Acme Corporation SIA

Consolidated Annual Accounts for the year ended 31 December 2011

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REPORT OF THE MANAGEMENT

Acme Corporation SIA (hereinafter - 'the Company' or 'Acme Corporation') and its subsidiaries (hereinafter - 'the Group') invest in the operation and management of rental real estates (offices, retail and land development) in Latvia. Acme Corporation currently is the parent for four Latvian registered limited liability companies - Apex Investments SIA (grocery anchored retail real estate), Neatkarīgā patentu aģentūra SIA (office anchored real estate), Tukuma Projekts SIA (DIY anchored retail real estate) and Big Truck SIA (logistic development).

The global liquidity crisis and economic downturn since 2008 have had major impact on business environment and the financial and operational risks thereof. The sources of funding have dried-up; it affects the Group's ability to attract new and refinance existing borrowings at terms and conditions commercially acceptable to the Group's management. While the Latvian economy in 2011 has indicated strong growth, the recovery trend in the global economy is now clearly showing signs of weakening. Within the EU several sovereign states: Greece, Portugal and Italy are coming under extreme stress due to sovereign debt issues. In fact Greece has recently agreed a restructuring agreement with creditors resulting in a write down of 70% of outstanding debt held by private investors. Management is uncertain as to how these problems will affect Latvia and the Acme portfolio in particularly, we are only certain the effect will not be positive.

Gross rental revenues across all operating segments net of VAT for the year was LVL 2 297 844 (EUR 3 269 537). Delinquent rents are being well managed at the moment by our property manager; we do not anticipate delinquents to increase in the first half of the year 2012.

In both office and retail segments rents appear to have stabilized and in the retail segment we are seeing rents to begin a modest recovery.

In the office segment gross rent has settled to a market rate of €8.00 to €10.00 per square meter per month. While we experienced some reversal of impairment in 2011, the current market price level is far from sufficient to allow us to recover all impairment to capital value recognized to date. We are now fully let with the take up of office space at Kronvalda Blvd 3 by Rödel & Partner.

In DIY segment the performance was as expected.

In logistics and real estate development segment the Group in 2011 remained idle.

In January 2012 management has made the decision to apply consumer price inflation adjustments to all rental contracts were possible. We have not applied the full Latvian inflation rate of 4.4% but a reduced increase of 3.5%.

The Group's investment properties, except for those belonging to logistics and real estate development segment, were subject to valuation performed by Arco Real Estate in January 2012 giving total asset value of LVL 20 264 000 (EUR 28 833 000). Whilst showing some improvement since the 2009 valuation the market clearly indicates that bondholders and other unsecured creditors remain "underwater". Investors and other stakeholders should also take note that the valuation resulted in a reversal of impairments in the amount of LVL 4 105 045 (EUR 5 840 953). This is a none cash item having no effect on cash flow. However without the reversal of impairment, Acme would have suffered a loss before tax for 2011 in the amount of LVL 798 390 (EUR 1 136 006).

Acme Corporation does not trade. Its business plan is to collect interest from daughter companies and pass this interest on to bondholders. Acme Corporation has made all coupon payments on the bonds inclusive of the last coupon payment of 31 January 2012. In spite of the fact that the coupon payments have been met bondholders are in a negative value position. Management is aware of one and only one transaction taking place in the last three months of 2011. At this time a public transaction took place on the Riga OMX Nasdaq exchange at a discount greater than 80% to nominal value. Management believes this transaction fairly reflects market value of the Acme bonds.

At the time of bond issue lender Swedbank explicitly stated that they would not revise the terms and conditions of the loan. In July of 2009 Swedbank did a 180 degree reversal of their position to bondholders demanding an increase in senior lender interest rates. Management fought with Swedbank. Management finally succumbed at close of November 2009 by signing revised agreements that change the bank margin from 1.15% to 4.5% on average above 3 month EURIBOR.

At the time of writing this report 3 month EURIBOR is quoted at approximately 0.76%. At the time of the six month interim 2011 reports EURIBOR had risen to 1.6%. The down trend in EURIBOR is a clear indication of the European Central Bank's (ECB) concern for the stability of the sovereign debt crisis faced by the majority of European nations. The indication is that the crisis is as severe as, if not worse than the banking collapse of 2008 when 3 month EURIBOR was reduced by the ECB to 0.65% at the financial report 31 December 2009 and held to an ultralow rate of 0.80% at the interim financial report 30 June 2010. These rates are unprecedentedly low rate. Movements up in interest rates will have a dramatic impact on the Group's cash flows and, inter-alia, Acme Corporation's ability to repay bondholders.

Our daughter companies Apex Investments (Apex) and Neatkarīgā patentu aģentūra (NPA) have borrowings with variable interest rates. Apex and NPA had entered into an interest rate swap with a related property management company R.B. Management. This caped the portfolio's interest rate exposure at 3.97% plus bank margin. The swap agreement was automatically renewable annually, with Apex and NPA allowed a one time a year exit on 15 December. Apex and NPA exercised this right to exit on 15 December 2009. In 2010 R.B. Management threatened litigation to settle the negative value of the SWAP. After an extended period of negotiations it was agreed in 2010 that Apex and NPA would pay their share of the outstanding negative value. In return R.B. Management agreed to convert the debt into a 16 year long term loan. The result is increased liabilities on the balance sheets, but no current impact to cash flow.

The Group does not plan on issuing any additional debt or acquiring any investment properties in 2012, but is focused on conserving its cash flow and internally developing its portfolio. The Management's goal is to further streamline and improve operations and pay down bank debt.

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David Allen DeRousse
Member of the Board

Riga, 26 April 2012

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Board of Directors of Acme Corporation SIA is responsible for the preparation of the consolidated financial statements of the Group.

The consolidated financial statements on pages 8 to 41 are prepared in accordance with the accounting records and source documents and present fairly the financial position of the Group as of 31 December 2011 and the results of its operations and cash flows for the year then ended.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted in the European Union on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Board of Directors in the preparation of the consolidated financial statements.

The Board of Directors of Acme Corporation SIA is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. The Board of Directors is also responsible for operating the Group in compliance with the legislation of the Republic of Latvia.

