

**Baltic Operations Ltd**

Registered No. 09187499

Financial statements

for the year ended 30 September 2016

(All figures are in USD except if otherwise indicated)

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**Financial Statements of**

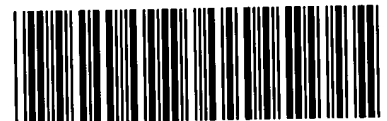
**Baltic Operations Ltd**

Prepared in accordance with International Financial  
Reporting Standards as adopted by the EU  
for the year ended 30 September 2016

London, 28 June 2017

**MACFARLANES LLP**  
**20 CURSITOR STREET**  
**LONDON**  
**EC4A 1LT**

THURSDAY



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29/06/2017

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COMPANIES HOUSE

## Baltic Operations Ltd

Registered No. 09187499

Financial statements

for the year ended 30 September 2016

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**I. Corporate information**

**Directors of the Company**

Andrew Biggs

Timothy Gillis (appointed on 01 March 2017)

Frank Weller (resigned on 31 December 2015)

Natalie Cousens (resigned on 31 December 2016)

Mark Toon (resigned on 01 January 2017)

**Secretary**

Mark Berlind

**Bankers**

The Royal Bank of Scotland

280 Bishopsgate

London, UK, EC2M 4RB

**Solicitors**

Macfarlanes LLP

20 Cursitor Street

London, UK, EC4A 1LT

**Registered Office**

15 Canada Square

London, UK, E14 5GL

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### **II. Directors' report**

**Registered No. 09187499**

The directors present their report for the year ended 30 September 2016.

#### **Principal activity**

KPMG Capital Ltd is the parent company and KPMG Capital Holding Ltd is the ultimate controlling party of Baltic Operations Ltd ('the Company').

Subsequent to the year end, on 2 December 2016 Bottlenose, Inc., an associate through ownership of 33.72% announced it would go bankrupt. Management has considered the potential scenarios and concluded that no further cash flows are expected from the investment. Taking into consideration that the financial problems of Bottlenose, Inc. had already existed at 30 September 2016 and the fact the bankruptcy just confirmed these assumptions, management decided to impair the Company's investment in Bottlenose, Inc. fully as at 30 September 2016.

Consequently, the Company also impaired the investment in its 100% subsidiary, Baltic Operations LLC fully as at year end.

#### **Results**

The Company has made a loss of USD 14,547,138 for the year ended 30 September 2016.

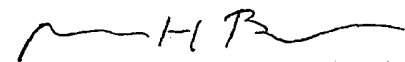
#### **Directors of the Company**

The current directors are shown on page 2.

#### **Non-going Concern**

After making appropriate enquiries and reviewing the current financial position that no further cash flows are expected from any of the Company's investments, the directors considered that the Company has no adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a non-going concern basis.

By order of the board



Mark Berlind  
Secretary

Date:

28 June 2017

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### III. Directors' responsibility statement

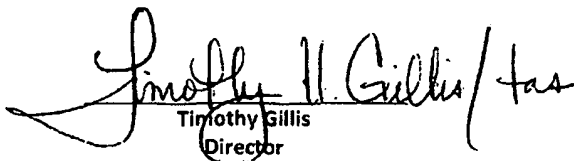
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

  
Timothy H. Gillis  
Director

Date: 6/28/2017

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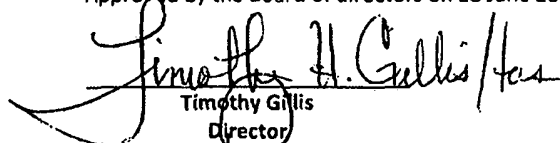
## IV. Statement of financial position

