

**General Satellite Corporation Limited**

**Consolidated Financial Statements  
for the year ended 31 December 2013  
and Auditors' Report**

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Company Number 04502928

**General Satellite Corporation Limited**

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**Board of Directors and other Officers**

Board of Directors	Mr Andrey Tkachenko Mr Andrew Spriggs
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

## **Strategic report**

The Board of Directors presents its strategic report and the audited consolidated financial statements of General Satellite Corporation Limited (the Group) for the year ended 31 December 2013.

### **Principal activities**

The principal activity of the group during the year was the development, production and trading in high tech electronic parts and equipment, investments for foreign broadcasting projects and into the high-tech field in the international market.

### **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, developing and distributing conditional access modules for set top boxes and for digital TV sets and retailing electronic component and digital TV receivers. The Group comprises 44 companies worldwide, the largest ones being General Satellite Group AG with 90% ownership of the largest subsidiary OJSC "Concern Innovational Technologies" (Concern IT), Neotion S.A, Extended Secure Technologies BV and General Satellite Research and Development Ltd.

General Satellite Group AG is a public company limited by shares and registered in November 2011 in canton Zug, Switzerland. The company was established in November 2011 as a subsidiary of General Satellite Corporation Ltd (UK) for joint venture business in developing countries.

In its first years of operation General Satellite Group AG has investigated a number of potential investment opportunities in a number of countries and products. The first investment by General Satellite Group AG is an investment in Royal Media Entertainment Corporation Ltd in Cambodia, acting under the brand name One TV. In 2013 the investment has been increased. One TV is a single operator in Cambodia, which has more than 70% of area coverage and provides a higher quality signal than its competitors. At this time One TV has a footprint in 10 regions of the Kingdom. The aim of this company is to become a leading player in the television-broadcasting sector. The company's turnover for 2013 amounted to €1.035m (2012 – €0.115m).

The second investment by General Satellite AG is in DTH Pakistan (Private) Ltd in Pakistan with the aim to enter and expand in the television-broadcasting sector in Pakistan. The broadcasting license is expected to be obtained in 2014.

The Group also purchased 49% of the shares of Parus Media & Broadcast (Private) Ltd in Pakistan.

Post year-end, the General Satellite AG purchased 80% of the shares of Real Digital TV Ltd (UK) and is in the process of purchasing 49% of the shares in a DTH operator in Bangladesh.

The General Satellite AG aims to become a world player in the television-broadcasting sector by evaluating new investment opportunities in the sector. Its strategy is to partner with the leading local partners in various countries where General Satellite Group AG provides technological knowhow and financial means while relying on the partner's local market knowledge, skills and connections.

General Satellite AG also plans to continue with the wood-processing project and intends to make further investments. The equipment will be leased to a wood processing company in Russia.

General Satellite AG's net assets as at the year-end amounted to €19.997m (€6.134m in the previous year). The General Satellite AG recorded a loss for the year in 2013 of €5.876m. The loss is in alignment with the expectations as there is a gestation period of 4-5 years to develop such businesses as per the industry norm.

As a result of the group restructuring during the year - General Satellite Corporation Ltd transferred 90% shareholding in OJSC 'Concern Innovative Technologies' (Concern IT) to General Satellite Group AG.

Concern IT is a private Russian holding company, specializing in designing and manufacturing of digital TV subscriber receivers, software and additional user services utilizing group know-how and expertise; it takes part in large broadcasting projects in Russia; it is engaged in the production and design of microelectronics, timber procurement, woodworking, as well as in development business and investing into innovative development projects in the north-western territories of Russia.

The Russian Group mainly sells its products and services to the Russian market and also exports to Europe and Asia. The Russian Group comprises 30 subsidiaries.

The Russian Group's assets are concentrated in the manufacturing sector in Russia. As at 2013, the Russian Group comprises 6 plants, 3 processing enterprises, 21 entities of various specializations – service maintenance of the output products, call-center, developers of the receiver hardware and software, consulting firms, companies servicing the engineering infrastructure of plants and management companies located in different regions of Russia, in particular, Saint-Petersburg, Moscow, Kaliningrad region, Pskov region, Ulyanovsk city.

In 2013 the following plants constitute the manufacturing units of the Russian Group:

- AlMet, OJSC – a plant specializing in the production of satellite antennas.
- NPO "Cifroviye Televisionniye Sistemy", OJSC – a plant specializing in the production of TV receivers and cards for any equipment.
- Prankor, LLC – a plant specializing in the production of TV-antennas and receiver cases.
- Pervaya Kartonazhnaya Fabrika, LLC – a plant specializing in the production of package and corrugated board.
- DSK "Beliy Klutch", LLC – a plant specializing in modular house construction.
- GS-Nanotech, OJSC – a plant specializing in the production of microelectronics (manufacture of microprocessors 45 nm and 4-ply cards), which includes a nanotechnology research center.

Due to construction delays, the opening of the Russian Group's seventh plant Lesozavod Sudoma LLC, specializing in added value timber processing was postponed until the year 2014.

Since 2008, the Russian Group is the general investor and initiator of the comprehensive investment project "Territory of Scientific and Technological Development Technopolis GS", in the city of Gusev, Kaliningrad Region. The goal of this project is to create an innovative production cluster, to improve social infrastructure and to involve creative staff, by means, inter alia, of venture capital investment.

Pursuant to the project development plan, Technopolis GS is forecast to become by 2016 one of the leading scientific and technological development centers in Europe.

The Russian Group's main focus is to increase its technological participation in broadcasting projects all around the world using its own technology as the base, expansion of its own manufacturing facilities and to develop venture projects based on new revolutionary (breakthrough) technologies generating maximum revenue.

This year, the Russian Group's strategy of diversification has shown significant results both in its traditional and new industries. It launched construction works at the plant specializing in the manufacture of high conversion timber products; released the first Russian consumer electronics microprocessor, on the basis of which a large-scale production of new satellite television high-tech devices was launched; launched a production line of carbon nanomaterials used in a new chroming technology – NCM Chrome.

The products and technological solutions developed by the Russian Group are used in the largest satellite broadcasting projects all over the world. Over 12 million subscribers operate the receiving equipment designed and manufactured by the Russian Group. The Group is a member of the television digitization project in Russia, as well as a technology partner of "Tricolor TV" – the largest satellite TV operator in Russia.

This year has been marked by achievements in the production of innovative products. The Russian Group launched a new model of digital television receiver under the brand General Satellite intended for usage within satellite television networks all over the world. The receiver GS U510 is the first consumer electronics mass product manufactured based on the Russian microprocessor GS Lanthanum. This microchip has been designed and manufactured by the plant GS Nanotech (a part of the Group) and constitutes a genuine breakthrough in the Russian microelectronics. The microprocessor has a topology of 40 nm, with ARM hard core, BGA88 casing and built-in random access memory. The plant GS Nanotech can produce up to 20 million of these microprocessors per year owing to its manufacturing facilities. The digital receiver GS U510 (as well as GS Lanthanum microprocessors used therein) is a unique example of the production capabilities demonstrated by modern Russian plants in the sphere of high-tech competitive electronic equipment, complying with world standards.

In 2013, the Russian Group's revenue increased by 1.2 times from 2012, up to €85.8m from €69.5m in the prior year. The revenue increased due to growth in product output resulting from the new project capacity (10 million product units per year) achieved by the GS-Nanotech, OJSC plant specializing in the production of microprocessors. Furthermore, Cifra, LLC doubled its revenue from the customization, integration and implementation of software for satellite equipment, enabling improved television transmission and reception.

In 2013, the Russian Group's operating profit was €4.742m comparing favorably to an operating loss of €9.068m in 2012. However, the Russian Group incurred a net loss of €6.364m owing to high debt servicing costs. This result reflects an overall improvement in the Russian Group's financial situation as the net loss decreased from €14.623m in the prior year. Profits generated by other Group companies were not sufficient to cover the losses incurred as a result of the implementation of new business activities, which in 2013 were still under development; these activities included certain manufacturing facilities that were not yet operating at full capacity or were still under construction. The Group's management monitors these activities and expects a sustainable improvement in profit.

Neotion S.A. is a French company incorporated in January 2000. It's main focus is the design and development of innovative new chipset technologies for use in own range of cutting-edge Conditional Access Modules and for third party customers wishing to implement range of company chipsets or core modules within their Set-Top-Box solutions. It is primarily active in Europe, Asia and Africa with a small presence in France. Its 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 services. It suffered from the European crisis and falling TV sales and saw its turnover decline by 40% for 2013, down to €20m from €34m in prior year. This sharp decrease in turnover is due to the cessation of chipset sales in the second half of the year, which represented €12.8m in 2012 and €2m in 2013. It incurred a loss of €3.5m against a profit of €2.4m for the prior year.

Neotion is seeking to further expand distribution of its products to the African continent and Latin America.

The diversification of Neotion's activities through the BlueBridge@ platform resulted in a demonstrator being endorsed with France Televisions and the operator Fransat (Eutelsat). Neotion's development combines an Advanced CAM and middleware designed for mobile tablets. Neotion hopes to place this product on the market at the end of 2014.

In 2013, Neotion strengthened its position in the CAM market with the inclusion of CI+1.3 modules loaded with the most recent versions of CI+1.3 compatible libraries for all of its controlled access solutions (CAS) partners in its product range. At the year end the majority of its clients were equipped with CI+1.3 modules, from the most basic solution configuration to solutions containing the Operator Profile resource that enables satellite operators to personalise the channel list, or provide module interactivity via the Low Speed Communication resource to offer Cloud TV style solutions. It is now able to cover numerous clients and regions with a variety of products ranging from the Standard CAM Consumer DVB-CI to the latest generation CAM Consumer CI+1.3, as well as modules for communities - professional range or CAN PRO - designed to meet market expectations as well as possible across 2, 4, 6 or even more than 8 services. Thereby it is displaying a complete and homogenous list of modules with each of its CAS partners.

During the year numerous pay-TV operators adopted card-less solutions, equivalent to card-based solutions in terms of the security of content protection using CAS. Neotion has become the market leader for promoting the cardless solution offered by its partner Irdeto (SOFTWARE CA solution), enabling it to expand its geographical coverage in Eastern Europe and gain a foothold in the Middle East.

It remains a key player for on-board security and intends to further develop its "secure devices" strategy in 2014.

During a public repurchase offer followed by a squeeze-out targeting Neotion shares, namely 7 to 20 February inclusive, General Satellite Corporation acquired 104,427 Neotion shares on the market at a unit price of €5. Following completion of the offer, the Group held 5,184,591 Neotion shares representing 99,969,503 voting rights, namely 99.13% of the capital and 99.54% of voting rights for the company.

Neotion's development strategy is to focus on its expertise in security markets. . The key factors observed re success in the security modules ('CAMs') market addressing Pay-Tv Operators are:

- TV shipments with CI Plus slot and integrated digital tuners (C/T/S) are constantly increasing.



- CI plus - the de facto standard for CAM - is expanding from initially Western Europe to worldwide coverage.
- Digital conversion is still a driver in some regions: mainly in Eastern Europe (with complete Analog Switch Off around 2015) but also in Latin America to foster TV renewal and iDTV penetration.
- Pay-TV is still growing and Pay-Tv piracy remains a constant issue for the TV industry and Operators.

In addition to that, TV consumption is evolving from traditional linear TV (still main stream of Pay-TV revenues) to other types of services: Over-The-Top services. Neotion is therefore enlarging its portfolio of security devices, such as dongles to match and meet new market and customer trends and expectations.

As the decrease of its TV market in Europe may be partially offset by the increase of the sales in other areas, Neotion does not expect a significant increase of its turnover for 2014.

General Satellite Research and Development Ltd, is a company registered in the United Kingdom; it holds 90% of the share capital of OOO "National Centre of Development" (Saint-Petersburg, Russia) and operates a branch in Saint Petersburg. The principal activity of the company in 2013 was the development of software and design documentation for satellite receiver. Turnover of the company for 2013 amounted to €3m.

During the year the company continued to trade with its main business partners in the design and development and implementation of software and hardware for digital satellite receivers. The quality of software was improved and new features were added to meet customer requirements and demand. The company achieved its goals for 2013 and is now targeting several projects in Asia, widening its business activities.

The company faces certain risks regarding new projects due to the current political and economical environment. However the company has created a competitive and diverse range of products for different models of digital satellite receivers to mitigate avoid these risks. The company constantly monitors market demands to manage risk and to meet market requirements.

