

Company Number 04502928

General Satellite Corporation Limited

**Financial Statements
for the year ended 31 December 2012**

MONDAY



L24 *L2HZRQL4* #420
30/09/2013
COMPANIES HOUSE

Company Number 04502928

General Satellite Corporation Limited

Contents

Consolidated Financial Statements for the year ended 31 December 2012	Part 1
Parent Company Financial Statements for the year ended 31 December 2012	Part 2

General Satellite Corporation Limited

**Consolidated Financial Statements
for the year ended 31 December 2012 and Auditors' Report**

Contents

	Page
Board of Directors and other Officers	3
Report of the Board of Directors	4 - 10
Independent Auditors' Report	11 - 13
Consolidated Statement of Financial Position	14 - 15
Consolidated Statement of Comprehensive Income	16
Consolidated Statement of Changes in Equity	17 - 18
Consolidated Statement of Cash Flows	19 - 20
Notes to the Consolidated Financial Statements	21 - 63

Board of Directors and other officers

Board of Directors	Mr Andrey Tkachenko
Company Secretary	Mr Michael Smith
Company number	04502928
Registered office	78 New Oxford Street London WC1A 1HB
Auditors	SH Landes LLP 78 New Oxford Street London WC1A 1HB

The Board of Directors presents its report and the audited consolidated financial statements of General Satellite Corporation Limited (the Group) for the year ended 31 December 2012

Principal activities

The principal activity of the group during the year was the development, production and trading in high tech electronic parts and equipment

Review of current position, future developments and significant risks

General Satellite Corporation Group is a global telecommunications group that specializes in the creation and development of innovative projects, providing solutions for the international digital television market, develops and distributes conditional access modules for set top boxes and for digital TV set, retailing of electronic component and digital TV receivers. The Group comprises 37 companies world-wide, the largest ones being OJSC "Concern Innovational Technologies", Neotion S A, General Satellite Group AG, General Satellite Research and Development Ltd and Extended Secure Technologies BV

OJSC "Concern Innovational Technologies is a private Russian group of companies that specializes in designing and manufacturing of digital TV set-top-boxes, software and additional user services, takes part in large broadcasting projects in Russia, and is also engaged with innovative development in the north-western territories of Russia. The Group mainly sells its products and services to the Russian market and also exports to Europe and Asia. The group comprises 24 subsidiaries acquired mainly in prior years. The main share of the Holding's assets in Russia is concentrated in its manufacturing sector, which constitutes the main part of the General Satellite Group assets

As of 2012, the Group of Companies comprises 6 plants, 3 processing enterprises, 18 entities of various specialization – service maintenance of the output products, call-center, developers of the receiver hardware and software, consulting firms, located in different regions of Russia, in particular, Saint Petersburg, Kaliningrad region, Pskov region, Ulyanovsk city. In 2012 the following plants constitute the manufacturing units of the Group of Companies

AlMet, JSC – a plant specializing in manufacturing of satellite antennas,

Research and Production Enterprise "CTS", JSC – a plant specializing in manufacturing of TV receivers and cards for any equipment,

Prankor, LLC – a plant specializing in manufacturing of TV-antennas and receiver cases,

First Cardboard Factory, LLC – a plant specializing in the production of package and corrugated board,

White Key House-Building Factory, LLC – a plant specializing in modular house construction,

GS-Nanotech, JSC – a plant specializing in the production of microelectronics (manufacture of microprocessors 45 nm and 4-ply cards) opened in 2012 and comprising a nanotechnology research center

In 2013 the Group plans to open the seventh plant specializing in added-value timber processing – Sudoma Timber Yard, LLC

The group of companies is the general investor in "Technopolis GS" in Gusev, a radio-electronic cluster located in Kaliningrad region, representing the largest European innovative production cluster. The Group's main focus is to increase its technological participation in broadcasting projects all around the world using its own technology, to increase its own production facilities and to develop projects based on new breakthrough technologies

In 2012 the Group OJSC "Concern Innovational Technologies increased its revenue by 42% mainly due to the growth of output products, first and foremost, at the Research and Production Enterprise "CTS", JSC as a result of increase in demand for digital subscriber receivers. In particular its revenue grew from 49 million euro to 70 million euro. Pursuant to the results of the year 2012, the Group of Companies made losses in the amount of 14,623 thousand euro, in comparison with profits received in 2011 in the amount of 3,171 thousand euro. The losses were generated as a result of implementation of new activity lines, which in 2012 were still under development, representing certain manufacturing capacities that are not yet operated or are still under construction.

Neotion S.A. is a French public company established in January 2000 and listed since June 2006 on Alternext Euronext Paris (ALNEO code). Neotion's main focus is the design and development of new chipset technologies of cutting edge Conditional Access Modules for use by company operators as well as for retail customers wishing to implement company range of chipsets or core modules within their Set-Top-Box solutions. Neotion is primarily active in Asia and Europe and more modestly in France and products include Chipsets, CAM security modules, MPEG-4 to MPEG-2 transcoding modules as part of the 'Pocket' family which covers all PCMCIA format reception products and Subsystems i.e. electronic cards certified by security providers and ready to be integrated by OEM partners and services.

During 2012 the company launched a record of 20 new products, representing a 53% increase on the previous year reporting. The new products launched together with the products launched during 2011 has allowed the company to sell nearly 50% more CAM products in 2012 than in the previous year.

The sales of Neotion's secure CAM DVB-CI and CI Plus products grew due to new contracts and the new range of products. Neotion launched a new product range with Irdeto, the Cloaked CI CAM. The security of this solution is protected with the highest performance of Neotion chipset. These unique products doesn't need any smartcard and for full performance. This technology has opened new markets, especially outside the EEC. The first CAM has been launched in the summer 2012 and has been followed by 2 others in November. New projects with this technology will continue to be developed and launched in 2013. First Advanced VOD CAM deployed in the world STOfA – the Danish Pay TV operator and NEOTION teamed - up for the development of an ambitious and innovative solution for the reception of Broadcasted linear Premium HD TV programs and on demand services (such like VOD, access to Catch up TV contents and interactive services) without neither set-top-boxes nor Smart Cards. the project of an Advanced CI PLUS VOD CAM was launched as an important key device of the strategy of making it easy to be a STOfA's subscriber.

In 2012, Neotion also expanded its range of professional CAM products, notably with the Irdeto conditional access module. These products allowed Neotion to approach new operators before developing major public volume-generating products for them. This professional CAM strategy will be expanded to other conditional access modules in 2013.

The company's turnover for 2012 amounted to EUR 34,854 million (2011 – EUR 37,362 million). The result for the year 2012 reveals a gain of EUR 2,391 million compared with a gain of €3,443 million for the previous year.

General Satellite Research and Development Ltd. The principal activity of the company in the year under review was that of developing software and design documentation for satellite receiver.

Overall turnover of the Group for 2012 amounted to EUR 2 million (2011 – EUR 12 million) Drop is due to change in business activities that took place in 2012, the company is now concentrating more on provision of services instead of reselling electronic parts and equipment

The company is going to widen its business activity and conclude new long term contracts with such companies as Samsung and Humax. New prospects such as developing software for television are included in the main business plan. The management of the company is going to increase turnover and propose new products to the market with value for money characteristics.

Extended Secure Technologies BV is formed in the year 2010 as a research and development company in The Netherlands developing a range of new products and services for introduction to Pay TV and other media customers globally.

Exset's product development is initially focused on next generation security solutions and consumer based interactive applications. Making use of the latest hardware technology and software techniques, Exset will provide innovative and tightly integrated solutions for existing and green field Pay TV operators wishing to differentiate their customer service in their markets and have the ability to monetise their platforms in new ways.

Sales and marketing focus will initially be in the emerging economies based on broadcast DVB standards for Cable, Satellite and Digital Terrestrial networks, but the technology plan anticipates the deployment in emerging video streaming markets globally.

In 2012 EXSET began selling to its customers with additional customers coming on stream in 2013. Following the successful delivery of the first customer project in the second half of 2012, additional commercial projects with customers will be rolled out in 2013 leading to a substantial increase in subscriber coverage for the company's products. The company will engage more closely with affiliate companies in the coming year in commercial projects within and outside the group.

General Satellite Group AG is a public company limited by shares that is registered in November 2011 in canton Zug, Switzerland. GS CH has been set up in November 2011 as a subsidiary of General Satellite Corporation Ltd for the Joint Venture Business in developing countries.

In its first year of operation General Satellite Group AG has investigated number of potential investment opportunities in a number of countries and products. It has completed three. The first investment is an investment into Royal Media Entertainment Corporation Ltd in Cambodia. The aim of this company is to become a leading player into the television broadcasting sector. A second investment was made into a company in DTH Pakistan (Private) Ltd in Pakistan with the aim to hold potential future investment into the Pakistan television broadcasting sector. A third investment was made into the purchase of woodcutting machinery with the aim to lease this equipment to a Russian Timber Company.

Going forward the group aims to continue investing into its Cambodian, Pakistani and woodcutting machinery business and will continue to evaluate new investment opportunities in the worldwide television broadcasting sector. The Company has recorded a loss in 2012 of USD 2,905 thousand (EUR 2,202 thousand). The loss has been budgeted as the industry shows a period of 5-6 years until a company can get profitable.

Projects

In 2012 the Group of OJSC "Concern Innovational Technologies" there are continuous searches of new materials for the production and design of new product types. Research and scientific efforts showed the first successful results in the production and usage of single-wall carbon nanotubes. As a result, at the end of 2012 a new enterprise appeared in the Group of Companies, Nanocarbon Materials, LLC intended to support further development of this activity and the usage of this material for industrial purposes. The enterprise operates 2 Byelorussian installations with capacity of 500 g/hour each. The laboratory continues researching the quality of obtainable nanomaterials and examining the ways and directions of their usage.

The Company continues the implementation of its project aimed at creating a production complex specializing in processing of sawtimber in the Pskov region on the basis of log-processing equipment. It was decided to enter the timber processing market, so as to diversify the Holding's development areas. The production of innovative high value added products constitutes one of the holding's key competences.

In 2012 investments in the amount of 8 million euro were made in the equipment of Dedovich Timber Company LLC, completing thus the first implementation phase of the project on the creation of production facilities for added-value timber processing. In the framework of continuing project there were launched works on the construction of the Timber Yard "Sudoma" LLC specialized in the production of impregnated timber, applying thermal treatment technologies which are unique in Russia. The commissioning term of this plant is projected in 2014, while the term for attaining its full capacity – in 2015.

Development of Platform for so-called "Blue Bridge" NEOTION Blue Bridge® platform set a secured wireless communication between the TV set and the Companion Device allowing the two screens to combine usages, to communicate, to synchronize and to exchange data. NEOTION Blue Bridge® platform allows Broadcasters and TV channels to deploy multiple new services – TV Apps combining TV and Mobiles usages. NEOTION Blue Bridge® associates Technologic Products and services and offers to Pay TV operators true perspective of development by deploying a complete infrastructure gathering both access to TV channels and new interactive services combining TV, smartphones or tablets. The large investment into the new Blue Bridge platform and the development of its services should see the first product launched in the summer 2013. This product will be the first of the new range of Advanced CAM's.

Swiss subsidiary - General Satellite Group AG aims to continue investing into its Cambodian, Pakistani and woodcutting machinery business and will continue to evaluate new investment opportunities in the worldwide television broadcasting sector.

Financial Review

In 2012 the Group's overall revenue increased by 6% from 102 million euro in 2011 to 107 million euro in 2012. The growth is attributed to acquisitions of companies during the year as well as organic growth. The Group has recorded a loss in 2012 of EUR 20,824 thousand (2011 – profit (restated) EUR 9,572 thousand). The losses were generated as a result of implementation of new activity lines, which in 2012 were still under development, representing certain manufacturing capacities that are not yet operated or are still under construction. The company management monitors these lines and expects a steady profit growth.

Financial risk management objectives and policies

The Board of Directors is responsible for creating and monitoring the risk management system of the Group. The risk management policy is revised regularly taking into account changes in the market conditions and the development of the Group's business. The Group uses an effective risk management system aimed at creating an effective control system in which every employee understands his role and responsibilities. The Group is exposed to interest rate risk, credit risk, liquidity risk and currency risk. The risk management policies employed by the Group to manage these risks are discussed below.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its trade debtors.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Russian Rouble, the US Dollar and the Euro. The Group's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Risk associated with operating on emerging markets

The jurisdictions in which the Group might operate in the future may have less developed legal and regulatory than more established economies. The main risk that we face is that we operate in countries which has unstable economic and political environment. There are also rapidly changing legislation and litigation in the event of breach of contract by counterparties.

