the Company. The sale of the remaining interest in the Metro Plaza property ensured the success of this strategy ensuring cash on hand currently at the Company of approximately €3 million versus €5,000 at 31/12/2009 and €47,000 as of 31/12/2010.

The Board has also sought to provide clarity as to the valuation of assets and has recently completed valuation of the predominant asset of the Group, the St Petersburg property, which at €11.1m underpins the asset value of the Group. Lastly the Board has sought to review and understand both the original structure of and conflicts arising in the investment transactions previously undertaken by the Company, including the outstanding loan notes secured over the St Petersburg property. This may result in the Company undertaking necessary and appropriate litigation against certain parties. Such litigation can be costly and there is no guarantee of success but, having regard to the issues described below and pursuant to legal advice, the Board believes that such litigation should be pursued.

Chairman's Statement - continued

The Board continues to work to maximise the liquidity and value of the Company and will continue to update shareholders on a regular basis. The Board is hopeful that it can achieve value for shareholders in excess of the share price of £0.13 as of the date of suspension, however no certainty can be given on this eventuality.

Background

On 11 November 2010, the Board requested that trading in the Company's shares be suspended. The Company's shares remained suspended pending substantial completion of an investigation into certain matters and publication of the Company's results for the year ended 31 December 2010.

The matters that were brought to the Board's attention related to the general financial position of the Company, including certain asset values and the liquidity position of the Company. They also related to the circumstances behind certain of the Group's transactions and related party issues in relation to the acquisitions made by the Group since Admission, and a series of transactions pursuant to which the Group raised finance (including via granting of security over the Group's primary asset in St. Petersburg), and apparent deficiencies in disclosures regarding the same.

As a result of these matters, the Board believes that certain disclosures previously made by the Company were inaccurate. References to inaccurate disclosures below are not intended to be complete. The Board will update the market in the future in the event that further inaccuracies are identified as being material.

Following Admission, the Company acquired four properties. The current status of each one of these properties, as understood by the Board, is set out below:

*1. Bolshaya Pushkarskay 10, St Petersburg ("**St Petersburg**")*

This property was acquired in April 2007 by one of the Company's subsidiaries Gruppa KUB for a total consideration of €12.5 million and subsequently sold to another subsidiary Goldbrick Investments Limited ("**Goldbrick**"). The property remains wholly owned by Goldbrick and, at the request of the Board, was valued by Jones Long Lasalle at €11.1 million as at 31st December 2010.

The valuation report provided the Board with a detailed note regarding development options for this asset, which the Directors are exploring further.

In order to obtain finance for certain of the Group's projects, in or about April 2009, Goldbrick and another Group company, Pedragon Investments Limited ("**Pedragon**"), entered into a series of transactions with OÜ BAP Holding ("**BAP**"), a special purpose vehicle incorporated in Estonia by MCM to raise finance for the Group through the issue of secured, high yield bonds (the "**Loan Notes**"). The transactions included a loan agreement dated 4 April 2009, secured by a mortgage over the St Petersburg property. The Board is currently investigating a number of aspects of these transactions including (a) the validity of the loan agreement and the mortgage, (b) the fact that a very substantial proportion of the Loan Notes were issued to parties related to MCM, and (c) a series of purported assignments of the loan agreement and the mortgage to third parties. The ultimate purported assignee of the loan agreement is claiming approximately €1.9 million (as at 20 April 2011) from Pedragon, including interest and penalties at a rate of 40%, and has commenced proceedings in Russia seeking an order for the sale of the St Petersburg property.

Chairman's Statement - continued

The Board has sought legal advice in both Russia and Estonia and believes the Company has grounds upon which to contest the validity and/or enforceability of both the loan agreement and the security granted over the St Petersburg property and, as such, the Company aims to prevent any sale of the property by the purported assignee pending determination of the disputed status of the loan agreement. The Company has commenced declaratory proceedings in Estonia contesting the validity of the loan agreement and is defending the proceedings instituted in Russia. As a result of the Board's intervention at a hearing before the Russian court on 26 July 2011, the mortgage foreclosure hearing has been adjourned until 6 December 2011.

*2. Krasta 99A, Riga ("**Krasta**")*

In June 2007, the Group acquired an 80% holding in SIA D Tilts Holding ("**Tilts Holding**"), a Latvian incorporated special purpose holding vehicle for the Krasta site, for €10.8 million and subsequently invested a further €0.9 million bringing the total investment to €11.7 million. The Company's announcement on 18 June 2007 noted that the Krasta project was being managed by MCM on behalf of third party investors. We now understand that in fact 100% of the issued share capital of Tilts Holding was owned by MCM albeit that some of the beneficial interest in Tilts Holding appears to have been held by clients of MCM. In addition, following the acquisition, MCM retained a 20% minority shareholding. This matter is still subject to ongoing review by the Board. The property continues to remain under formal legal protection thereby protecting the Company's interest in the site from foreclosure or otherwise being disposed of without the consent of the Company. This arrangement remains in place until September 2011. All debt in relation to this subsidiary is non-recourse and is ''ring fenced'' within the subsidiary. Given the current state of the property market in Riga, the Board anticipates that insolvency filing is the most likely outcome and accordingly does not envisage any returns to shareholders following disposal of this asset, representing a loss of approximately €11.7 million.

*3. Metro Plaza, Viru Square, Tallinn ("**Metro Plaza**")*

In February 2011, the Group disposed of its remaining interest in Metro Plaza for €3 million. Pursuant to that and earlier sales of the Group's interests, the Group realised a total of approximately €5.1 million from this asset, representing a loss of approximately €5.6 million.

Previous announcements made in respect of this investment require clarification/correction including, without limitation, the following:

- The Company's announcement on 18 June 2007 noted that the Metro Plaza project was being managed by MCM on behalf of third party investors. In fact, 100% of the share capital of the SPV holding Metro Plaza ("**OU Focus**") was owned by MCM, either beneficially for itself or for parties related to MCM. In addition, upon acquisition of the share capital in OU Focus for circa €5 million, MBH through its subsidiary also assumed the debts of the company being circa €5 million of which €2.5 million was a performance fee payable to MCM.

- The former Chairman, Mr Robin James, noted in his Chairman's statement dated 7 May 2008 in the Company's Annual Report for the year ended December 2007 that the Company had secured a banking facility to fund 100% of the turnkey construction contract cost for Metro Plaza. The Board has since seen correspondence that indicates that this facility only lasted until August 2008 and the subsequent funding gap created the need for the Loan Notes described above.

Chairman's Statement – continued

*3. Metro Plaza, Viru Square, Tallinn ("**Metro Plaza**") - continued*

- On 15 October 2010, the Company announced the sale of a 30.7% interest in OU Focus. That announcement also stated that the acquirer had also acquired the 19.7% (in fact, 19.3%) minority shareholding in OU Focus, describing that minority shareholding as being held by *"an unrelated party"*. In fact, when that transaction took place, the minority shareholding was held by MCM.

*4. Pirita Tee, Pirita Road, Tallin ("**Pirita**")*

In late 2007, the Company acquired an 80% holding in Pirita Tee, Tallin, Estonia ("**Pirita Tee**") an Estonian special purpose holding vehicle for the Pirita Tee site, for approximately €3.1 million. The Company's announcement on 27 September 2007 did not note that the 80% shareholding was purchased from MCM nor that MCM retained the minority shareholding (whether beneficially or on behalf of other clients) The Company has not re-financed the facility used to acquire Pirita Tee and is in continued discussions with the lending bank. The Board has negotiated a further two month rolling extension of the finance facility and has appointed a local representative to both continue the discussions with the bank and provide a strategic review of the asset. There is no certainty that the facility will be financed. All debt in relation to this subsidiary is non-recourse and is ''ring fenced'' within the subsidiary. The Board expects to achieve some value in due course from this site dependent upon the development of the project in association with a partner firm. If no additional funding can be found from a joint venture party, or if no financing is found to be available, the directors anticipate that the bank will take over the property. At this juncture the Board would ascribe a negligible value to the Company's investment in this project.

Advisers to the Company

The Company is reviewing its relationship with Metro Frontier and, as a consequence, its relationship with MCM. James Kenny resigned from the board of Metro Frontier and the supervisory board of MCM in November 2010. Mr Paul McGuinness had been providing the services of Financial Controller to the Company through his corporate vehicle, Mc Guinness Investments OU which terminated its contract with the Company in February 2011.