Extended Secure Technologies BV (Exset BV) was formed in the year 2010 initially as a research and development company in the Netherlands to develop a range of new products and services for introduction to Pay TV and other media customers globally, with particular emphasis on emerging markets. It has wholly owned subsidiaries in the Netherlands - Exset IP BV and Exset Services BV (incorporated in 2011), and permanent establishments in the UK and Estonia. In 2013 Exset BV transferred its research and development activities to another subsidiary of General Satellite Corporation.

Exset Services' product and services activities remain focused on next generation security solutions and consumer based interactive systems, devices and applications. Exset provides 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 by making use of the latest hardware technology and software techniques.

Exset IP is a licensing company for intellectual property. It has seen substantial growth in its turnover and activities in 2013.

The Exset group's turnover for 2013 was €3.7m compared to €353k in 2012, most of which was derived from the Group. In future, Exset aims to engage more closely with affiliate companies, as well as selective partners, in commercial projects inside and outside the Group.

In January 2014 the General Satellite Corporation Ltd Group acquired assets from the Portuguese company Novabase which comprises three high-tech companies working in the field of digital TV innovative technologies:

- Novabase Digital TV Technologie GmbH (49% participation)
- DTV Research, LDA (95%), Portugal
- Novabase Digital TV Eurl (100%), France

The principal activity of these companies is the development of digital TV-platforms, manufacture of consumer microelectronics (SIP-based technologies) and further development of products and services.

### **Financial Review**

In 2013 the Group's overall revenue increased to €111.5 million from €107.2 million in 2012. The growth is attributable to acquisitions made during the year as well as growth in overall business activities.

The Group recorded a loss of €24.8 million compared to €20.8 million in 2012. The increased losses were incurred as a result of higher debt servicing costs and the implementation of new production lines and business activities, which were still under development during the year. The Group's management monitors these investments in capacity and new production and activities; it expects to recover the losses incurred in the foreseeable future in line with the business strategy and financial plans of the Group.

### **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 frameworks than more established economies. The main risk that the Group faces is that it operate in countries, which have unstable economic and political environment. Such countries also have rapidly changing legislation and litigation is possible in the event of breach of contracts by counterparties.

#### **Market risks**

Changing industry structures, domestic laws, international laws and sanctions, technology, competition or pricing volatility could result in changes in the supply and demand of and for the Group's products and services.

#### **Projects**

In 2013, the Group expanded significantly. The key projects are summarized below.

In August 2013, Concern IT launched work on the construction in Pskov region of Timber Yard "Sudoma" LLC – a unique enterprise specializing in the manufacture of import-substituting timber products. This yard will manufacture high-quality added value sawn wood, including those impregnated and thermally processed, leading to improved sales potential. Furthermore, the enterprise will export timber construction materials at competitive prices to Western Europe and Scandinavia. Incorporation of this enterprise constitutes the second stage within the large-scale investment project on added value timber processing, launched in 2012, which is expected to be completed by 2016. The total amount of the project investments amounts to some €65 million. This project embraces such activities as timber harvesting and reforestation, establishment of a seed field for 2 million seedlings per year, and construction of a plant specialized in added value timber processing.

In 2013, the Concern IT group continued the intensive development of Russian innovation based on its own cluster in the Kaliningrad Region, the Technopolis GS. Large-scale manufacturing was launched at GS Nanotech, the development and production center of microelectronic products. GS Nanotech – is a flagship entity, marking the completion of the establishment of the main industrial

zone of Technopolis GS. In 2014, the development policy within the innovation cluster changed priority from the creation of the industrial zone to the establishment of infrastructure for innovation.

For the purposes of business development the Concern IT group's companies continued searching for new materials for the production and design of new product types in 2013. Research and development activities showed the first successful results in the production and usage of single-wall carbon nanotubes. In 2013, the company Nanouglerodnie Materiali, LLC (the unique manufacturer of ART-NANO carbon nanostructured material) manufactured and sold the first batches of its products.

An enterprise specializing in the manufacture of micro-cellulose and bio-fuels based on its own breakthrough technologies (GS Composite, LLC) was incorporated in Ulyanovsk.

The diversification of Neotion's activities through the BlueBridge platform resulted in a demonstrator being endorsed with France Televisions and the operator Fransat (Eutelsat). Neotion's development combines an Advanced CAM and middleware designed for mobile tablets. Neotion hopes to place this product on the market at the end of 2014.

General Satellite Group AG, a subsidiary incorporated in Switzerland aims to continue investing in Cambodian, Pakistan and in the woodcutting machinery business as well as evaluating new investment opportunities in the worldwide television-broadcasting sector. In 2013, the Group purchased 49% of the shares of Parus Media & Broadcast (Private) Ltd in Pakistan and in March 2014 it purchased 80% of the shares of Real Digital TV Ltd in UK in order to develop Group's broadcasting business in these regions.

The Group also made significant investments in the high-tech field in international markets. A significant milestone in the ongoing development of the corporate technology business strategy was the acquisition of assets from the Portuguese company Novabase in January 2014. Novabase has three high-tech companies working in the field of digital TV innovative technologies - Novabase Digital TV Technologie (GmbH), DTV Research, LDA (Portugal), Novabase Digital TV Eurl (France).

Following the expansion of investment projects, the Group's management expects to tap the significant growth potential in the markets in Southeast Asia, Latin and South America and Europe. Extended market reach has been also gained by manufacturing digital TV set-top-boxes and developing the Group's own (SIP) technologies for the production of microchips.

## **Outlook**

Despite the current economic climate, the Group continues to expand its business activity, develop the business and increase the value of the Group according to its identified objectives. Profits generated during the year by other companies of the Group were not sufficient to cover the overall losses. The losses were generated as a result of implementation of new business activities, which in 2013 were still under development. The Group's management monitors these activities and expects to receive and generate profits in the future as planned per its business strategy.

The Group is 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 the Group places great emphasis in investment in research and development and

marketing activities to ensure it increase its profits and retain market share. Its objective is to continue to pursue a common strategy for the Group's business and to promote the brand GS Group to Russian and international markets namely Europe, CIS countries as well as the Middle East, Latin America, Asia and Africa.

This report was approved by the Board on 23 September 2014 and signed on its behalf by:



Mr A Spriggs  
Director



Mr A Tkachenko  
Director

## **Report of the Board of Directors**

### **Results and dividends**

The results for the year are set out on page 18.

### **Share capital**

During the year 6,000,000 new ordinary £1.00 shares were issued and fully paid for by the shareholder.

### **Board of Directors**

Members of the Company's Board of Directors as at 31 December 2013 and at the date of this report are presented on page 2. Mr Andrew Spriggs was appointed director from 1 September 2014.

### **Financial instruments**

Financial risk management objectives and policies are disclosed in the strategic report.

### **Post balance sheet events**

Post balance sheet events are disclosed in the note 29 to the consolidated financial statements.

### **Statement of director's responsibilities**

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

Company law requires the directors 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 directors must not approve the financial statements unless they are 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 directors are required to:

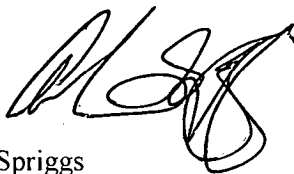
- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare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

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

In so far as the directors are 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 directors have taken all the steps that they 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 2014 and signed on its behalf by



Mr A Spriggs  
Director



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 2013, 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 directors and auditors**

As explained more fully in the Director's Responsibilities Statement set out on page 12, the directors are 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](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on the financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 Strategic Report and the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the financial statements.

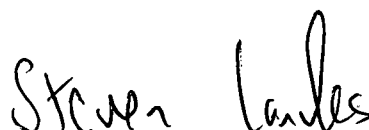


**Matters on which we are required to report by exception**

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.
- 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.

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 2014

**General Satellite Corporation Limited**  
*Consolidated Statement of Financial Position as at 31 December 2013*

'000 EUR	Note	31 December 2013	31 December 2012
<b>Assets</b>			
Property, plant and equipment	11	86,640	70,406
Intangible assets	12	17,078	15,820
Investment property	13	4,477	4,753
Investments in equity-accounted investees	14	-	2,195
Other investments	15	369	538
Deferred tax assets	16	1,260	977
Prepayments		814	-
<b>Non-current assets</b>		<b>110,638</b>	<b>94,689</b>
Inventories	17	20,228	18,880
Other investments	15	861	18,253
Current tax assets		76	89
Trade and other receivables	18	25,640	23,791
Prepayments		6,070	7,309
Cash and cash equivalents	19	26,512	18,908
		79,387	87,230
Assets held for sale		462	1,165
<b>Current assets</b>		<b>79,849</b>	<b>88,395</b>
<b>Total assets</b>		<b>190,487</b>	<b>183,084</b>

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 23 to 67.

**General Satellite Corporation Limited**  
*Consolidated Statement of Financial Position as at 31 December 2013*

'000 EUR	Note	31 December 2013	31 December 2012
<b>Equity</b>			
Share capital	20	7,293	176
Additional paid-in capital		6,227	3,107
Translation reserve		375	(48)
Retained earnings		(36,959)	(9,679)
<b>Equity attributable to owners of the Company</b>		<b>(23,064)</b>	<b>(6,444)</b>
Non-controlling interests		4,051	1,469
<b>Total equity</b>		<b>(19,013)</b>	<b>(4,975)</b>
<b>Liabilities</b>			
Loans and borrowings	21	140,842	95,379
Deferred tax liabilities	16	1,584	1,440
Provisions	26	437	449
Trade and other payables	22	4,442	18
<b>Non-current liabilities</b>		<b>147,305</b>	<b>97,286</b>
Loans and borrowings	21	32,580	45,639
Trade and other payables	22	26,921	42,556
Accruals and deferred income		2,497	2,493
Current tax liabilities		197	85
<b>Current liabilities</b>		<b>62,195</b>	<b>90,773</b>
<b>Total liabilities</b>		<b>209,500</b>	<b>188,059</b>
<b>Total equity and liabilities</b>		<b>190,487</b>	<b>183,084</b>

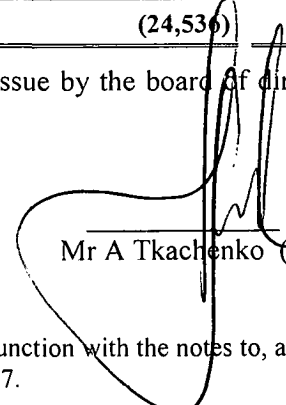
The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 23 to 67.

**General Satellite Corporation Limited**  
*Consolidated Statement of Comprehensive Income for the year ended 31 December 2013*

'000 EUR	Note	31 December 2013	31 December 2012
Revenue	6	111,526	107,252
Operating costs	7	(114,254)	(116,775)
Other expenses, net	8	(6,363)	(3,944)
<b>Results from operating activities</b>		<b>(9,091)</b>	<b>(13,467)</b>
Finance income	9	619	1,484
Finance costs	9	(16,873)	(14,820)
<b>Net finance costs</b>		<b>(16,254)</b>	<b>(13,336)</b>
Profit on disposal of investments		767	5,051
Share of profit of equity-accounted investees (net of income tax)	14	347	842
<b>Loss before income tax</b>		<b>(24,231)</b>	<b>(20,910)</b>
Income tax (expense)/benefit	10	(589)	86
<b>Loss for the year</b>		<b>(24,820)</b>	<b>(20,824)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that will never be reclassified to profit or loss</i>			
Foreign currency translation differences		416	414
Equity-accounted investees – share of other comprehensive (loss)/income		(119)	74
		<b>297</b>	<b>488</b>
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation differences for foreign operations		(13)	-
		<b>(13)</b>	<b>-</b>
<b>Total comprehensive loss for the year</b>		<b>(24,536)</b>	<b>(20,336)</b>
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		(21,284)	(6,584)
Non-controlling interests		(3,536)	(14,240)
<b>Loss for the year</b>		<b>(24,820)</b>	<b>(20,824)</b>
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the Company		(20,751)	(6,541)
Non-controlling interests		(3,785)	(13,795)
<b>Total comprehensive loss for the year</b>		<b>(24,536)</b>	<b>(20,336)</b>

These consolidated financial statements were authorised for issue by the board of directors on 23 September 2014 and were signed on its behalf by:

  
 Mr A Spriggs (Director)  
 Company Registration number 04502928

  
 Mr A Tkachenko (Director)

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 23 to 67.