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David Allen DeRousse
Member of the Board

Riga, 26 April 2012

CONSOLIDATED BALANCE SHEET

Note		31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
	ASSETS				
	Non-current assets				
4	Property, plant and equipment	86 783	123 481	71 461	101 680
5	Investment property	16 468 837	23 433 044	13 027 170	18 535 993
6	Loans	13 337	18 977	400 598	570 000
7	Other long-term financial assets	9 498	13 514	12 052	17 148
13	Deferred income tax asset	-	-	17 875	25 434
		16 578 455	**23 589 016**	**13 529 156**	**19 250 255**
	Current assets				
8	Trade receivables	22 492	32 003	15 704	22 345
	Current income tax assets	10 992	15 640	66 722	94 937
6	Loans	2 659	3 784	-	-
7	Other short-term financial assets	4 650	6 616	3 805	5 414
9	Other debtors	108 841	154 867	134 954	192 022
10	Cash and cash equivalents	292 027	415 517	533 236	758 726
		441 661	**628 427**	**754 421**	**1 073 444**
	Total assets	**17 020 116**	**24 217 443**	**14 283 577**	**20 323 699**
	EQUITY				
	Capital and reserves attributable to equity holders of the Group				
11	Share capital	2 000	2 846	2 000	2 846
	Accumulated deficit	(11 048 307)	(15 720 325)	(10 350 177)	(14 726 975)
	Profit/ (loss) for the year	2 849 683	4 054 734	(698 130)	(993 349)
	Total equity	**(8 196 624)**	**(11 662 745)**	**(11 046 307)**	**(15 717 478)**
	LIABILITIES				
	Non-current liabilities				
12	Borrowings	23 408 864	33 307 813	24 176 116	34 399 514
13	Deferred income tax liabilities	454 920	647 293	15 823	22 514
		23 863 784	**33 955 106**	**24 191 939**	**34 422 028**
	Current liabilities				
12	Borrowings	937 295	1 333 651	746 224	1 061 781
14	Trade and other payables	415 661	591 431	391 721	557 368
		1 352 956	**1 925 082**	**1 137 945**	**1 619 149**
	Total liabilities	**25 216 740**	**35 880 188**	**25 329 884**	**36 041 177**
	Total equity and liabilities	**17 020 116**	**24 217 443**	**14 283 577**	**20 323 699**

The notes on pages 12 to 41 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note		2011 LVL	2011 EUR	2010 LVL	2010 EUR
15	Revenue	2 365 647	3 366 012	2 396 744	3 410 259
16	Cost of sales	(1 269 893)	(1 806 895)	(1 250 002)	(1 778 592)
5	Reversal of impairment charge on non-financial assets	4 105 045	5 840 953	-	-
	Gross profit	**5 200 799**	**7 400 070**	**1 146 742**	**1 631 667**
	Selling expenses	(20 922)	(29 769)	(6 994)	(9 951)
17	Administrative expenses	(220 780)	(314 142)	(226 394)	(322 130)
18	Other operating income	21 423	30 482	27 302	38 847
19	Other operating expenses	(129 487)	(184 242)	(88 246)	(125 563)
	Operating profit	**4 851 033**	**6 902 399**	**852 410**	**1 212 870**
20;25	Finance income	746	1 061	11 535	16 413
21;25	Finance costs	(1 545 124)	(2 198 513)	(1 827 068)	(2 599 684)
	Profit/ (loss) before income tax	**3 306 655**	**4 704 947**	**(963 123)**	**(1 370 401)**
22	Income tax	(456 972)	(650 213)	264 993	377 052
	Profit/ (loss) for the year	**2 849 683**	**4 054 734**	**(698 130)**	**(993 349)**
	Other comprehensive income	-	-	-	-
	Total comprehensive income/ (loss) for the year	**2 849 683**	**4 054 734**	**(698 130)**	**(993 349)**
	Attributable to:				
	Equity holders of the Company	**2 849 683**	**4 054 734**	**(698 130)**	**(993 349)**

The notes on pages 12 to 41 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the Company			
	Share capital LVL	**Accumulated deficit * LVL**	**Profit/ (loss) for the year LVL**	**Total equity LVL**
Balance at 31 December 2009	**2 000**	**(11 764 398)**	**532 283**	**(11 230 115)**
Transfer to accumulated deficit	-	532 283	(532 283)	-
Merger reserve of subsidiaries	-	881 938	-	881 938
Loss for the current financial year	-	-	(698 130)	(698 130)
Balance at 31 December 2010	**2 000**	**(10 350 177)**	**(698 130)**	**(11 046 307)**
Transfer to accumulated deficit	-	(698 130)	698 130	-
Profit for the current financial year	-	-	2 849 683	2 849 683
Balance at 31 December 2011	**2 000**	**(11 048 307)**	**2 849 683**	**(8 196 624)**

	Attributable to the equity holders of the Company			
	Share capital EUR	**Accumulated deficit * EUR**	**Profit/ (loss) for the year EUR**	**Total equity EUR**
Balance at 31 December 2009	**2 846**	**(16 739 230)**	**757 370**	**(15 979 014)**
Transfer to accumulated deficit	-	757 370	(757 370)	-
Merger reserve of subsidiaries	-	1 254 885	-	1 254 885
Loss for the current financial year	-	-	(993 349)	(993 349)
Balance at 31 December 2010	**2 846**	**(14 726 975)**	**(993 349)**	**(15 717 478)**
Transfer to accumulated deficit	-	(993 349)	993 349	-
Profit for the current financial year	-	-	4 054 734	4 054 734
Rounding difference	-	(1)	-	(1)
Balance at 31 December 2011	**2 846**	**(15 720 325)**	**4 054 734**	**(11 662 745)**

The notes on pages 12 to 41 are an integral part of these consolidated financial statements.

* Accumulated deficit of LVL 8 386 696 (EUR 11 933 193) is comprised of losses accumulated by the Group's subsidiaries prior to them being acquired by Acme Corporation SIA in April and June 2009.