Market risks

Changing industry structures, domestic laws, technology, competition or pricing volatility could result in changes in the supply / demand.

Outlook

Overall, we are not disappointed with the financial result for the period under review. Although profits obtained in the previous years and in the year 2012 by other companies of the group could not cover the losses in full, the losses were generated as a result of implementation of new activity lines, which in 2012 were still under development, representing certain manufacturing capacities that are not yet operated or are still under construction. The company management monitors these lines and expects a steady profit growth.

In the current economic climate we continue to expand our operations, develop the business and increase the value of the Group. We are looking ahead, planning new ventures, developing new and innovative technologies and monitoring them to ensure these are implemented. The technology market is constantly evolving thus we place great emphasis in investment in research and development and marketing activities to ensure we increase our profits and retain market share. Our objective is to develop a common strategy of the Group's business and promotion the brand of General Satellite to Russian and international market - Europe, CIS countries as well as access to markets of the Middle East, Latin America, Asia and Africa.

Results and dividends

The results for the year are set out on page 16.

Share capital

A bonus share issue took place in the year that was distributed to shareholders out of reserves.

Board of Directors

The member of the Company's Board of Directors as at 31 December 2012 and at the date of this report is presented on page 3. The sole director was a member of the Board of Directors throughout the year ended 31 December 2012.

Statement of director's responsibilities

The director is responsible for preparing the Directors' Report and the group financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the EU 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.

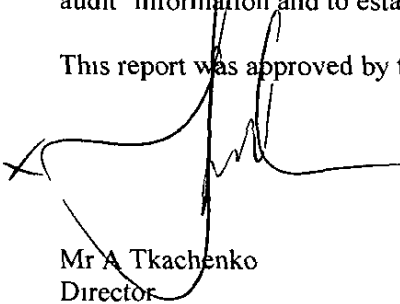
The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial

position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

In so far as the director is aware - there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and

- the director has taken all the steps that he ought to have taken to make aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by the Board on 23 September 2013 and signed on its behalf by

A handwritten signature in black ink, appearing to be 'A. Tkachenko', written over the printed name and title.

Mr A Tkachenko
Director

Report of the Independent Auditors to the Members of General Satellite Corporation Limited

We have audited the consolidated financial statements of General Satellite Corporation Limited (the "Group") for the year ended 31 December 2012, which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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 director and auditors

As explained more fully in the Director's Responsibilities Statement set out on pages 9 - 10, the director is responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Basis for qualified opinion on financial statements

We did not observe the counting of inventories with a carrying amount of EUR 4,462 thousand as at 1 January 2011 because we were engaged as auditors of the Group only after this date. We were unable to satisfy ourselves as to those inventory quantities by alternative means. As a result, we were unable to determine whether adjustments might have been found necessary in respect of the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2011.

In addition, the Group did not maintain adequate accounting records regarding inventories with a carrying amount of EUR 1,005 thousand as at 31 December 2011. We were unable to verify those inventories by alternative means. As a result, we were unable to determine whether adjustments might have been found necessary in respect of inventories as at 31 December 2011, and the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows for the years ended 31 December 2011 and 31 December 2012.

Qualified opinion on the financial statements

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of the Group's loss for the year then ended,

- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of Matter – Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss during the year ended 31 December 2012 and 31 December 2011 and, as of that date the group's liabilities exceeded its total assets. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include any adjustments that would result from a failure to continue as a going concern. Details of the circumstances relating to this emphasis of matter are described in note 3b. Our opinion is not qualified further in this respect.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

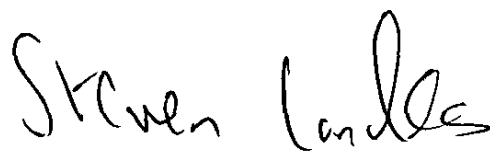
In respect solely of the limitation on our work relating to stock, described above:

- we have not obtained all the information and explanations that we considered necessary for the purposes of our audit, and
- we were unable to determine whether adequate accounting records have been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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.

Steven Landes (Senior Statutory Auditor)
for and on behalf of S H Landes LLP
Statutory Auditors
3rd Floor
Fairgate House
78 New Oxford Street
London
WC1A 1HB



Date 23 September 2013

General Satellite Corporation Limited
Consolidated Statement of Financial Position as at 31 December 2012

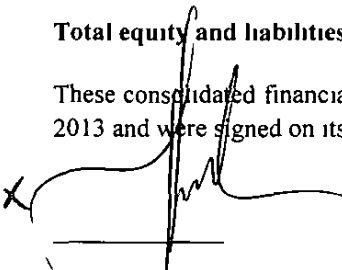
'000 EUR	Note	31 December 2012	31 December 2011 (restated)	31 December 2010 (restated)
Assets				
Property, plant and equipment	12	70,406	47,472	39,605
Intangible assets	13	15,820	14,110	12,058
Investment property	14	4,753	4,935	1,633
Trade and other receivables		-	-	145
Investments in equity accounted investee	15	2,195	1,279	337
Other investments	16	538	761	692
Deferred tax assets	17	977	410	131
Non-current assets		94,689	68,967	54,601
Inventories	18	18,880	13,080	8,903
Other investments	16	18,253	37,266	34,332
Current tax assets		89	83	33
Trade and other receivables	19	23,791	16,669	11,824
Prepayments		7,309	6,865	4,000
Cash and cash equivalents	20	18,908	13,430	8,393
		87,230	87,393	67,485
Assets held for sale – Intangible assets		1,165	-	-
Current assets		88,395	87,393	67,485
Total assets		183,084	156,360	122,086

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 20 to 63

General Satellite Corporation Limited
Consolidated Statement of Financial Position as at 31 December 2012

'000 EUR	Note	31 December 2012	31 December 2011 (restated)	31 December 2010 (restated)
Equity				
Share capital		176	58	58
Additional paid in capital		3,107	973	6,521
Share Premium		-	7	-
Other reserve		(48)	(91)	189
Retained earnings		(9,679)	(2,811)	(9,834)
Equity attributable to owners of the Company		(6,444)	(1,864)	(3,066)
Non-controlling interests		1,469	11,518	2,864
Total equity	21	(4,975)	9,654	(202)
Liabilities				
Loans and borrowings	22	95,379	67,998	74,491
Deferred tax liabilities	17	1,440	1,480	1,452
Provisions	24	449	987	1,701
Trade and other payables	23	18	108	456
Non-current liabilities		97,286	70,573	78,100
Loans and borrowings	22	45,639	48,692	17,635
Trade and other payables	23	42,556	25,879	26,257
Deferred income		2,493	1,405	201
Current tax liabilities		85	157	95
Current liabilities		90,773	76,133	44,188
Total liabilities		188,059	146,706	122,288
Total equity and liabilities		183,084	156,360	122,086

These consolidated financial statements were authorised for issue by the board of directors on 23 September 2013 and were signed on its behalf by


 Mr A Tkachenko
 General Director

Company registered No 04502928

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 20 to 63

General Satellite Corporation Limited
Consolidated Statement of Comprehensive Income for the year ended 31 December 2012

'000 EUR	Note	2012	2011 (restated)
Revenue	7	107,252	101,703
Operating costs	0	(116,775)	(98,971)
Other (expenses)/income, net	9	(3,944)	3,185
Results from operating activities		(13,467)	5,917
Finance income	10	1,484	12,347
Finance costs	10	(14,820)	(9,143)
Net finance costs		(13,336)	3,204
Profit on disposal of investments		5,051	-
Share of profit of equity accounted investee (net of income tax)	15	842	1,003
(Loss)/profit before income tax		(20,910)	10,124
Income tax benefit/(expense)	0	86	(552)
(Loss)/profit for the year		(20,824)	9,572
Other comprehensive (loss)/income			
Foreign currency translation differences		414	(458)
Foreign currency translation differences for foreign operations - equity-accounted investees		74	108
Other comprehensive income/(loss) for the year, net of income tax		488	(350)
Total comprehensive (loss)/income for the year		(20,336)	9,222
(Loss)/profit attributable to:			
Owners of the Company		(6,584)	7,023
Non-controlling interests		(14,240)	2,549
(Loss)/profit for the year		(20,824)	9,572
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(6,541)	6,750
Non-controlling interests		(13,795)	2,472
Total comprehensive (loss)/income for the year		(20,336)	9,222

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 20 to 63

16

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 20 to 63

	Attributable to the owners of the parent								
	Share capital	Share Premium	Additional paid-in capital	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
'000 EUR									
Balance at 1 January 2012 (as previously reported)	58	2,673	973	(13)	(78)	(17,971)	(14,358)	12,122	(2,236)
Restatement (note 3s)	-	(2,666)	-	-	-	15,160	12,494	(604)	11,890
Balance at 1 January 2012 (as restated)	58	7	973	(13)	(78)	(2,811)	(1,864)	11,518	9,654
Total comprehensive loss for the year									
Loss for the year	-	-	-	-	-	(6,584)	(6,584)	(14,240)	(20,824)
Other comprehensive income									
Foreign currency translation differences	-	-	-	43	-	-	43	445	488
Issue of bonus shares out of reserves	118	-	-	-	-	(118)	-	-	-
Total comprehensive income for the year	118	-	-	43	-	(6,702)	(6,541)	(13,795)	(20,336)
Transactions with owners recorded directly in equity									
Dividends to equity holders	-	-	-	-	-	-	-	(4,093)	(4,093)
Contributions by equity holders	-	-	2,036	-	-	(35)	2,001	6,000	8,001
Transfers	-	(7)	-	-	-	7	-	-	-
Acquisition of non-controlling interests	-	-	98	-	-	(138)	(40)	36	(4)
Non-controlling interest arising on business combination									
Total due to owners of the company	-	(7)	2,134	-	-	-	1,961	1,803	5,707
Balance at 31 December 2012	176	-	3,107	30	(78)	(9,679)	(6,444)	1,469	(4,975)

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 20 to 63

General Satellite Corporation Limited
Consolidated Statement of Cash Flows for the year ended 31 December 2012

'000 EUR	Note	2012	2011 (restated)
Cash flows from operating activities			
(Loss)/profit for the year		(20,910)	10,124
<i>Adjustments for</i>			
Depreciation	8	7,437	4,848
Impairment losses	12	8,214	347
Loss/(gain) on disposal of property, plant and equipment		403	933
Profit on sale of investments		(5,051)	-
Income from derecognition of payables	9	(510)	(295)
Net finance (income) / charges	10	13,336	(4,103)
Net foreign exchange loss	10	-	757
Write back provision on contingent liabilities		(470)	-
Share of profit from equity accounted investees (net of income tax)	15	(842)	(1,003)
Cash from operating activities before changes in working capital and provisions		1,607	11,608
Change in inventories		(10,290)	(3,452)
Change in trade and other receivables		(3,131)	(5,931)
Change in trade and other payables		18,111	(1,071)
Provisions		(68)	(714)
Cash flows (used in)/from operations before income taxes and interest paid		6,229	440
Income tax paid		(599)	(969)
Interest paid		(1,427)	(2,557)
Net cash (used in)/from operating activities		4,203	(3,086)

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 20 to 63

General Satellite Corporation Limited
Consolidated Statement of Cash Flows for the year ended 31 December 2012

'000 EUR	Note	2012	2011
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		626	687
Interest received		1,216	1,117
Acquisition of property, plant and equipment		(31,765)	(14,000)
Acquisition of intangible assets		(3,962)	(450)
Acquisition of other investments		-	(11,414)
Acquisition of subsidiaries, net of cash acquired	6	1,803	(713)
Acquisitions of non controlling interests		(5)	-
Disposal of subsidiaries		-	19
Disposal of other investments		19,562	8,161
Net cash used in investing activities		(12,525)	(16,593)
Cash flows from financing activities			
Capital contribution received		1,565	-
Proceeds from borrowings		49,878	37,797
Repayment of borrowings		(33,555)	(11,839)
Dividends paid to non-controlling interest		(4,093)	(1,287)
Net cash from financing activities		13,795	24,671
Net increase in cash and cash equivalents		5,473	4,992
Cash and cash equivalents at 1 January		13,430	8,393
Effect of exchange rate fluctuations on cash and cash equivalents		5	45
Cash and cash equivalents at 31 December	20	18,908	13,430

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 20 to 63

1. Background

(a) Business environment and operations

General Satellite Corporation Limited is a limited company incorporated and domiciled in England and Wales. The consolidated financial statements of the Group as at and for the year comprise the Company and its subsidiaries as at 31 December 2012 and the group's interest in associates and jointly controlled entities. The Group primarily is involved in manufacture of high tech electronic parts and equipment.