**General Satellite Corporation Limited**  
*Consolidated Statement of Changes in Equity for the year ended 31 December 2013*

'000 EUR	Attributable to the owners of the parent						Non-controlling interests	Total equity
	Share capital	Share Premium	Additional paid-in capital	Translation reserve	Other reserves	Retained earnings		
<b>Balance at 1 January 2012</b>	<b>58</b>	<b>7</b>	<b>973</b>	<b>(13)</b>	<b>(78)</b>	<b>(2,811)</b>	<b>(1,864)</b>	<b>11,518</b>
<b>Total comprehensive loss for the year</b>								
Loss for the year	-	-	-	-	-	(6,584)	(6,584)	(20,824)
<b>Other comprehensive income</b>								
Foreign currency translation differences	-	-	-	43	-	-	43	488
Issue of bonus shares out of reserves	118	-	-	-	-	(118)	-	-
<b>Total comprehensive income for the year</b>	<b>118</b>	<b>-</b>	<b>-</b>	<b>43</b>	<b>-</b>	<b>(6,702)</b>	<b>(6,541)</b>	<b>(20,336)</b>
<b>Transactions with owners recorded directly in equity</b>								
Dividends to equity holders	-	-	-	-	-	-	(4,093)	(4,093)
Contributions by equity holders	-	-	2,036	-	-	(35)	2,001	8,001
Transfers	-	(7)	-	-	-	7	-	-
Acquisition of non-controlling interests	-	-	98	-	-	(138)	(40)	(4)
Non-controlling interest arising on business combination	-	-	-	-	-	-	1,803	1,803
<b>Total due to owners of the company</b>	<b>-</b>	<b>(7)</b>	<b>2,134</b>	<b>-</b>	<b>-</b>	<b>(166)</b>	<b>1,961</b>	<b>5,707</b>
<b>Balance at 31 December 2012</b>	<b>176</b>	<b>-</b>	<b>3,107</b>	<b>30</b>	<b>(78)</b>	<b>(9,679)</b>	<b>(6,444)</b>	<b>1,469</b>

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 23 to 67.

**General Satellite Corporation Limited**  
Consolidated Statement of Changes in Equity for the year ended 31 December 2013

Attributable to the owners of the parent

'000 EUR	Share capital	Additional paid-in capital	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
<b>Balance at 1 January 2013</b>	176	3,107	30	(78)	(9,679)	(6,444)	1,469	(4,975)
<b>Total comprehensive loss for the year</b>								
Loss for the year	-	-	-	-	(21,284)	(21,284)	(3,536)	(24,820)
<b>Other comprehensive income</b>								
Foreign currency translation differences	-	-	533	-	-	533	(249)	284
<b>Total comprehensive income for the year</b>	-	-	533	-	(21,284)	(20,751)	(3,785)	(24,536)
<b>Transactions with owners recorded directly in equity</b>								
Dividends to equity holders	-	-	-	-	-	-	(1,229)	(1,229)
Additional share issue	7,117	-	-	-	-	7,117	-	7,117
Contributions by equity holders	-	3,120	-	-	-	3,120	2,498	5,618
Foreign exchange revaluation reserve	-	-	(188)	-	-	(188)	-	(188)
Acquisition of non-controlling interests	-	-	-	-	(5,918)	(5,918)	5,098	(820)
<b>Total due to owners of the company</b>	7,117	3,120	(188)	-	(5,918)	4,131	6,367	10,498
<b>Balance at 31 December 2013</b>	7,293	6,227	375	(78)	(36,881)	(23,064)	4,051	(19,013)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 23 to 67.

**General Satellite Corporation Limited**  
*Consolidated Statement of Cash Flows for the year ended 31 December 2013*

'000 EUR	Note	2013	2012
<b>Cash flows from operating activities</b>			
(Loss)/profit for the year		(24,820)	(20,910)
<i>Adjustments for:</i>			
Depreciation and amortisation	11,12	12,534	7,437
Impairment loss on assets held for sale	11	1,113	3,635
Profit on disposal of assets held for sale		(625)	-
Loss from impairment of receivables		1,438	89
Loss from impairment of inventory	17	1,879	4,490
Loss/(gain) on disposal of property, plant and equipment		-	403
Profit on sale of investments		(767)	(5,051)
Income from derecognition of payables		-	(510)
Net finance (income) / charges	9	14,499	13,336
Net foreign exchange loss	10	1,755	-
Write back provision on contingent liabilities		-	(470)
Share of profit from equity accounted investees (net of income tax)	14	(347)	(842)
Income tax expense / (benefit)		589	-
<b>Cash from operating activities before changes in working capital and provisions</b>		<b>7,248</b>	<b>1,607</b>
Change in inventories		(3,535)	(10,290)
Change in trade and other receivables		(2,220)	(3,131)
Change in trade and other payables		(15,183)	18,111
Provisions		-	(68)
<b>Cash flows (used in)/from operations before income taxes and interest paid</b>		<b>(13,690)</b>	<b>6,229</b>
Income tax paid		(447)	(599)
Interest paid		(9,057)	(1,427)
<b>Net cash (used in)/from operating activities</b>		<b>(23,194)</b>	<b>4,203</b>

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 23 to 67.

**General Satellite Corporation Limited**  
*Consolidated Statement of Cash Flows for the year ended 31 December 2013*

'000 EUR	Note	2013	2012
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		1,326	626
Interest received		619	1,216
Acquisition of property, plant and equipment		(31,709)	(31,765)
Acquisition of intangible assets		(4,024)	(3,962)
Acquisition of subsidiaries, net of cash acquired	5	972	1,803
Proceeds from sale of assets held for sale		2,083	-
Disposal of other investments		18,626	19,562
<b>Net cash used in investing activities</b>		<b>(12,107)</b>	<b>(12,520)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		7,117	-
Capital contribution received		-	1,565
Proceeds from borrowings		60,950	49,878
Repayment of borrowings		(22,198)	(33,555)
Acquisitions of non controlling interests		(820)	(5)
Dividends paid to non-controlling interest		(1,229)	(4,093)
<b>Net cash from financing activities</b>		<b>43,820</b>	<b>13,790</b>
<b>Net increase in cash and cash equivalents</b>		<b>8,519</b>	<b>5,473</b>
Cash and cash equivalents at 1 January		18,908	13,430
Effect of exchange rate fluctuations on cash and cash equivalents		(915)	5
<b>Cash and cash equivalents at 31 December</b>	19	<b>26,512</b>	<b>18,908</b>

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 23 to 67.



## **1. Background**

### **(a) Business environment**

General Satellite Corporation Limited is a limited company incorporated and domiciled in England and Wales. The consolidated financial statements of the Group comprise the Company and its subsidiaries as at 31 December 2013 and the group's interest in associates and jointly controlled entities. The Group is primarily involved in the manufacture of high tech electronic parts and equipment.

The Group's principal activity is the 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 85% of total revenue generated in the Russian Federation, 8% in Europe, 5% in Asia and 2% 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) Changes in accounting policies**

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2013.

- i. Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7);
- ii. IFRS 10 Consolidated Financial Statements (2011);
- iii. IFRS 12 Disclosure of Interests in Other Entities;
- iv. IFRS 13 Fair Value Measurement;
- v. Presentation of Items of Other Comprehensive Income (Amendments to IAS 1).

The nature and effects of the changes are explained below.

#### ***(i) Offsetting of financial assets and financial liabilities***

As a result of the amendments to IFRS 7, the Group has expanded its disclosures about the offsetting of financial assets and financial liabilities (see Note 23).

#### ***(ii) Subsidiaries***

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011)

introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed the control conclusion for its investees at 1 January, 2013. As a consequence, the Group has not changed its control conclusion in respect of its investments in associates, which it continued to account for as an associate using the equity method, and its subsidiaries, which it continued to consolidate.

***(iii) Disclosure of interests in other entities***

As a result of IFRS 12, the Group has expanded its disclosures about its interests in subsidiaries (see Notes 28).

***(iv) Fair value measurement***

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

As the carrying amount of financial assets and financial liabilities is a reasonable approximation of fair value, the change in the transitional provisions of IFRS 13 has no significant impact on the measurements of the Group's assets and liabilities.

***(v) Presentation of items of OCI***

As a result of the amendments to IAS 1, the Group has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly. The amendments to IAS 1 have no significant impact on the presentation of items of OCI.

**(d) 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.

**(e) 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 11 – useful lives of property, plant and equipment;
- Note 16 – deferred tax assets;
- Note 17 – 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 11 – impairment of property, plant and equipment.

### **Measurement of fair values**

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a specialist that has overall responsibility for overseeing all significant fair value measurements and reports directly to the CFO. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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.

### **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 (land plots) is based on market approach (see Note 13). This fair value is determined for disclosure purposes.

### **3. Significant accounting policies**

The following significant accounting policies have been consistently applied to all periods presented in these consolidated financial statements throughout the Group, except as explained in Note 2, which addresses changes in accounting policies.

Certain comparative amounts have been reclassified as a result of a change in the accounting policy regarding the presentation of items of consolidated statement of profit or loss and other comprehensive income (see Note 2).

#### **(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 (see Note 3(a)(iii)).

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 acquiree; 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.

##### **(ii) Non-controlling interests**

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

##### **(iii) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect

those returns through its power over the entity. 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**

The financial statements have been prepared on a going concern basis even though at the balance sheet date, the Group had negative assets of EUR 19,013 thousand (2012 – EUR 4,975 thousand), and has recorded a net loss of 24,820 (2012 – EUR 20,824 thousand).

The director considers the going concern basis to be appropriate due to the fact that the controlling parties have expressed their willingness to provide financial support for the next 12 months as from the date of approval of the financial statements in order for the company and the group to meet its current liabilities. Therefore the director continues to adopt the going concern basis of accounting which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business.

**(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.

**(ii) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at the exchange rates at the reporting date.

The income and expenses of foreign operations are translated to the presentation currency at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

**(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 15, trade and other receivables as presented in Note 18, cash and cash equivalents as presented in Note 19.

***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                      1–5 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) Assets held for sale or distribution**

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution.

Such assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent

gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

**(l) 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.

**(m) 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 is 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.

**(n) 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.

**(o) 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.

**(p) 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.

**(q) Research and development expenses and the corresponding tax credit**

Development expenses for the products marketed by the company and the group are recorded as expenses for the period in which they were incurred, and these grew to EUR 5,009 thousand for the last financial year (based on the tax authority's calculation method for calculating research tax credit). Gross salaries grew to EUR 4,655 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 and the group has benefited from a cumulative research tax credit of EUR 12,424 thousand. Taking account of the research projects undertaken during the year 2013, the company and the group recorded a research tax credit for 2013 of EUR 2,282 thousand.

**(r) 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 non-controlling interest in limited liability subsidiaries, 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.

**(s) 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.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a company in the Group may not be set off against taxable profits and current tax liabilities of other Group companies. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable profits related to different activities cannot be offset.

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.

**(t) 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.

**(i) 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.

**(ii) 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.

**(iii) 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.

**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 2013, 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.

- IFRS 9 *Financial Instruments* 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 third phase was issued in November 2013 and relates to general hedge accounting. 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 does not intend to adopt this standard early.
- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)* will be effective for annual periods beginning on or after 1 January 2014. The amendments introduce a mandatory consolidation exception for certain qualifying investment entities. A qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss. The consolidation exception

will not apply to subsidiaries that are considered an extension of the investment entity's investing activities. The amendments are to be applied retrospectively unless impracticable. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.

- Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* 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.
- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*. The IASB has issued amendments to reverse the unintended requirement in IFRS 13 *Fair Value Measurement* to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the disclosure of information about the recoverable amount of impaired assets will be required only when the recoverable amount is based on fair value less costs of disposal. The amendments apply retrospectively for annual periods beginning on or after 1 January 2014. Early application is permitted, which means that the amendments can be adopted at the same time as IFRS 13. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.
- IFRIC 21 *Levies* provides guidance on accounting for levies in accordance with the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. Levies do not arise from executory contracts or other contractual arrangements. However, outflows within the scope of IAS 12 *Income taxes*, fines and penalties, and liabilities arising from emission trading schemes are explicitly excluded from the scope. The interpretation confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs. An entity does not recognise a liability at an earlier date, even if it has no realistic opportunity to avoid the triggering event. The interpretation is effective for annual periods commencing on or after 1 January 2014. The interpretation is applied on a retrospective basis. 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 39 *Novation of Derivatives and Continuation of Hedge Accounting* add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria. The amendments are effective for annual periods beginning on or after 1 January 2014. Early application is permitted. The new Standard is not expected to have a significant effect on the consolidated financial statements of the Group.
- Amendments to IAS 19 *Employee Benefits* entitled *Defined Benefit Plans: Employee Contributions* (Amendments to IAS 19) apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The



amendments are effective from 1 July 2014 with earlier application permitted. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.