CONSOLIDATED CASH FLOW STATEMENT

Note		2011 LVL	2011 EUR	2010 LVL	2010 EUR
	Cash flows from operating activities				
	Profit/ (loss) before income tax	3 306 655	4 704 947	(963 123)	(1 370 401)
	Adjustments for:				
16;17	▪ Depreciation	847 342	1 205 659	844 932	1 202 230
	▪ Loss on disposal and write-off of fixed assets	43 450	61 824	41 746	59 399
	▪ Interest income	(746)	(1 061)	(11 451)	(16 293)
21	▪ Interest expense	1 545 124	2 198 513	1 827 045	2 599 651
	▪ Reversal of impairment on loans	-	-	(23 423)	(33 328)
	▪ Gain on lender's waiver of interest expense	(12 356)	(17 581)	-	-
5	▪ Reversal of impairment of investment property	(4 105 045)	(5 840 953)	-	-
	Changes in working capital				
	▪ Trade and other receivables	21 417	30 473	(22 459)	(31 956)
	▪ Trade and other payables	47 359	67 386	226	321
	Cash generated from operations	**1 693 200**	**2 409 207**	**1 693 493**	**2 409 623**
	Income tax paid and transferred	55 730	79 297	33 207	47 249
	Net cash generated from operating activities	**1 748 930**	**2 488 504**	**1 726 700**	**2 456 872**
	Cash flows from investing activities				
5	Improvements made to investment properties	(207 573)	(295 350)	(11 920)	(16 961)
4	Purchases of property, plant and equipment	(40 092)	(57 046)	(24 733)	(35 192)
	Proceeds on sale of fixed assets	3 690	5 250	-	-
	Net cash used in investing activities	**(243 975)**	**(347 146)**	**(36 653)**	**(52 153)**
	Cash flows from financing activities				
	Repayments of borrowings	(453 638)	(645 469)	(470 399)	(669 317)
	Interest payments	(1 292 526)	(1 839 099)	(920 135)	(1 309 234)
	Net cash used in financing activities	**(1 746 164)**	**(2 484 568)**	**(1 390 534)**	**(1 978 551)**
	Net increase/ (decrease) in cash and cash equivalents	**(241 209)**	**(343 209)**	**299 513**	**426 168**
	Cash and cash equivalents at the beginning of the period	533 236	758 726	233 723	332 558
10	**Cash and cash equivalents at the end of the period**	**292 027**	**415 517**	**533 236**	**758 726**

The notes on pages 12 to 41 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Nature of operations and general information

Acme Corporation SIA ('the Company') and its subsidiaries' ('the Group') principal activities include operation and management of retail and office rental real estates in Latvia.

The Company is the Group's ultimate parent company. The Company is a limited liability company incorporated and domiciled in the Republic of Latvia. The address of the Company's registered office and its principal place of business is Citadeles 12, Riga LV-1010, Latvia.

As at 31 December 2011 the Company has the following participating interest in subsidiaries:

Name	Country	Participating interest in share capital of subsidiaries	
		31.12.2011	31.12.2010
Apex Investments SIA	Latvia	100%	100%
Big Truck SIA	Latvia	100%	100%
Neatkarīgā patentu aģentūra SIA	Latvia	100%	100%
Tukuma Projekts SIA	Latvia	100%	100%

The Company was set-up on 21 April 2009 within the restructure of the subsidiaries and retiring of Apex Investments SIA bonds in April 2009.

On 25 January 2010 the subsidiary Investbūve SIA, the owner of office property at Citadeles 12 in Riga was merged into Neatkarīgā patentu aģentūra SIA, the owner of office property at Kronvalda boulevard 3 in Riga. Upon completion of this merger Investbūve SIA was deregistered from the Register of Enterprises of Latvia.

On 28 January 2010 TC Holdings SIA and Tirdzniecības centrs Purvciems SIA, subsidiaries of Apex Investment SIA, were merged into Apex Investment SIA, the subsidiary of the Company.

2 Summary of significant accounting policies

2.1 Overall considerations

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union (IFRS).

The consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

2.2 Presentation of financial statements

The consolidated financial statements are presented in accordance with IAS 1 *Presentation of Financial Statements* (Revised 2007). The Group has elected to present the 'Statement of comprehensive income' in one statement.

IAS 1 requires two comparative periods to be presented for the statement of financial position in certain circumstances. The latter so far has not been applicable to the Group.

2.3 Going concern

The global liquidity crisis and economic downturn since 2008 have had major impact on business environment and the financial and operational risks thereof. The key implications for the Group have been as follows:

- sources of funding have dried-up: it affects the Group's ability to attract new and refinance existing borrowings at terms and conditions commercially acceptable to the Group's management;
- rent charges have fallen significantly: it adversely affects the Group's rental revenues.

While the Latvian economy starting from the second half of 2010 has begun to grow again, the recovery trend in the global economy is now clearly showing signs of weakening and there still remains significant uncertainty about the economic development in the future and the above stated implications still apply to the Group. Management though believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

On 23 November 2011 the bank reduced margin on part of one of its loan to the Group from 7% p.a. to 3% p.a. This will reduce the Group's interest expense charges. However, as 3 month EURIBOR rate currently is very low, movements up in this rate will have adverse impact on the Group's cash flows.

As at 31 December 2011 the Group's current liabilities exceed its current assets by LVL 911 295 (EUR 1 296 655)/ (31.12.2010: LVL 383 524 (EUR 545 705)) and its total liabilities exceed its total assets by LVL 8 196 624 (EUR 11 662 745)/ (31.12.2010: LVL 11 046 307 (EUR 15 717 478)). Accumulated loss incurred by the Group primarily is attributable to the impairment charge of investment property recognised in prior periods. Loss from revaluation of interest rate swap instrument recognised in 2008 was another important loss generating item. The interest rate swap instrument was terminated at close of 2009 and in 2010 exit costs thereof were finalised. Due to the difficult economic situation the management is not certain when the Group could start to generate profits. It however is certain about an eventual swing to the positive. Due to the capital intense nature of real estate businesses there is a large amount of interest expense and depreciation expense causing the business to appear to be in a loss making position. The Group's cash flow from investing and financing activities in 2011 exceeded its cash flows from operating activities due to necessary repairs that had been delayed or foregone since 2008 and servicing of bonds. The management anticipates that in 2012 the Group's cash flow will be neutral to slight positive. The cash flow position of the business however remains positive. The debt during the reporting period was reduced by LVL 453 638 (EUR 645 469). The management considers that the Group will be able to continue reducing the debt as well in the future unless its operating results deteriorate and/or interest rates start to grow again. Further, the management anticipates that for the financial year ending 2012 the negative equity gap will decrease. Despite negative equity position, management however does not consider the business to be insolvent. In the years ahead the management fully expects the valuation of assets to improve with a mark to market swing in the positive direction. This alone should reverse the negative equity. Based on the above, the management believes the Group will continue operations and going concern basis is applicable in preparation of the consolidated financial statements.