in USD	Notes	30 September 2016	30 September 2015
<b>Assets</b>			
Investments	9	-	10,050,000
<b>Non-current assets</b>		-	10,050,000
Cash and cash equivalents	11	5,885	1
<b>Current assets</b>		5,885	1
<b>Total assets</b>		5,885	10,050,001
<b>Equity</b>			
Share capital	12	10,051	10,051
Share premium	12	10,039,950	10,039,950
Retained earnings		(15,726,936)	(1,179,798)
<b>Equity attributable to owners</b>		(5,676,935)	8,870,203
<b>Total equity</b>		(5,676,935)	8,870,203
<b>Liabilities</b>			
Amounts due to related parties		1,492,481	1,019,107
Amounts due to owners		4,157,980	-
Trade payables		2,189	3,000
Accruals	13	30,170	157,691
<b>Current liabilities</b>		5,682,820	1,179,798
<b>Total liabilities</b>		5,682,820	1,179,798
<b>Total equity and liabilities</b>		5,885	10,050,001

For the financial year ended 30 September 2016 the Company was entitled to exemption from audit under section 477 Companies Act 2006. No member of the Company has deposited a notice, pursuant to section 476, requiring an audit of these financial statements under the requirements of the Companies Act 2006. The directors acknowledge their responsibilities for ensuring that the Company keeps accounting records which comply with section of the Act and for preparing financial statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to accounts, so far as applicable to the Company.

The notes on pages 9 to 19 form part of the financial statements.

Approved by the Board of directors on 28 June 2017 and signed on their behalf by:

  
 Timothy Gillis  
 Director

Date: 6/28/2017

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**V. Statement of comprehensive income**

For the year ended 30 September 2016.

in USD	Notes	2016	2015
Administrative expenses	14	(373,984)	(1,179,798)
Impairment	9,10	(14,172,980)	-
<b>Operating loss</b>		<b>(14,546,964)</b>	<b>(1,179,798)</b>
Finance expenses	15	(174)	-
<b>Net finance costs</b>		<b>(174)</b>	<b>-</b>
<b>Loss before tax</b>		<b>(14,547,138)</b>	<b>(1,179,798)</b>
Tax expense	16	-	-
<b>Loss after tax</b>		<b>(14,547,138)</b>	<b>(1,179,798)</b>
Loss attributable to owners		(14,547,138)	(1,179,798)
<b>Total comprehensive income for the year</b>		<b>(14,547,138)</b>	<b>(1,179,798)</b>
<b>Total comprehensive income attributable to owners</b>		<b>(14,547,138)</b>	<b>(1,179,798)</b>

The notes on pages 9 to 19 form part of the financial statements.

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**VI. Statement of cash flows**

in USD	Notes	2016	2015
Loss after tax		(14,547,138)	(1,179,798)
Impairment losses	9	14,112,980	-
Changes in trade payables		(811)	3,000
Changes in accruals	13	(127,521)	157,691
<b>Cash generated from operating activities</b>		<b>(562,490)</b>	<b>(1,019,107)</b>
<b>Net cash flows from operating activities</b>		<b>(562,490)</b>	<b>(1,019,107)</b>
Investments	9	(4,062,980)	(10,050,000)
<b>Net cash flows used in investing activities</b>		<b>(4,062,980)</b>	<b>(10,050,000)</b>
Cash received for share capital issued	12	-	10,050,001
Amounts due to owners		4,157,980	-
Amounts due to related parties		473,374	1,019,107
<b>Net cash flows from financing activities</b>		<b>4,631,354</b>	<b>11,069,108</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,884</b>	<b>1</b>
Cash and cash equivalents at the beginning of the year		1	-
<b>Cash and cash equivalents at 30 September</b>		<b>5,885</b>	<b>1</b>

The notes on pages 9 to 19 form part of the financial statements.