The Group's principal activity is production and assembly of digital TV receivers at plants located in the Russian Federation. The Group also provides technical support services. The Group's products are sold outside of United Kingdom, with 83% of total revenue generated in the Russian Federation, 14% in Asia and 3% in other parts of the world.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis, as modified by the fair value measurement of certain items as disclosed in the accounting policies below.

(c) Functional and presentation currency

The Group companies' functional currency varies from one country to another. These consolidated financial statements are presented in Euro since the management believes that this currency is useful for the users of the consolidated financial statements.

All financial information presented in Euro has been rounded to the nearest thousand.

The assets and liabilities of Group entities are translated into EURO at the exchange rate at the end of the year. Revenues and expenses are translated into EURO using rates approximating exchange rates at the dates of the transactions. The resulting exchange difference is recorded directly in the foreign currency translation reserve in the other comprehensive income.

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs 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. Actual results may differ from those estimates.

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes

- Note 12 – useful lives of property, plant and equipment,
- Note 17 – deferred tax assets,
- Note 18 – inventory obsolescence provisions

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes

- Note 12 – impairment of property, plant and equipment

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as

- The fair value of the consideration transferred, plus
- The recognised amount of any non-controlling interests in the acquiree, plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire, less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The Group measures non-controlling interest at its proportionate share of the recognised amount of the identifiable net assets at the acquisition date.

(ii) *Accounting for acquisitions of non-controlling interests*

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(iii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iv) *Acquisitions from entities under common control*

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for at the date of transfer of shares to the Group. The assets and liabilities acquired are recognised at their carrying amounts in the IFRS financial statements of the entities transferred. If the acquired entity has previously not prepared IFRS financial statements, the acquired entity prepares an opening balance sheet as part of the transition to IFRSs at the beginning of the year the acquisition occurs. The assets acquired and liabilities assumed are then recognised at their book values determined in accordance with IFRSs on the date of acquisition. Any difference between the book value of net assets acquired and consideration paid at acquisition date is recognised as a contribution from, or distribution to, the shareholders.

(v) *Loss of control*

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(vi) *Investments in associates (equity accounted investees)*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest including any long-term investments, is reduced to zero, and the recognition

of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee

(vii) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) *Going concern*

At the balance sheet date, the Group had a deficit balance sheet of EUR 4,975 thousand (2011 – surplus EUR 2,237 thousand), and the Group has recorded a net loss of 20,824 (2011 – profit EUR 9,572 thousand). The group has managed to postpone the repayment of a significant debt that was due in 2012 for at least one year but its ability to continue as a going concern is dependent on its ability to extend loan repayment periods and obtain additional finance to meet its obligations. The director continues to provide his support to the Group and considers that the Group is a going concern and therefore has prepared financial statements on that basis.

(c) *Foreign currency*

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

(d) *Financial instruments*

(i) *Non-derivative financial assets*

Non-derivative financial assets comprise debt securities, trade and other receivables, and cash and cash equivalents.

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a

transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into loans and receivables category.

Loans and receivables

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables category comprise the following classes of financial assets: other investments as presented in Note 16, trade and other receivables as presented in Note 19, cash and cash equivalents as presented in Note 20.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

(ii) *Non-derivative financial liabilities*

The Group initially recognises debt securities issued on the date they are originated. All other financial liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

(e) *Share capital*

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is

recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

The estimated useful lives of significant items of property, plant and equipment for the current and comparative periods are as follows:

- Buildings 5–30 years,
- plant and equipment 3–30 years,
- fixtures and fittings 2–10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate

(g) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of investment property, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

(h) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalised expenditure includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in the profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

(iv) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- Software and licences 1–10 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the average cost principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Deferred income from government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

(k) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor will enter bankruptcy or economic conditions that correlate with defaults.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes

the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other 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.

Goodwill that forms part of the carrying amount of an investment in an equity accounted investee is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an equity accounted investee is tested for impairment as a single asset when there is objective evidence that the investment in an equity accounted investee may be impaired.

(l) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(n) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards may vary depending on the individual terms of the sales agreement. The most common terms are that transfer occurs when the goods are shipped from the Group's warehouse.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(o) Other expenses

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

(p) Research and development expenses and the corresponding tax credit

Development expenses for the products marketed by the company are recorded as expenses for the period in which they were incurred, and these grew to EUR 4,586 thousand for the last financial

year (based on the tax authority's calculation method for calculating research tax credit) Gross salaries grew to EUR 4,235 thousand including social security costs

Under certain conditions these expenses are eligible for a tax credit recognised in the fiscal year during which the charges are recorded. Where this cannot be recovered from a tax charge the tax credit may be repaid from the fourth year following its being recorded.

Since its inception the company has benefited from a cumulative research tax credit of EUR10,141 thousand. Taking account of the research projects undertaken during the year 2012, the company recorded a research tax credit for 2012 of EUR 2,101 thousand.

(q) Finance income and costs

Finance income comprises interest income on funds invested, and foreign currency gain. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, share in profit/(loss) for the period of minority shareholders in limited liability registered companies, and impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

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 is not recognised for

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future, and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the

same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously

A deferred tax asset is recognised for unused tax losses, 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 utilised. 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.

(s) **Restatements**

The parent company has received loans bearing interest at rates lower than commercial rates of interest. These loans have not been fair valued in the past and therefore an exercise was carried out at the year end to estimate their fair value. The fair values have been calculated as the present value of all future cash receipts discounted using an estimated market interest rate for a similar loan. The restatement to fair value has led to an increase in interest payable and in fair value gains on initial recognition. The adjustments have the following impact on prior years:

	As at 1 1 11	Year ended 31 12 11
Reduction in borrowings	5,036	11,890
Increase in retained earnings	5,036	5,036
Increase in interest payable		2,244
Increase in fair value gains		9,098

Reserves have also been restated to reallocate a share premium arising in 2008 to retained earnings and non-controlling interest. The share premium reflects the premium on shares issued to settle a liability in 2008. The adjustment has the following impact on prior years:

	As at 1 1 11
Decrease in share premium	2,666
Increase in retained earnings	3,270
Decrease in non-controlling interest	604

4. New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2012, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective:

- IAS 28 (2011) *Investments in Associates and Joint Ventures* combines the requirements in IAS 28 (2008) and IAS 31 that were carried forward but not incorporated into IFRS 11 and IFRS 12. The amended standard will become effective for annual periods beginning of or after 1 January 2013 with retrospective application required. Early adoption of IAS 28 (2011) is permitted provided the entity also early-adopts IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011). The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.
- Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or

similar agreements. The amendments are effective for annual periods beginning on or after 1 January 2013, and are to be applied retrospectively. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2013. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.
- IFRS 10 *Consolidated Financial Statements* will be effective for annual periods beginning on or after 1 January 2013. The new standard supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12 *Consolidation – Special Purpose Entities*. Under the new three-step control model, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with that investee, has the ability to affect those returns through its power over that investee and there is a link between power and returns. Consolidation procedures are carried forward from IAS 27 (2008). When the adoption of IFRS 10 does not result in a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results in a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period. Early adoption of IFRS 10 is permitted provided an entity also early-adopts IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011). The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.
- IFRS 12 *Disclosure of Interests in Other Entities* will be effective for annual periods beginning on or after 1 January 2013. The new standard contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The expanded and new disclosure requirements aim to provide information to enable the users to evaluate the nature of risks associated with an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. Entities may early present some of the IFRS 12 disclosures early without a need to early-adopt the other new and amended standards. However, if IFRS 12 is early-adopted in full, then IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) must also be early-adopted. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.
- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in

individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.

- Amendment to IAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*. The amendment requires that an entity present separately items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Additionally, the amendment changes the title of the statement of comprehensive income to statement of profit or loss and other comprehensive income. However, the use of other titles is permitted. The amendment shall be applied retrospectively from 1 July 2012 and early adoption is permitted. The new Standard is not expected to have a significant effect on the consolidated financial statements of the Group.
- Amendments to IAS 32 *Financial Instruments - Presentation - Offsetting Financial Assets and Financial Liabilities* do not introduce new rules for offsetting financial assets and liabilities, rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event, and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect for annual periods beginning after 1 January 2013. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.

5. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Investment property

The fair value of investment property (land plots) is based on market values. The market value of investment property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of investment property is based on market approach. This fair value is determined for disclosure purposes.

(b) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

6. Acquisition of non-controlling interests

On 17 August 2012 the Group acquired an additional 20% in OJSC "NPO "Cifroviye Televisionniye Sistemy" for EUR 0.5 thousand (RUB 20 thousand), increasing its ownership from 50% to 70%. The carrying amount of OJSC "NPO "Cifroviye Televisionniye Sistemy" 's net assets on the date of acquisition was EUR 44 thousand. The Group recognised a decrease in non-controlling interest of EUR 9 thousand.

On 16 November 2012 the Group acquired an additional 20% interest in OJSC "GS Nanotekh" for EUR 5 thousand (RUB 200 thousand), increasing its ownership from 80% to 100%. The carrying amount of OJSC "GS Nanotekh" 's net assets on the date of acquisition was EUR (2,039) thousand. The Group recognised a decrease in non-controlling interest of EUR (408) thousand.

7. Revenue

'000 EUR	2012	2011
Sales of goods	82,751	81,898
Revenue from services provided	21,879	14,956
Other revenue	2,622	4,849
Total revenues	107,252	101,703

8. Operating costs

'000 EUR	2012	2011
Raw materials and goods for resale	54,516	56,008
Wages and salaries	22,713	16,212
Social security contributions and indirect taxes	7,022	6,002
Other staff cost	71	415
Third party services	7,375	3,548
Depreciation and amortisation of non-current assets	7,121	5,935
Impairment of current assets	560	-
Impairment of inventories	4,490	34
Impairment of property, plant and equipment	3,724	-
Rent	2,090	1,191
Communications	1,512	711
Business trips	1,062	692
Utilities	725	870
Repairs	353	83
Security	230	331
Advertising	659	189
Audit – (Parent company auditor)	34	28
Audit – (Component auditors)	223	107
Auditor's remuneration for non - audit work	18	-
Conference and exhibition	56	119
Research and development expences	215	-
Other	2,006	6,496
Total operating costs	116,775	98,971

The average number of employees for the year were

	2012	2011
Management	232	191
Selling and administration	2,070	2,357
Engineering and technical staff	583	556
Total employees	2,885	3,104

9. Other income / (expenses), net

'000 EUR	2012	2011
Government grants received	2,101	1,830
Income from derecognised trade payables and advances received*	792	202
Income from penalties	-	93
Income from promissory notes	-	72
Write back provision on contingent liabilities	470	-
Other income	494	988
Other income	3,857	3,185
Other expenses	(7,801)	-
Net other income / (expenses)	(3,944)	3,185

* - Liabilities that have been derecognised as the statute of limitations has passed and no claim has been asserted by the counterparty

10. Finance income and finance costs

'000 EUR	2012	2011 (restated)
Recognised in profit or loss		
Interest income	1,459	3,030
Write back financial assets provision	25	-
Fair value gain on loans	-	9,098
Non-controlling interest in limited liability subsidiaries	-	219
Finance income	1,484	12,347
Interest expense	(11,443)	(8,073)
Non-controlling interest in limited liability	(260)	-
Fair value loss on loans	(2,574)	
Foreign currency exchange loss	(354)	(951)
Bank charges	(189)	(119)
Finance costs	(14,820)	(9,143)
Net finance costs recognised in profit or loss	(13,336)	3,204

11. Income tax expense / (benefit)

The applicable tax rate used in weighted average UK standard rate of corporation tax for the year of 24.5%. The director has reviewed the rates of corporation tax payable in each country in which the group operates and considers that 24.5% is not significantly different to the weighted average of those rates.