- The IASB has issued an interim Standard, IFRS 14 *Regulatory Deferral Accounts*. The aim of this interim Standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities. Many countries have industry sectors that are subject to rate regulation, whereby governments regulate the supply and pricing of particular types of activity by private entities. This can include utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue. IFRS does not provide any specific guidance for rate-regulated activities. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the Standard. IFRS 14 *Regulatory Deferral Accounts* is effective from 1 January 2016, with early application permitted. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.
- The IASB has published amendments to IFRS 11 *Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)* to address the accounting for interests in joint ventures and joint operations. The amendments published add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.
- The IASB has published amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also has clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early application is permitted. The new Standards are not expected to have a significant effect on the consolidated financial statements of the Group.
- IFRS 15 *Revenue from Contracts with Customers* was issued by the IASB on 28 May 2014. The standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The Standard contains a single model that applies to contracts with customers and two approaches to recognise revenue: at a point in time or over time. The consideration is to be measured as the amount to which the company expects to be entitled, rather than fair value. The new Standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on the separation and

measurement contained in the other IFRS takes precedence. The Standard is effective for annual periods beginning on or after 1 January 2017. Early application is permitted. 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 on or after 1 July 2014. Entities are permitted to apply them earlier. The Group has not yet analysed the likely impact of the new Standard on its financial position or performance.

## 5. Acquisition of subsidiary

On July 23, 2013 the Group acquired 20% of the issued share capital of LLC “Prankor”. The company is located in Gusev, Kaliningrad region, the Russian Federation. As a result, the Group’s equity interest in LLC “Prankor” increased from 30% to 50%, obtaining control of LLC “Prankor”. Taking control of LLC “Prankor” is expected to provide the Group with an increased share of the production and assembly of digital TV receivers.

A summary of assets and liabilities of LLC “Prankor” on the date of acquisition is presented below:

'000 EUR	Note	<u>23 July 2013</u>
<b>Non-current assets:</b>		
Property, plant and equipment	11	5,838
<b>Current assets:</b>		
Inventories		1,202
Trade and other receivables		1,562
Prepayments		764
Cash and cash equivalents		972
<b>Current liabilities:</b>		
Loans and borrowings		(479)
Trade and other payables		(1,781)
<b>Total identifiable net assets acquired</b>		<u><b>8,078</b></u>
<b>Non-current payables:</b>		
Non-controlling interest in limited liability subsidiaries		(4,426)
<b>Group’s share of net assets acquired</b>		<u><b>3,652</b></u>
Carrying amount of pre-existing interest*		(2,423)
Contribution from shareholders		(1,224)
<b>Consideration paid</b>		<u><b>5</b></u>
Consideration paid satisfied in cash		(5)
Cash acquired		972
<b>Net cash inflow</b>		<u><u><b>967</b></u></u>

\*carrying amount of equity-accounted investees at the acquisition date

The acquisition of the subsidiary was a transaction with the Group’s shareholders acting in the capacity of owners and the purchase price was not on an arms-length basis. Consequently, the net

difference between the book value of the assets acquired and liabilities assumed and the fair value of the cost of consideration was recognised as a contribution from shareholders directly in equity and presented within additional paid-in capital.

Revenue and profits earned by LLC "Prankor" from the date of acquisition to the reporting date were EUR 3,229 thousand and EUR 294 thousand respectively.

If the acquisition had occurred on 1 January 2013, management estimates that consolidated revenue would have been EUR 116,724 thousand, and consolidated loss for the year would have been EUR (23,663) thousand.

The minor participation of 49% in Parus Media & Broadcast (private) Limited, a company incorporated in Pakistan, has not been included in the consolidated statement. The participation value has been adjusted based on the equity method.

## 6. Revenue

'000 EUR	2013	2012
Sales of goods	83,076	82,751
Revenue from services provided	27,473	21,879
Other revenue	977	2,622
<b>Total revenues</b>	<b>111,526</b>	<b>107,252</b>

## 7. Operating costs

'000 EUR	Note	2013	2012
Raw materials		43,134	58,066
Wages and salaries		28,342	22,713
Social security contributions		8,592	7,022
Other staff cost		150	71
Third party services		8,653	7,375
Depreciation and amortisation	11,12	12,534	7,121
Impairment of current assets		101	560
Impairment of inventories		1,879	4,490
Rent		2,345	2,090
Communications		1,553	1,512
Business trips		1,286	1,062
Utilities		1810	725
Repairs		383	353
Security		559	230
Advertising		1,594	715

'000 EUR	Note	2013	2012
Audit		318	275
IT expenses and similar		1,163	-
Research and development expenses		127	215
Impairment of property, plant and equipment	11	-	3,724
Other		3,616	2,006
Change in WIP and finished goods		(3,885)	(3,550)
<b>Total operating costs</b>		<b>114,254</b>	<b>116,775</b>

The average number of employees for the year was:

	2013	2012
Management	159	232
Selling and administration	2,191	2,070
Engineering and technical staff	929	583
<b>Total employees</b>	<b>3,279</b>	<b>2,885</b>

## 8. Other expenses, net

'000 EUR	Note	2013	2012
Government grants received		2,284	2,101
Gain on disposal of assets held for sale		625	-
Write back provision on contingent liabilities		-	470
Income from derecognised trade payables and advances received*		-	792
Other income		848	494
<b>Other income</b>		<b>3,757</b>	<b>3,857</b>
Impairment loss on trade and other receivables and prepayments		(1,438)	(669)
Impairment of assets held for sale	11	(1,113)	-
Other expenses		(7,569)	(7,132)
<b>Other expenses</b>		<b>(10,120)</b>	<b>(7,801)</b>
<b>Net other expenses</b>		<b>(6,363)</b>	<b>(3,944)</b>

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

## 9. Finance income and finance costs

'000 EUR	2013	2012
<b>Recognised in profit or loss</b>		
Interest income	605	1,459
Fair value gain on loans	-	-
Write back financial asset provision	14	25
<b>Finance income</b>	<b>619</b>	<b>1,484</b>
Interest expense	(11,739)	(11,443)
Fair value loss on loans	(2,522)	(2,574)
Foreign currency exchange loss	(1,755)	(354)
Non-controlling interest in limited liability subsidiaries	(612)	(260)
Bank charges	(245)	(189)
<b>Finance costs</b>	<b>(16,873)</b>	<b>(14,820)</b>
<b>Net finance costs recognised in profit or loss</b>	<b>(16,254)</b>	<b>(13,336)</b>

## 10. Income tax expense/(benefit)

The applicable tax rate used is the weighted average UK standard rate of corporation tax for the year of 23.25%. The director has reviewed the rates of corporation tax payable in each country in which the group operates and considers that 23.25% is not significantly different to the weighted average of those rates.

'000 EUR	2013	2012
<b>Current tax expense</b>		
UK Corporation tax	-	3
Overseas corporation tax	1,147	927
	<b>1,147</b>	<b>930</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(558)	(1,016)
	<b>(558)</b>	<b>(1,016)</b>
<b>Total tax expense/(benefit)</b>	<b>589</b>	<b>(86)</b>

(a) **Tax recognised directly in equity**

'000 EUR	2013			2012		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Discount of a low-interest loan from a related party	4,150	(446)	3,704	6,838	(367)	6,471
	<b>4,150</b>	<b>(446)</b>	<b>3,704</b>	<b>6,838</b>	<b>(367)</b>	<b>6,471</b>

(b) **Reconciliation of effective tax rate:**

	2013		2012	
	'000 EUR	%	'000 EUR	%
Loss for the year	(24,820)		(20,824)	
Total income tax expense/(benefit)	589	(2.44)	(86)	0.43
Loss excluding tax	(24,231)		(20,910)	
Income tax at applicable tax rate	(5,634)	23.25	(5,123)	24.50
Effect of loss taxed at lower rates	5,456	(22.52)	5,517	(26.38)
Recognition of previously unrecognised tax losses	405	(1.67)	256	(1.22)
Current tax losses for which no deferred tax asset is recognised	564	(2.33)	442	(2.11)
Depreciation in excess of capital allowance	34	(0.14)	2	-
Non-taxable income	(2,557)	10.55	(3,500)	16.74
Unrecognised deferred tax assets	2,179	(8.99)	721	(3.45)
Non-deductible expenses	142	(0.59)	1,599	(7.65)
	<b>589</b>	<b>(2.44)</b>	<b>(86)</b>	<b>0.43</b>

**11. Property, plant and equipment**

'000 EUR	Note	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
<i>Cost</i>						
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	13	685	-	-	-	685
Effect of movements in exchange rates		717	724	63	165	1,669
Balance at 31 December 2012		<b>23,756</b>	<b>39,731</b>	<b>2,342</b>	<b>22,223</b>	<b>88,052</b>

'000 EUR	Note	Land and buildings	Plant and equipment	Fixtures and fittings	Under construction	Total
<b>Balance at 1 January 2013</b>		<b>23,756</b>	<b>39,731</b>	<b>2,342</b>	<b>22,223</b>	<b>88,052</b>
Additions through business combinations	5	2,864	2,571	129	274	5,838
Additions		791	19,721	2,004	8,985	31,501
Disposals		(3)	(1,774)	(119)	(36)	(1,932)
Transfers		6,419	11,393	1,884	(19,696)	-
Reclassification to assets held for sale		-	(1,081)	(980)	-	(2,061)
Effect of movements in exchange rates		(3,107)	(4,449)	(418)	(1,724)	(9,698)
<b>Balance at 31 December 2013</b>		<b>30,720</b>	<b>66,112</b>	<b>4,842</b>	<b>10,026</b>	<b>111,700</b>
<b><i>Depreciation and impairment losses</i></b>						
<b>Balance at 1 January 2012</b>		<b>(2,045)</b>	<b>(5,888)</b>	<b>(492)</b>	<b>-</b>	<b>(8,425)</b>
Depreciation for the year	7	(1,598)	(3,924)	(389)	-	(5,911)
Impairment loss	7	(3,144)	(398)	(182)	-	(3,724)
Disposals		1	526	22	-	549
Effect of movements in exchange rates		(40)	(85)	(10)	-	(135)
<b>Balance at 31 December 2012</b>		<b>(6,826)</b>	<b>(9,769)</b>	<b>(1,051)</b>	<b>-</b>	<b>(17,646)</b>
<b>Balance at 1 January 2013</b>		<b>(6,826)</b>	<b>(9,769)</b>	<b>(1,051)</b>	<b>-</b>	<b>(17,646)</b>
Depreciation for the year	7	(1,644)	(7,563)	(1,253)	-	(10,460)
Reclassification to assets held for sale		-	102	418	-	520
Disposals		1	572	33	-	606
Effect of movements in exchange rates		817	958	145	-	1,920
<b>Balance at 31 December 2013</b>		<b>(7,652)</b>	<b>(15,700)</b>	<b>(1,708)</b>	<b>-</b>	<b>(25,060)</b>
<b><i>Carrying amounts</i></b>						
<b>At 1 January 2012</b>		<b>18,409</b>	<b>20,057</b>	<b>1,599</b>	<b>7,407</b>	<b>47,472</b>
<b>At 31 December 2012</b>		<b>16,930</b>	<b>29,962</b>	<b>1,291</b>	<b>22,223</b>	<b>70,406</b>
<b>At 31 December 2013</b>		<b>23,068</b>	<b>50,412</b>	<b>3,134</b>	<b>10,026</b>	<b>86,640</b>

Capitalised borrowing costs related to the acquisition of the land and the construction of a new factory amounted to EUR 574 thousand (2012: EUR 1,195 thousand), with a capitalisation rate of 9.60% (2012: 6.50%).

The cost of fully depreciated property, plant and equipment at 31 December 2013 amounted to EUR 1,558 thousand (2012: EUR 1,548 thousand).

**(a) Impairment test**

During 2012, a relevant cash-generating unit evidencing such indication, residential house manufacturing company (DSK Beliy Kluch) was selected for the purpose of impairment testing.

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.

Accordingly, management estimated the recoverable amount of the CGU in 2012. The recoverable amount was estimated based on value in use, determined by discounting the future projected cash flows to be generated from the continuing use of the assets.

In 2012 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 was recognized in operating costs.

In 2013, the main management assumption and plans were not revised.