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### VII. Statement of changes in equity

For the year ended 30 September 2016.

in USD	Share capital	Share premium	Retained earnings	Total equity
<b>Balance at 1 October 2015</b>	<b>10,051</b>	<b>10,039,950</b>	<b>(1,179,798)</b>	<b>8,870,203</b>
Loss	-	-	(14,547,138)	(14,547,138)
<b>Total comprehensive income</b>	-	-	<b>(14,547,138)</b>	<b>(14,547,138)</b>
Issue of shares	-	-	-	-
Transaction with owners	-	-	-	-
<b>Balance at 30 September 2016</b>	<b>10,051</b>	<b>10,039,950</b>	<b>(15,726,936)</b>	<b>(5,676,935)</b>

in USD	Share capital	Share premium	Retained earnings	Total equity
<b>Opening balance 22 August 2014</b>	-	-	-	-
Loss	-	-	(1,179,798)	(1,179,798)
<b>Total comprehensive income</b>	-	-	<b>(1,179,798)</b>	<b>(1,179,798)</b>
Issue of shares	10,051	10,039,950	-	10,050,001
Transaction with owners	10,051	10,039,950	-	10,050,001
<b>Balance at 30 September 2015</b>	<b>10,051</b>	<b>10,039,950</b>	<b>(1,179,798)</b>	<b>8,870,203</b>

The notes on pages 9 to 19 form part of the financial statements.

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**VIII. Notes to the financial statements**

**1. Reporting entity**

Baltic Operations Ltd was incorporated under the laws of England and Wales as an English private limited company on 22 August 2014. The Company's registered office is at 15 Canada Square, London, UK, E14 5GL.

KPMG Capital Ltd is the parent company and KPMG Capital Holding Ltd is the ultimate controlling party of Baltic Operations Ltd.

The comparative information is for a longer period from the date of incorporation to 30 September 2015.

Subsequent to the year end, on 2 December 2016 Bottlenose, Inc., an associate through ownership of 33.72% announced it would go bankrupt. Management has considered the potential scenarios and concluded that no further cash flows are expected from the investment. Taking into consideration that the financial problems of Bottlenose, Inc. had already existed at 30 September 2016 and the fact the bankruptcy just confirmed these assumptions, management decided to impair the Company's investment in Bottlenose, Inc. fully as at 30 September 2016.

Consequently, the Company also impaired the investment in its 100% subsidiary, Baltic Operations LLC.

**2. Basis of accounting**

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The financial statements have been prepared on the historical cost basis of accounting, except for measurement at fair value where applicable. The accounts have been prepared on a non-going concern basis as noted in the directors' report.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Details of the Company's accounting policies are included in Note 5.

**3. Functional and presentation currency**

The share capital is determined and provided in USD. The Company's investments and the majority of its expenses are in USD. Management has determined USD to be the currency of the Company's primary economic environments.

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Thus the Company has USD as its functional currency and the financial statements have also been prepared in USD. All amounts have been rounded to the nearest dollar, unless otherwise indicated.

**4. Use of estimates and judgements**

The preparation of the financial statements in conformity with the following accounting policies requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of amount, events or actions, actual results ultimately may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The following are key management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

**Impairment**

Impairment calculations are based on management's expectation on future cash flows of the Company's investments. Note 1 and 9 contain further details.

**5. Accounting policies**

**a. Foreign currency**

**Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions (spot rates). Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. All differences are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency using the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated to the functional currency using the exchange rate at the date of transaction. Gains and losses arising on re-measurement are included in the profit or loss.

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### ***b. Financial instruments***

#### **Non-derivative financial instruments**

Financial assets and financial liabilities are recognised initially on the date that they are originated. All other financial instruments are recognised initially at the trade date, i.e. when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the Company's contractual rights to the cash flows from the asset expire, or when substantially all risks and rewards of ownership of the financial asset are transferred.

Financial liabilities are derecognised when contractual obligations are discharged, cancelled or expire.

Financial assets and financial liabilities are recognised on a net basis in the statement of financial position when and only when the Company has a legal right to offset the amounts, and it intends either to settle them on a net basis, or to realise the assets and settle the liabilities simultaneously.

Financial assets are investments and cash which have been detailed in Note 9 and 11.