'000 EUR	2012	2011
Current tax expense		
UK Corporation tax	3	24
Overseas corporation tax	927	989
	<u>930</u>	<u>1,013</u>
Deferred tax		
Origination and reversal of temporary differences	(1,016)	(461)
	<u>(1,016)</u>	<u>(461)</u>
Total tax expense / (benefit)	<u>(86)</u>	<u>552</u>

(a) Tax recognised directly in equity

'000 EUR	2012			2011		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Discount of a low-interest loan from a related party	6,838	(367)	6,471	38	(3)	35
	<u>6,838</u>	<u>(367)</u>	<u>6,471</u>	<u>38</u>	<u>(3)</u>	<u>35</u>

(b) Reconciliation of effective tax rate:

	2012		2011 (restated)	
	'000 EUR	%	'000 EUR	%
(Loss)/profit for the year	(20,824)		9,572	
Total income tax (benefit)/expense	(86)		552	
(Loss)/profit excluding tax	(20,910)	100.00%	10,124	100.00%
Income tax at applicable tax rate	(5,123)	24.50%	2,684	26.51%
Effect of loss/(profit) taxed in foreign jurisdictions	5,517	(26.80)%	(485)	(4.79)%
Recognition of previously unrecognised tax losses	256	(1.22)%	(925)	(9.14)%
Current tax losses for which no deferred tax asset is recognised	442	(2.11)%	1,042	10.29%
Depreciation in excess of capital allowance	2	(0.1)%	-	-
Non-taxable income	(3,500)	16.74%	(2,463)	(24.33)%
Unrecognised deferred tax assets	721	(3.45)%	-	-
Non-deductible expenses	1,599	(7.65)%	699	6.90%
	(86)	0.41%	552	5.45%

12. Property, plant and equipment

'000 EUR	Note	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
Cost						
Balance at 1 January 2011		16,776	15,645	1,594	9,698	43,713
Acquisitions through business combinations		-	57	62	-	119
Additions		3,075	6,523	204	3,800	13,602
Disposals		(42)	(57)	(13)	(136)	(248)
Transfers		1,266	4,357	297	(5,920)	-
Effect of movements in exchange rates		(621)	(580)	(53)	(35)	(1,289)
Balance at 31 December 2011		20,454	25,945	2,091	7,407	55,897
Balance at 1 January 2012		20,454	25,945	2,091	7,407	55,897
Additions		814	14,090	256	16,219	31,379
Disposals		(2)	(1,158)	(75)	(343)	(1,578)
Transfers		1,088	130	7	(1,225)	-
Reclassification from investment property	14	685	-	-	-	685
Effect of movements in exchange rates		717	724	63	165	1,669
Balance at 31 December 2012		23,756	39,731	2,342	22,223	88,052

'000 EUR	Note	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
Depreciation and impairment losses						
Balance at 1 January 2011		(619)	(3,331)	(158)	-	(4,108)
Depreciation for the year	8	(1,426)	(2,578)	(352)	-	(4,356)
Disposals		-	7	9	-	16
Effect of movements in exchange rates		-	14	9	-	23
Balance at 31 December 2011		(2,045)	(5,888)	(492)	-	(8,425)
Balance at 1 January 2012		(2,045)	(5,888)	(492)	-	(8,425)
Depreciation for the year	8	(1,598)	(3,924)	(389)	-	(5,911)
Impairment loss		(3,144)	(398)	(182)	-	(3,724)
Disposals		1	526	22	-	549
Effect of movements in exchange rates		(40)	(85)	(10)	-	(135)
Balance at 31 December 2012		(6,826)	(9,769)	(1,051)	-	(17,646)
Carrying amounts						
At 1 January 2011		16,157	12,314	1,436	9,698	39,605
At 31 December 2011		18,409	20,057	1,599	7,407	47,472
At 31 December 2012		16,930	29,962	1,291	22,223	70,406

Depreciation expense of EUR 5,973 thousand has been charged to operating costs (2011 EUR 4,146 thousand) Depreciation expense of EUR 210 thousand (2011 EUR 210 thousand) has been capitalised in the cost of inventories

Capitalised borrowing costs related to the acquisition of the land and the construction of a new factory amounted to EUR 1,195 thousand (2011 EUR 209 thousand), with a capitalisation rate of 6.50% (2011, 6.19%)

The cost of fully depreciated property, plant and equipment at 31 December 2012 amounted to EUR 1,548 thousand (2011 EUR 1,385 thousand)

Impairment loss

The carrying amount of the Group's property, plant and equipment was reviewed at the reporting date to determine whether there was any indication of impairment

As a relevant cash-generating unit evidencing such indication, residential house manufacturing company (DSK Bely Kluch) was selected for the purpose of impairment testing

CGU's impairment test was based on value in use in 2012, determined by discounting the future projected cash flows to be generated from the continuing use of the assets

The values assigned to the key projections represented management's assessment of future production trends in industry and based thereon Group's production plans

The main management assumption is that the plant and related assets production capacity would be fully utilized for residential house manufacturing required for the Group internal demand, i.e. the houses manufactured would be rented out by the Group employees or, in exceptional cases, transferred to the Group employees free of charge

The change in the management plans was triggered by the decline in demand registered in 2012 and urgent internal Group requirements

The management is planning to recommence commercial production (i.e. production of houses for external demand) as soon as internal demand is met

Budgeted EBITDA was based on expectation of future outcomes taking into account past experience, adjusted for the following

- revenues included in cash flow projections for the years 2013 to 2018 were based on anticipated internal demand level,
- operating expenses were assumed to increase in line with forecast inflation for the next five years

The carrying amount of the CGU's assets was determined to be higher than their recoverable amount amounting to zero and an impairment loss of EUR 3,724 thousand (2011: nil) was recognized

'000 EUR	2012
Carrying amount	3,724
Recoverable amount	-
Impairment loss	(3,724)

Since the commercial production re-establishment within at least five year period from the reporting date the management forecasts positive change in cash generating dynamics which may result in subsequent loss reversal

The impairment loss for 2012 was included in operating costs

13. Intangible assets

'000 EUR	Note	Goodwill	Software	Development costs	Total
Cost					
Balance at 1 January 2011		20,375	2,181	-	22,556
Other acquisitions		1,080	1,623	-	2,703
Balance at 31 December 2011		21,455	3,804	-	25,259
Balance at 1 January 2012		21,455	3,804	-	25,259
Additions		-	3,961	120	4,081
Disposals		-	(31)	(20)	(51)
Reclassification to assets held for sale		-	(1,675)	-	(1,675)
Effect of movement in exchange rates		-	78	(1)	77
Balance at 31 December 2012		21,455	6,137	99	27,691

'000 EUR	Note	Goodwill	Software	Development costs	Total
Amortisation and impairment losses					
Balance at 1 January 2011		(8,960)	(1,538)	-	(10,498)
Amortisation for the year	8	(101)	(502)	-	(603)
Impairment loss		(48)	-	-	(48)
Balance at 31 December 2011		(9,109)	(2,040)	-	(11,149)
Balance at 1 January 2012		(9,109)	(2,040)	-	(11,149)
Amortisation for the year	8	-	(1,216)	-	(1,216)
Reclassification to assets held for sale		-	510	-	510
Effect of movement in exchange rates		-	(16)	-	(16)
Balance at 31 December 2012		(9,109)	(2,762)	-	(11,871)
Carrying amounts					
At 1 January 2011		11,415	643	-	12,058
At 31 December 2011		12,346	1,764	-	14,110
At 31 December 2012		12,346	3,375	99	15,820

Amortisation

Amortisation of software rights is included in operating costs

Assets held for sale

Assets held for sale comprise a conditional access system

14. Investment property

Cost	Note	'000 EUR
Balance at 1 January 2011		1,633
Additions		169
Acquisitions through business combinations		3,178
Translation difference		(45)
Balance at 31 December 2011		4,935
Additions		324
Reclassification to property, plant and equipment	12	(685)
Translation difference		179
Balance at 31 December 2012		4,753

Carrying amounts

At 1 January 2011	1,633
At 31 December 2011	4,935
At 31 December 2012	4,753

Investment property comprises a number of land plots that were acquired by the Group for undetermined future use. The fair value of the land plots was determined by the management on the basis of recent market transactions and comprised EUR 5,498 thousand as at 31 December 2012 (2011: EUR 5,369 thousand).

15. Equity accounted investees

The Group's share of profit in its equity accounted investee (net of income tax) for the period ended 31 December 2012 was EUR 842 thousand (2011: EUR 1,003 thousand). In 2012 the Group did not receive dividends from its investments in equity accounted investee.

The following is summarised financial information for equity accounted investee, not adjusted for the percentage ownership held by the Group:

'000 EUR	Ownership	Total assets	Total liabilities	Revenues	Profit
31 December 2011					
LLC "Prankor"	30%	11,522	(7,259)	9,102	3,344
		11,522	(7,259)	9,102	3,344

'000 EUR	Ownership	Total assets	Total liabilities	Revenues	Profit
31 December 2012					
LLC "Prankor"	30%	12,406	(5,088)	9,783	2,807
		12,406	(5,088)	9,783	2,807

The reporting date for the associate listed above is 31 December.

16. Other investments

'000 EUR	Note	31 December 2012	31 December 2011
<i>Non-current</i>			
Equity securities		-	82
Deposits and guarantees paid		119	114
Bank promissory notes		411	464
Loans issued		-	94
Loans to related parties		8	-
Other investments		-	7
		<u>538</u>	<u>761</u>
<i>Current</i>			
Marketable securities			380
Bank deposits		16,740	34,194
Bank promissory notes		-	1,571
Loans to related parties	28	1,451	1,049
Loans issued		62	72
		<u>18,253</u>	<u>37,266</u>

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 24

At 31 December 2012 bank promissory notes with a carrying amount of EUR 411 thousand were pledged as security for borrowings received by one of the Group companies (31 December 2011 EUR 464 thousand)

At 31 December 2012 no bank promissory notes were pledged as security for borrowings received by third parties (31 December 2011 EUR 1,571 thousand)

Deposits and guarantees paid include deposits paid to the lessor of one of the group's business premises of €117 thousand and deposits paid to various suppliers of €2 thousand

17. Deferred tax assets and liabilities

(a) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items

'000 EUR	2012	2011
Deductible temporary differences	652	-
Tax losses	30,542	-
	<u>21,311</u>	<u>-</u>

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom

(b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

'000 EUR	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Property, plant and equipment	16	-	(1,201)	(1,148)	(1,185)	(1,148)
Investment property	-	-	(533)	(515)	(533)	(515)
Intangible assets	61	-	(32)	(55)	29	(55)
Investments	10	10	-	-	10	10
Inventories	273	146	(10)	-	263	146
Trade and other receivables	58	85	(6)	(5)	52	80
Loans and borrowings	17	2	(348)	(29)	(331)	(27)
Accruals	55	52	-	(211)	55	(159)
Tax loss carry-forwards	1,177	598	-	-	1,177	598
Tax assets/(liabilities)	1,667	893	(2,130)	(1,963)	(463)	(1,070)
Set off of tax	(690)	(483)	690	483	-	-
Net tax assets/(liabilities)	<u>977</u>	<u>410</u>	<u>(1,440)</u>	<u>(1,480)</u>	<u>(463)</u>	<u>(1,070)</u>

(c) **Movement in temporary differences during the year**

'000 EUR	1 January 2012	Recognised in profit or loss	Translation difference	Recognised directly in equity	31 December 2012
Property, plant and equipment	(1,148)	2	(41)	-	(1,187)
Investment property	(515)	-	(18)	-	(533)
Intangible assets	(55)	87	(3)	-	29
Investments	10	-	-	-	10
Inventories	146	112	5	-	263
Trade and other receivables	80	(31)	3	-	52
Loans and borrowings	(27)	63	1	(367)	(330)
Accruals	(159)	222	(7)	-	56
Tax loss carry-forwards	598	561	18	-	1,177
	(1,070)	1,016	(42)	(367)	(463)

'000 EUR	1 January 2011	Recognised in profit or loss	Translation difference	Recognise d directly in equity	Acquisition through business combination	31 December 2011
Property, plant and equipment	(1,261)	70	43	-	-	(1,148)
Investment property	-	-	-	-	(515)	(515)
Intangible assets	(4)	(52)	1	-	-	(55)
Investments	9	1	-	-	-	10
Inventories	30	119	(3)	-	-	146
Trade and other receivables	(22)	103	(1)	-	-	80
Loans and borrowings	50	(74)	-	(3)	-	(27)
Accruals	(123)	(41)	5	-	-	(159)
Tax loss carry-forwards	-	335	(1)	-	264	598
	(1,321)	461	44	(3)	(251)	(1,070)

18. Inventories

'000 EUR	31 December 2012	31 December 2011
Raw materials and consumables	9,673	5,921
Work in progress	1,840	3,921
Finished goods and goods for resale	7,367	3,238
	<u>18,880</u>	<u>13,080</u>

In 2012 raw materials, consumables and changes in finished goods and work in progress included in operating costs amounted to EUR 31,380 thousand (in 2011 EUR 18,420 thousand)

Capitalised borrowing costs related to work in progress amounted to EUR 168 thousand, with a capitalisation rate of 6.60%

In 2012 the write-down of inventories to net realisable value amounted to EUR 4,490 thousand (in 2011 EUR 34 thousand). The write-down is included in operating costs. There were no reversals of write-downs in 2012.