2.4 Changes in accounting policies

Adoption of Improvements to IFRSs 2010

The *Improvements to IFRSs 2010* made several minor amendments to a number of IFRSs. None of such amendments had a material effect on these financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

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

- *IFRS 9 'Financial Instruments' (effective from 1 January 2015)*. The International Accounting Standard Board aims to replace IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters together with subsequent amendments to IFRS 7

Financial Instruments: Disclosures will apply to financial years beginning on 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed. Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

- *IFRS 10 Consolidated Financial Statements (IFRS 10).* The new standard will apply to the financial year beginning on 1 January 2013 (the EU has not yet approved the standard). IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements (IAS 27) and SIC 12 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same. The Group's management have yet to assess the impact of IFRS 10, if any, on the Group's consolidated financial statements.
- *IFRS 13 Fair Value Measurement (IFRS 13).* IFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on 1 January 2013 (the EU has not yet approved the standard). The Group's management have yet to assess the impact of this new standard.
- *Amendments to IAS 19 Employee Benefits (IAS 19 Amendments).* The IAS 19 Amendments include a number of targeted improvements throughout the Standard. Of those increased disclosure requirements for all employee benefits are of relevance to the Group. The amended version of IAS 19 is effective for financial years beginning on 1 January 2013 (the EU has not yet approved the amendments). The Group's management have yet to assess the impact of this revised standard on the Group's consolidated financial statements.
- *Offsetting Financial Assets and Financial Liabilities (amendment to IAS 32)*. The amendment will apply to the financial year beginning on 1 January 2014 (the EU has not yet approved the amendment). It concerns as to when and how financial assets and liabilities are offset. The Group's management have yet to assess the impact of this revised standard on the Group's consolidated financial statements.

2.5 Summary of accounting policies

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 31 December 2011. Subsidiaries are all entities over which the parent company has the power to control the financial and operating policies. The Company obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 December.

Inter-company transactions, balances and unrealised gains or loss on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired during the year are recognised from the effective date of acquisition.

Business combinations

For business combinations occurring since 1 January 2010, the requirements of IFRS 3R are applicable. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

If the assets acquired are not a business, the Group accounts for the transaction as an asset acquisition.

Combinations of entities under common control are accounted for using the pooling of assets method as follows:

- the assets and liabilities of the acquiree are recorded at book value
- intangible assets and contingent liabilities are recognized only to the extent that they were recognized by the acquiree in accordance with applicable IFRS
- no goodwill is recorded. The difference between the acquirer's cost of investment and the acquiree's equity is presented as a separate reserve within equity on consolidation
- any expenses of the combination are written off immediately in the income statement
- the results are only combined from the date on which the combination transaction occurred.

Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in ‘Latvian lats’ (‘LVL’), which is the Company’s functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Currency exchange rates applied:

	31.12.2011 LVL	**31.12.2010 LVL**
1 EUR	0.702804	0.702804

Investment property

Property which is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company and the companies in the consolidated Group is classified as investment property. Investment property comprises freehold land and freehold buildings.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition investment property is carried at historical cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight - line basis to allocate the cost of each component of buildings held as investment property to their residual values over their estimated useful lives of 2 - 33 years. Land is not depreciated.

Subsequent expenditure is charged to the asset’s carrying amount only when it is probable that future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains or losses on disposals are determined by comparing proceeds with carrying amount. Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains or losses are included in the income statement during the period in which they are incurred.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate cost of the assets to their residual amount over their estimated useful lives using the following rates set by the management:

- Equipment: 10-50% per annum
- Transport vehicle 50% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement during the period in which they are incurred.

Impairment testing

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill, if any, is allocated to such cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest budget. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by management.

An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount. A reversal of an impairment loss for a cash-generating unit is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets. In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of: (a) its recoverable amount (if determinable) and (b) the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit and loss, which are measured at fair value.

The Group categorises its financial assets, except derivative financial instruments if any, under:

- loans and receivables; and
- held to maturity investments.

The categorisation depends on the purpose for which the financial assets were acquired. Management determines the categorisation of its financial assets at initial recognition.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments (if any).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed (including transaction costs) or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Upon recognition loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of loans and receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loans and receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The changes of the provision are recognised in the statement of comprehensive income within other operating expenses. When a loan or receivable is uncollectible, it is written off against the provision account for loans and receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expenses' in the statement of comprehensive income.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Group has the intention and ability to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit and loss.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative financial instruments
Derivative financial instruments are initially recognised and subsequently reported at fair value. Fair values are obtained from quoted market prices and financial models, as appropriate. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivatives are reported in the profit and loss, unless the Group's derivative financial instruments meet criteria for hedge accounting. At close of the reporting period the Group holds no derivative financial instruments.

Cash and cash equivalents
Cash and cash equivalents include cash in hand and cash at bank.

Equity and reserves
Share capital represents the nominal value of shares that have been issued.

Retained earnings (accumulated deficit) include all current and prior period retained profits (accumulated losses).

Employee benefits
The Group pays social security contributions to the State Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis.

Deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the individual financial statements of the Group companies. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from the different accounting and taxation depreciation rates of investment property, property, plant and equipment, from impairment of investment property and financial assets, from accrued expenses deductible for the tax purposes in next period, as well as tax losses carried forward. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Fair value estimation
In respect of financial assets and liabilities held in the balance sheet at carrying amounts other than fair values, the fair values are disclosed separately in notes.