#### **Investments**

Investments comprise investments in subsidiaries and investments in associates. Investments are held in the Company's accounts at cost less impairment.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and are used by the Company in the management of its commitments. Fair value movements are accounted for in the Statement of comprehensive income.

#### **Financial liabilities**

Financial liabilities are measured initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Financial liabilities are short term liabilities which have been detailed in Note 13.

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**c. Impairment**

**Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an adverse impact on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis.

In the case of equity instruments the accumulated loss is the difference between cost and current fair value, less the amount of any impairment previously recognised in profit or loss.

An impairment loss is reversed if the reversal is objectively related to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal of impairment is recognised in profit or loss.

**Non-financial assets**

The carrying amounts of non-financial assets are reviewed on every reporting date to assess whether any indication of impairment exists. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. All impairment losses are recognised in profit or loss.

In respect of assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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The Company performs an impairment test as of the balance sheet date.

**d. Finance income and expense**

Finance income comprises the following: exchange gains on foreign exchange items (realised and non-realised).

Finance expenses comprise the following: bank charges, exchange losses on foreign exchange items (realised and non-realised).

**e. Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, which are presented in equity or other comprehensive income, respectively.

Current tax is the expected tax payable on the taxable income for the reporting year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, such reductions are reversed when the probability of future taxable profits improves.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

**6. Early adopted standards**

In preparing the financial statements, the Company could adopt the following early:

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

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- Disclosure Initiative (Amendments to IAS 1)

Early adoption of these standards does not have a significant impact on the financial statements, thus the Company has not adopted any new standards early.

For the following forthcoming standards, the Company continues the assessment of the potential impact on the financial statements:

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments.

#### **7. Financial risk management**

On the balance sheet date, the Company as a non-going concern has exposure to liquidity and credit risks arising from financial instruments, as the Company will encounter difficulty in meeting the obligations associated with its financial liabilities and its receivables are from related parties that are also non-going concerns.

Currency risk relating to the Company is not considered significant.

#### **8. Fair value measurement**

Accounting policies and disclosures of the Company require the determination of fair value, for both financial and non-financial assets and liabilities.

According to IFRS 13, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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**9. Investments**

Investments in subsidiaries

in USD	Investment in Baltic Operations LLC
Balance at 1 October 2015	50,000
Acquisition	-
<b>Balance at 30 September 2016</b>	<b>50,000</b>
<b>Accumulated impairment</b>	
Balance at 1 October 2015	-
Impairment	50,000
<b>Balance at 30 September 2016</b>	<b>50,000</b>
<b>Carrying amounts</b>	
At 1 October 2015	50,000
<b>At 30 September 2016</b>	<b>-</b>

Investments in associates

in USD	Investment in Bottlenose, Inc.
Balance at 1 October 2015	10,000,000
Acquisition	4,062,980
<b>Balance at 30 September 2016</b>	<b>14,062,980</b>
<b>Accumulated impairment</b>	
Balance at 1 October 2015	-
Impairment	14,062,980
<b>Balance at 30 September 2016</b>	<b>14,062,980</b>
<b>Carrying amounts</b>	
At 1 October 2015	10,000,000
<b>At 30 September 2016</b>	<b>-</b>

As no further cash flows are expected from the above investments, management decided to impair the Company's investment in full.

During the financial year the Company did not receive any dividends.



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### 10. Amounts due from related parties

The movement in allowance for impairment in respect of amounts due from related parties during the year was as follows.

in USD	Amounts due from related parties
Balance at 1 October 2015	-
Impairment loss recognised	60,000
<b>Balance at 30 September 2016</b>	<b>60,000</b>

At 30 September 2016 there was an impairment loss of USD 60,000 related to the subsidiary that was considered non-going concern. This subsidiary is Baltic Operations LLC.