Given the reduced number of properties requiring active management the Board is considering an investment management strategy of local advisers in Talinn and St Petersburg reporting directly to the Board.

Preliminary investigation and relationship with Management Team

As referred to above, with assistance from external counsel, the Board has conducted a preliminary internal investigation into the affairs of the Group including the circumstances relating to the acquisitions made since Admission, the counter-parties to such acquisitions and the related financing secured or roles performed by the Group and/or its advisers in completing such acquisitions.

As a result of those preliminary investigations the Board does not believe that the former directors and/or the investment management team managed the Company in its best interests and/or with due care and skill.

Chairman's Statement - continued

The Board continues to review the strategic options available to the Company and is considering legal actions against various parties (including the former directors, professional advisers and management team) in relation to a material proportion of the losses suffered by the Group. The Board believes that legal proceedings may be in the best interests of the Company although the Board notes that such proceedings are costly and there is no guarantee of success and/or material recoveries.

I believe that the steps taken by your Board are in the best interests of the Company and your Board is resolved to maximise the remaining value in the Company and to seek restitution for losses wherever possible and from those responsible.

Ronan Reid

Chairman

Metro Baltic Horizons Plc

2 August 2011

Directors' Report

The Directors present their report and audited financial statements for the year ended 31 December 2010.

Principal activities
The principal activity of the Group is investing in and developing land and buildings in the Baltic States and in the St. Petersburg area of Russia.

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

Results for the period
The loss attributable to the shareholders in the parent for the year ended 31 December 2010 was €562k (Loss for the period ended 31 December 2009 €7.9m). The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 16. The loss for the year of €562k (2009: €7,912k) has been transferred to reserves.

Basis of Preparation
The board have considered and reviewed the current financial status and the cash-flow projections of the Group. Having completed this review and given consideration to the other factors detailed in Note 2.2 to the financial statements, the directors are of the opinion that there are adequate financial resources available to enable the company and group to continue in operational existence as a going concern for a period of at least 12 months from the date of approval of these financial statements.

Dividend
The Directors have not declared any dividends in the year ended 31 December 2010 (2009: Nil).

Directors
The Directors who served during the year were Robin James, Kristel Meos, Ronan Reid and Brendan Murphy. Ronan Reid and Brendan Murphy were appointed to the Board on 29th October 2010 and on 2nd December 2010, Mr Reid replaced Mr James as Chairman. Subsequent to the year end, Tim Crowley was appointed a Director on 15th April 2011, Robin James resigned from the Board on 10th May 2011 and Kristel Meos was removed as a Director on 11th May 2011.

Directors' Report - continued

Directors interests
The beneficial interests of the directors and secretary in the shares of the Group and Company are as noted below. All interest are in the ordinary share capital of the parent company, Metro Baltic Horizons PLC;

	31 December 2010	01 January 2010 or date of appointment if later
Tim Crowley	440,537	440,537
Ronan Reid	1,275	1,275
Brendan Murphy	10,275	10,275

Directors Remuneration
Remuneration to directors during each of the financial years ending 31 December 2009 and 31 December 2010 consisted entirely of Directors fees and can be analysed as follows;

	2010	**2009**
	€	**€**
Robin James	23,000	23,000
Gunnar OKK	-	3,750
Kristel Meos	7,500	5,625
	30,500	32,375

No remuneration was payable to Ronan Reid, Tim Crowley or Brendan Murphy from the date of their appointment to 31 December 2010.

Secretaries
The secretary who served during the year was Philip Scales.

Directors' Report - continued

Substantial Holdings
The following entities had substantial holdings in the share capital of the group at 31 December 2010;

	Shares held	Perc. of total
Pershing International Nominees Limited	10,573,922	40.36%
Chase Nominees Limited	5,283,714	20.17%
Pershing Nominees Limited	2,775,000	10.59%
Vidacos Nominees Limited	1,523,522	5.81%
Securities Services Nominees Limited	1,310,000	5.00%

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. The audit committee is responsible for overseeing all financial transactions and activities of the Company.

Directors' Responsibility Statement
The Directors are responsible for preparing this report and the financial statements in accordance 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 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

2 August 2011

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 2010 which comprise the consolidated statement of 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.

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 Statement of Directors' Responsibilities set out on page 13, 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.

Independent Auditors' Report
To the members of Metro Baltic Horizons Plc (continued)

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 2010 and of the group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with the requirements of the Companies Acts 1931 to 2004.

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.

Ernst & Young LLC
Chartered Accountants
Isle of Man

Date: 2 August 2011

Consolidated Statement of Total Comprehensive Income

For the year ended 31 December 2010

	Note	31 December 2010 €'000	31 December 2009 €'000
Continuing operations			
Rental income		789	701
Rental and related expenses		(836)	(610)
Net rental and related (expense)/income		(47)	91
Administrative expenses	3	(1,160)	(884)
Changes in value of investment property	7	121	(8,662)
Net foreign currency gain		28	13
Gain arising on loss of control in former subsidiary entity	8	255	-
Net operating loss before tax and finance income and expense		(803)	(9,442)
Finance income	4	79	64
Finance expense	4	(1,072)	(551)
Loss before tax		(1,796)	(9,929)
Income tax (charge) credit	5	244	1,518
Loss for the year – continuing operations		(1,552)	(8,411)
Profit / (loss) for year from discontinued operations	**8**	**970**	**(214)**
Loss for financial year		(582)	(8,625)
Other comprehensive income		-	-
Total comprehensive income		(582)	(8,625)

The notes on pages 25 to 68 form part of these financial statements.

Consolidated Statement of Total Comprehensive Income (continued)
For the year ended 31 December 2010

	Note	31 December 2010 €'000	31 December 2009 €'000
Total comprehensive income			
Total comprehensive income		(582)	(8,625)
Total Comprehensive Income attributable to:			
Equity holders of the parent – continuing operations		(1,280)	(7,740)
Equity holders of the parent – discontinued operations		718	(172)
Non-controlling interest – continuing operations		252	(671)
Non-controlling interest – discontinued operations		(272)	(42)
		(582)	(8,625)

	Note	31 December 2010 €'cents	31 December 2009 €'cents
Basic Earnings per share			
Loss from continuing operations	6	(4.89)	(29.54)
Earnings (loss) from discontinued operations	6	2.74	(0.66)
Total		(2.15)	(30.20)

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 25 to 68 form part of these financial statements.

Consolidated Statement of Financial Position
As at 31 December 2010

	Note	31 December 2010 €'000	31 December 2009 €'000
Assets			
Non-current assets			
Investment property	7	18,074	35,790
Other assets		12	7
Total non-current assets		18,086	35,797
Current assets			
Trade and other receivables	10	343	985
VAT recoverable and prepaid expenses		98	139
Cash and cash equivalents	11	473	490
Restricted cash	11	-	114
Current assets		914	1,728
Assets included in disposal group as held for sale	8	3,000	-
Total assets		**22,000**	**37,525**

The notes on pages 25 to 68 form part of these financial statements

Consolidated Statement of Financial Position

As at 31 December 2010

	Note	31 December 2010 €'000	31 December 2009 €'000
Equity			
Issued capital	15	262	262
Distributable reserves	17	36,186	36,186
Retained earnings		(26,556)	(25,994)
Foreign currency translation reserve		(176)	(354)
Total equity attributable to equity holders of the parent		9,716	10,100
Non-controlling interest		(1,743)	(505)
Total equity		7,973	9,595
Liabilities			
Non-current liabilities			
Interest bearing loans			
- Bank loans	12	-	16,085
- Other loans	13	2,319	2,219
Deferred tax liabilities	5	2,313	2,558
Total Non Current Liabilities		4,632	20,862
Current liabilities			
Trade and other payables	14	891	896
Deferred revenue		-	26
Interest bearing loans			
- Bank loans	12	6,749	4,218
- Other loans	13	1,652	1,870
Income tax payable		103	58
Total current liabilities		9,395	7,068
Total liabilities		**14,027**	**27,930**
Total equity and liabilities		**22,000**	**37,525**
Net asset value per ordinary share – basic (cents)	16	0.37	0.39