The carrying value of trade receivables and payables are assumed to approximate their fair values. The fair value of financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments unless there is information on market prices.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of services
The Group generates revenue from rent of premises and, to lesser extent, from property management services. Revenue is recognised in the period when the services are provided.

Gain/ loss on sale of real estate
Gain/ loss on disposal of real estate is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the real estate and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the real estate sold. Gain/ loss on disposal of real estate is shown within ‘Other operating income’ or ‘Other operating expenses’.

Interest income
Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

Borrowing costs

Borrowing costs primarily comprise interest on the Group's borrowings and bonds. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance costs'. So far the Group has not incurred any borrowing costs directly attributable to qualifying assets.

Operating leases

The Group is the lessee
Leases in which a significant proportion of the risks and rewards of ownership are retained by lessor are classified as operating leases. Payments, including prepayments, made under operating leases are charged to the income statement on a straight-line basis over period of the lease.

The Group is the lessor
Properties leased out under operating leases are shown in the balance sheet under investment properties. The revenue thereof is recognised in income on a straight-line basis over the lease term. Amounts collected from tenants on behalf of the providers of utility services are not considered as economic benefits which flow to the entity and, therefore, they are excluded from revenue. Incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset.

Segment reporting

Operating segments identified by management – grocery, household, office and property development segments - are linked to the type of real estate that the Group owns.

The activities undertaken by the:

- Grocery segment consists of owning, managing and renting premises whose anchor tenant is a grocery supermarket
- Household segment consists of owning, managing and renting premises whose anchor tenant is a household goods supermarket
- Office segment consists of owning, managing and renting premises to offices
- Property development segment consists of owning the land with a view of its development in the future.

Each of these operating segments is managed separately. The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

Significant management judgment and estimation uncertainty

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:

- *Leases.* In applying the classification of leases in IAS 17, management considers all lease contracts with the Group's tenants as operating lease arrangements. In some cases, the lease transaction is not always conclusive, and management uses judgement in determining whether the lease is an operating lease arrangement which does not transfer substantially all the risks and rewards incidental to ownership.
- *Deferred tax asset.* The Group's management has evaluated the recoverability of a deferred tax asset arising from tax losses of 2011 and prior years part of which can be carried forward without limitations and part of which can be covered in chronological order from taxable income during the following eight years. The ability to utilise tax losses is based on the management's forecasts about the taxable income available in the following years.
- *Impairment of investment property.* An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of the asset's fair value and value-in-use. For the purposes of testing potential impairment at close of 31 December 2009 and 2010, the Group computed the value-in-use amount (an exception – value of land carried in the property development segment was assessed with reference to its fair value determined by the Group's management). To determine the value in use, management estimated expected future cash flows for each investment property exhibiting impairment indicators and determined a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management made assumptions about future operating results. These assumptions relate to future events and circumstances. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. To identify the recoverable amount of investment properties as at 31 December 2011, the Group used the fair values thereof which were determined by an independent real estate valuation company in January 2012 based on income approach and partially on replacement cost approach (value of land carried in the property development segment was assessed with reference to its fair value determined by the Group's management). Based on this valuation, partial reversal of impairment charges recognised in prior periods was identified and recognised.
- *Useful lives of depreciable assets.* Management reviews the useful lives of depreciable assets at each reporting date. Estimates regarding useful lives of investment property are described in the relevant accounting policy.
- *One-off payment on the bonds (equity kicker).* For the purposes of computing the effective interest rate of the bonds, the management has estimated the amount of one-time payment due at maturity of bonds in April 2013. In 2010 the management reviewed initial computations of the equity kicker,

having amended it in the light of updating the key inputs entering into its determination. The latter has had no effect on the initial computation of effective interest rate (see Note 12).

3 Financial risk management

The Group's activities expose it to such financial risks as market risk, liquidity risk and credit risk. The Group's management seeks to minimise potential adverse effects of financial risks on the financial performance of the Group.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk, which result from its financing activities.

3.1 Currency risk

The Group's main financial assets and liabilities are denominated in Latvian lats (LVL) and Euro (EUR). Revenues are collected both in LVL and EUR. Daily purchases primarily are incurred in LVL.

As of 1 January 2005 LVL exchange rate has been pegged to EUR at the rate of 0.702804. From this moment the Bank of Latvia also ensures that the market rate does not differ from the official rate by more than 1%. Therefore, LVL/EUR exchange rate fluctuations are limited as long as the Bank of Latvia maintains the above mentioned fixed rate. The fixed LVL/EUR rate set at 1 January 2005 up to the date of authorisation of these financial statements by the Board of Directors has remained unchanged. Given the currency profile of the Group, the management considers the currency risk being low. For this reason the Group does not face any need for use of any derivative instruments to further mitigate the level of assessed currency risk.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown in the table below are translated into LVL at the closing rate:

	Short-term exposure		**Long-term exposure**	
	EUR	**Other**	**EUR**	**Other**
31 December 2011				
Financial assets	136 459	-	22 835	-
Financial liabilities	(1 159 211)	-	(23 341 615)	-
Total exposure	(1 022 752)	-	(23 318 780)	-
31 December 2010				
Financial assets	108 977	-	412 650	-
Financial liabilities	(863 324)	-	(24 176 116)	-
Total exposure	(754 347)	-	(23 763 466)	-

The amounts shown in the table below are presented in EUR:

	Short-term exposure		**Long-term exposure**	
	EUR	**Other**	**EUR**	**Other**
31 December 2011				
Financial assets	194 164	-	32 491	-
Financial liabilities	(1 649 409)	-	(33 212 126)	-
Total exposure	(1 455 245)	-	(33 179 635)	-
31 December 2010				
Financial assets	155 060	-	587 148	-
Financial liabilities	(1 228 399)	-	(34 399 514)	-
Total exposure	(1 073 339)	-	(33 812 366)	-

The following table illustrates the sensitivity of net profit before tax in regards to the Group's financial assets and financial liabilities and the LVL/ EUR exchange rate 'all other things being equal'. It assumes a +/- 1% change of the LVL/EUR exchange rate for the year ended at 31 December 2011 (2010: +/- 1%).

