

Report of the Directors and
Financial Statements for the Year Ended 31 December 2012
for
General Satellite Research & Development
Limited



**General Satellite Research & Development
Limited (Registered number: 04502930)**

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for the Year Ended 31 December 2012**

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**General Satellite Research & Development
Limited**

**Company Information
for the Year Ended 31 December 2012**

DIRECTORS:

P Chumakov
W Perry

REGISTERED OFFICE:

3rd Floor, Fairgate House
78 New Oxford Street
London
WC1A 1HB

REGISTERED NUMBER:

04502930

AUDITORS:

S H Landes LLP
Statutory Auditors
3rd Floor
Fairgate House
78 New Oxford Street
London
WC1A 1HB

**General Satellite Research & Development
Limited (Registered number: 04502930)**

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

The directors present their report with the financial statements of the company for the year ended 31 December 2012

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of developing software and design documentation for satellite receiver

REVIEW OF BUSINESS

The results for the year are set out in the annexed profit and loss account. The directors consider the state of affairs of the company to be satisfactory.

During the year 2012 the company renewed the branch office in Saint-Petersburg and hired specialist workers in the Head office. Long term business relationships were established with several business partners regarding the design and development of software and hardware for digital satellite receivers. This software and hardware is high quality and meet all customers' needs. The company has met all targets that were established at the beginning of the year.

The company has some risks regarding new directions of business strategy due to change in activity. However, the company has created a competitive range of software for different models of digital satellite receivers. The company needs to monitor market demands and prepare a highly qualified marketing policy.

DIVIDENDS

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

FUTURE DEVELOPMENTS

The company is going to widen its business activity and conclude new long term contracts with such companies as Samsung and Humax. Negotiations are in progress now. New prospects such as developing software for television are included in the main business plan. Software for new models of digital satellite receivers will be developed according to market demand with better configuration and features. The management of the company is going to increase turnover and propose new products to the market with value for money characteristics.

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.

DIRECTORS

P Chumakov has held office during the whole of the period from 1 January 2012 to the date of this report.

Other changes in directors holding office are as follows:

V Karis - resigned 10 March 2012
W Perry - appointed 1 March 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable 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.

**General Satellite Research & Development
Limited**

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

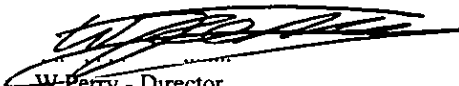
STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are 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 each director 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.

ON BEHALF OF THE BOARD:


W. Perry - Director

Date 13/9/13

**Report of the Independent Auditors to the Members of
General Satellite Research & Development
Limited**

We have audited the financial statements of General Satellite Research & Development Limited for the year ended 31 December 2012 on pages six to fourteen. 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 directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages two and three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Qualified opinion on financial statements arising from limitation in scope

The audit evidence available in respect of carrying value of opening stock of €226,315 was limited because we did not observe the counting of the physical stock as at 31 December 2010. From the company's records, we were also unable to obtain sufficient audit evidence regarding the stock quantity by using the other audit procedures. Except for the financial effects of such adjustments on the profit and loss account for the year ended 31 December 2011, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the physical stock quantity, in our opinion the financial statements

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

-have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and

-have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors 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 Research & Development
Limited

Matters on which we are required to report by exception

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

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

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

- the financial statements are not in agreement with the accounting records and returns or
- certain disclosures of directors' remuneration specified by law are not made

Steven Landes (Senior Statutory Auditor)

for and on behalf of S H Landes LLP

Statutory Auditors

3rd Floor

Fairgate House

78 New Oxford Street

London

WC1A 1HB

Date

18/9/13

**General Satellite Research & Development
Limited (Registered number: 04502930)**

**Profit and Loss Account
for the Year Ended 31 December 2012**

	Notes	31 12 12 €	31 12 11 €
TURNOVER		1,536,751	11,419,564
Cost of sales		1,845,481	11,055,648
GROSS (LOSS)/PROFIT		(308,730)	363,916
Administrative expenses		378,250	302,172
		(686,980)	61,744
Other operating income		663,033	10,000
OPERATING (LOSS)/PROFIT	3	(23,947)	71,744
Interest receivable and similar income		38,781	589
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		14,834	72,333
Tax on profit on ordinary activities	4	2,967	19,128
PROFIT FOR THE FINANCIAL YEAR		11,867	53,205