The financial statements were approved by the Board and authorised for issue on

Director Director

The notes on pages 25 to 68 form part of these financial statements

Company Statement of Financial Position
As at 31 December 2010

	Note	31 December 2010 €'000	31 December 2009 €'000
Assets			
Non-current assets			
Investment in subsidiaries	19	7,582	12,938
Current assets			
Cash and cash equivalents	11	47	5
Total current assets		47	5
Total assets		**7,629**	**12,943**
Equity			
Issued capital	15	262	262
Distributable reserves	17	36,186	36,186
Retained earnings		(28,985)	(23,520)
Total equity		7,463	12,928
Liabilities			
Current liabilities			
Trade and other payables	14	166	15
Total liabilities		166	15
Total equity and liabilities		7,629	12,943

The financial statements were approved by the Board and authorised for issue on

Director Director

The notes on pages 25 to 68 form part of these financial statements

Consolidated Statement of Changes in Equity
For the year ended 31 December 2010

	Issued Capital €'000	Distributable Reserves €'000	Foreign Currency Translation Reserve €'000	Retained Earnings €'000	Total €'000	Non-Controlling Interest €'000	Total Equity €'000
As at 1 January 2009	262	36,186	(354)	(18,082)	18,012	(2,363)	15,649
Total comprehensive income	-	-	-	(7,912)	(7,912)	(713)	(8,625)
Non-controlling interest arising from change in ownership (Note 19)	-	-	-	-	-	2,571	2,571
As at 31 December 2009	262	36,186	(354)	(25,994)	10,100	(505)	9,595

	Issued Capital €'000	Distributable Reserves €'000	Foreign Currency Translation Reserve €'000	Retained Earnings €'000	Total €'000	Non-Controlling Interest €'000	Total Equity €'000
As at 1 January 2010	262	36,186	(354)	(25,994)	10,100	(505)	9,595
Total comprehensive income for year	-	-	-	(562)	(562)	(20)	(582)
Disposal of controlling interest (note 8)	-	-	178	-	178	(1,218)	(1,040)
As at 31 December 2010	262	36,186	(176)	(26,556)	9,716	(1,743)	7,973

The notes on pages 25 to 68 form part of these financial statements

Company Statement of Changes in Equity
For the year ended 31 December 2010

	Issued Capital €'000	Distributable Reserves €'000	Retained Earnings €'000	Total €'000
At 1 January 2009	262	36,186	1,942	38,390
Total comprehensive income	-	-	(25,462)	(25,462)
At 31 December 2009	262	36,186	(23,520)	12,928

	Issued Capital €'000	Distributable Reserves €'000	Retained Earnings €'000	Total €'000
At 1 January 2010	262	36,186	(23,520)	12,928
Total comprehensive income	-	-	(5,465)	(5,465)
At 31 December 2010	262	36,186	(28,985)	7,463

The notes on pages 25 to 68 form part of these financial statements

Consolidated Statement of Cash Flows
For the year ended 31 December 2010

	Note	2010 €'000	2009 €'000
Cash flows from operating activities			
Loss before tax		(1,796)	(9,929)
Non-cash adjustment to reconcile loss before tax to net Cash flows			
Finance income		(79)	(64)
Finance cost		1,072	551
Foreign exchange gain		(28)	(13)
Changes in value of investment property		(121)	8,662
Gain arising from loss of control in former subsidiary entity		(255)	-
Taxes paid		(13)	-
Working capital adjustments			
Increase in accounts receivable and other current assets		17	39
Increase in trade and other payables		203	1,434
Net cash flows from continuing operations		(1,000)	680
Net cash from discontinued operations	8	(157)	(2,255)
Net cash from operating activities		(1,157)	(1,575)
Cash flows from investing activities			
Capital expenditure on investment properties and property, plant and equipment		(68)	(168)
Proceeds from sale of subsidiaries, net of cash	8	2,167	-
Finance income		79	64
Net cash used in investing activities from continuing operations		2,178	(104)
Net cash used in investing activities from discontinued operations		-	(1,658)
Net cash from investing activities		2,178	(1,762)
Cash flows from financing activities			
Finance Expense		(913)	(551)
Repayments of non-controlling interest loans		(178)	-
Proceeds of bank loans		-	10,387
Net cash used in financing activities from continuing operations		(1,091)	9,836
Net cash used in financing activities from discontinued operations	8	(61)	(6,862)
Net cash from financing activities		(1,152)	2,974
Net decrease in cash and cash equivalents		(131)	(363)
Decrease in restricted cash		114	145
Net decrease in cash and cash equivalents		(17)	(218)
Cash and cash equivalents at the beginning of the year	11	490	708
Cash and cash equivalents at the end of the year	11	473	490

The notes on pages 25 to 68 form part of these financial statements.

Company Statement of cash flows
For the year ended 31 December 2010

	Note	31 December 2010 €'000	31 December 2009 €'000
Cash flows from operating activities			
Loss before tax		(5,465)	(25,462)
Non-cash adjustment to reconcile profit before tax to net cash flows			
Impairment adjustment		5,356	27,522
Finance income		(162)	(2,173)
Working capital adjustments			
Increase/(decrease) in creditors		151	(25)
Net cash used in from operating activities		(120)	(138)
Cash flows from investing activities			
Received from subsidiaries		732	114
Advanced to subsidiaries		(570)	-
Net cash generated from investing activities		162	114
Net increase / (decrease) in cash and cash equivalents		42	(24)
Cash and cash equivalents at the beginning of the year		5	29
Cash and cash equivalents at the end of the year		47	5

The notes on pages 25 to 68 form part of these financial statements

Notes to the financial statements
For the year ended 31 December 2010

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 invests in and develops property in the Baltic States and in the St. Petersburg area of Russia.

This report of the Company for the year ended 31 December 2010 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 11 December 2006. The shares were suspended on 11 November 2010 and will relist on 3 August 2011.

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:

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 2010.

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. These financial statements have been prepared on a going concern basis as it is the view of the directors that this is the most appropriate basis of preparation to adopt having considered the issues identified below.

- The group has sought and received legal protection in respect of its Latvian subsidiary, D Tilts Holding SIA, which provides legal protection from its creditors until 2 October 2011. This subsidiary owns the Krasta 99 property, valued at €3,081,000, and is funded by bank loans of €2,969,000 and loans from non-controlling interest of €1,358,000 and has net liabilities of €6,532,000 as at 31 December 2010. All debt in relation to this subsidiary is non-recourse and is "ring-fenced" within the subsidiary. The directors anticipate that on expiry of the legal protection, the company will file for insolvency.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

2.2 Basis of preparation - continued

- The group's Estonian subsidiary, Pirita Tee, owns the property know as the Pirita site, which is valued at €3,860,000, and is funded by bank loans of €3,780,000 and loans from non-controlling interest of €961,000. All debt in relation to this subsidiary is non-recourse and is "ring-fenced" within the subsidiary. The bank loan fell due for repayment in May 2010 and was extended to November 2010. Currently the loan is being rolled over on a monthly basis and interest is being paid in advance. The board has appointed a local representative to continue negotiations with the bank and to assist in identifying a joint venture party. The loan continues to be rolled over and if no additional funding can be found from a joint venture party, or if no financing is found to be available, the directors anticipate that the bank will take over the property.
- In the financial year ended 31 December 2008, the group arranged a loan from BAP Holding OU, a special purpose vehicle established and part funded by the Investment Advisor to raise funds for the group. This facility matured on 15 October 2010. The balance outstanding at 31 December 2010 was €1,652,000 and is collateralised by a mortgage over Bolshaya Pushkarskaya, St Petersburg, which is valued at €11,133,000. The company is subject to legal action in respect of this overdue loan and legal proceedings have commenced in Russia seeking an order for the sale of the St Petersburg property. The directors have sought legal advice and believes the group has grounds upon which to contest the validity of both the loan agreement and the security granted over the St Petersburg property. In the event of the group being unsuccessful in its challenges to the loan agreement and security granted there are sufficient funds available to discharge the liability. Recent judgements in Estonia and Russia provide the directors with a degree of confidence that this will not occur.
- In view of the potential litigation against the group's professional advisers, no payment will be made in respect of management fees due of €474,000.