	Influence on profit before tax for the year			
	+1% LVL	**-1% LVL**	**+1% EUR**	**-1% EUR**
31 December 2011	(171 073)	171 073	(243 415)	243 415
31 December 2010	(172 312)	172 312	(245 178)	245 178

3.2 Interest rate risk

The Group's interest rate risk arises from long-term borrowings. The Group's bank borrowings have variable interest rates. The discount bonds issued by the Group carry a step-up coupon rate varying throughout the length of the issue and a one-off payment determinable and payable at maturity. The Group's borrowings from related parties are either free of interest or carry a fixed interest rate.

In prior periods the Group has used an interest rate swap to hedge the exposure to interest rate risk relating to borrowing with the floating interest rate. However, due to low rates of EURIBOR which have placed the swap as of 2008 well out of the money, the Group terminated the swap in December 2009.

The following table illustrates the sensitivity of profit to a change in interest rates within the range from +0.5% to 1.5% (2010: +0.5% to +1.5%). These changes are considered to be reasonably possible based on observation of current market conditions. The Group does not foresee that interest rates in 2012 might reduce. The calculations are based on a change in the average market interest rate for each period and the financial liabilities held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	Influence on profit before tax for the year			
	+0.5 LVL	**+1.5 LVL**	**+0.5 EUR**	**+1.5% EUR**
31 December 2011 (+0.5 to +1.5%)	(96 346)	(289 039)	(137 088)	(411 265)
31 December 2010 (+0.5 to +1.5%)	(98 614)	(295 843)	(140 316)	(420 947)

3.3 Credit risk analysis

Credit risk is the risk that counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	31 December 2011		**31 December 2010**	
	LVL	**EUR**	**LVL**	**EUR**
Classes of financial assets				
Loans	15 996	22 760	400 598	570 000
Held-to-maturity investments	14 148	20 131	15 857	22 562
Trade and other receivables	131 333	186 870	150 022	213 462
Overpaid taxes	10 992	15 640	66 722	94 937
Cash at bank	291 901	415 338	533 152	758 606
Carrying amount	464 370	660 739	1 166 351	1 659 567

The Group continuously monitors defaults of customers and other counterparts at an individual level and incorporates this information into its credit risk controls. The credit risk in relation to customers is reduced as main part of rental revenue is received in advance. The Group's policy is to deal only with creditworthy counterparties.

Except for guarantee deposits which are required from the tenants, there are no other collateral or credit enhancements to secure the Group's financial assets.

In respect of trade and other receivables, the Group's top 5 customers generated 65% (2010: 64%) of total rent revenues for the current financial year and exposed the Group to significant credit risk concentration.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable local banks with adequate credit history.

The credit risk for held-to-maturity investments is considered negligible since acquisition of underlying financial assets was done at a deep discount to the nominal value of such assets.

The carrying amount of financial assets whose terms in 2011 have been renegotiated, that would otherwise be past due or impaired is Nil (2010: Nil).

The management has considered credit quality of financial assets. Certain individual financial assets were found to be impaired. An allowance for credit losses of LVL 5 841 or EUR 8 311 (2010: LVL 7 678 or EUR 10 925) thereof has been recorded (see Notes 6, 8 and 9).

3.4 Liquidity risk analysis

Liquidity risk is the risk arising from the Group not being able to meet its obligations. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. As at 31 December 2011 the Group's current liabilities exceeded its current assets by LVL 911 295 (EUR 1 296 655)/ (31.12.2010: 383 524 (EUR 545 705)) and its total liabilities exceed its total assets by LVL 8 196 624 (EUR 11 662 745)/ (31.12.2010: LVL 11 046 307 (EUR 15 717 478)). The uncertainty related to the Group's ability to continue as a going concern is described in Note 2.3.

The Group manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly.

The Group's objective is to maintain cash to meet its liquidity requirements for 30-day periods at a minimum. The Group maintains cash to meet its liquidity requirements for 30-day periods at a minimum.

As at 31 December 2011 the Group's contractual undiscounted financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Less than 1 year	Between 1 and 5 years	Later than 5 years	Less than 1 year	Between 1 and 5 years	Later than 5 years
	LVL	LVL	LVL	EUR	EUR	EUR
31 December 2011						
Bank borrowings	1 603 674	18 882 122	-	2 281 823	26 866 839	-
Bonds	233 875	4 379 817	-	332 774	6 231 918	-
Other borrowings	104 965	173 421	1 478 474	149 352	246 756	2 103 679
Trade and other payables	415 661	-	-	591 431	-	-
Total	2 358 175	23 435 360	1 478 474	3 355 380	33 345 513	2 103 679

	Less than 1 year LVL	Between 1 and 5 years LVL	Later than 5 years LVL	Less than 1 year EUR	Between 1 and 5 years EUR	Later than 5 years EUR
31 December 2010						
Bank borrowings	1 559 671	20 583 751	-	2 219 212	29 288 039	-
Bonds	191 390	4 613 700	-	272 323	6 564 704	-
Other borrowings	118 767	391 270	1 594 219	168 990	556 727	2 268 370
Trade and other payables	391 721	-	-	557 368	-	-
Total	2 261 549	25 588 721	1 594 219	3 217 893	36 409 470	2 268 370

As at 31 December 2011 and 2010 the Group does not hold any derivative financial liabilities.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its trade receivables. The Group's existing cash and trade receivables are sufficient to handle the current cash outflow requirements.

3.5 Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern
- to provide returns to shareholders
- to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may seek adjusting the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the return on assets (ROA). Return on assets is calculated as net operating income divided by cost of investment property at the end of the previous financial period. The Group's internal target is 10%.

The return on assets was as follows:

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Operating profit	4 851 033	6 902 398	852 410	1 212 870
Add: depreciation	847 342	1 205 659	843 649	1 200 404
Less: reversal of impairment charge on non-financial assets	(4 105 045)	(5 840 953)	-	-
Net operating income	1 593 330	2 267 104	1 696 059	2 413 274
Cost of investment property at 31 December 2010 and 2009	28 737 971	40 890 449	24 886 481	35 410 272
ROA	**5.54%**		**6.82%**	

According to the loan agreements with the bank the Group companies Apex Investments SIA and Neatkarīgā patentu aģentūra SIA are subject to a number of covenants. Inter-alia, the named Group companies are required to ensure that EBITDA for the previous financial year exceeds the aggregate of the principal and interest payable to the bank during the current financial year (DSCR ratio) by a multiple of 1.1. The named Group companies have honoured their covenant obligations during the year.