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

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 2014 to 2019 were based on anticipated internal demand level;
- operating expenses were assumed to increase in line with forecast inflation for the next five years.

The recoverable amount did not change and the amount of the initially recognised impairment was not revised.

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.

**(b) Assets held for sale**

During 2013 the testers and handlers were transferred to assets held for sale, because they were no longer used by the Group and management committed to a plan to sell them. The non-recurring fair value measurement for the disposal group of EUR 462 thousand (before costs to sell of nil) has been categorised as a Level 2 fair value based on the price agreed in the sale agreement of October 2013. Impairment loss of EUR 1,113 thousand (2012: nil) for write-downs of the assets held for sale to the lower of its carrying amount and its fair value less costs to sell has been recognised in other expenses (see Note 8).



## 12. Intangible assets

'000 EUR	Note	Goodwill	Software	Development costs	Total
<i>Cost</i>					
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
<b>Balance at 31 December 2012</b>		<b>21,455</b>	<b>6,137</b>	<b>99</b>	<b>27,691</b>
Balance at 1 January 2013		21,455	6,137	99	27,691
Additions		-	3,870	154	4,024
Disposals		-	(1,201)	(2)	(1,203)
Effect of movement in exchange rates		-	(512)	(11)	(523)
<b>Balance at 31 December 2013</b>		<b>21,455</b>	<b>8,294</b>	<b>240</b>	<b>29,989</b>
<i>Amortisation and impairment losses</i>					
Balance at 1 January 2012		(9,109)	(2,040)	-	(11,149)
Amortisation for the year	7	-	(1,216)	-	(1,216)
Reclassification to assets held for sale		-	510	-	510
Effect of movement in exchange rates		-	(16)	-	(16)
<b>Balance at 31 December 2012</b>		<b>(9,109)</b>	<b>(2,762)</b>	<b>-</b>	<b>(11,871)</b>
Balance at 1 January 2013		(9,109)	(2,762)	-	(11,871)
Amortisation for the year	7	-	(2,074)	-	(2,074)
Reclassification to assets held for sale		-	876	-	876
Effect of movement in exchange rates		-	158	-	158
<b>Balance at 31 December 2013</b>		<b>(9,109)</b>	<b>(3,802)</b>	<b>-</b>	<b>(12,911)</b>
<i>Carrying amounts</i>					
At 1 January 2012		12,346	1,764	-	14,110
At 31 December 2012		12,346	3,375	99	15,820
At 31 December 2013		12,346	4,492	240	17,078

Goodwill is attributable to the group holding in its subsidiary Neotion SA. The recoverable amount of this holding has been determined using an observable market price.

**(a) Amortisation**

Amortisation of software rights is included in operating costs.

(b) **Assets held for sale**

In 2012 the assets held for sale comprised a conditional access system.

**13. Investment property**

<i>Cost</i>	<i>Note</i>	<i>'000 EUR</i>
<b>Balance at 1 January 2012</b>		<b>4,935</b>
Additions		324
Reclassification to property, plant and equipment	11	(685)
Translation difference		179
<b>Balance at 31 December 2012</b>		<b>4,753</b>
Additions		208
Translation difference		(484)
<b>Balance at 31 December 2013</b>		<b>4,477</b>
<i>Carrying amounts</i>		
<b>At 1 January 2012</b>		<b>4,935</b>
<b>At 31 December 2012</b>		<b>4,753</b>
<b>At 31 December 2013</b>		<b>4,477</b>

Investment property comprises a number of land plots that are acquired by the Group for undetermined future use.

The estimated fair value of investment property is classified within Level 2 of fair value hierarchy. The assessment of the fair value of investment property is based on market values. The market value is a value available on the market at the balance sheet date for similar objects, with adjustments made to reflect the nature, condition and location of the property appraised in comparison with comparable property on the market. The fair value of the land plots was determined by the Group valuation specialist and comprised EUR 5,482 thousand as at 31 December 2013 (2012: EUR 5,498 thousand).

**14. Equity-accounted investees**

On 23 July 2013, the Group's equity interest in its associate, LLC "Prankor", increased from 30 to 50% and LLC "Prankor" became a subsidiary from that date (see Note 5). Accordingly, the information presented in the tables below includes the results of LLC "Prankor" for the periods from 1 January to 23 July 2013 and for 2012 respectively.

The Group's share of profit in its equity-accounted investee (net of income tax) for the period ended 23 July 2013 was EUR 347 thousand (2012: EUR 842 thousand). The Group did not receive dividends from its investments in equity-accounted investee for the period ended 23 July 2013.

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
<b>23 July 2013</b>					
LLC "Prankor"	30%	10,338	(2,260)	5,198	1,157
		<b>10,338</b>	<b>(2,260)</b>	<b>5,198</b>	<b>1,157</b>
<b>31 December 2012</b>					
LLC "Prankor"	30%	12,406	(5,088)	9,783	2,807
		<b>12,406</b>	<b>(5,088)</b>	<b>9,783</b>	<b>2,807</b>

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

## 15. Other investments

'000 EUR	Note	31 December 2013	31 December 2012
<i>Non-current</i>			
Bank promissory notes		-	411
Deposits and guarantees paid		369	119
Loans to related parties		-	8
		<b>369</b>	<b>538</b>
<i>Current</i>			
Loans to related parties	27	823	1,451
Loans issued		38	62
Bank deposits		-	16,740
		<b>861</b>	<b>18,253</b>

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in Note 23.

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 Group companies. In 2013 the secured borrowings were repaid and no pledged bank promissory notes remained at 31 December 2013.

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 €250 thousand.

## 16. 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	2013	2012
Deductible temporary differences	3,624	652
Tax losses	29,098	30,542
	<b>32,722</b>	<b>31,194</b>

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	
	2013	2012	2013	2012	2013	2012
Property, plant and equipment	21	16	(1,091)	(1,201)	(1,070)	(1,185)
Investment property	-	-	(477)	(533)	(477)	(533)
Intangible assets	23	61	(106)	(32)	(83)	29
Investments	7	10	-	-	7	10
Inventories	151	273	(26)	(10)	125	263
Trade and other receivables	87	58	(29)	(6)	58	52
Prepayments	15	-	(217)	-	(202)	-
Loans and borrowings	10	17	(557)	(348)	(547)	(331)
Accruals	185	55	(2)	-	183	55
Tax loss carry-forwards	1,682	1,177	-	-	1,682	1,177
Tax assets/(liabilities)	2,181	1,667	(2,505)	(2,130)	(324)	(463)
Set off of tax	(921)	(690)	921	690	-	-
Net tax assets/(liabilities)	<b>1,260</b>	<b>977</b>	<b>(1,584)</b>	<b>(1,440)</b>	<b>(324)</b>	<b>(463)</b>

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

'000 EUR	1 January 2013	Recognised in profit or loss	Translation difference	Recognised directly in equity	31 December 2013
Property, plant and equipment	(1,185)	(9)	124	-	(1,070)
Investment property	(533)	-	56	-	(477)
Intangible assets	29	(116)	4	-	(83)
Investments	10	(2)	(1)	-	7
Inventories	263	(118)	(20)	-	125
Trade and other receivables	52	13	(7)	-	58
Prepayments	-	(215)	13	-	(202)
Loans and borrowings	(331)	191	39	(446)	(547)
Accruals	55	145	(17)	-	183
Tax loss carry-forwards	1,177	669	(164)	-	1,682
	<b>(463)</b>	<b>558</b>	<b>27</b>	<b>(446)</b>	<b>(324)</b>

'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)	-	(1,185)
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)	(331)
Accruals	(159)	222	(7)	-	55
Tax loss carry-forwards	598	561	18	-	1,177
	<b>(1,070)</b>	<b>1,016</b>	<b>(42)</b>	<b>(367)</b>	<b>(463)</b>

**17. Inventories**

'000 EUR	31 December 2013	31 December 2012
Raw materials and consumables	8,214	9,673
Work in progress	3,298	1,840
Finished goods and goods for resale	8,716	7,367
	<b>20,228</b>	<b>18,880</b>

In 2013 raw materials, consumables and changes in finished goods and work in progress included in operating costs amounted to EUR 23,987 thousand (in 2012: EUR 29,619 thousand).

Capitalised borrowing costs related to work in progress amounted to EUR 256 thousand (2012: EUR 168 thousand), with a capitalisation rate of 11.96% (2012: 6.60%).

In 2013 the write-down of inventories to net realisable value amounted to EUR 1,797 thousand (2012: EUR 4,490 thousand). The write-down is included in operating costs. There were no reversals of write-downs in 2013 and 2012.

## 18. Trade and other receivables

'000 EUR	Note	31 December 2013	31 December 2012
Trade and other receivables due from related parties	27	3,314	1,741
Trade receivables from third parties		13,081	8,335
Other receivables		7,033	8,851
<b>Trade and other receivables</b>		<b>23,428</b>	<b>18,927</b>
Input VAT		1,005	2,923
Other taxes receivable		1,207	1,941
<b>Trade and other receivables</b>		<b>25,640</b>	<b>23,791</b>
Non-current		-	-
Current		25,640	23,791
		<b>25,640</b>	<b>23,791</b>

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 23.

## 19. Cash and cash equivalents

'000 EUR	31 December 2013	31 December 2012
Cash in RUB	8,525	5,283
Cash in GBP	53	53
Cash in USD	3,687	8,575
Cash in EUR	14,247	4,997
	<b>26,512</b>	<b>18,908</b>

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 23.

## 20. Capital and reserves

### (a) Share capital

<i>Number of shares unless otherwise stated</i>	<b>Ordinary shares</b>		
	<b>31 December 2013</b>	<b>31 December 2012</b>	<b>1 January 2012</b>
Authorised shares GBP1.00 each	6,148,500	148,500	148,500
Issued and fully paid at 1 January (€)	176,298	57,508	57,508
Additional share issue in the year (€)	7,116,600	-	-
Bonus issue (99,000 at GBP1.00 each)	-	118,790	-
On issue at 31 December, fully paid (€)	7,292,898	176,298	57,508

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.

6,000,000 Ordinary shares of £1.00 each were allotted and fully paid for cash at par 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.

### (e) Dividends

No dividends were distributed to shareholders for the year ended 31 December 2013.

## 21. 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 23.

'000 EUR	31 December 2013	31 December 2012
<i>Non-current liabilities</i>		
Unsecured loans	71,072	49,557
Other loans	69,770	45,792
Loans from directors	-	30
	<b>140,842</b>	<b>95,379</b>
<i>Current liabilities</i>		
Current portion of secured bank loans	-	162
Unsecured loans	32,554	45,342
Loans from directors	26	135
	<b>32,580</b>	<b>45,639</b>

### (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 2013		31 December 2012	
				Face value	Carrying amount	Face value	Carrying amount
Secured bank	USD	3.00%	2013	-	-	162	162
Unsecured loans	RUB	4.00%	2013-2016	17,465	16,948	23	23
Unsecured loans	RUB	6.00%	2013-2014	76	76	79	82
Unsecured loans	RUB	6.40%	2013-2015	64,055	58,935	56,016	51,423
Unsecured loans	RUB	6.50%	2013-2016	21,006	20,600	20,948	20,058
Unsecured loans	RUB	9.00%	2013-2014	3	3	1,487	1,502
Unsecured loans	USD	6.40%	2013-2017	2,504	2,427	2,234	2,234
Unsecured loans	USD	6.50%	2013-2016	961	987	2,312	2,308
Unsecured loans	EUR	6.50%	2013-2018	1,031	1,031	3,284	3,276
Unsecured loans	EUR	6.40%	2013-2015	2,369	2,346	13,703	13,237
Unsecured loans	EUR	4.60%	2015	192	192	-	-
Dinatech Global	EUR	4.00%	2015	22,149	23,814	26,149	26,780
Dinatech Global	EUR	2.50%	2015	-	-	7,264	6,261
T&V Savings	EUR	4.00%	2015	-	-	-	2,629
Spilkoma Trading	EUR	4.00%	2015	9,935	10,220	3,760	3,866
Spilkoma Trading	EUR	3.25%	2017	33,738	34,054	6,125	6,256
Unsecured loans	RUB			792	792	714	756
Secured bank	EUR	3.20%	2013-2020	971	971	-	-
Loans from directors	RUB	0.01%	2013-2014	26	26	165	165
<b>Total interest-bearing liabilities</b>				<b>177,273</b>	<b>173,422</b>	<b>144,425</b>	<b>141,018</b>



## 22. Trade and other payables

'000 EUR	Note	31 December 2013	31 December 2012
<b>Non-current payables</b>			
Non-controlling interest in limited liability subsidiaries		4,442	18
		<b>4,442</b>	<b>18</b>

'000 EUR	Note	31 December 2013	31 December 2012
<b>Current payables</b>			
Payables to related parties	27	5,792	2,406
Trade payables to third parties		9,444	9,890
Advances received		3,031	3,213
Other taxes payable		4,595	4,487
Payables to employees		1,826	1,851
Payables for promissory notes		-	3,045
Other payables and accrued expenses		2,233	17,664
		<b>26,921</b>	<b>42,556</b>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 23.