In concluding that it is appropriate to adopt the going concern basis in preparation of the financial statements, the directors have prepared cash flow projections to August 2012. The projections include the assumptions that D Tilts Holdings Ltd will file for insolvency, that alternative financing will be arranged for Pirita Tee otherwise the bank will be allowed to take over the property and that the amount claimed under the BAP Holding loan is paid in full.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

2.2 Basis of preparation - continued

Whilst recognising the inherent uncertainty of potential litigation, the directors believe that the outcome of such potential litigation will be successful. The directors believe that adequate funding will be available to enable the group to continue operating and meet its liabilities as they fall due and that it is therefore appropriate to prepare the financial statements on a going concern basis. The financial statements do not reflect any adjustments which would have to be made should sufficient funding not be available.

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 fully 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.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

2. Principal Accounting Policies (cont'd)

2.3 Basis of consolidation (cont'd)

Entities whose economic activities are controlled jointly by the Group and other venturers independent of the Group (joint ventures) are accounted for using the proportionate consolidation method, whereby the Group's share of the assets, liabilities, income and expenses is included line by line in the consolidated financial statements.

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustments attributable to the Group's share of associate are not recognised separately and is included in the amount recognised as investment in associates.

The carrying amount of investments in associates is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

2.4 Changes in accounting policy and disclosures

The Group has adopted the following new and amended IFRS as of 31 December 2010:

- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended): applicable for annual periods commencing 1 July 2009 including consequential amendments to IFRS 7 and IAS 21.
- IFRS 5 Non-Current Assets held for Sale and Discontinued Operations- effective date 1 January 2010
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

2. Principal Accounting Policies (cont'd)

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

Improvements to IFRS
- Amendment to IAS 1 Presentation of Financial Statements is applicable for annual periods beginning on or after 1 January 2010.
- Amendment to IAS 7 Statement of Cash Flows is applicable for annual periods beginning on or after 1 January 2010.
- Amendment to IAS 17 Leases is applicable for annual periods beginning on or after 1 January 2010.

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group its impact is described below:

IAS 27 Consolidated and Separate Financial Statements
The standard specifies;
a) The circumstances in which an entity must consolidate the financial statements of another entity (being a subsidiary);
b) The accounting for changes in the level of ownership interest in a subsidiary;
c) The accounting for the loss of control of a subsidiary; and
d) The information that an entity must disclose to enable users of the financial statements to evaluate the nature of the relationship between the entity and its subsidiaries.

IFRS 5 Non-Current Assets Held for sale and Discontinued operations
The standard requires;

a) assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and where applicable, depreciation of such assets to cease; and
b) assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the Consolidated Statement of Comprehensive Income.

The adoption of these standards and interpretations did not have a material effect on the financial statements on initial adoption other than as follows;

- increased disclosures with respect to Non-current assets held for sale and discontinued operations
- method of calculation of profit or loss on loss of control of a subsidiary entity

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

2. Principal Accounting Policies (cont'd)

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

The IASB and IFRIC have issued additional standards and interpretations which are effective for periods starting after January 1, 2010. The following standards and interpretations have yet to be adopted by the Group:

International Financial Reporting Standards (IFRS/IAS)		*Effective date*
IFRS 1	First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	July 1, 2010
IAS 24	Related Party Disclosures (Revised)	January 1, 2011
IAS 32	Financial Instruments: Presentation – Classification of Rights Issues (Amendment)	February 1,2010
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of interest in other entities	January 1, 2013
IFRS 13	Fair value Measurements	January 1, 2013

International Financial Reporting Interpretations Committee		*Effective date*
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	January 1, 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	July 1, 2010

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.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

2. Principal Accounting Policies (cont'd)

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

Annual Improvements 2010 (effective from 1 July 2010 and later)

The IASB has issued Improvements to IFRS 2010 (2010 Improvements). Most of these amendments become effective in annual periods beginning on or after 1 July 2010 or 1 January 2011. The 2010 Improvements amend certain provisions of IFRS 3R, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The Group's preliminary assessments indicate that the 2010 Improvements will not have a material impact on the Group's financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

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 Comprehensive Income.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

2. Principal Accounting Policies (cont'd)

2.5 Summary of significant accounting policies (cont'd)

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 Comprehensive Income.

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

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

2. Principal Accounting Policies (cont'd)

2.5 Summary of significant accounting policies (cont'd)

d) Expenses

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

All administration expenses are charged through the Consolidated Statement of 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) 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.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

2. Principal Accounting Policies (cont'd)

2.5 Summary of significant accounting policies (cont'd)

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

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 (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. 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.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

2. Principal Accounting Policies (cont'd)

g) Business combinations

Business combinations from 1 January 2009
There were no business combinations during the year ended 31 December 2010 or in the prior year.

Business combinations prior to 31 December 2008
The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and any equity instruments issued by the Group in exchange of control of the acquiree, plus any contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

h) Foreign currency translation

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 Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

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

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

2. Principal Accounting Policies (cont'd)

h) Foreign currency translation (cont'd)

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 Comprehensive Income.

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.

Group companies
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 Comprehensive Income.

The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the component of other comprehensive income relating to that particular foreign operation is recognised in the Consolidated Statement of Comprehensive Income.

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. The group disposed of Focus Kinnisvara OU ("Focus") during September 2010. Focus Kinnisvara owned the Metro Plaza property. Up until the disposal of Focus, the group has four operating segments relating to its four projects. Following the disposal of Focus, the group now has 3 operating segments.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

2. Principal Accounting Policies (cont'd)

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) 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 recorded 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 method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

2. Principal Accounting Policies (cont'd)

l) 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.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, 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 statement of comprehensive income.

m) Judgements

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

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. Further details are contained in Note 5.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

2. Principal Accounting Policies (cont'd)

m) Judgements (cont'd)

Deferred tax assets / liabilities - continued

The basis for determination of deferred tax assets/ liabilities is outlined in Note 5 of these financial statements.

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 Comprehensive Income. The Group engaged independent valuation specialists with relevant experience in the location and category of investment property being valued to determine fair value as at 31 December 2010. The significant assumptions applied in determining the valuation are detailed in Note 7 to the financial statements.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's fair value less the cost of selling the asset and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the Company relies on independent valuers.

n) 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.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

3. Administrative Expenses

Administrative expenses include the following;	31 December 2010 Group €'000	31 December 2009 Group €'000
Investment management fees	404	495
Interest on management fees	70	-
Legal and other professional fees	134	20
Administrators fees	72	74
Directors' remuneration	31	34
Auditors' remuneration – audit services	40	45
Impairment of VAT receivable balance	188	-
Other administrative expenses	221	216
	1,160	884

Management fees are 1.5% per annum of gross assets under management in Russia and 1% per annum of all other gross assets. The management fees are calculated and charged quarterly based on the gross assets of the Group at the end of the quarter.

Performance fees are calculated based on the audited net asset value at 31 December each year and are payable annually. The performance fee is calculated as 25% of the increase in the net asset value of the Group in excess of a hurdle rate of 12% over the period. As the net asset value at 31 December 2010 is below the hurdle rate no performance fee is payable in respect of the year. As detailed in Note 2, the Investment Manager is required to use a portion of any performance fee to purchase new shares in the Group if the shares are trading at a level in excess of the net asset value. As the share price was trading below net asset value when the performance fee was paid in respect of 31 December 2007 the manager was required to use that portion of the proceeds to acquire shares in the market. There is no such requirement in relation to the year ended 31 December 2010 and 31 December 2009 as no performance fee arose.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

3. Administrative Expenses

The prior year financial statements noted that the investment manager may receive part of its remuneration by way of a share based payment. Following a change in circumstances, the directors decided that any amounts that may be paid to the investment manager would be discharged without the issue of any shares. Accordingly, the directors formed the view that the references made in the prior year financial statements to share based payments were no longer relevant and accordingly are of the opinion that the prescribed accounting under IFRS 2 – Share based payments is not applicable in either the current or previous financial year.