19. Trade and other receivables

'000 EUR	Note	31 December 2012	31 December 2011
Trade receivables due from related parties	29	368	348
Trade receivables from third parties		9,708	8,975
Other receivables		8,851	5,211
Trade and other receivables		<u>18,927</u>	<u>14,534</u>
Input VAT		2,923	1,387
Other taxes receivable		1,941	748
Trade and other receivables		<u>23,791</u>	<u>16,669</u>
Non-current		-	-
Current		23,791	16,669
		<u>23,791</u>	<u>16,669</u>

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 25.

Other receivables include loans to the director, Mr A Tkachenko of EUR nil (in 2011 EUR 929 thousand). Interest of 6% was charged.

20. Cash and cash equivalents

'000 EUR	31 December 2012	31 December 2011
Cash in RUB	5,283	2,061
Cash in GBP	53	38
Cash in USD	8,575	3,411
Cash in EUR	4,997	7,920
	<u>18,908</u>	<u>13,430</u>

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 25

21. Capital and reserves

(a) Share capital

<i>Number of shares unless otherwise stated</i>	Ordinary shares		
	31 December 2012	31 December 2011	1 January 2011
Authorised shares GBP1 00 each	148,500	148,500	148,500
Issued and fully paid at 1 January	57,508	57,508	57,508
Bonus issue (99,000 at GBP1 00 each)	118,790	-	-
On issue at 31 December, fully paid	<u>176,298</u>	<u>57,508</u>	<u>57,508</u>

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company

99,000 Ordinary shares of GBP1 00 each were allotted as fully paid as a bonus issue out of reserves during the year

(b) Additional paid in capital

Additional paid in capital includes amounts arising from business combinations and from changes in the relative interest in subsidiaries, in entities that are under the control of the shareholder of the group. Any differences between the net assets acquired or sold and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the company. Additional paid in capital also includes fair value gains arising on the recognition of low interest loans received from entities under common control.

(c) Share Premium Reserves

The share premium reserve is to record the excess over par value received on issue of shares

(d) **Translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements to presentation currency

22. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 25

'000 EUR	31 December 2012	31 December 2011 (restated)
<i>Non-current liabilities</i>		
Secured bank loans	-	166
Unsecured loans	49,557	16,497
Other loans	45,792	51,335
Loans from directors	30	-
	<u>95,379</u>	<u>67,998</u>
<i>Current liabilities</i>		
Current portion of secured bank loans	162	1,140
Unsecured loans	45,342	47,247
Loans from directors	135	160
Other loans	-	145
	<u>45,639</u>	<u>48,692</u>

(a) **Terms and debt repayment schedule**

Terms and conditions of outstanding loans were as follows

'000 EUR	Currency	Nominal interest rate	Year of maturity	31 December 2012		31 December 2011 (restated)	
				Face value	Carrying amount	Face value	Carrying amount
Secured bank loan	USD	3.00%	2013	162	162	340	340
Secured bank loan	USD	7.80%	2012	-	-	966	966
Unsecured loans	RUB	4.00%	2012-2013	23	23	41,440	40,248
Unsecured loans	RUB	6.00%	2012-2013	79	82	72	72
Unsecured loans	RUB	6.40%	2013-2015	56,016	51,423	-	-
Unsecured loans	RUB	6.50%	2013-2014	20,948	20,058	12,783	12,163
Unsecured loans	RUB	9.00%	2012-2013	1,487	1,502	1,704	1,704

Unsecured loans	USD	4 00%	2012	-	-	6,592	6,574
Unsecured loans	USD	6 40%	2012-2013	2,234	2,234	-	-
Unsecured loans	USD	6 50%	2012-2013	2,312	2,308	2,327	2,296
Unsecured loans	EUR	6 50%	2013	3,284	3,276	677	687
Unsecured loans	EUR	6 40%	2013-2015	13,703	13,237	-	-
Dinatech Global	EUR	4 00%	2015	21,734	21,503	31,920	37,865
Dinatech Global	EUR	2 50%	2015	7,264	6,261	-	-
Dinatech Global	USD	4 00%	2015	4,415	5,277	-	-
T&V Savings Fou	EUR	4 00%	2015	-	2,629	13,600	13,248
Spilkoma Trading	EUR	6 50 %	2015	3,760	3,866	263	222
Spilkoma Trading	EUR	3 25%	2015	6,125	6,256	-	-
Unsecured loans	EUR	6 5%	2015	714	756	-	-
Loans from directors	RUB	0 01%	2012-2014	165	165	160	160
Total interest-bearing liabilities				<u>144,425</u>	<u>141,018</u>	<u>112,844</u>	<u>116,545</u>

23. Trade and other payables

'000 EUR	Note	31 December 2012	31 December 2011
Non-current payables			
Trade payables to third parties		-	340
Non-controlling interest in limited liability subsidiaries		18	(232)
		<u>18</u>	<u>108</u>
Current payables			
Payables to related parties	29	2,406	357
Trade payables to third parties		9,890	8,276
Advances received		3,213	6,236
Other taxes payable		4,487	4,556
Payables to employees		1,851	908
Payables for promissory notes		3,045	4,787
Other payables and accrued expenses		17,664	759
		<u>42,556</u>	<u>25,879</u>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 25

24. Provisions

'000 EUR	Disputes	Employee disputes	Currency translation adjustments	Total
Balance at 1 January 2011	698	1,003	-	1,701
Provisions made during the year	220	78	25	323
Provisions used during the year	-	(696)	-	(696)
Provisions reversed during the year	-	(341)	-	(341)
Balance at 31 December 2011	918	44	25	987
Balance at 1 January 2012	918	44	25	987
Provisions made during the year	2	-	15	17
Provisions used during the year	(470)	(25)	(25)	(520)
Provisions reversed during the year	(16)	(19)	-	(35)
Balance at 31 December 2012	434	-	15	449

All provisions are current

Disputes

The provision for disputes relates to two litigation claims against one of the Group's companies as follows

There is a dispute relating to a lease agreement for rental premises that was not approved by the company's shareholders. The company disputed the validity of the lease and the payment of rent. The owner of the property referred the case to the Court to request a provision for the rental income but this request was rejected. They issued the company with a summons to appear in court for a substantive examination of the contested case for the rental income, and conducted four garnishments on the company's bank accounts for the rental income. The company appealed and lost the case. The provision for risk for this dispute, amounting to EUR 470 thousand was fully reversed in the year.

There is a dispute relating to a contract covering the company's establishment of encryption and access control methods for the benefit of a third party who entrusted the company with the sale of access licences to a channel. The third party initiated a severing of contractual relations assigning responsibility for this severance to the company. The company invoked the nullity of the contract and the court sentenced both parties to pay each other EUR 109 thousand. The third party then appealed this verdict and the court ordered the company to pay EUR 444 thousand. The company was forced to pay the sum but are now seeking advice with a view to obtain reimbursement of all or part of the EUR 444 thousand. The company has provisioned for the entire sum corresponding to this sentence, namely EUR 444 thousand – this forming part of opening balance provision brought forward from 2010.

25. Financial instruments and risk management

The Group's financial instruments by category are as follows

	2012	2011
'000 EUR	<u>Loans and Receivables</u>	<u>Loans and Receivables</u>
Assets		
Other investments	18,791	38,027
Trade and other receivables	18,927	14,534
Cash and cash equivalents	18,908	13,430
	<u>56,626</u>	<u>65,991</u>
'000 EUR	<u>Financial liabilities at amortised cost</u>	<u>Financial liabilities at amortised cost</u>
Liabilities		
Loans and borrowings	141,018	116,690
Trade and other payables	17,806	14,066
	<u>158,824</u>	<u>130,756</u>

Financial assets with a carrying value of EUR 411 thousand (EUR 464 thousand) have been pledged as security for borrowings

(a) Overview

The Group has exposure to the following risks from its use of financial instruments

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and loans given.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

'000 EUR	Note	Carrying amount	
		2012	2011
Bank deposits	16	16,740	34,194
Trade and other receivables	19	18,927	14,534
Cash and cash equivalents	20	18,908	13,430
Deposits	16	119	114
Other Investments	16	-	469
Loans	16	1,521	1,215
Bank promissory notes	16	411	2,035
		<u>56,626</u>	<u>65,991</u>

(ii) Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. Approximately 23% (2011: 14%) of the Group's revenue is attributable to sales transactions with a single customer. However, geographically there is no concentration of credit risk.

The four most significant customers of the Group account for EUR 2,011 thousand of the trade receivables carrying amount at 31 December 2012 (2011: EUR 2,440 thousand).

(iii) Loans given

The Group provides loans to third and related parties. Management monitors the creditworthiness of borrowers and does not expect any counterparty to fail to meet its obligations.

The Group does not require collateral in respect of loans given.

(iv) Bank deposits

The Group has a policy of depositing surplus cash balances with reputable Russian banks. The purpose of such policy is to secure interest on deposits and at the same time maintain targeted liquidity level. The Group limits its exposure to credit risk by only placing deposits with banks (financial institutions), whose creditworthiness has been certified by Russian banks rating agencies.

Impairment losses

The aging of trade receivables at the reporting date was

'000 EUR	Gross 2012	Impairment 2012
Not past due	9,002	(17)
Past due 0- 30 days	120	(7)
Past due 31-90 days	455	(34)
Past due more than 90 days	925	(369)
	10,502	(427)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows

'000 EUR	Impairment 2012	2011
Balance at beginning of the year	216	147
Increase during the year	372	69
Decrease during the year	(169)	-
Translation difference	8	-
Balance at end of the year	427	216

The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible, at that point the amount is considered irrecoverable and is written off against the financial asset directly.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet current operational expenses, including the servicing of financial obligations, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters

The following are the contractual maturities of financial liabilities, including estimated interest payments. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts

2012

'000 EUR	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	1-2 yrs	Over 2 yrs
Non-derivative financial liabilities						
Secured bank loans	162	162	82	80	-	-
Unsecured loans	140,690	150,284	2,851	40,286	57,770	49,377
Loans from directors	165	165	13	121	31	-
Trade and other payables	17,806	17,806	16,660	1,146	-	-
	<u>158,823</u>	<u>168,417</u>	<u>19,606</u>	<u>41,633</u>	<u>57,801</u>	<u>49,377</u>

2011

'000 EUR	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	1-2 yrs	Over 2 yrs
Non-derivative financial liabilities						
Secured bank loans	1,306	1,377	89	1,114	174	-
Unsecured loans	115,265	117,120	154	48,452	17,138	51,376
Loans from directors	160	160	105	20	35	-
Trade and other payables	16,556	16,556	11,429	4,787	340	-
	<u>133,287</u>	<u>135,213</u>	<u>11,777</u>	<u>54,373</u>	<u>17,687</u>	<u>51,376</u>

After the end of reporting period the Group restructured a significant portion of the debt falling due in 2013 (refer to note 31 for more details)

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of Group entities, which is the Euro (EUR). The currencies in which these transactions primarily are denominated are euro (EUR), Russian Rubles (RUB) and U S dollars (USD).