## 23. Financial instruments and risk management

The Group's financial instruments by category are as follows:

'000 EUR	2013	2012
	<b>Loans and Receivables</b>	<b>Loans and Receivables</b>
<b>Assets</b>		
Other investments	1,230	18,791
Trade receivables	16,455	10,075
Other receivables	6,974	8,852
Cash and cash equivalents	26,513	18,908
	<b>51,172</b>	<b>56,626</b>

'000 EUR	<u>Financial liabilities at amortised cost</u>	<u>Financial liabilities at amortised cost</u>
<b>Liabilities</b>		
Loans and borrowings	173,422	141,018
Trade and other payables	17,470	17,806
	<u>190,892</u>	<u>158,824</u>

**(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	
		31 December 2013	31 December 2012
Trade and other receivables	18	23,429	18,927
Cash and cash equivalents	19	26,513	18,908
Loans	15	861	1,521
Bank deposits	15	369	16,859
Bank promissory notes		-	411
		<u>51,172</u>	<u>56,626</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 15% (2012: 15%) of the Group's revenue is attributable to sales transactions with a single customer. However, geographically there is no concentration of credit risk.

The six most significant customers of the Group account for EUR 6,521 thousand of the trade receivables carrying amount at 31 December 2013 (2012: EUR 2,011 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 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 and European banks rating agencies.

**Impairment losses**

The aging of trade receivables at the reporting date was:

'000 EUR	Gross 2013	Impairment 2013
Not past due	13,784	-
Past due 0- 30 days	1,937	-
Past due 31-90 days	181	-
Past due more than 90 days	658	(105)
	<u>16,560</u>	<u>(105)</u>

'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)
	<b>10,502</b>	<b>(427)</b>

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

'000 EUR	2013	2012
Balance at beginning of the year	427	216
Increase during the year	72	372
Decrease during the year	(384)	(169)
Translation difference	(10)	8
Balance at end of the year	<b>105</b>	<b>427</b>

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. Included in the Group's trade accounts receivable at the reporting date are debtors which are past due at the reporting date for which the Group has not provided because there has not been any significant change in credit quality and the amounts are still considered recoverable based on historic payment behaviour and an analysis of customer credit risk. Based upon the Group's monitoring of credit risk, the Group believes that, except as indicated above, no impairment allowance is necessary in respect of trade accounts receivable.

**(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.

**2013**

'000 EUR	Note	Carrying amount	Contractual cash flows	0-6 mths	6-12 mths	1-2 yrs	Over 2 yrs
Non-derivative financial liabilities							
Secured bank loans	21	971	971	-	-	-	971
Unsecured loans	21	172,424	190,613	3,020	33,534	86,788	67,271
Loans from directors	21	26	26	-	26	-	-
Trade and other payables	22	17,470	17,470	14,971	2,499	-	-
		<b>190,891</b>	<b>209,080</b>	<b>17,991</b>	<b>36,059</b>	<b>86,788</b>	<b>68,242</b>

**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	-	-
		<b>158,823</b>	<b>168,417</b>	<b>19,606</b>	<b>41,633</b>	<b>57,801</b>	<b>49,377</b>

A significant portion of the Group debt payment falls due in 2014 and, in addition, the Group has incurred a comprehensive loss for the reporting period and has a negative net assets position as at the reporting date. However, the Group has generated positive cash flows from operations and restructured a significant portion of the debt falling due in 2014 subsequent to the reporting date (see Note 29).

Management has analysed the liquidity position of the Group as at the reporting date considering the above factors and believes that the Group will have sufficient cash on demand to meet its current obligations.

**(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:

#### 2013

'000 EUR	USD- denominated	Rub - denominated	Euro - denominated	Other - denominated	Total
Trade and other receivables	5,922	28	316	19	6,285
Cash and cash equivalents	3,552	-	702	-	4,254
Loans and borrowings	(3,414)	-	(38,222)	-	(41,636)
Trade and other payables	(2,454)	(6)	(2,781)	1,455	(3,786)
<b>Net exposure</b>	<b>3,606</b>	<b>22</b>	<b>(39,985)</b>	<b>1,474</b>	<b>(34,883)</b>

#### 2012

'000 EUR	USD- denominated	Rub - denominated	Euro - denominated	Other - denominated	Total
Trade and other receivables	2,139	-	409	248	2,796
Cash and cash equivalents	7,730	40	230	53	8,053
Loans and borrowings	(9,981)	-	(23,525)	-	(33,506)
Trade and other payables	(2,782)	(15)	(1,215)	(185)	(4,197)
<b>Net exposure</b>	<b>(2,894)</b>	<b>25</b>	<b>(24,101)</b>	<b>116</b>	<b>(26,854)</b>

### 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
<b>31 December 2013</b>	
USD (10% strengthening against Euro)	(3,466)
RUB (10% strengthening against Euro)	(595)
 RUB (10% strengthening against USD)	 300

'000 EUR	<u>Profit or loss</u>
<b>31 December 2012</b>	
USD (10% strengthening against Euro)	(714)
RUB (10% strengthening against Euro)	<u>(1,787)</u>
RUB (10% strengthening against USD)	<u>(455)</u>

**(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	Note	<u>Carrying amount</u>	
		<u>31 December 2013</u>	<u>31 December 2012</u>
<b>Fixed rate instruments</b>			
Financial assets	15	861	17,151
Financial liabilities	21	<u>(173,422)</u>	<u>(141,018)</u>
		<u>(172,561)</u>	<u>(123,867)</u>

**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 2. 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 2013 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.

**(f) Master netting or similar agreements**

The Group may enter into sales and purchase agreements with the same counterparty in the normal course of business. The related amount receivable and payable do not always meet the criteria for offsetting in the statement of financial position. This is because the Group may not have any currently legally enforceable right to offset recognised amounts, because the right to offset may be enforceable only on the occurrence of future events. In particular, in accordance with the Russian civil law an obligation can be settled by offsetting against a similar claim if it is due, has no maturity or is payable on demand.

The total amount of financial instruments does not meet the offsetting criteria.

**24. Operating leases**

Non-cancellable operating lease rentals are payable as follows:

'000 EUR	31 December 2013	31 December 2012
Less than one year	1,379	1,939
Between one and five years	1,344	1,631
More than five years	12,392	14,210
	<b>15,115</b>	<b>17,780</b>

During the year ended 31 December 2013 an amount of EUR 2,345 thousand was recognised as an expense in profit or loss in respect of operating leases (2012: EUR 2,090 thousand). The Group has no contingent rent arrangements.

**25. Capital commitments**

The Group signed a commercial contract amounting to USD 6,200k in 2011 for the supply of its main component. On 31/12/2013, this commercial commitment amounted to USD 155k. This contract was concluded for a duration of two years, expiring on 31st March 2014.

**26. Contingencies and Provisions**

'000 EUR	Disputes	Employee disputes	Currency translation adjustments	Total
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
Balance at 1 January 2013	434	-	15	449
Provisions made during the year	-	-	(12)	(12)
Balance at 31 December 2013	434	-	3	437

All provisions are current.



**(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) 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.

**27. Related party transactions**

**(a) Parent company**

The group's immediate and ultimate parent company is General Satellite Holding Limited, a company registered in Jersey.

**(b) Control relationships**

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

**(c) Transactions with key management personnel**

**(i) Loans to directors**

During 2013, unsecured loans advanced to key management were EUR 874 thousand (2012: nil). No interest is payable by the key management, and the loans are repayable in cash in full 12 months after the issue date. At 31 December 2013 the balance outstanding was EUR 823 thousand (2012: EUR 863 thousand) and is included in loans to related parties (see Note 15).

(ii) **Shareholders current accounts – credit balances**

'000 EUR	2013	2012
Mr A Tkachenko	-	73
	-	73

The shareholders' current accounts are interest free and were fully settled in the year.

(iii) **Key management remuneration**

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

'000 EUR	2013	2012
Salaries and bonuses	1,578	651
Contributions to State pension fund	307	71
	1,885	722

(d) **Other related party transactions**

The Group's other related party transactions are disclosed below.

(i) **Revenue and Other income**

'000 EUR	Transaction value for the year ended 31 December		Outstanding balance	
	2013	2012	31 December 2013	31 December 2012
<b>Sale of goods:</b>				
Entities under common control	8,802	1	534	1
Entities with significant influence	-	125	-	-
Equity-accounted investees	-	1	-	-
<b>Services provided:</b>				
Entities under common control	12,858	5,749	1,418	1,715
Entities with significant influence	2,333	439	708	-
Equity-accounted investees	-	73	-	25
<b>Other income:</b>				
Entities under common control	588	-	654	-
	24,581	6,388	3,314	1,741

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

**(ii) Expenses and Purchases**

'000 EUR	Transaction value 2013	Transaction value 2012	Outstanding balance 31 December 2013	Outstanding balance 31 December 2012
<b>Purchases:</b>				
Entities under common control	1,272	205	1,397	257
Equity-accounted investees	-	1,302	-	976
<b>Services received:</b>				
Entities under common control	317	345	652	30
Equity-accounted investees	-	4	-	96
Entities with significant influence	-	-	-	145
	<b>1,589</b>	<b>1,856</b>	<b>2,049</b>	<b>1,504</b>

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 396 thousand for 2013 (2012: EUR 943 thousand).

At 31 December 2013 no unpaid dividends remained (2012: EUR 841 thousand including EUR 722 thousand due to Tkachenko Andrey Georgievich and EUR 119 thousand due to General Satellite Corporation).

**(iii) Loans**

'000 EUR	Amount loaned 2013	Amount loaned 2012	Outstanding balance 31 December 2013	Outstanding balance 31 December 2012
<b>Loans received:</b>				
Entities under common control	58,562	86,763	163,913	134,696
<b>Loans given:</b>				
Entities under common control	-	(2)	-	-
Equity-accounted investees	-	-	-	(596)
	<b>58,562</b>	<b>86,761</b>	<b>163,913</b>	<b>134,100</b>

At 31 December 2013 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.

**28. Significant subsidiaries and associates**

	Country of incorporation	Ownership/voting	
		2013	2012
<b>Associate</b>			
LLC "Prankor"	Russia	45%	30%
<b>Subsidiary</b>			

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	Honk 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	90%	10%
LLC "FortLine"	Russia	90%	10%
LLC "Konsalt-Technologiya"	Russia	90%	10%
LLC "Cifra"	Russia	90%	10%
LLC "IK "Satprof"	Russia	90%	10%
LLC "Pervaya Kartonazhnaya Fabrika"	Russia	81%	7%
OJSC "NPO "Cifroviye Televisionniye Sistemy"	Russia	63%	7%
LLC "DSK "Beliy Klutch"	Russia	90%	10%
OJSC "Almet"	Russia	54%	6%
LLC "Almet-Export"	Russia	54%	6%
LLC "Mega-Servis"	Russia	90%	10%
OJSC "GS Nanotech"	Russia	90%	10%
LLC "CTS-Servis"	Russia	63%	7%
LLC "Terra-Vita"	Russia	90%	10%
LLC "Unona-Geo"	Russia	90%	10%
LLC "Kontur"	Russia	90%	10%
LLC "Torgovy Dom "Cifra"	Russia	90%	10%
CJSC "TekhnoServis" (former CJSC "Agentstvo Razvitiya Territoriy")	Russia	90%	10%
LLC "Zemelnaya innovacionnaya kompaniya"	Russia	90%	10%
LLC "Novoplast"	Russia	90%	10%
LLC "Laboratoriya Kriptographicheskikh system"	Russia	90%	10%
LLC "UK "Technopolis-Gusev"	Russia	90%	10%
LLC "Dedovichskaya lesnaya kompaniya"	Russia	90%	9%
LLC "Lesozavod Sudoma"	Russia	90%	9%
LLC "Nanouglerodnie materialy"	Russia	45%	5%
LLC "Prankor"	Russia	45%	-
LLC "GS Ecopulp"	Russia	90%	100%
LLC "CTS"	Russia	90%	-
LLC "Globalkom"	Russia	90%	-
LLC "GS Organics"	Russia	54%	-

Satprof B.V.	Netherlands	90%	-
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On 19 February 2013 the Russian Group acquired an additional 20% interest in LLC “Pervaya Kartonazhnaya Fabrika”, increasing its ownership from 70% to 90%.