4. Finance Income and Expense

	31 December 2010 Group €'000	31 December 2009 Group €'000
Interest received on deposits	79	64
Finance Income	79	64

	31 December 2010 Group €'000	31 December 2009 Group €'000
Interest paid on bank and other loans	1,072	551
Finance Expense	1,072	551

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

5. Income Tax

	31 December 2010 Group €'000	31 December 2009 Group €'000
Other tax		
Levy on unpaid up share capital and rental income	(59)	(28)
Deferred tax		
Comprehensive income	303	1,546
Tax credit for the year	244	1,518

Deferred tax principally relates to capital gains tax or equivalent that would be payable on the disposal of investment or other property assets at their current fair market value based on their carrying tax value.

Group **Deferred tax asset and liability**	2010 Assets	2010 Liabilities	2010 Combined	2009 Assets	2009 Liabilities	2009 Combined
	€'000	€'000	€'000	€'000	€'000	€'000
Opening Deferred tax assets	(76)	-	(76)	(99)	-	(99)
Opening Deferred tax liabilities	-	2,634	2,634	-	4,163	4,163
	(76)	2,634	2,558	(99)	4,163	4,064
Consolidated Consolidated Statement of Comprehensive Income						
Revaluation of land & property						
- Tax charge (credit)	76	(379)	(303)	-	(1,558)	(1,558)
Other items	-	-	-	12	-	12
	76	(379)	(303)	12	(1,558)	(1,546)
Consolidated Statement of financial position						
Foreign Exchange and other items	-	58	58	11	29	18
	-	58	58	11	29	18
Closing Deferred tax assets	-	-	-	(76)	-	(76)
Closing Deferred tax liabilities	-	2,313	2,313	-	2,634	2,634
	-	2,313	2,313	(76)	2,634	2,558

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

5. Income Tax (cont'd)

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.

Tax payable at 31 December 2010 and 31 December 2009 relates to taxes payable for a Special Defence Contribution levy charged in Cyprus on certain activities.

The Group has income tax losses of €3.4m (2009: €3.4m). The deferred tax asset associated with these losses is €506k (2009: €506k) of which €506k (2009: €422k) has not been recognised in the accounts as there is no expectation that the Group will earn taxable profits sufficient to utilise them.

The deferred tax liability has arisen based on the tax that would be payable by the Group if property assets held by it were sold at the current valuation based on the current tax rates in the appropriate jurisdiction and the current tax carrying value.

6. Earnings Per Share

The calculation of basic earnings per share at 31 December 2010 was based on the loss attributable to shareholders of €562k (2009: €7,912k) split between a loss from continuing operations of €1,280k (2009: loss of €7,740k) and profit from discontinued operations of €718k (2009: loss of €172k). The weighted average number of ordinary shares in issue during the year ended 31 December 2010 of 26,200,270 (2009: 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.

	31 December 2010 Group €'000	31 December 2009 Group €'000
Basic earnings per share		
Loss attributable to equity holders of the parent – continuing operations	(1,280)	(7,740)
Profit / (loss) attributable to equity holders of the parent – discontinued operations	718	(172)

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

6. Earnings per share (cont'd)

	31 December 2010 Group €'000	31 December 2009 Group €'000
Weighted average number of ordinary shares in issue during the year	26,200,270	26,200,270
Basic earnings per share (expressed as cents per share)		
- Continuing operations	(4.89)	(29.54)
- Discontinued operations	2.74	(0.66)

7. Investment Property

	Investment Property €'000
At 1 January 2009	31,050
Reclassification of Property as Investment Property	11,434
Fair value adjustment – continuing operations	(8,662)
Fair value adjustment – discontinued operations	142
Additions	1,826
At 31 December 2009 & 1 January 2010	35,790
Adjustments in respect of foreign exchange – continuing operations	811
Fair value adjustment – continuing operations	(690)
Fair value adjustment – discontinued operations (note 8)	832
Reclassification of investment property following sale of controlling interest (note 8)	(18,732)
Additions	63
Total	18,074

Investment properties are stated at fair value. The Group has appointed various independent and internationally recognised valuers with significant experience in the region to prepare valuations on a semi-annual basis (as at 30 June and at 31 December). Valuations are undertaken in accordance with International Valuation Standards published by the International Valuations Standards Committee. The fair value adjustment includes foreign exchange differences on conversion of the Russian assets from US dollar to Euro.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

7. Investment Property (continued)

The valuation method inter alia considers profit, cost, and market approaches as appropriate. The valuations consider the value of the property based on the expected sale value at completion less any expenditure required to realise this value. The valuations consider the expected rent roll rental yields for similar properties. The valuation method also considers comparative deals, to the extent that any relevant transactions have occurred, in the market at the time of the valuation.

The valuation methods and key assumptions used by project are outlined below.

Krasta 99a
The external valuation estimate was prepared using the Income Approach method. This considered future discounted income, rate used 11.8% commencing with partial rental occupancy and commercial and office sales revenue from the end of 2015 to 2017 and allowing for construction, development costs and operating expenses from 2011.

Pirita tee
The external valuation estimate was prepared using the Sale comparison method. The method of valuation considered recent sales of comparable property going back over six months. Consideration was also given to location, which has been recognised as a location for somewhat luxury apartments in the upper price segment, scale of sea view, the clear development concept and the approved detail planning.

10A Bolshaya Pushkarskaya Street
The external valuation estimate was prepared using the Income Approach method. This considered both existing and future discounted rental income, rate used 12.1%. Development and construction costs have also been considered commencing twelve months from this year end and envisioned to complete in four years.

Given the significance of the value of the property at 10A Bolshaya Pushkarskaya Street in terms of the current year balance sheet and the future plans of the directors, sensitivity analysis was completed on the valuation assuming the following ;

	Increase in Valuation €'000	**Decrease in Valuation €'000**
10% increase in rents	2,458	-
10% decrease in rents	-	(2,485)
10% increase in development costs	-	(1,327)
10% decrease in development costs	1,301	-
10% increase in required rate of return	-	(763)
10% decrease in required rate of return	786	-

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

8. Assets classified as held for sale and discontinued operations

In October 2010 the Group sold 30.7% of its 80.7% holding in Focus Kinnisvara OU, the entity that owned the "Metro Plaza" property in Tallin, Estonia, realising a gain on disposal (as calculated in accordance with IAS 27 – Consolidated and Separate Financial Statements) of €255,000. Arising from this, the company ceased to hold a controlling interest in this entity and accordingly ceased to consolidate the results, assets and liabilities of this now former subsidiary from the date of the loss of control. Any amounts previously included in respect of non-controlling interests (€1,218) and the foreign currency translation reserve (€178k) has been eliminated. The gain on disposal has been calculated as follows;

	€'000	€'000
Proceeds from sale		2,167
Net assets at date of sales	6,226	
Percentage sold	30.7%	
Deemed cost of disposal		(1,912)
Profit on disposal		255

Following the sale of the 30.7% shareholding, the remaining 50% was immediately made available for sale. The sale of the remaining 50% was completed subsequent to the year end. In accordance with IFRS 5 – "Non-current Assets Held for Sale and Discontinued Operations", the associate interest has been reclassified from non-current financial fixed assets to "Assets included in disposal group as held for sale". The investment in the associate undertaking has been measured in accordance with IFRS 5 with the affect that the value of the asset has been adjusted to its net realisable value less costs to sell. The loss arising as a result of this fair value adjustment is disclosed below.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

8. Assets classified as held for sale and discontinued operations – continued

	€'000	€'000
Sale proceeds received post year end		3,000
Net assets at 31 December 2010	6,625	
Percentage sold	50.0%	
Deemed cost of disposal		(3,312)
Loss on remeasurement of asset held for sale		(312)

The results of the operations of this operating segment have been included on the statement of total comprehensive income within the single line item "Profit / (loss) for year from discontinued operations". The detailed analysis of the segments results are included below. The comparative financial statement amounts have been adjusted to reflect the fact that the segment is now discontinued.

The results of the operations of this operating segment have been included on the statement of total comprehensive income within the single line item "Profit / (loss) for year from discontinued operations". The detailed analysis of the segments results are included below. The comparative financial statement amounts have been adjusted to reflect the fact that the segment is now discontinued.