Interest on borrowings is denominated in the currency of the borrowing.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts

'000 EUR	USD- denominated	Rub - denominated	Euro - denominated	Other - denominated	Total
Other Investments	-	3,672	15,119	-	18,791
Trade and other receivables	6,106	5,526	7,074	221	18,927
Cash and cash equivalents	8,575	5,283	4,997	53	18,908
Loans and borrowings	(9,981)	(73,180)	(57,857)	-	(141,018)
Trade and other payables	(2,782)	(10,824)	(4,019)	(181)	(17,806)
Net exposure	1,918	(69,523)	(34,686)	93	(102,198)

The following significant exchange rates applied during the year

in EUR	Average rate		Reporting date spot rate	
	2012	2011	31 December 2012	31 December 2011
USD 1	1 2858	1 3924	1 3215	1 2949
RUB 1	39 9524	40 8865	40 2286	41 6714

Sensitivity analysis

A strengthening /weakening of the EUR, as indicated below, against the following currencies at 31 December would have increased (decreased) pre-tax profit or loss by the amounts shown below. There would be no direct impact on equity. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

'000 EUR	Profit or loss
31 December 2012	
USD (10% strengthening)	(174)
RUB (10% strengthening)	6,320
USD (10% weakening)	213
RUB (10% weakening)	(7,725)

(ii)

Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Group's policy is only to borrow at a fixed rate of interest.

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was

'000 EUR	Carrying amount	
	31 December 2012	31 December 2011
Fixed rate instruments		
Financial assets	17,151	36,229
Financial liabilities	(141,018)	(116,690)
	(123,867)	(80,461)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial instruments as fair value through profit or loss or as available-for-sale. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss or in equity

(iii) Fair values versus carrying amounts

The base for determination of a fair value is disclosed in Note 5. The management believes that the fair value of financial assets and liabilities of the Group is approximately equal to their respective carrying amounts

(e) Capital management

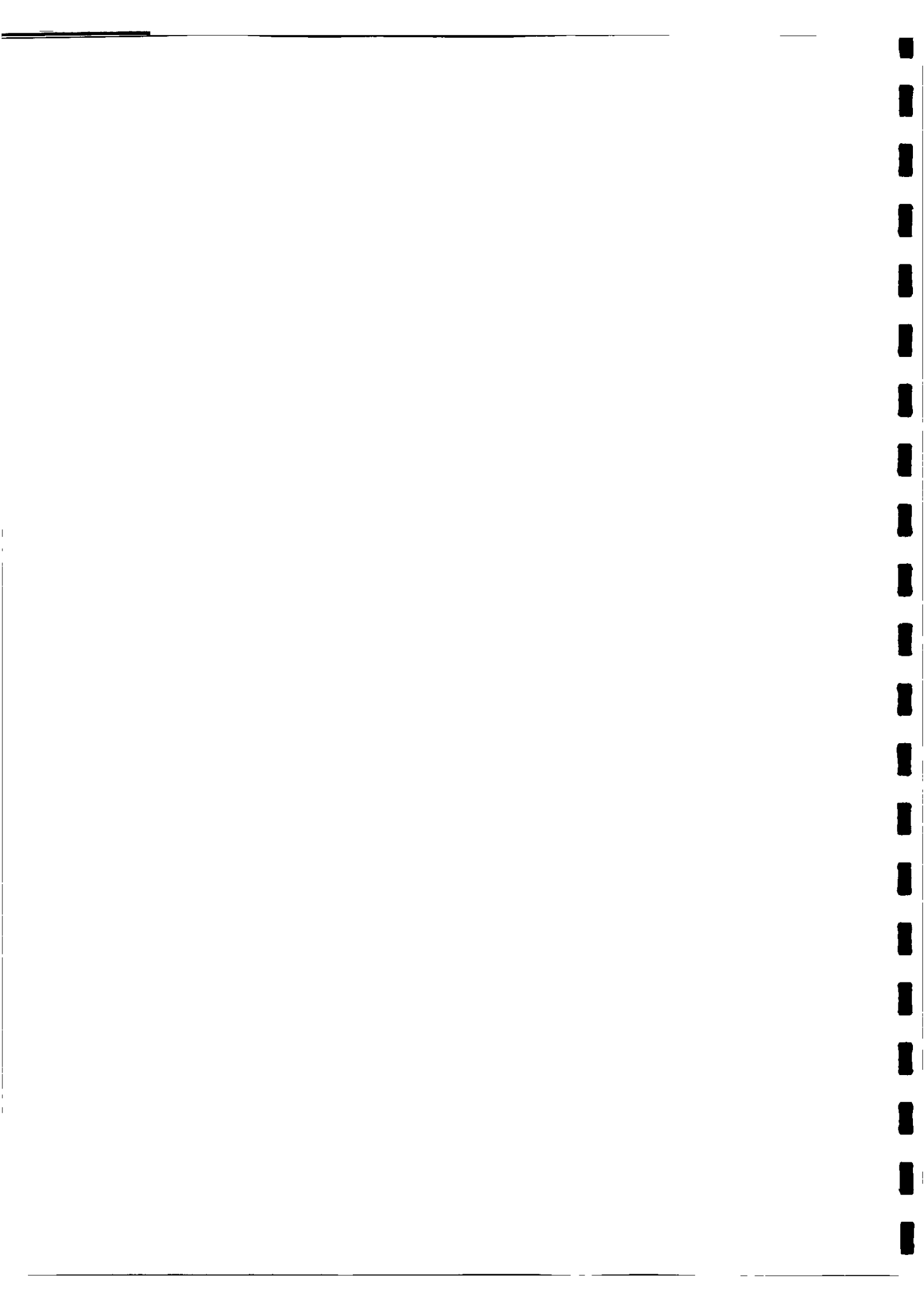
The Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group's operational and strategic needs, and to maintain confidence of market participants. Total comprehensive loss for the year ended 31 December 2012 was principally generated by the businesses which were on a set-up stage, with yet fully unutilized production capacities. The management concentrates on efficient production and cash management, constant monitoring of Group's revenues and long-term investment plans to be mainly financed by the Group's operating cash flows. With these measures the Group aims for steady profits growth.

26. Operating leases and other rental commitments

Non-cancellable operating lease rentals are payable as follows

'000 EUR	31 December 2012	31 December 2011
Less than one year	1,939	631
Between one and five years	1,631	123
More than five years	14,210	83
	17,780	837

During the year ended 31 December 2012 an amount of EUR 1,611 thousand was recognised as an expense in profit or loss in respect of operating leases (2011: EUR 1,031 thousand). The Group has no contingent rent arrangements.



The Group entered into four equipment leasing contracts, one of which relates to a water fountain for a duration of 20 quarters with a quarterly rate amounting to EUR 357 thousand

27. Capital commitments

As at 31 December 2012 the Group had contractual commitments to purchase plant and equipment for EUR 4,983 thousand (2011: EUR 8,216 thousand)

The company signed a commercial contract amounting to USD 6,200k in 2011 for the supply of its main component. On 31/12/2012, this commercial commitment amounted to USD 3,255k. This contract was concluded for a duration of two years, expiring on 31st March 2014.

The total contract value for the woodcutting equipment is EUR 7,800 thousand. This amount is payable in tranches according to the finalization of certain stages in the production process.

Under the investment agreement with RMEC Cambodia, the group has a total of USD 1,200 thousand committed as equity investment. This sum is divided into monthly instalments ending May 2014.

28. Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

The Group was not involved in any significant litigations as at 31 December 2012.

(c) Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the

effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant

29. Related party transactions

(a) Control relationships

The ultimate controlling party of the Group is Mr Andrey Georgievich Tkachenko

(b) Transactions with key management personnel

(i) Loans to directors

No new unsecured loans to directors were issued during the year (2011 EUR 849 thousand) At 31 December 2012 the balance outstanding was EUR 863 thousand (2011 EUR 833 thousand) and is included in loans to related parties (see note 16)

(ii) Shareholders current accounts – credit balances

'000 EUR	2012	2011
Mr A Tkachenko	73	-
	73	-

The shareholders' current accounts are interest free and have no specified repayment date

(iii) Key management remuneration

Key management received the following remuneration during the year, which is included in personnel costs

'000 EUR	2012	2011
Salaries and bonuses	651	417
Contributions to State pension fund	71	53
	722	470

(c) Other related party transactions

The Group's other related party transactions are disclosed below

(i) Revenue

'000 EUR	Transaction value for the year ended 31 December		Outstanding balance	
	2012	2011	31 December 2012	31 December 2011
Sale of goods				
Entities under common control	1	-	1	-
Entities with significant influence	125	-	-	-
Equity accounted investees	1	-	-	-
Services provided				
Entities under common control	5,749	639	1,715	189
Entities with significant influence	439	-	-	-
Equity accounted investees	73	211	25	122
	<u>6,388</u>	<u>850</u>	<u>1,741</u>	<u>311</u>

All outstanding balances with related parties are to be settled in cash within year of the reporting date. None of the balances are secured.

(ii) Expenses

'000 EUR	Transaction value for the year ended 31 December		Outstanding balance	
	2012	2011	31 December 2012	31 December 2011
Purchase of goods				
Entities under common control	205	1,944	257	21
Equity accounted investees	1,302	401	976	-
Services received				
Entities under common control	345	86	30	336
Equity accounted investees	4	-	96	-
Entities with significant influence	-	-	145	-
	<u>1,856</u>	<u>2,431</u>	<u>1,504</u>	<u>357</u>

All outstanding balances with related parties are to be settled in cash within six months of the reporting date. None of the balances are secured.

Salary and bonuses paid to employees of the Group by Related parties amounted to EUR 943 thousand for 2012 (2011 EUR 1,271 thousand).

At 31 December 2012 unpaid dividends amounted to EUR 841 thousand including EUR 722 thousand due to Mr Andrey Georgievich Tkachenko.

(iii) Loans				
'000 EUR	Amount loaned	Amount loaned	Outstanding balance	Outstanding balance
	2012	2011	31 December 2012	31 December 2011
Loans received				
Parent Company	-	479	-	-
Entities under common control	86,763	26,994	134,696	24,301
Loans given				
Entities under common control	(2)	-	-	(216)
Equity accounted investees	-	-	(596)	-
	<u>86,761</u>	<u>27,473</u>	<u>134,100</u>	<u>24,085</u>

At 31 December 2012 the Group had no commitments to related parties to do something if a particular event occurs or does not occur in the future including obligations under executory contracts

30. Significant subsidiaries and associates

		2012	2011
	Country of incorporation	Ownership/voting	Ownership/voting
Associate			
LLC "Prankor"	Russia	3%	3%
Subsidiary			
General Satellite GmbH	Germany	100%	100%
General Satellite Group AG	Switzerland	100%	100%
DTH Pakistan Ltd	Pakistan	100%	100%
Royal Media Entertainment Corp Ltd	Cambodia	51%	51%
Parus Media Broadcast Ltd	Pakistan	49%	49%
General Satellite Research & Development Ltd	UK	100%	100%
National Centre of Development OOO	Russia	90%	90%
Neotion S A	France	94%	94%
Neotion Asia	Hong Kong	94%	94%
Extended Secure Technologies B V	The Netherlands	100%	100%
ExSeT IP B V	The Netherlands	100%	100%
ExSet Service B V	The Netherlands	100%	100%
OJSC "Concern Innovational Technologies"	Russia	10%	10%
LLC "FortLine"	Russia	10%	10%
LLC "Konsalt-Technologiya"	Russia	10%	10%
LLC "Cifra"	Russia	10%	10%
LLC "IK "Satprof"	Russia	10%	10%
LLC "Pervaya Kartonazhnaya Fabrika"	Russia	7%	7%
OJSC "NPO "Cifroviye Televisionniye Sistemy"	Russia	7%	5%
LLC "DSK "Beliy Klutch"	Russia	10%	8%
OJSC "Almet"	Russia	6%	6%
LLC "Almet-Export"	Russia	6%	6%
LLC "Mega-Servis"	Russia	10%	10%
OJSC "GS Nanotekh"	Russia	10%	8%
LLC "CTS-Servis"	Russia	7%	5%
LLC "Terra-Vita"	Russia	10%	10%
LLC "Unona-Geo"	Russia	10%	10%
LLC "Kontur"	Russia	10%	10%
LLC "Torgovy Dom "Cifra"	Russia	10%	10%
CJSC "TekhnoServis" (former CJSC "Agenstvo Razvitiya Territoriy")	Russia	10%	10%
LLC "Zemelnaya innovacionnaya kompaniya"	Russia	10%	10%
LLC "Novoplast"	Russia	10%	10%
LLC "Laboratoriya Kriptographicheskikh system"	Russia	10%	10%
LLC "UK "Technopolis-Gusev"	Russia	10%	10%

LLC "Dedovichskaya lesnaya kompaniya"	Russia	9%	9%
LLC "Lesozavod Sudoma"	Russia	9%	-
LLC "Nanouglerodnie materialy"	Russia	5%	-
LLC "GS Ecopulp"	Russia	10%	-

The Company holds only a 10% shareholding in OJSC Concern Innovational Technologies, however it and its subsidiaries are consolidated in these financial statements as the company has control over OJSC Concern Innovational Technologies via agreement with the other equity shareholder. The shareholdings above reflect the company's effective interest in the Russian subsidiaries.