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous year

General Satellite Research & Development
Limited (Registered number: 04502930)

Balance Sheet
31 December 2012

	Notes	31 12 12 €	€	31 12 11 €	€
FIXED ASSETS					
Investments	5		1,800		1,800
CURRENT ASSETS					
Stocks	6	490,368		307,560	
Debtors	7	628,119		900,621	
Investments	8	15,000,000		-	
Cash at bank		203,967		389,298	
		<u>16,322,454</u>		<u>1,597,479</u>	
CREDITORS					
Amounts falling due within one year	9	<u>16,105,077</u>		<u>1,391,969</u>	
NET CURRENT ASSETS			<u>217,377</u>		<u>205,510</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>219,177</u>		<u>207,310</u>
CAPITAL AND RESERVES					
Called up share capital	10		1		1
Profit and loss account	11		<u>219,176</u>		<u>207,309</u>
SHAREHOLDERS' FUNDS	16		<u>219,177</u>		<u>207,310</u>

The financial statements were approved by the Board of Directors on its behalf by

13/9/13

and were signed on


W. Perry - Director

**General Satellite Research & Development
Limited (Registered number: 04502930)**

**Cash Flow Statement
for the Year Ended 31 December 2012**

	Notes	31 12 12 €	€	31 12 11 €	€
Net cash inflow from operating activities	1		14,833,377		355,867
Returns on investments and servicing of finance	2		420		589
Taxation			(19,128)		(18,139)
Capital expenditure and financial investment	2		-		(1,800)
			14,814,669		336,517
Management of liquid resources	2		(15,000,000)		-
(Decrease)/increase in cash in the period			(185,331)		336,517
Reconciliation of net cash flow to movement in net funds	3				
(Decrease)/increase in cash in the period			(185,331)		336,517
Cash outflow from increase in liquid resources			15,000,000		-
Change in net funds resulting from cash flows			14,814,669		336,517
Movement in net funds in the period			14,814,669		336,517
Net funds at 1 January			389,298		52,781
Net funds at 31 December			15,203,967		389,298

The notes form part of these financial statements

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

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

	31 12 12	31 12 11
	€	€
Operating (loss)/profit	(23,947)	71,744
Provision for bad debts	244,816	-
Creditors payable written off	(663,033)	-
Increase in stocks	(182,808)	(81,245)
Decrease in debtors	66,047	1,892,307
Increase/(decrease) in creditors	15,392,302	(1,526,939)
Net cash inflow from operating activities	14,833,377	355,867

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

	31 12 12	31 12 11
	€	€
Returns on investments and servicing of finance		
Interest received	420	589
Net cash inflow for returns on investments and servicing of finance	420	589
 Capital expenditure and financial investment		
Purchase of fixed asset investments	-	(1,800)
Net cash outflow for capital expenditure and financial investment	-	(1,800)
 Management of liquid resources		
Investment in bank deposit	(15,000,000)	-
Net cash outflow from management of liquid resources	(15,000,000)	-

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 1 12	Cash flow	At
	€	€	31 12 12
			€
Net cash			
Cash at bank	389,298	(185,331)	203,967
	<u>389,298</u>	<u>(185,331)</u>	<u>203,967</u>
 Liquid resources			
Current asset investments	-	15,000,000	15,000,000
	<u>-</u>	<u>15,000,000</u>	<u>15,000,000</u>
 Total	389,298	14,814,669	15,203,967

The notes form part of these financial statements

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

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

The financial statements are presented in Euro

Preparation of consolidated financial statements

The financial statements contain information about General Satellite Research & Development Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent, General Satellite Corporation Limited, a company registered in the UK

Turnover

Turnover represents the total invoice value, excluding value added tax. Turnover is recognised when the service is provided to the customer

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads

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

Research and development

Expenditure on research and development is written off in the year in which it is incurred

Foreign currencies

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

Fixed asset investments

The fixed asset investments are valued at lower of cost or net realisable value

2 STAFF COSTS

	31 12 12	31 12 11
	€	€
Wages and salaries	50,396	257,329

**General Satellite Research & Development
Limited (Registered number: 04502930)**

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

2 STAFF COSTS - continued

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

	31 12 12	31 12 11
Technical	2	19
Administrative	-	3
	<u>2</u>	<u>22</u>

3 OPERATING (LOSS)/PROFIT

The operating loss (2011 - operating profit) is stated after charging/(crediting)