In 2013 the Group established the following entities:

- On 21 January 2013 the Group established LLC “GS Organics” with the share of 54%.
- On 9 April 2013 the Group established LLC “Globalkom” in the capacity of the sole shareholder.
- On 25 July 2013 the Group established LLC “CTS” in the capacity of the sole shareholder.
- On 22 August 2013 the Group established Satprof B.V. in the capacity of the sole shareholder.

## 29. **Events subsequent to the reporting date**

In March and July 2014, the Group rescheduled the debt repayment to the related parties of EUR 21,345 thousand and EUR 7,310 thousand falling due in 2014 (refer to Note 23) to the latter periods: 2016-2017 and 2019 respectively. Based on the rescheduled agreements, the Group expects to have sufficient cash to meet its debt obligations falling due by the end of 2014.

After the end of the year the Group acquired three new subsidiaries for the total price of €5,000,000.

**REGISTERED NUMBER: 04502928 (England and Wales)**

**Strategic Report, Report of the Director and**  
**Financial Statements for the Year Ended 31 December 2013**  
**for**  
**General Satellite Corporation Limited**

**General Satellite Corporation Limited (Registered number: 04502928)**

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**for the Year Ended 31 December 2013**

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**General Satellite Corporation Limited**

**Company Information**  
**for the Year Ended 31 December 2013**

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



**General Satellite Corporation Limited (Registered number: 04502928)**

**Strategic Report**  
**for the Year Ended 31 December 2013**

The director presents his strategic report for the year ended 31 December 2013.

**REVIEW OF BUSINESS**

In the accounting year the company's principal activity was concentrated upon the group's planned restructuring and participation in the development of the group's corporate investment projects as well as integration of all activity types under the international brand of 'GS Group'.

The restructuring of the group included the following transactions. In October 2013 General Satellite Corporation Ltd made a transfer of its 90% shareholding in the Russian holding OJSC 'Concern Innovative Technologies' in favour of a subsidiary company in Switzerland, GS Group AG, whereby 30% of the value of the transferred shares was transferred as a contribution to the equity of GS Group AG in the amount of CHF 6,555,654 (EUR 5,340,222). The company also finalised the increase of the Swiss group share capital up to CHF 1,000,000. The subsidiary Swiss company continues making investments and developing the group's business both in Russia and in international broadcasting projects in Europe and Asia. Participations in two companies - in UK and Cambodia - have been acquired during 2014. Entries into the markets in the Middle East, Latin America and Africa are planned for the near future.

In November 2013 the company purchased an additional 164,030 shares in the French subsidiary company Neotion SA from minority shareholders. Neotion SA is a high-tech company, which provides innovative solutions for the international digital television market. In 2014 the company's management initiated a de-listing procedure to buy out the rest of the available shares in favour of the company. Consequently by virtue of this de-listing the Corporation now holds almost 100% of the stock of Neotion SA, which comprise 5,228,851 shares with a purchase value of €28.5 million.

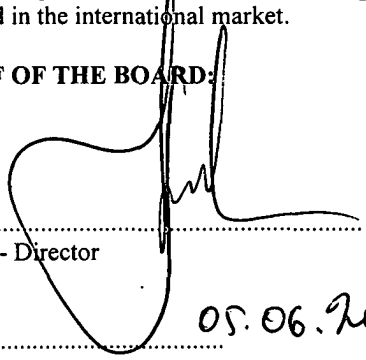
Another significant milestone for the ongoing development of group business was the acquisition of high-tech assets from the Portuguese company Novabase, which is the market leader in Portugal, made by the company in January 2014 for the purchase price of €5 million. Three high-tech companies working in the field of digital TV innovative technologies have been acquired:

- Novabase Digital TV Technologie GmbH (49%), Germany
- DTV Research, LDA (95%), Portugal
- Novabase Digital TV Eurl (100%), France

The principal activities of those companies comprise the development of digital TV-platforms, the manufacture of consumer microelectronics (SIP-based technologies) and the further development of products and services. Following the expansion of investment projects, company management expects to see significant growth of market potential with the ability to access markets in South East Asia, Latin and South America and Europe. Extended market share has also been gained by manufacturing digital TV set-top-boxes and developing own (SIP) technologies for the production of microchips.

Beside the development of investments for foreign broadcasting projects, GS Group currently makes significant advances into the high-tech field in the international market.

**ON BEHALF OF THE BOARD:**

  
.....  
A Tkachenko - Director

Date: .....

05.06.2014

**General Satellite Corporation Limited (Registered number: 04502928)**

**Report of the Director  
for the Year Ended 31 December 2013**

The director presents his report with the financial statements of the company for the year ended 31 December 2013.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of holding of investments of group companies primary in the field of telecommunications, uptake, manufacture and trade in high-tech electronic parts and equipment as well as other investments in various industries worldwide.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2013.

**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 2013 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 (Registered number: 04502928)

Report of the Director  
for the Year Ended 31 December 2013

**AUDITORS**

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

**ON BEHALF OF THE BOARD:**

.....  
A Tkachenko - Director

Date: .....

05.06.2014

**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 2013 on pages seven to twenty one. 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 three, 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 Strategic Report and the Report of the Director to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 and of its loss 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 Strategic Report and the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

**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: ..... 1 / 7 / 14 .....

**General Satellite Corporation Limited (Registered number: 04502928)**

**Profit and Loss Account**  
**for the Year Ended 31 December 2013**

	Notes	31.12.13		31.12.12 as restated	
		€	€	€	€
<b>TURNOVER</b>			-		-
Administrative expenses			<u>815,881</u>		<u>416,595</u>
			(815,881)		(416,595)
Other operating income			<u>85,413</u>		<u>927</u>
<b>OPERATING LOSS</b>	3		(730,468)		(415,668)
Profit/loss on sale of investments			<u>767,661</u>		<u>4,999,999</u>
			37,193		4,584,331
Income from fixed asset investments		41,395		290,483	
Interest receivable and similar income	4	<u>87,595</u>		<u>1,079,478</u>	
			<u>128,990</u>		<u>1,369,961</u>
			166,183		5,954,292
Amounts written off investments	5		-		<u>(8,602,128)</u>
			166,183		14,556,420
Interest payable and similar charges	6		<u>1,035,377</u>		<u>2,061,096</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			(869,194)		12,495,324
Tax on (loss)/profit on ordinary activities	7		-		-
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>			<u>(869,194)</u>		<u>12,495,324</u>

**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 (Registered number: 04502928)**

**Statement of Total Recognised Gains and Losses**  
**for the Year Ended 31 December 2013**

	31.12.13	31.12.12 as restated
	€	€
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	(869,194)	12,495,324
	<hr/>	<hr/>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	(869,194)	<u>12,495,324</u>
Prior year adjustment	Note 8	
	<u>(10,391,359)</u>	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT	<u>(11,260,553)</u>	

The notes form part of these financial statements

**General Satellite Corporation Limited (Registered number: 04502928)**

**Balance Sheet**

**31 December 2013**

	Notes	31.12.13 €	31.12.12 as restated €
<b>FIXED ASSETS</b>			
Intangible assets	9	466	2,484
Tangible assets	10	92,994	103,649
Investments	11	<u>33,979,448</u>	<u>27,090,205</u>
		34,072,908	27,196,338
<b>CURRENT ASSETS</b>			
Debtors	12	5,075,725	6,183,425
Cash at bank		<u>7,793,814</u>	<u>6,119,848</u>
		12,869,539	12,303,273
<b>CREDITORS</b>			
Amounts falling due within one year	13	<u>242,160</u>	<u>170,346</u>
<b>NET CURRENT ASSETS</b>		<u>12,627,379</u>	<u>12,132,927</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		46,700,287	39,329,265
<b>CREDITORS</b>			
Amounts falling due after more than one year	14	<u>26,520,824</u>	<u>42,366,278</u>
<b>NET ASSETS/(LIABILITIES)</b>		<u>20,179,463</u>	<u>(3,037,013)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	7,292,898	176,298
Other reserves	17	16,969,070	-
Profit and loss account	17	<u>(4,082,505)</u>	<u>(3,213,311)</u>
<b>SHAREHOLDERS' FUNDS</b>	21	<u>20,179,463</u>	<u>(3,037,013)</u>

The financial statements were approved by the director on 05<sup>th</sup> of June and were signed by:

.....  
A Tkachenko - Director

The notes form part of these financial statements



**General Satellite Corporation Limited (Registered number: 04502928)**

**Cash Flow Statement**  
**for the Year Ended 31 December 2013**

		31.12.13		31.12.12 as restated	
	Notes	€	€	€	€
Net cash inflow/(outflow) from operating activities	1		1,669,433		(115,250)
Returns on investments and servicing of finance	2		145,785		1,300,414
Capital expenditure and financial investment	2		<u>9,766,294</u>		<u>162,261</u>
			11,581,512		1,347,425
Financing	2		<u>(9,907,546)</u>		<u>(22,578,569)</u>
Increase/(decrease) in cash in the period			<u>1,673,966</u>		<u>(21,231,144)</u>
<hr/>					
Reconciliation of net cash flow to movement in net debt	3				
Increase/(decrease) in cash in the period		1,673,966		(21,231,144)	
Cash outflow from decrease in debt		<u>16,950,076</u>		<u>22,578,569</u>	
Change in net debt resulting from cash flows			18,624,042		1,347,425
Foreign exchange			(69,245)		119,385
Loan payable interest accrued			<u>(1,035,377)</u>		<u>(2,061,096)</u>
Movement in net debt in the period			17,519,420		(594,286)
Net debt at 1 January			<u>(36,246,430)</u>		<u>(35,652,144)</u>
Net debt at 31 December			<u>(18,727,010)</u>		<u>(36,246,430)</u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement**  
**for the Year Ended 31 December 2013**

**1. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**

	31.12.13	31.12.12 as restated
	€	€
Operating loss	(730,468)	(415,668)
Depreciation charges	12,102	11,446
Foreign exchange	69,245	(119,955)
Decrease in debtors	2,246,740	861,667
Increase/(decrease) in creditors	71,814	(452,740)
<b>Net cash inflow/(outflow) from operating activities</b>	<b><u>1,669,433</u></b>	<b><u>(115,250)</u></b>

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

	31.12.13	31.12.12 as restated
	€	€
<b>Returns on investments and servicing of finance</b>		
Interest received	117,279	1,009,931
Interest paid	(12,889)	-
Dividends received	41,395	290,483
<b>Net cash inflow for returns on investments and servicing of finance</b>	<b><u>145,785</u></b>	<b><u>1,300,414</u></b>
<b>Capital expenditure and financial investment</b>		
Purchase of intangible fixed assets	-	(318)
Purchase of tangible fixed assets	(825)	(87,421)
Purchase of fixed asset investments	(1,551,415)	-
Sale of intangible fixed assets	1,396	-
Sale of fixed asset investments	-	250,000
Loan receivable repayments in year	11,317,138	-
<b>Net cash inflow for capital expenditure and financial investment</b>	<b><u>9,766,294</u></b>	<b><u>162,261</u></b>
<b>Financing</b>		
New loans in year	1,900,000	1,150,000
Loan repayments in year	(18,924,146)	(23,728,569)
Share issue	7,116,600	-
<b>Net cash outflow from financing</b>	<b><u>(9,907,546)</u></b>	<b><u>(22,578,569)</u></b>

The notes form part of these financial statements

**General Satellite Corporation Limited (Registered number: 04502928)**

**Notes to the Cash Flow Statement**  
**for the Year Ended 31 December 2013**

**3. ANALYSIS OF CHANGES IN NET DEBT**

	At 1.1.13 €	Cash flow €	Other non-cash changes €	At 31.12.13 €
Net cash:				
Cash at bank	<u>6,119,848</u>	<u>1,673,966</u>		<u>7,793,814</u>
	<u>6,119,848</u>	<u>1,673,966</u>		<u>7,793,814</u>
Debt:				
Debts falling due after one year	<u>(42,366,278)</u>	<u>16,950,076</u>	<u>(1,104,622)</u>	<u>(26,520,824)</u>
	<u>(42,366,278)</u>	<u>16,950,076</u>	<u>(1,104,622)</u>	<u>(26,520,824)</u>
Total	<u>(36,246,430)</u>	<u>18,624,042</u>	<u>(1,104,622)</u>	<u>(18,727,010)</u>

**4. MAJOR NON-CASH TRANSACTIONS**

During the year the company acquired an additional 80% interest in the company Concern IT, valued at €16,969,070, by way of capital contribution. This interest was subsequently disposed of during the year to a subsidiary company. The value of the disposal was €16,969,070, with €5,340,223 being granted as a capital contribution to the subsidiary.