4 Property, plant and equipment

	Equipment LVL	Assets under construction LVL	Total LVL	Equipment EUR	Assets under construction EUR	Total EUR
Cost						
At 01.01.2011	154 994	24 419	179 413	220 537	34 744	255 281
Additions	2 276	37 816	40 092	3 238	53 807	57 045
Reclassified	-	(2 670)	(2 670)	-	(3 799)	(3 799)
Disposals	(10 682)	(1 710)	(12 392)	(15 199)	(2 433)	(17 632)
At 31.12.2011	146 588	57 855	204 443	208 576	82 319	290 895
Accumulated depreciation						
At 01.01.2011	(107 952)	-	(107 952)	(153 601)	-	(153 601)
Charge for the year	(16 760)	-	(16 760)	(23 847)	-	(23 847)
On disposals	7 052	-	7 052	10 034	-	10 034
At 31.12.2011	(117 660)	-	(117 660)	(167 414)	-	(167 414)
Net book value 31.12.2011	**28 928**	**57 855**	**86 783**	**41 162**	**82 319**	**123 481**

	Equipment LVL	Assets under construction LVL	Total LVL	Equipment EUR	Assets under construction EUR	Total EUR
Cost						
At 01.01.2010	148 707	51 926	200 633	211 591	73 884	285 475
Additions	6 287	18 446	24 733	8 946	26 246	35 192
Reclassified	-	(13 714)	(13 714)	-	(19 513)	(19 513)
Disposals	-	(32 244)	(32 244)	-	(45 880)	(45 880)
Rounding difference	-	5	5	-	7	7
At 31.12.2010	154 994	24 419	179 413	220 537	34 744	255 281
Accumulated depreciation						
At 01.01.2010	(86 716)	-	(86 716)	(123 385)	-	(123 385)
Charge for the year	(21 236)	-	(21 236)	(30 216)	-	(30 216)
On disposals	-	-	-	-		-
At 31.12.2010	(107 952)	-	(107 952)	(153 601)	-	(153 601)
Net book value 31.12.2010	**47 042**	**24 419**	**71 461**	**66 936**	**34 744**	**101 680**

5 Investment property

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
At start of the year				
Cost	28 737 971	40 890 449	20 303 892	35 410 272
Reclassification adjustment	-	-	4 582 589	6 520 437
Accumulated depreciation	(15 710 801)	(22 354 456)	(12 089 322)	(17 201 555)
Reclassification adjustment	-	-	(4 582 589)	(6 520 437)
Net book amount	13 027 170	18 535 993	12 797 159	18 208 717
Year ended 31 December				
Opening net book amount	13 027 170	18 535 993	12 797 159	18 208 717
Acquisitions	207 573	295 350	11 920	16 961
Reclassifications	2 670	3 799	13 714	19 513
Disposals	(120 025)	(170 780)	(18 893)	(26 883)
Depreciation charge	(830 582)	(1 181 812)	(823 696)	(1 172 014)
Depreciation on disposals	66 164	94 143	9 392	13 364
Net effect of legal merger	-	-	1 037 574	1 476 335
Write-off of impairment charge	10 822	15 398	-	-
Reversal of impairment charge	4 105 045	5 840 953	-	-
Closing net book amount	16 468 837	23 433 044	13 027 170	18 535 993
At 31 December				
Cost	28 828 189	41 018 817	28 737 971	40 890 449
Accumulated depreciation	(12 359 352)	(17 585 774)	(15 710 801)	(22 354 456)
Net book amount	**16 468 837**	**23 433 043**	**13 027 170**	**18 535 993**

The Group has signed mortgage agreements with a commercial bank registered in the Republic of Latvia. The subject of the mortgage agreements is all investment property owned by the Group.

Impairment charge within grocery, office and household segments

Liquidity crisis and economic slowdown triggered the Group to test recoverable value of its investment properties with reference to 31 December 2008. Except for investment property held within the property development segment which was appraised by the management (see further below in this note under ‘Reversal of impairment charge within property development segment’), recoverable amounts of other investment property were determined by independent real estate appraisal company. This exercise resulted in identification of impairment charges which were recognised in the financial statements of respective subsidiaries in the financial year ended 31 December 2008.

As year 2009 continued being difficult, the management of the Group reviewed investment property for impairment as well with reference to 31 December 2009. The recoverable amount of investment properties, whose recoverable value was indicative of further impairment, was determined based on the value in use computation using discounted cash flow projections approved by the management and covering a period of 5 years. This exercise resulted in identification of further impairment charges which were recognised in the financial year ended 31 December 2009.

While the recovery trend in the global economy was strengthening and the Latvian economy in 2010 begun to grow again, the year 2010 continued being difficult as normal borrowing facilities still were not available and the Group experienced further drop in rent rates in some properties. For this reason the management of the Group tested potential further impairment of investment properties featuring impairment indications as well with reference to 31 December 2010. As in 2009, the recoverable amount of investment properties in 2010 was determined based on the value in use computation using the same approach as in 2009. This exercise did not identify any further impairment of investment properties though impairment account in 2010 was credited due to the effect of legal mergers performed in 2010.

The following describes the key assumptions on which the management has based its computation of recoverable amounts for 2010 and 2009:

- Cash flow projections cover the period from 2011 to 2015 for 2010 and 2010 to 2014 for 2009;
- The weighted average cost of capital applied to the cash flow projections covering the period from 2011 to 2015 stand within the range from 9.2% to 15.3% (2009: 12.75% to 15.5%);
- The weighted average cost of capital beyond 2015 stands within the range from 9% to 10% (2009: 9% to 10%). The latter inter-alia assumes no growth in the cash flows subsequent to 2015 (2009: no growth assumed subsequent to 2014).