	31 12 12 €	31 12 11 €
Auditors' remuneration	5,505	5,371
Auditors' remuneration for non audit work	21,064	9,383
Foreign exchange differences	<u>(6,469)</u>	<u>(41,531)</u>
Directors' remuneration	<u>-</u>	<u>-</u>

4 TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows

	31 12 12 €	31 12 11 €
Current tax		
UK corporation tax	<u>2,967</u>	<u>19,128</u>
Tax on profit on ordinary activities	<u>2,967</u>	<u>19,128</u>

Factors affecting the tax charge

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

	31 12 12 €	31 12 11 €
Profit on ordinary activities before tax	<u>14,834</u>	<u>72,333</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.500% (2011 - 26.490%)	3,634	19,161
Effects of Adjustment for marginal relief	<u>(667)</u>	<u>(33)</u>
Current tax charge	<u>2,967</u>	<u>19,128</u>

**General Satellite Research & Development
Limited (Registered number: 04502930)**

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

5 FIXED ASSET INVESTMENTS

	Shares in group undertakings €
COST	
At 1 January 2012	
and 31 December 2012	1,800
NET BOOK VALUE	
At 31 December 2012	1,800
At 31 December 2011	1,800

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

National Development Centre Limited

Country of incorporation Russian Federation

Nature of business Development of software and consultancy

	% holding	31 12 12	31 12 11
Class of shares		€	€
Ordinary	90 00		
Aggregate capital and reserves		(56,830)	(61,000)
Profit/(loss) for the year		69,111	(63,000)

6 STOCKS

	31 12 12	31 12 11
	€	€
Work-in-progress	490,086	307,560
Finished goods	282	-
	490,368	307,560

7 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 12 12	31 12 11
	€	€
Trade debtors	589,758	265,052
Other debtors	38,361	635,569
	628,119	900,621

8 CURRENT ASSET INVESTMENTS

	31 12 12	31 12 11
	€	€
Investment in bank deposit	15,000,000	-

**General Satellite Research & Development
Limited (Registered number: 04502930)**

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

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 12 12	31 12 11
	€	€
Trade creditors	408,498	1,272,080
Corporation tax	2,967	19,128
Other creditors	15,214,978	2,056
VAT payable	65,400	81,955
Shareholder's loan	1,800	1,800
Accruals	61,630	14,950
Deferred income	349,804	-
	<u>16,105,077</u>	<u>1,391,969</u>

10 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid			31 12 12	31 12 11
Number	Class	Nominal value	€	€
1	Ordinary	£1	<u>1</u>	<u>1</u>

11 RESERVES

	Profit and loss account €
At 1 January 2012	207,309
Profit for the year	<u>11,867</u>
At 31 December 2012	<u>219,176</u>

12 ULTIMATE PARENT COMPANY

The ultimate parent company is General Satellite Corporation Limited, a company registered in the UK

**General Satellite Research & Development
Limited (Registered number: 04502930)**

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

13 RELATED PARTY TRANSACTIONS

During the year, the company invoiced to the following related parties

	Relationship	2012 €	2011 €
National Development Centre Ltd	Common control	508,841	150,000
Mega Service LLC	Common control	357,246	Nil
Domlex Ltd	Common control	40,000	Nil
Cifra LLC	Common control	260,000	Nil
VLV LLC		191,512	Nil

At the year end €349,804 of these sales were included in deferred income

At the balance sheet date, the following amounts were receivable/(payable) from/to related parties

		2012 €	2011 €
National Development Centre Ltd	Common control	1,000	75,000
Mega Service LLC	Common control	357,246	Nil
Domlex Ltd	Common control	40,000	Nil
VLV LLC		191,512	Nil
Downridge Select Ltd		(376,011)	(1,035,835)

During the year, the company made purchases from the following related parties

		2012 €	2011 €
Neotion SA	Common control	500,000	Nil

During the year the company also has written back €663,033 amount payable to Downridge Select Ltd Other creditors include an amount of €2,056 (2011 €2,056) payable to a director, P Chumakov

The above companies are related parties under the definition of FRS 8

14 POST BALANCE SHEET EVENTS

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

15 ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Andrey Tkachenko

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 12 12 €	31 12 11 €
Profit for the financial year	11,867	53,205
Net addition to shareholders' funds	11,867	53,205
Opening shareholders' funds	207,310	154,105
Closing shareholders' funds	219,177	207,310