On 14 December 2012 the Group acquired an additional 20% interest in LLC "DSK "Bely Klutch", increasing its ownership from 80% to 100%.

In 2012 the Group established the following entities:

- On 17 December 2012 the Group established LLC "GS Ecopulp" in the capacity of the sole shareholder.
- On 15 August 2012 the Group established LLC "Lesozavod Sudoma" with the share of 90%.

On 22 October 2012 the Group established LLC "Nanouglerodnie materialy" with the share of 50%.

During the year the group disposed of two subsidiaries GS Bulgaria Plovdiv and GS Bulgaria Sofia for combined proceeds of EUR 5,055 thousand. These subsidiaries were not material and were therefore not consolidated in these financial statements.

31. Events subsequent to the reporting date

In 2013 the Group established the following entities in the capacity of the sole shareholder:

- On 21 January 2013 the Group established LLL "GS Organics",
- On 9 April 2013 the Group established LLC "Globalcom".

On June 28, 2013, the Group acquired additional 20% of the share capital of Limited Liability Company "Prankor" (LLC "Prankor"), increasing its share in the entity's share capital up to 50%, for a cash consideration at par value of the shares equal to EUR 5 thousand (RUB 202 thousand). The Group can exercise control over this entity as the Group has the majority within the investee's board of directors and control of the entity is exercised through that board. The Group has not yet determined the acquisition carrying amounts of identifiable assets and liabilities assumed in this business combination.

In January and July 2013, the Group rescheduled the debt repayment to the related parties of EUR 28,091 thousand following due in 2013 (refer to note 24) to the latter periods (2015-2016). Based on the rescheduled agreements, the Group expects to have sufficient cash to meet its debt obligations falling due by the end of 2013.

At the year end the Group held EUR 15,203,967 at a Cypriot branch of a Russian bank. In response to the financial crises in Cyprus the Cypriot Ministry of Finance has introduced restrictions on the movement of these funds. Whilst this is not expected to impact on short term funds, it may impact on a fixed term deposit of €15m held with the bank. The term deposit is due to mature in December 2013 and should restrictions still in place, the company will have very restricted access to these funds. It may be forced to place the funds back on deposit until such time as the restrictions are lifted.

In April 2013 the controlling party sold their shares in the parent company to General Satellite Holding Company Ltd, a company registered in Jersey. The ultimate controlling party did not change.

In April 2013 the group increased its shareholdings in OJSC Concern Innovational Technologies from 10% to 90% as the result of a capital contribution from the ultimate controlling party.

Report of the Director and
Financial Statements for the Year Ended 31 December 2012
for
General Satellite Corporation Limited
(Parent Company)

General Satellite Corporation Limited

Contents of the Financial Statements
for the Year Ended 31 December 2012

	Page
Company Information	1
Report of the Director	2
Report of the Independent Auditors	4
Profit and Loss Account	5
Balance Sheet	7
Cash Flow Statement	8
Notes to the Cash Flow Statement	9
Notes to the Financial Statements	11
Profit and Loss Account	20

General Satellite Corporation Limited

Company Information
for the Year Ended 31 December 2012

DIRECTOR:	A Tkachenko
SECRETARY:	M Smith
REGISTERED OFFICE:	3rd Floor Fairgate House 78 New Oxford Street London WC1A 1HB
REGISTERED NUMBER:	04502928 (England and Wales)
AUDITORS:	S H Landes LLP Statutory Auditors 3rd Floor Fairgate House 78 New Oxford Street London WC1A 1HB

General Satellite Corporation Limited

Report of the Director **for the Year Ended 31 December 2012**

The director presents his report with the financial statements of the company for the year ended 31 December 2012

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of holding of investments

REVIEW OF BUSINESS

During the year under review the Company sold two of its foreign subsidiaries. This has significantly improved operating results from previous year. No new investments were acquired in the year.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2012

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements

DIRECTOR

A Tkachenko held office during the whole of the period from 1 January 2012 to the date of this report

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Report of the Director and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the director is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

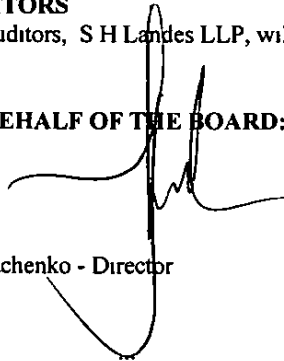
General Satellite Corporation Limited

Report of the Director
for the Year Ended 31 December 2012

AUDITORS

The auditors, S H Landes LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD:

X 

A Tkachenko - Director

Date

**Report of the Independent Auditors to the Members of
General Satellite Corporation Limited**

We have audited the financial statements of General Satellite Corporation Limited for the year ended 31 December 2012 on pages five to nineteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 a Report of the Auditors 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 director and auditors

As explained more fully in the Statement of Director's Responsibilities set out on page two, the director is 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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the director, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Director to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 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 director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Steven Landes (Senior Statutory Auditor)
for and on behalf of S H Landes LLP
Statutory Auditors
3rd Floor
Fairgate House
78 New Oxford Street
London
WC1A 1HB

Date

3/6/13

Steven Landes

General Satellite Corporation Limited**Profit and Loss Account****for the Year Ended 31 December 2012**

	Notes	31 12 12 €	€	31 12 11 €	€
TURNOVER			-		-
Administrative expenses			416,595		1,526,216
			(416,595)		(1,526,216)
Other operating income			927		30,436
OPERATING LOSS	3		(415,668)		(1,495,780)
Profit/loss on sale of investments			4,999,999		-
			4,584,331		(1,495,780)
Income from fixed asset investments		290,483		38,192	
Interest receivable and similar income	4	1,079,478		707,191	
			1,369,961		745,383
			5,954,292		(750,397)
Amounts written off investments	5		(8,602,128)		48,037
			14,556,420		(798,434)
Interest payable and similar charges	6		2,061,096		1,966,850
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			12,495,324		(2,765,284)
Tax on profit/(loss) on ordinary activities	7		-		-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR			12,495,324		(2,765,284)

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

The notes form part of these financial statements

General Satellite Corporation Limited

Statement of Total Recognised Gains and Losses
for the Year Ended 31 December 2012

	31 12 12 €	31 12 11 €
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	12,495,324	(2,765,284)
Unrealised surplus on revaluation of other items	9,205,753	1,185,606
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>21,701,077</u>	<u>(1,579,678)</u>

The notes form part of these financial statements

General Satellite Corporation Limited (Registered number: 04502928)

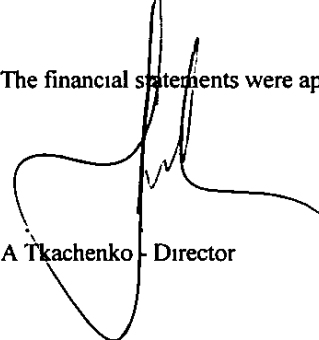
Balance Sheet
31 December 2012

	Notes	31 12 12 €	31 12 11 €
FIXED ASSETS			
Intangible assets	8	2,484	3,133
Tangible assets	9	103,649	26,708
Investments	10	37,481,564	19,673,112
		<u>37,587,697</u>	<u>19,702,953</u>
CURRENT ASSETS			
Debtors	11	6,183,425	2,225,546
Cash at bank		6,119,848	27,351,006
		<u>12,303,273</u>	<u>29,576,552</u>
CREDITORS			
Amounts falling due within one year	12	170,346	623,100
NET CURRENT ASSETS		<u>12,132,927</u>	<u>28,953,452</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>49,720,624</u>	<u>48,656,405</u>
CREDITORS			
Amounts falling due after more than one year	13	42,366,278	63,003,136
NET ASSETS/(LIABILITIES)		<u><u>7,354,346</u></u>	<u><u>(14,346,731)</u></u>
CAPITAL AND RESERVES			
Called up share capital	15	176,298	57,508
Revaluation reserve	16	10,391,359	1,185,606
Profit and loss account	16	(3,213,311)	(15,589,845)
SHAREHOLDERS' FUNDS	21	<u><u>7,354,346</u></u>	<u><u>(14,346,731)</u></u>

The financial statements were approved by the director on

29 / 12 / 13

and were signed by

X 

A Tkachenko - Director

The notes form part of these financial statements

General Satellite Corporation Limited

Cash Flow Statement
for the Year Ended 31 December 2012

	Notes	31 12 12 €	31 12 11 €
Net cash outflow from operating activities	1	(115,250)	(10,076,723)
Returns on investments and servicing of finance	2	1,300,414	(1,221,467)
Capital expenditure and financial investment	2	162,261	(805,344)
		1,347,425	(12,103,534)
Financing	2	(22,578,569)	12,246,372
(Decrease)/increase in cash in the period		(21,231,144)	142,838
<hr/>			
Reconciliation of net cash flow to movement in net debt	3		
(Decrease)/increase in cash in the period		(21,231,144)	142,838
Cash outflow/(inflow) from decrease/(increase) in debt		22,578,569	(63,003,136)
Change in net debt resulting from cash flows		1,347,425	(62,860,298)
Foreign exchange		119,385	-
Loan interest accrued		(2,061,096)	-
Movement in net debt in the period		(594,286)	(62,860,298)
Net (debt)/funds at 1 January		(35,652,144)	27,208,154
Net debt at 31 December		(36,246,430)	(35,652,144)

The notes form part of these financial statements

General Satellite Corporation Limited

Notes to the Cash Flow Statement
for the Year Ended 31 December 2012

1 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	31 12 12 €	31 12 11 €
Operating loss	(415,668)	(1,495,780)
Depreciation charges	11,446	8,387
Foreign exchange	(119,955)	-
Decrease/(increase) in debtors	861,667	(1,874,331)
Decrease in creditors	(452,740)	(6,714,999)
Net cash outflow from operating activities	(115,250)	(10,076,723)

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31 12 12 €	31 12 11 €
Returns on investments and servicing of finance		
Interest received	1,009,931	707,191
Interest paid	-	(1,966,850)
Dividends received	290,483	38,192
Net cash inflow/(outflow) for returns on investments and servicing of finance	1,300,414	(1,221,467)
Capital expenditure and financial investment		
Purchase of intangible fixed assets	(318)	(4,000)
Purchase of tangible fixed assets	(87,421)	(7,622)
Purchase of fixed asset investments	-	(812,452)
Sale of fixed asset investments	250,000	18,730
Net cash inflow/(outflow) for capital expenditure and financial investment	162,261	(805,344)
Financing		
New loans in year	1,150,000	12,246,372
Loan repayments in year	(23,728,569)	-
Net cash (outflow)/inflow from financing	(22,578,569)	12,246,372