	2010 €'000	**2009 €'000**
Rental income	1,105	965
Rental related expenses	(249)	(237)
Changes in value of investment property (note 7)	832	142
Administration expenses	(43)	(182)
Operating profit / (loss)	1,645	688
Finance costs	(363)	(902)
Profit/(loss) from discontinued operations before tax	1,282	(214)
Taxation	-	-
Profit/(loss) from discontinued operations after tax	1,282	(214)
Loss on re-measurement of asset held for sale	(312)	-
Profit/(Loss) for year from discontinued operations	970	(214)

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

8. Assets classified as held for sale and discontinued operations – continued

The carrying amounts of assets and liabilities held for sale is summarised below as are the details of the amounts previously consolidated.

	2010 €'000	2009 €'000
Non-current assets		
Investment property*	-	17,900
Current assets		
Accounts receivable	-	617
Cash and cash equivalents	-	140
	-	18,657
Assets classified as held for sale	3,000	-
Non-current liabilities		
Bank loans	-	13,275
Current liabilities		
Bank loans	-	438
Trade and other payables	-	196
	-	13,909

*The value of the investment property increased by €832,000 in the period between 1 January 2010 and 30 September 2010 resulting in a fair value at the date of loss of control of €18,732,000 (see note 7).

Cash flows generated by Focus Kinnisvara OU for the reporting periods under review can be summarised as follows;

	2010 €'000	2009 €'000
Operating activities	(157)	(2,255)
Investing activities	2,167	(1,658)
Financing activities	(61)	(6,862)
	1,949	(10,775)

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

9. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- Metro Plaza, Tallinn, Estonia, (sold post year end).
- Krasta 99, Riga, Latvia
- Pirita Road, Tallinn, Estonia
- Bolshaya Pushkarskaya, St Petersburg, Russia

At 31 December 2010	Krasta 99 €'000	Pirita Road €'000	Bolshaya Pusharskaya €'000	Group* €'000	Total €'000
Revenue					
Rental income	-	34	755	-	789
Rental related expenses	-	(1)	(835)	-	(836)
Net rental income	-	33	(80)	-	(47)
Results					
Changes in value of investment and other property	(19)	(301)	441	-	121
Gain on disposal of controlling interest	-	-	-	255	255
Administrative expenses	(71)	(15)	(225)	(849)	(1,160)
Finance income	-	1	78	-	79
Finance expense	(538)	(474)	(60)	-	(1,072)
Other	-	-	28	-	28
Segment result	(628)	(756)	182	(594)	(1,796)
Non-current assets	3,081	3,860	11,133	12	18,086
Current assets	298	12	170	434	914
Operating Liabilities	(9,941)	(8,610)	(3,742)	8,265	(14,028)

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

9. Operating Segment Information – continued

At 31 December 2009	Krasta 99 €'000	Pirita Road €'000	Bolshaya Pusharskaya €'000	Group* €'000	Total €'000
Revenue					
Rental income	-	44	657	-	701
Rental related expenses	-	-	(610)	-	(610)
Net rental income	-	44	47	-	91
Results					
Changes in value of investment and other property	(1,868)	(529)	(6,265)	-	(8,662)
Administrative expenses	(74)	(19)	(38)	(753)	(884)
Finance income	2	14	44	4	64
Finance expense	(1,003)	(410)	(148)	1,010	(551)
Other	-	-	-	13	13
Segment loss	(2,943)	(900)	(6,360)	274	(9,929)
Non-current assets	3,100	4,100	10,697	-	17,897
Current assets	307	269	231	164	971
Operating Liabilities	(9,341)	(8,350)	(4,016)	7,683	(14,024)

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. As detailed in note 8 above, the company sold its controlling interest in the entity that owned Metro Plaza on 30 September 2010. The company retained a 50% interest at 31 December 2010. An analysis of the results, assets and liabilities of that operating segment is included within note 8 to the financial statements.

The operating segment described as Group in the tables above includes, expenses, assets and liabilities managed centrally and not allocated to individual components. It also includes certain adjustments and eliminations booked on consolidation and not allocated to individual operating segments. The 2009 analysis of assets and liabilities does not agree with the statement of financial position as the assets and liabilities attributed to Metro Plaza have been excluded. An analysis of same is provided in Note 8 to the financial statements.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

9. Operating Segment Information continued

Geographic information

	31 December 2010 €'000	31 December 2009 €'000
Net rental income		
Estonia – continuing operations	33	44
Russia – continuing operations	(80)	47
Rental income	(47)	91
Estonia – discontinued operations	856	728
	809	819

	31 December 2010 €'000	31 December 2009 €'000
Non-current assets (investment properties)		
Estonia – continuing	3,860	4,100
Latvia	3,081	3,100
Russia	11,133	10,697
Total non-current assets (investment properties)	18,074	17,897
Estonia – discontinued (note 8)	-	17,900
Total non-current assets (investment properties)	18,074	35,797

	31 December 2010 €'000	31 December 2009 €'000
Net Asset Value attributable to shareholders in the parent		
Estonia	4,905	4,277
Latvia	(293)	335
Russia	8,887	8,355
Group	(3,783)	(2,867)
Total net assets	9,716	10,100

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

10. Trade and Other Receivables and Amounts Due from Group Companies

	31 December 2010 Group €'000	31 December 2010 Company €'000	31 December 2009 Group €'000	31 December 2009 Company €'000
Prepayments	-		12	-
Trade receivables	99	-	-	-
VAT receivable	283	-	356	-
Impairment of receivables	(39)	-	-	-
Interest due from Group companies	-	7,561	-	5,275
Impairment of interest due	-	(7,561)	-	(5,275)
Total trade and other receivables	343	-	368	-
Trade receivables – discontinued operations (note 8)	-	-	617	-
Trade and other receivables	343	-	985	-

As at 31 December, the ageing analysis of trade receivables of the Group is as follows:

Aging of past due

	31 December 2010 €'000	31 December 2009 €'000
0 – 90 days	91	51
>90 days	8	566
Total	99	617

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

11. Cash and Cash Equivalents & Restricted Cash

	31 December 2010 Group €'000	31 December 2010 Company €'000	31 December 2009 Group €'000	31 December 2009 Company €'000
Sterling cash	1	1	3	1
Euro cash	440	46	204	4
Rouble cash	26	-	92	-
Estonian cash	5	-	30	-
Latvian cash	1	-	-	-
Dollar cash	-	-	21	-
Total cash and cash equivalents	473	47	350	5
Cash and cash equivalents-discontinued operations	-	-	140	-
Cash and cash equivalents	473	47	490	5

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

	31 December 2010 Group €'000	31 December 2010 Company €'000	31 December 2009 Group €'000	31 December 2009 Company €'000
Cash at banks and on hand	473	47	490	5
Restricted cash deposit	-	-	114	-

Included within restricted cash is €nil (2009: €114k) deposits which is held by banks against loans they have provided. These amounts cannot be used by the Group until those loans are repaid.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

12. Interest Bearing Bank Loans

	31 December 2010 Group €'000	31 December 2009 Group €'000
At beginning of year as originally reported	20,303	17,746
Accrued interest	159	240
New bank loans	-	2,317
Repaid during year	(186)	-
At end of year	20,276	20,303
Reclassified to discontinued operations (note 8)	(13,527)	(13,713)
	6,749	6,590

Group interest bearing bank loans at 31 December 2010

Current

Loan	Interest Rate	Maturity	Amount €'000
Unicredit bank, EUR	Euribor +5.67%	19/5/2010*	3,780
SEB Latvijas Unibanka, EUR	6%	2/10/2011**	1,285
Danska Bank, EUR	6%	2/10/2011**	885
SEB Latvijas Unibanka, EUR	6%	2/10/2011**	400
Accrued interest		2/10/2011**	399
			6,749

* Rolling credit term facility which is secured by the assets of the Group's subsidiary OU Pirita tee 26.

** SIA D Tilts Holdings (D.Tilts) (an 80% owned subsidiary of the Group) has bank loans of €2.97m outstanding at year end. These loans were in breach of covenant during the year and D.Tilts was unable to reach agreement with the bank on the terms of a restructuring. D.Tilts therefore sought and was granted legal protection from its creditors for a period of two years from 2 October 2009. During that time D.Tilts is protected from its creditors, provided that it meets the requirements of the insolvency protection plan.