**Notes to the Financial Statements**  
**for the Year Ended 31 December 2013**

**1. ACCOUNTING POLICIES**

**Accounting convention**

The financial statements have been prepared under the historical cost convention 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**

Investments in subsidiaries are valued at cost less any provision for permanent diminution in value. Cost includes cost of purchase plus all contributions to the capital of the investment.

**Capital contributions**

Assets transferred to the company by the controlling party for no consideration are treated as additional equity contributions and are disclosed as capital contributions in the financial statements. Contributions to equity are stated at the director's estimate of the fair value of the assets transferred.

Assets transferred by the company to subsidiaries for no consideration are treated as additional equity contributions. Such contributions are reflected as an increase in the cost of the company's investment in the subsidiary using the director's estimate of the fair value of the assets transferred.

**2. STAFF COSTS**

	31.12.13	31.12.12 as restated
	€	€
Wages and salaries	180,493	184,348
Social security costs	<u>60,735</u>	<u>62,726</u>
	<u>241,228</u>	<u>247,074</u>

**General Satellite Corporation Limited (Registered number: 04502928)**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2013**

**2. STAFF COSTS - continued**

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

	31.12.13	31.12.12 as restated
Management	<u>10</u>	<u>10</u>

**3. OPERATING LOSS**

The operating loss is stated after charging/(crediting):

	31.12.13	31.12.12 as restated
	€	€
Other operating leases	8,716	8,550
Depreciation - owned assets	11,480	10,480
Patents and licences amortisation	622	967
Auditors' remuneration	15,868	33,598
Auditors' remuneration for non audit work	46,849	-
Foreign exchange differences	<u>46,631</u>	<u>(48,132)</u>
Director's remuneration	<u>-</u>	<u>-</u>

**4. INTEREST RECEIVABLE AND SIMILAR INCOME**

	31.12.13	31.12.12 as restated
	€	€
Deposit account interest	4,969	936,949
Loan interest receivable	<u>82,626</u>	<u>142,529</u>
	<u>87,595</u>	<u>1,079,478</u>

**5. AMOUNTS WRITTEN OFF INVESTMENTS**

	31.12.13	31.12.12 as restated
	€	€
Impairment reversal	<u>-</u>	<u>(8,602,128)</u>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	31.12.13	31.12.12 as restated
	€	€
Interest payable	<u>1,035,377</u>	<u>2,061,096</u>

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2013**

**7. TAXATION**

**Analysis of the tax charge**

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2013 nor for the year ended 31 December 2012.

**Factors affecting the tax charge**

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

	31.12.13	31.12.12 as restated
	€	€
(Loss)/profit on ordinary activities before tax	<u>(869,194)</u>	<u>12,495,324</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.250% (2012 - 24.500%)	(202,088)	3,061,354
Effects of:		
Income not taxable for tax purposes	(188,106)	(3,403,690)
Capital allowances in excess of depreciation	(14,326)	-
Depreciation in excess of capital allowances	-	2,431
Losses carried forward	<u>404,520</u>	<u>339,905</u>
Current tax charge	<u>-</u>	<u>-</u>

**8. PRIOR YEAR ADJUSTMENT**

The financial statements include a prior year adjustment in respect of a change in accounting policy. Fixed asset investments are now stated at cost less provision for permanent diminution in value. Previously the accounting policy was to state fixed asset investments at market value. The director believes that, as the investments are not quoted on any exchange and given the subjectivity of other valuation techniques, there is no reliable guide to market value and it is therefore more appropriate to state the investments at cost. The effect of the prior year adjustment is to reduce both the revaluation reserve and the prior year revaluation surplus by €10,391,359.

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2013**

**9. INTANGIBLE FIXED ASSETS**

	Patents and licences €
<b>COST</b>	
At 1 January 2013	4,318
Disposals	<u>(2,205)</u>
At 31 December 2013	<u>2,113</u>
<b>AMORTISATION</b>	
At 1 January 2013	1,834
Amortisation for year	622
Eliminated on disposal	<u>(809)</u>
At 31 December 2013	<u>1,647</u>
<b>NET BOOK VALUE</b>	
At 31 December 2013	<u>466</u>
At 31 December 2012	<u>2,484</u>

**10. TANGIBLE FIXED ASSETS**

	Freehold property €	Fixtures and fittings €	Totals €
<b>COST</b>			
At 1 January 2013	87,000	37,458	124,458
Additions	<u>-</u>	<u>825</u>	<u>825</u>
At 31 December 2013	<u>87,000</u>	<u>38,283</u>	<u>125,283</u>
<b>DEPRECIATION</b>			
At 1 January 2013	1,300	19,509	20,809
Charge for year	<u>2,600</u>	<u>8,880</u>	<u>11,480</u>
At 31 December 2013	<u>3,900</u>	<u>28,389</u>	<u>32,289</u>
<b>NET BOOK VALUE</b>			
At 31 December 2013	<u>83,100</u>	<u>9,894</u>	<u>92,994</u>
At 31 December 2012	<u>85,700</u>	<u>17,949</u>	<u>103,649</u>

**General Satellite Corporation Limited (Registered number: 04502928)**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2013**

**11. FIXED ASSET INVESTMENTS**

	Shares in group undertakings €
<b>COST</b>	
At 1 January 2013	27,108,912
Additions	23,860,707
Disposals	<u>(16,971,464)</u>
At 31 December 2013	<u>33,998,155</u>
<b>PROVISIONS</b>	
At 1 January 2013 and 31 December 2013	<u>18,707</u>
<b>NET BOOK VALUE</b>	
At 31 December 2013	<u>33,979,448</u>
At 31 December 2012	<u>27,090,205</u>

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	31.12.12 €	31.12.11 €
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		(237,342)	(163,195)
(Loss)/profit for the year		<u>(73,842)</u>	<u>47,566</u>

**Neotion S.A**

Country of incorporation: France

Nature of business: High-tech radio electronic equipment

	% holding	31.12.12 €	31.12.11 €
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		11,127,790	9,100,414
Profit for the year		<u>2,391,376</u>	<u>3,443,012</u>



**General Satellite Corporation Limited (Registered number: 04502928)**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2013**

**11. FIXED ASSET INVESTMENTS - continued**

**OJSC Concern Innovation Technology**

Country of incorporation: Russia

Nature of business: High-tech radio electronic equipment

Class of shares:	%		
Ordinary	holding		
	90.00		
		31.12.12	31.12.11
		€	€
Aggregate capital and reserves		(207,000)	11,880,000
(Loss)/profit for the year		<u>(14,623,000)</u>	<u>3,171,000</u>

**General Satellite Research & Development Limited**

Country of incorporation: England

Nature of business: High-tech radio electronic equipment

Class of shares:	%		
Ordinary	holding		
	100.00		
		31.12.12	31.12.11
		€	€
Aggregate capital and reserves		219,177	207,310
Profit for the year		<u>11,867</u>	<u>72,333</u>

**General Satellite Group AG**

Country of incorporation: Switzerland

Nature of business: High-tech radio electronic equipment

Class of shares:	%		
Ordinary	holding		
	100.00		
		31.12.12	31.12.11
		€	€
Aggregate capital and reserves		(135,179)	116,387
Loss for the year		<u>(2,241,252)</u>	<u>(17,961)</u>

**Extended Secure Technologies**

Country of incorporation: Netherlands

Nature of business: High-tech radio electronic equipment

Class of shares:	%		
Ordinary	holding		
	100.00		
		31.12.12	31.12.11
		€	€
Aggregate capital and reserves		(4,710,733)	(1,243,150)
Loss for the year		<u>(3,467,584)</u>	<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 OJSC Concern Innovative Technologies, realising a profit on disposal of €767,661.

**General Satellite Corporation Limited (Registered number: 04502928)**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2013**

**12. DEBTORS**

	31.12.13	31.12.12 as restated
	€	€
Amounts falling due within one year:		
Amounts owed by group undertakings	-	1,398,864
Other debtors	2,510,000	4,750,489
Prepayments	1,140	321
	<u>2,511,140</u>	<u>6,149,674</u>
 Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>2,564,585</u>	<u>33,751</u>
 Aggregate amounts	<u>5,075,725</u>	<u>6,183,425</u>

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.13	31.12.12 as restated
	€	€
Social security and other taxes	17,015	17,242
Other creditors	150,787	1,165
Director's current account	-	72,594
Wages and salaries control	10,786	9,958
Accruals and deferred income	<u>63,572</u>	<u>69,387</u>
	<u>242,160</u>	<u>170,346</u>

**14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	31.12.13	31.12.12 as restated
	€	€
Other loans (see note 15)	<u>26,520,824</u>	<u>42,366,278</u>

**15. LOANS**

An analysis of the maturity of loans is given below:

	31.12.13	31.12.12 as restated
	€	€
Amounts falling due between one and two years:		
Other loans - 1-2 years	<u>26,520,824</u>	<u>42,366,278</u>

**General Satellite Corporation Limited (Registered number: 04502928)**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2013**

**16. CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:		Nominal value:	31.12.13	31.12.12 as restated
Number:	Class:		€	€
6,148,500	Ordinary	£1.00	<u>7,292,898</u>	<u>176,298</u>

6,000,000 Ordinary shares of £1.00 each were allotted and fully paid for cash at par during the year.

**17. RESERVES**

	Profit and loss account €	Revaluation reserve €	Other reserves €	Totals €
At 1 January 2013	(3,213,311)	10,391,359	-	7,178,048
Prior year adjustment	-	<u>(10,391,359)</u>	-	<u>(10,391,359)</u>
	(3,213,311)	-	-	3,213,311
Deficit for the year	(869,194)	-	-	(869,194)
Capital contribution	-	-	<u>16,969,070</u>	<u>16,969,070</u>
At 31 December 2013	<u>(4,082,505)</u>	<u>-</u>	<u>16,969,070</u>	<u>12,886,565</u>

**18. RELATED PARTY DISCLOSURES**

At the year end there was a balance due of €- (2012 - €119,191) from OJSC "Concern Innovative Technologies", a company under common control.

At the end of the year there was a balance of €- (2012 - €72,594) due to Mr A Tkachenko, director of the company. Mr Tkachenko gave up the rights to this loan during the year.

During the year Mr A Tkachenko subscribed for 6,000,000 ordinary £1 shares in the company at par.

During the year the company received a capital contribution from the controlling party, Mr A Tkachenko. The capital contribution comprised an 80% shareholding in OJSC "Concern Innovative Technologies" which was valued at €16,969,070. Later in the year the company disposed of this interest to a subsidiary company, General Satellite Group AG. The total value of the disposal was €16,969,070. €5,340,223 of the value was granted as a capital contribution, increasing the company's investment in the subsidiary. The balance of €12,398,902 was converted into a loan receivable by the company, on which €79,169 of interest was charged during the year and of which €2,564,585 remains outstanding at the year end. The financial statements include a gain on disposal of €767,661 resulting from this transaction.

The company has taken advantage of the exemption conferred by FRS 8 not to disclose transactions with wholly owned members of the group.

**19. POST BALANCE SHEET EVENTS**

After the end of the year the company acquired three new subsidiaries for the total price of €5,000,000.

**General Satellite Corporation Limited (Registered number: 04502928)**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2013**

**20. ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is A Tkachenko.

**21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	31.12.13	31.12.12 as restated
	€	€
(Loss)/profit for the financial year	(869,194)	12,495,324
New share capital subscribed	7,116,600	-
Capital contribution from shareholders	<u>16,969,070</u>	<u>-</u>
<b>Net addition to shareholders' funds</b>	<b>23,216,476</b>	<b>12,495,324</b>
Opening shareholders' funds (originally €7,354,346 before prior year adjustment of €(10,391,359))	<u>(3,037,013)</u>	<u>(15,532,337)</u>
<b>Closing shareholders' funds</b>	<b><u>20,179,463</u></b>	<b><u>(3,037,013)</u></b>