The notes form part of these financial statements

General Satellite Corporation Limited

Notes to the Cash Flow Statement
for the Year Ended 31 December 2012

3 ANALYSIS OF CHANGES IN NET DEBT

	At 1 1 12 €	Cash flow €	Other non-cash changes €	At 31 12 12 €
Net cash				
Cash at bank and in hand	27,351,006	(21,231,158)		6,119,848
Bank overdraft	(14)	14		-
	<u>27,350,992</u>	<u>(21,231,144)</u>		<u>6,119,848</u>
Debt				
Debts falling due after one year	(63,003,136)	22,578,569	(1,941,711)	(42,366,278)
	<u>(63,003,136)</u>	<u>22,578,569</u>	<u>(1,941,711)</u>	<u>(42,366,278)</u>
Total	<u>(35,652,144)</u>	<u>1,347,425</u>	<u>(1,941,711)</u>	<u>(36,246,430)</u>

The notes form part of these financial statements

General Satellite Corporation Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and are in accordance with applicable accounting standards

Intangible assets - patents

Patents are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful life of 3 and 4 years

Tangible fixed assets

Depreciation is provided at rates calculated to write off the cost or valuation less residual value of each asset over its expected useful life, as follows

Land and buildings straight line over 20 years

Fixture and fittings straight line over 4 years

Deferred tax

The charge for taxation takes into account taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes. In general, deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. However, deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Assets and liabilities in foreign currencies are translated into Euros at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Euros at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result

Fixed assets investments

Fixed asset investments are stated at market value. Market valuations are estimated by external valuers or by the directors using discounted cash flow techniques. Any profit arising on revaluation is taken to the revaluation reserve and any diminution in value below cost is taken to the profit and loss account. Where the diminution in value of a fixed asset investment has been charged to the profit and loss account, but the circumstances giving rise to the diminution have reversed to any extent, the provision is written back to the extent that it is no longer necessary

2 STAFF COSTS

	31 12 12	31 12 11
	€	€
Wages and salaries	184,348	198,836
Social security costs	62,726	68,120
	<u>247,074</u>	<u>266,956</u>

The average monthly number of employees during the year was as follows

	31 12 12	31 12 11
Management	<u>10</u>	<u>11</u>

General Satellite Corporation Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

3 OPERATING LOSS

The operating loss is stated after charging/(crediting)

	31 12 12	31 12 11
	€	€
Other operating leases	8,550	10,209
Depreciation - owned assets	10,480	7,520
Patents and licences amortisation	967	867
Auditors' remuneration	33,598	27,535
Foreign exchange differences	(48,132)	80,980
	<u> </u>	<u> </u>

Director's remuneration	-	-
	<u> </u>	<u> </u>

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	31 12 12	31 12 11
	€	€
Deposit account interest	936,949	657,916
Loan interest receivable	142,529	49,275
	<u> </u>	<u> </u>
	<u>1,079,478</u>	<u>707,191</u>

5 AMOUNTS WRITTEN OFF INVESTMENTS

	31 12 12	31 12 11
	€	€
Impairment reversal	(8,602,128)	-
Impairment	-	48,037
	<u> </u>	<u> </u>
	<u>(8,602,128)</u>	<u>48,037</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	31 12 12	31 12 11
	€	€
Interest payable	2,061,096	1,966,850
	<u> </u>	<u> </u>

7 TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2012 nor for the year ended 31 December 2011

General Satellite Corporation Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

7 TAXATION - continued

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	31 12 12 €	31 12 11 €
Profit/(loss) on ordinary activities before tax	12,495,324	(2,765,284)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.500% (2011 - 26.500%)	3,061,354	(732,800)
Effects of		
Expenses not deductible for tax purposes	-	12,823
Income not taxable for tax purposes	(3,403,690)	-
Depreciation in excess of capital allowances	2,431	203
Losses carried forward	339,905	719,774
Current tax charge	-	-

8 INTANGIBLE FIXED ASSETS

	Patents and licences €
COST	
At 1 January 2012	4,000
Additions	318
At 31 December 2012	4,318
AMORTISATION	
At 1 January 2012	867
Amortisation for year	967
At 31 December 2012	1,834
NET BOOK VALUE	
At 31 December 2012	2,484
At 31 December 2011	3,133

General Satellite Corporation Limited**Notes to the Financial Statements - continued
for the Year Ended 31 December 2012****9 TANGIBLE FIXED ASSETS**

	Freehold property €	Fixtures and fittings €	Totals €
COST			
At 1 January 2012	-	37,037	37,037
Additions	87,000	421	87,421
At 31 December 2012	87,000	37,458	124,458
DEPRECIATION			
At 1 January 2012	-	10,329	10,329
Charge for year	1,300	9,180	10,480
At 31 December 2012	1,300	19,509	20,809
NET BOOK VALUE			
At 31 December 2012	85,700	17,949	103,649
At 31 December 2011	-	26,708	26,708

10 FIXED ASSET INVESTMENTS

	Shares in group undertakings €
COST OR VALUATION	
At 1 January 2012	28,298,031
Disposals	(4,084)
Revaluations	9,206,324
At 31 December 2012	37,500,271
PROVISIONS	
At 1 January 2012	8,624,919
Eliminated on disposal	(4,084)
Provision written back	(8,602,128)
At 31 December 2012	18,707
NET BOOK VALUE	
At 31 December 2012	37,481,564
At 31 December 2011	19,673,112

General Satellite Corporation Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

10 FIXED ASSET INVESTMENTS - continued

Cost or valuation at 31 December 2012 is represented by

	Shares in group undertakings €
Valuation in 2012	9,205,753
Valuation in 2011	1,185,606
Cost	27,108,912
	<u>37,500,271</u>

Market value of the company's holding in IT Concern was independently valued by Ernst and Young on 30 September 2012. The market value of the company's holdings in Neotion SA was estimated by the directors as at 31 December 2012 using discounted cash flow techniques.

The company's investments at the balance sheet date in the share capital of companies include the following

General Satellite GmbH

Country of incorporation Germany

Nature of business High-tech radio electronic equipment

	% holding	
Class of shares		
Ordinary	100.00	31.12.11 €
Aggregate capital and reserves		(163,195)
Profit for the year		<u>47,566</u>

Neotion S.A

Country of incorporation France

Nature of business High-tech radio electronic equipment

	% holding	
Class of shares		
Ordinary	94.00	31.12.11 €
Aggregate capital and reserves		9,100,414
Profit for the year		<u>3,443,012</u>

OJSC Concern Innovation Technology

Country of incorporation Russia

Nature of business High-tech radio electronic equipment

	% holding	
Class of shares		
Ordinary	10.00	31.12.11 €
Aggregate capital and reserves		11,880,000
Profit for the year		<u>3,171,000</u>

General Satellite Corporation Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

10 FIXED ASSET INVESTMENTS - continued

General Satellite Research & Development Limited

Country of incorporation England

Nature of business High-tech radio electronic equipment

	%	
Class of shares	holding	
Ordinary	100 00	31 12 11
		€
Aggregate capital and reserves		207,310
Profit for the year		<u>72,333</u>

General Satellite Group AG

Country of incorporation Switzerland

Nature of business High-tech radio electronic equipment

	%	
Class of shares	holding	
Ordinary	100 00	31 12 11
		€
Aggregate capital and reserves		116,387
Loss for the year		<u>(17,961)</u>

Extended Secure Technologies

Country of incorporation Netherlands

Nature of business High-tech radio electronic equipment

	%	
Class of shares	holding	
Ordinary	100 00	31 12 11
		€
Aggregate capital and reserves		(1,243,150)
Loss for the year		<u>(1,130,875)</u>

Operating results for the year and aggregate capital and reserves are based on last year's financial statements, being the last financial statements available at the time of preparation of these financial statements

During the year the company disposed of two of its subsidiaries General Satellite Sofia Limited and General Satellite Plovdiv Limited, realising a profit on disposal of €4,999,999

11 DEBTORS

	31 12 12	31 12 11
	€	€
Amounts falling due within one year		
Amounts owed by group undertakings	1,398,864	75,286
Other debtors	4,750,489	935,466
Prepayments	321	5,594
	<u>6,149,674</u>	<u>1,016,346</u>

General Satellite Corporation Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

11 DEBTORS - continued

	31 12 12 €	31 12 11 €
Amounts falling due after more than one year		
Amounts owed by group undertakings	33,751	1,209,200
	<u> </u>	<u> </u>
Aggregate amounts	6,183,425	2,225,546
	<u> </u>	<u> </u>

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 12 12 €	31 12 11 €
Bank loans and overdrafts (see note 14)	-	14
Social security and other taxes	17,242	18,485
Other creditors	1,165	5,393
Amounts due to group undertakings	-	560,569
Director's current account	72,594	-
Wages and salaries control	9,958	11,104
Accruals and deferred income	69,387	27,535
	<u> </u>	<u> </u>
	170,346	623,100
	<u> </u>	<u> </u>

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 12 12 €	31 12 11 €
Other loans (see note 14)	42,366,278	63,003,136
	<u> </u>	<u> </u>

14 LOANS

An analysis of the maturity of loans is given below

	31 12 12 €	31 12 11 €
Amounts falling due within one year or on demand		
Bank overdrafts	-	14
	<u> </u>	<u> </u>
Amounts falling due between one and two years		
Other loans - 1-2 years	42,366,278	-
	<u> </u>	<u> </u>
Amounts falling due between two and five years		
Other loans - 2-5 years	-	63,003,136
	<u> </u>	<u> </u>

15 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid			31 12 12 €	31 12 11 €
Number	Class	Nominal value		
148,500	Ordinary	£1 00	176,298	57,508
			<u> </u>	<u> </u>

99,000 Ordinary shares of £1 00 each were allotted as fully paid as a bonus issue out of reserves during the year

General Satellite Corporation Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2012

16 RESERVES

	Profit and loss account €	Revaluation reserve €	Totals €
At 1 January 2012	(15,589,845)	1,185,606	(14,404,239)
Profit for the year	12,495,324		12,495,324
Bonus share issue	(118,790)	-	(118,790)
Revaluation of investments	-	9,205,753	9,205,753
At 31 December 2012	<u>(3,213,311)</u>	<u>10,391,359</u>	<u>7,178,048</u>

17 TRANSACTIONS WITH DIRECTOR

The following loan to directors subsisted during the years ended 31 December 2012 and 31 December 2011

	31 12 12 €	31 12 11 €
A Tkachenko		
Balance outstanding at start of year	929,388	-
Amounts advanced	-	929,388
Amounts repaid	(929,388)	-
Balance outstanding at end of year	<u>-</u>	<u>929,388</u>

18 RELATED PARTY DISCLOSURES

At the end of the year there was a balance due of €1,279,484 (2011 - €1,209,200) with interest charged to the company of €70,284 (2011 - €39,181) from Extended Secure Technologies B V, a company registered in Netherlands and a 100% subsidiary of General Satellite Corporation Limited This balance was fully recovered after the year end

At the year end there was a balance due of €119,191 (2011 - €38,251) from OJSC "Concern Innovative Technologies", a company registered in Russia General Satellite Corporation Limited owns 10% of the share capital of the company and exercises dominant influence by virtue of control and influence on the operating and financial policies of OJSC "Concern Innovative Technologies"

At the year end there was a balance due of €33,751 (2011 - €37,036) with interest charged to the company of €1,315 (2011 - €33) from General Satellite Group AG, a company registered in Switzerland and a 100% subsidiary of General Satellite Corporation Limited

At the year end there was a balance due of €nil (2011 - €560,569) to General Satellite Research and Development Limited, a company registered in England and a 100% subsidiary of General Satellite Corporation Limited

At the end of the year there was a balance of €72,594 (2011 - €nil) due to Mr A Tkachenko, director of the company

19 POST BALANCE SHEET EVENTS

Management plans exist to restructure General Satellite trading group In April 2013 Mr A Tkachenko will be transferring his shareholdings in General Satellite Corporation Limited to General Satellite Holding Company Limited On the same date General Satellite Corporation Limited will issue 6 million additional shares at par to General Satellite Holding Company Limited

General Satellite Corporation Limited

Notes to the Financial Statements - continued
for the Year Ended 31 December 2012

20 ULTIMATE CONTROLLING PARTY

The ultimate controlling party is A Tkachenko

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 12 12	31 12 11
	€	€
Profit/(loss) for the financial year	12,495,324	(2,765,284)
Other recognised gains and losses relating to the year (net)	9,205,753	1,185,606
Net addition/(reduction) to shareholders' funds	21,701,077	(1,579,678)
Opening shareholders' funds	(14,346,731)	(12,767,053)
Closing shareholders' funds	7,354,346	(14,346,731)