These loans are secured on the assets of SIA D Tilts Holdings and its subsidiaries which have assets with carrying value of €3.1 million. There is no recourse to the Group in respect of said loans.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

12. Interest Bearing Bank Loans (cont'd)

Group interest bearing bank loans at 31 December 2009

Current

Loan	Interest Rate	Maturity	Amount €'000
Danska Bank, EUR	Euribor +2.5%	3/10/2017	438
Unicredit bank, EUR	Euribor +5.67%	19/5/2010**	3,780
			4,218
Reclassified to discontinued operations (note 8)			(438)
Current – continuing operations			3,780

** Subsequently extended to November 2010

Non-current

Loan	Interest Rate	Maturity	Amount €'000
Danska Bank, EUR	Euribor +2.5%	3/10/2017	13,275
SEB Latvijas Unibanka, EUR	6%	2/10/2011*	1,285
Danska Bank, EUR	6%	2/10/2011*	885
SEB Latvijas Unibanka, EUR	6%	2/10/2011*	400
Accrued interest		2/10/2011*	240
			16,085
Reclassified to discontinued operations (note 8)			(13,275)
Current – continuing operations			2,810

13. Other Loans

	Maturity Date	31 December 2010 Group	31 December 2009 Group
Non-current Loans			
Non-controlling interest loans	No Fixed Date	2,319	2,219
		2,319	2,219
Current Loans			
Investment adviser loans			
BAP Holding	Oct 2010	1,652	1,870
		1,652	1,870

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

13. Other Loans (cont'd)

Metro Baltic Horizons holds less than 100% of the issued share capital in certain subsidiaries. These subsidiaries are funded by intercompany and other third party loans. These loans are made on similar terms with interest accruing at 6.0% per annum. The loans have no fixed repayment date.

In addition the Investment Adviser provided a loan to the Group in 2008; details of which are given in Note 20.

14. Trade and Other Payables

	31 December 2010 Group €'000	31December 2010 Company €'000	31 December 2009 Group €'000	31 December 2009 Company €'000
Directors' fees	7	7	8	8
Management fees	473	-	538	-
Interest accruing on management fees	70	-	-	-
Other trade payables and accruals	341	159	192	7
Total trade and other payables – Continuing operations	891	166	738	15
Trade and other payables – Discontinued operations	-	-	158	-
Trade and other payables –	891	166	896	15

Terms and conditions of the above financial liabilities:

Directors fees are non-interest bearing and are normally settled on 30-day terms. Management fees are interest bearing at a rate of 12%. Other trade payables are non-interest bearing and are normally settled on 30-day terms. Other accruals are non-interest bearing and are normally settled on 30-day terms.

The group entered an agreement with its main contractor involved in the construction of Metro Plaza property, held in Focus Kinnisvara OU as of 31 December 2009 under which the contractor agreed to convert a trade debt owed to it by Focus Kinnisvara OU into a stake of 19.7% in Focus Kinnisvara OU.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

15. Issued Capital	31 December 2010 Number of shares	€'000	31 December 2009 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 the total proceeds of €38,775k. 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.

16. Net Asset Value Per Share

	31 December 2010 Group €'000	31 December 2009 Group €'000
Net Asset Value attributable to ordinary shareholders	9,716	10,100
Deferred tax	2,313	2,558
Net Asset Value excluding deferred tax	12,029	12,658
Ordinary shares in issue at the end of the period	26,200,270	26,200,270
Net Asset Value per share (cents per share)	0.37	0.39
Net Asset Value excluding deferred tax (cents per share)	0.46	0.48

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

17. 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.

18. Financial Instruments

The Group holds cash and has received interest bearing loans from external parties, it also has trade debtors in respect of rent from tenants.

Risk Management
The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign exchange risk and interest 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. The Net Asset Value is however affected by market movements, particularly changes in the value of investment properties whose value changes are affected by factors outside the Groups control. The Group uses gearing in the normal course of its business. Debt is managed on a non recourse basis at the subsidiary level with the exception of the BAP loans details of which are given in note 20.

	31 December 2010 €'000	31 December 2009 €'000
Total Assets	22,000	37,525
Total Liabilities	14,028	27,930

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

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

18. Financial Instruments (cont'd)

Collateral and guarantees

The Group has given mortgages over land and buildings in various subsidiaries as collateral to providers of finance. These mortgages are given in the normal course of business.

Mortgages have been provided over the following properties:

Property	Property Value	Mortgage Value
	€'000	€'000
Krasta 99*	3,081	2,969
Bolshaya Pushkarskaya**	11,133	1,652
Pirita	3,860	3,780
Total	18,074	8,041

* These loans are secured on the assets of SIA D Tilts Holdings and its subsidiaries which have assets with carrying value of €3.1 million. There is no recourse to the Group in respect of said loans.

** Details of the BAP Holdings loans and any related securities are given in Note 20.

Credit risk

Credit risk is the risk that an issuer or counter party 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 a counterparty the Group may suffer losses.

The Group has trade debtors relating to the rents at some of its properties. The credit risk associated with these tenants is managed by ensuring rents are payable in advance and ensuring through initial due diligence that tenants are of sufficiently high quality that the risk of default is considered low. The Group's maximum exposure to credit risk and aging of debtors is provided in Trade and other receivables and amounts due from Group companies Note 10.

The group is also exposed to credit risk on deposits with banks. Sampo Bank held the majority of the Group's cash at year end. Sampo 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. This is principally affected by changes in the value of the underlying properties which are re-valued bi-annually.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

18. 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.

Investments in property are relatively illiquid, however, the Group has tried to mitigate this risk by investing in properties in good locations. The Group's objective is to maintain a balance between continuity of funding and flexibility through use of long term borrowing to finance the acquisition of properties.

2010	< 3 Months	3-12 Months	1-5 Years	>5Years	Total
Bank loans	-	7,154	-	-	7,154
Other loans	-	1,822	2,319	-	4,141
Trade and other payables	891	-	-	-	891
					12,186

2009	< 3 Months	3-12 Months	1-5 Years	>5Years	Total
Bank loans	110	4,696	4,828	14,557	24,191
Other loans	-	2,182	2,219	-	4,401
Trade and other payables	922	-	-	-	922
					29,514

The above amounts are inclusive of the estimated interest cost and therefore will not agree to the loan balances as set out elsewhere in the accounts.

The Group has managed its liquidity by selling its shareholding in Focus Kinnisvara. The Group may also consider the sale or part sale of individual properties or an equity fundraising in due course. Specific details with respect to the BAP Holdings loan are given in Note 20.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

18. Financial Instruments (cont'd)

Foreign exchange risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In all of the regions in which the Group operates, with the exception of Russia, assets and liabilities are denominated in Euro or currencies with fixed exchange rates to the Euro. In Russia the assets and income are typically denominated in US dollars. To mitigate the foreign exchange risk the Group will typically arrange its bank funding in the same currency in which the assets are denominated. 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 US$ / Euro Rate	% Change	Effect on Profit before Tax €'000
2010	+10%	1,012
	-10%	(1,113)
2009	+10%	1,188
	-10%	(972)

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 groups long-term debt obligations which have floating interest rates. The group does not use interest rate swaps or other hedging instruments to manage this risk.

The interest rate profile of the Group at 31 December 2010 was as follows:

	Total €'000	Fixed Rate €'000	Variable Rate €'000	Non-interest Bearing €'000	Weighted Avg. Rate %
Cash and cash equivalents	473	473	-	-	0.1%
Bank loans	(6,749)	(2,969)	(3,780)	-	6%
BAP holdings loan	(1,652)	(1,652)	-	-	20.0%
Non-controlling interest loans	(2,319)	-	-	(2,319)	6%*
	(10,247)	(4,148)	(3,780)	(2,319)	

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

18. Financial Instruments (cont'd)

Interest rate risk (cont'd)

*Non controlling interest loans are normally interest bearing however their repayment is dependent on the value achieved on the disposal of certain properties. As the value of those properties is currently below the level required to result in interest actually being paid the effective interest rate for the purposes of this note is Nil.