### 11. Cash and cash equivalents

in USD	30 September 2016	30 September 2015
USD bank balance	5,885	1
<b>Cash and cash equivalents</b>	<b>5,885</b>	<b>1</b>

### 12. Capital and reserves

Share capital in USD	Ordinary shares	
	Number	Par value
In issue at 1 October 2015	10,051	10,051
Issued for cash	-	-
<b>In issue at 30 September 2016 - fully paid</b>	<b>10,051</b>	<b>10,051</b>
Authorised	10,051	10,051

#### Ordinary shares

Ordinary shares (par value USD 1) carry the right to dividends in proportion to the number of ordinary shares held, and carry the right to participate in a return of capital. Ordinary shares have voting rights.

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### Share premium

The ordinary shares except for the one share issued on 22 August 2014 were subscribed for at a price per share of USD 1,000 with nominal value USD 1. The difference between the par value and the subscription price constitutes share premium amounting to USD 10,039,950.

### Distributable retained earnings

Distributable retained earnings represent retained losses.

#### 13. Accruals

in USD	30 September 2016	30 September 2015
Audit and administration costs charged by related parties	16,921	42,520
Secondment related and other expenses	7,500	-
Project related expenses charged by related parties	5,749	115,171
<b>Accruals</b>	<b>30,170</b>	<b>157,691</b>

#### 14. Administrative expenses

in USD	2016	2015
Audit fees	(3,706)	(2,499)
Marketing	(43,941)	(74,081)
Other expenses	(326,337)	(1,103,218)
<b>Administrative expenses</b>	<b>(373,984)</b>	<b>(1,179,798)</b>

#### 15. Net finance costs

in USD	2016	2015
Bank charges	(174)	-
<b>Finance expenses</b>	<b>(174)</b>	<b>-</b>

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**16. Taxation**

There is no income tax payable for the financial year.

in USD	2016	2015
Loss before tax	(14,547,138)	(1,179,798)
Domestic tax rate for Baltic Operations Ltd	20%	20%
Expected tax expense	(2,909,428)	(235,960)
Reduction in tax rate	5,880	-
Adjustments for non-deductible expenses	2,897,536	-
Group relief surrendered	10,687	-
Previously unrecognised tax losses brought forward	(4,675)	-
Unused tax losses carried forward	-	235,960
<b>Actual tax expense</b>	-	-

In September 2016, a new corporation tax rate was substantively enacted, as of 1 April 2020 the main tax rate will be reduced from 20% to 17%.

**17. Related parties**

Parent company and ultimate controlling party

KPMG Capital Ltd is the Company's parent company and KPMG Capital Holding Ltd is the ultimate controlling party.

in USD	30 September 2016
Amounts due to KPMG Capital Ltd	4,157,980

Transactions with key management personnel

Key management personnel are the persons who have, either directly or indirectly, authority and responsibility with respect to planning, directing and controlling the activities of the entity, including directors (either managing or otherwise).

In the current financial year, there were no key management personnel related transactions to be presented.

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The Company's transactions with other related parties

	30 September
in USD	2016
Amounts due to KPMG Capital Operations Ltd	1,454,681
Amounts due to Capital Operations (US) LLC	37,800
Audit, administration, project expenses due to KPMG Capital Operations Ltd	22,670

	30 September
in USD	2015
Investment in Baltic Operations LLC (100%)	50,000
Investment in Bottlenose, Inc. (29.26%)	10,000,000
Amounts due to KPMG Capital Operations Ltd	1,019,107
Audit, administration, project expenses due to KPMG Capital Operations Ltd	119,891
Audit, administration, project expenses due to Capital Operations (US) LLC	37,800

**18. Non-going concern**

Management indicated that the Company has no adequate financial resources to continue in operational existence, therefore they suggest to apply for a voluntary strike-off. The directors are not aware of any circumstances which may prevent the Company to be struck off.

Taking into consideration the above and that the Company will encounter difficulties in meeting the obligations associated with its financial liabilities which are due to related parties, we expect these obligations to be waived in full.

**19. Subsequent events**

No events arose subsequent to 30 September 2016.