The interest rate profile of the Group at 31 December 2009 was as follows:

	Total	Fixed Rate	Variable Rate	Non-interest Bearing	Weighted Avg. Rate
	€'000	€'000	€'000	€'000	%
Cash and cash equivalents	490	-	490	-	0.1%
Bank loans	(20,303)	(2,570)	(17,733)	-	4.4%
BAP holdings loan	(1,870)	(1,870)	-	-	20.0%
Non-controlling interest loans	(2,219)	-	-	(2,219)	6%*
	(23,902)	(4,440)	(17,243)	(2,219)	

Impact of a 1% rise in the Euro floating rate

	% Change	Effect on Profit before Tax €'000
2010	+1%	38
	-1%	(38)
2009	+1%	173
	-1%	(173)

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

19. Subsidiaries and Non-Controlling Interest

Investments in subsidiaries

	31 December 2010 Company €'000	31 December 2009 Company €'000
Share capital of subsidiaries	-	-
Loans to subsidiaries	36,555	36,717
Impairment of loans to subsidiaries	(28,973)	(23,779)
Capital contributions to subsidiaries	35	35
Impairment of capital contributions to subsidiaries	(35)	(35)
Total investments in subsidiaries	7,582	12,938

The Company has made loans and capital contributions to subsidiaries whose net asset value have fallen below the value of the loans granted. The Board has 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 them if the asset of the subsidiaries were disposed of at their book value and their existing liabilities repaid. This was completed through accumulated impairment charges totalling €29.7 million of which €7.4m was booked in the current year.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

19. Subsidiaries and Non-Controlling Interest - continued

The following were the companies in the Group at 31 December 2010:

Name	Securities in issue	Principal activity	Country of incorporation	Beneficial interest 2010	2009
Metro Baltic Guernsey ltd.	2 shares of €1 each	Intermediate holding company	Guernsey	100%	100%
Pedragon Investments ltd.	2,000 shares of €1 each	Intermediate holding company	Cyprus	100%	100%
Metro Baltic Netherlands B.V.	18,000 shares of €1 each	Non-trading	Netherlands	100%	100%
Goldbrick Investments ltd.	4,417,288 shares of €1 each	Development company	Cyprus	100%	100%
Focus Kinnisvara OU	1 share of EEK 50,000	Development company	Estonia	50%	80.7%
OOO Gruppa Kub	1 share of RUB 10,000	Non-trading	Russia	100%	100%
SIA D Tilts Holdings	100 shares of LVL 56,251 each	Intermediate holding company	Latvia	80%	80%
SIA El Mart	20 shares of LVL 100 each	Development company	Latvia	80%	80%
OU Pirita tee 26	1 share of 8,000 EEK and 1 of 32,000 EEK	Development company	Estonia	80%	80%

During the year, the company disposed of 30.7% of its shareholding in Focus Kinnisvara OU. At year end the remaining 50% investment in this entity is treated as available for sale (see note 8), and is classified as a current asset.

There have been no other changes in the company's investments during the year or since the period end.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

19. Subsidiaries and Non-Controlling Interest - continued

In the year to December 2009 the Company's holding in Focus Kinnisvara OU was reduced from 100% as of 31 December 2008 to 80.3% as of 31 December 2009 as a result of an agreement with its main contractor involved in the construction of Metro Plaza property, held in Focus Kinnisvara OU groups subsidiary as of 31 December 2009 under which the contractor agreed to convert a trade debt owed to it by Focus Kinnisvara OU into a stake of 19.3% in Focus Kinnisvara OU.

Also in the year to December 2009 shareholder loans of €8,000k were converted into equity in SIA D Tilts. The shareholders converted loans in proportion with their shareholdings thus the Non-Controlling Interest loans of €1,600k and intergroup loans of €6,400k were converted. As shareholding proportions remained unchanged the increase in equity was achieved by increasing the par value of the shares from 27 LVL to 56,251 LVL.

The total value of liabilities converted to minority equity during the year was €2,571k.

20. BAP Holdings Loan

In order to obtain finance for certain of the Group's projects, in or about April 2009, Goldbrick and another Group company, Pedragon Investments Limited ("**Pedragon**"), entered into a series of transactions with OÜ BAP Holding ("**BAP**"), a special purpose vehicle incorporated in Estonia by MCM to raise finance for the Group through the issue of secured, high yield bonds (the "**Loan Notes**"). The transactions included a loan agreement dated 4 April 2009, secured by a mortgage over the St Petersburg property. The Board is currently investigating a number of aspects of these transactions including (a) the validity of the loan agreement and the mortgage, (b) the fact that a very substantial proportion of the Loan Notes were issued to parties related to MCM, and (c) a series of purported assignments of the loan agreement and the mortgage to third parties. The ultimate purported assignee of the loan agreement is claiming approximately €1.9m (as at 20 April 2011) from Pedragon, including interest at a rate of 40%, and has commenced proceedings in Russia seeking an order for the sale of the St Petersburg property. This Russian hearing has been adjourned until 6th December 2011. In addition the Estonian courts have ruled forbidding BAP in Estonia from taking any steps toward executing the mortgage and forbidding further assignment pending determination of the disputed status of the loan agreement.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

21. Employees

At 31 December 2010 the Group had 53 (2009: 47) employees. The average number of employees for the year ended 31 December 2010 was 48 (2009: 47).

	31 December 2010 Group €'000	31 December 2009 Group €'000
Wages and salaries	274	207
Social security cost	50	51
	324	258

22. 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.

Key management comprises the Investment Manager, Investment Adviser and Directors. The Board is in the process of investigating the full extent of transactions with key management which will be subject to further announcements in due course. Those identified to date are detailed below.

As disclosed in note 3 the Investment Manager's management fee of the year ended 31 December 2010 was €404k (2009: €495k). Interest accruing on these fees totalled €70k. The directors have assumed that any amounts currently outstanding will not be paid. There is no performance fee expense and performance fee payable for the year ended 31 December 2010 (2009: Nil).

20% of the share capital of SIA D Tilts Holdings is held by a vehicle which is a wholly owned subsidiary of the Investment Adviser. 20% of the share capital of OU Pirita tee 26 is held by Non-Controlling Interests through a vehicle managed by the Investment Adviser.

Directors' fees expense for the year ended 31 December 2010 amounted to €31k (2009: €34k). Directors' fees payable at the year ended 31 December 2010 amounted to €7k (2009: €8k).

Additionally, the Investment Advisers are tenants at the Metro Plaza Property (see Note 8 and 9). The company granted the investment manager a 5 year

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

22. Related Party and Key Management Transactions- (cont'd)

lease commencing 1 May 2009. Annual rent payable under this lease was €46k. Any amounts outstanding at year end are under normal credit terms.

In the financial year ended 2008 the Group arranged a loan from BAP Holding OÜ, a special purpose vehicle established and part-funded by the Investment Adviser to raise funds for the Group. This facility matured on 15 October 2010. The balance is collateralised by a mortgage over Bolshaya Pushkarskaya (See Financial Instruments note 18). The balance outstanding at 31 December 2010 was €1.56m (2009: €1.87m). The Group has extended the use of this facility in the financial year 2010 and subsequent to the year end (See the Subsequent Events Note 24). The Investment Adviser invested £625k in BAP Holding OU during 2008. The balance of the funding of BAP Holding OU was sourced through the issue of secured, high yield bonds (the "Loan Notes"), approximately 90% of which were issued to parties related to the Investment Adviser. Since the year end the Loan Notes and ownership of BAP Holding OU have been transferred to another Estonian entity whose relationship to the Investment Manager is unknown. See the Subsequent Events Note 24. This whole transaction is being reviewed.

23. Commitments

The Group has no commitments as at year end.

At 31 December 2009 the total commitments under existing contracts were estimated as follows:

Subsidiary	Total	0-12 Months	13-24 Months	>24 Months
Focus Kinnisvara OU	€0.4m	€0.4m	-	-
Total	€0.4m	€0.4m	-	-

Commitments related to loans and overdrafts are disclosed in notes 12, 13 and the collateral paragraph of note 18.

Notes to the financial statements (cont'd)
For the year ended 31 December 2010

24. Subsequent Events

The following events have occurred subsequent to the year end

- Since the year end the Group have sold their remaining interest in Metro Plaza for €3 million being the amount at which this asset is recognised in these financial statements.
- MBH asked the directors of D tilts to consider filing for bankruptcy as creditor protection is coming to an end and MBH do not intend to fund D Tilts further.

25. Approval of Financial Statements

The financial statements were approved by the board of directors on 2 August 2011.