Reversal of impairment charge within grocery, office and household segments

Arco Real Estate SIA, a company certified by the Latvian Association of Property Appraisers, performed valuation of the Group's investment property (except for investment property held within the property development segment) in January 2012. Having analysed the results of the appraisal and impairment loss on investment property recognised in prior periods, the Group's management as at 31 December 2011 recognised reversal to impairment loss in amount of LVL 4 105 045 (EUR 5 840 953). Reversal of an impairment loss attributable to each individual investment property does not exceed the carrying amount of such investment property that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

Reversal of impairment charge within property development segment

Investment property (land) held within the property development segment as of 31 December 2008 was appraised by the management. The recoverable amount was determined by estimating the fair value of the property. The latter was assessed at 5.00 EUR/m². This resulted in carrying value of the land exceeding the recoverable value by LVL 268 101 (EUR 381 473). This difference was recognised as impairment charge in 2008.

In December 2009 the sale of two fifth of land at 5.56 EUR/m² for transaction which was already concluded in December 2007 was recognised. The price of 5.56 EUR/m² was used by management as a trigger to restate the outstanding three fifth of the land as of 31 December 2009 at this price which resulted in partial reversal of impairment charge in amount of LVL 60 722 (EUR 86 400).

The management believes that the value ascribed to the land as at 31 December 2009 continues being valid as well as of 31 December 2010 and 2011.

6 Loans

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Non-current portion	13 337	18 977	400 598	570 000
Current portion	2 659	3 783	-	-
	15 996	**22 760**	**400 598**	**570 000**

The balance is comprised of a loan which originated on the sale of the land (see Note 5). The initial loan contract was already concluded in December 2007. However, due to interaction with recognition of gain on disposal of land, it was recognized in the books only in December 2009. At that date amendments to the initial loan contract were executed. As per these amendments the maturity was rolled forward until 31 December 2015 and effective interest rate converted from 6 month EURIBOR + 2% to 2.81% p.a. Due to this the Group in 2009 identified and recognized allowance for credit losses. On 4 January 2011, pursuant to a 3 party transaction of netting their receivables and payables, the loan was partially netted and new balance of the loan as at 4 January 2011 stood at EUR 34 948 (LVL 24 562). Due to this the credit losses recognized in 2009 were released in 2010. On 4 May 2011 the loan was subject to further netting in amount of EUR 13 250 (LVL 9 312). Within this transaction the due date for repayment was rescheduled to 31 March 2016 and the interest rate set at 4% p.a.

The loan is secured by the 2nd mortgage on the land sold.

The fair value of the loan is estimated at LVL 14 312 or EUR 20 364 (31.12.2010: LVL 398 991 or EUR 567 713). It is based on cash flows discounted using the interest rate of 5.8% (31.12.2010: 7.0%), which is the average rate for EUR denominated long-term loans issued by the commercial banks of Latvia in December 2011 (31.12.2010: December 2010).

7 Other financial assets

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Held to maturity investments - bonds:				
▪ Total carrying amount (current and non-current)	14 148	20 130	15 857	22 562
▪ Fair value	12 879	18 325	12 879	18 325

Held-to-maturity investments comprise 100 Acme Corporation own bonds acquired by the Group from other bondholders in August and October 2009 (see Note 12 for details about the bonds issued by the Company). As these bonds in 2009 were not publicly traded, the fair value as of 31 December 2009 has been estimated by using the price per bond which the Group paid to acquire the bonds in 2009. The management believes that the value ascribed to bonds in 2009 continues being valid as well as of 31 December 2010 and 2011.

8 Trade receivables

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Trade receivables, gross	32 490	46 229	28 012	39 858
Allowance for credit losses	(9 998)	(14 226)	(12 308)	(17 513)
Trade receivables	**22 492**	**32 003**	**15 704**	**22 345**

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

All of the Group's trade receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and an allowance for credit losses of LVL 5 841 or EUR 8 311 (2010: LVL 7 678 or EUR 10 925) has been recorded accordingly within 'Other operating expenses'. The impaired trade receivables are due from tenants that are experiencing financial difficulties.

The movement in the allowance for credit losses can be reconciled as follows:

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Balance at start of the year	12 308	17 513	5 230	7 442
Impairment loss	5 841	8 311	7 678	10 925
Write-off of trade receivables	(6 590)	(9 377)	-	-
Reversal of allowance for credit losses	(1 561)	(2 221)	(600)	(854)
Balance 31 December	**9 998**	**14 226**	**12 308**	**17 513**

9 Other debtors

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Financial assets:				
Accrued income	107 263	152 621	128 107	182 280
Other debtors	29	41	6 211	8 837
	107 292	152 662	134 318	191 117

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Non-financial assets:				
Overpaid tax, gross	3 099	4 409	2 044	2 908
Less allowance for uncollectable VAT	(2 044)	(2 908)	(2 044)	(2 908)
Overpaid tax, net	1 055	1 501	-	-
Deferred expenses	494	703	636	905
	1 549	2 204	636	905
Other debtors, total	**108 841**	**154 867**	**134 954**	**192 022**

10 Cash and cash equivalents

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Cash at bank	291 901	415 338	533 152	758 606
Cash on hand	126	179	84	120
	292 027	**415 517**	**533 236**	**758 726**

11 Share capital

The total authorised number of ordinary shares is 2 000 with a nominal value of LVL 1 per share. All authorised shares are issued and fully paid.

12 Borrowings

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Non-current (at amortised cost)				
Payable after 5 years:				
▪ Other borrowings	83 005	118 105	459 041	653 157
▪ Borrowings from related parties	817 301	1 162 915	855 855	1 217 772
	900 306	1 281 020	1 314 896	1 870 929
Payable between 1 and 5 years:				
▪ Bank borrowings	18 647 050	26 532 362	19 259 397	27 403 653
▪ Non-convertible bonds	3 793 508	5 397 676	3 601 823	5 124 932
▪ Borrowings from related parties	68 000	96 755	-	-
	22 508 558	32 026 793	22 861 220	32 528 585
Current (at amortised cost)				
Bank borrowings	660 259	939 464	499 757	711 090
Non-convertible bonds	215 426	306 524	172 983	246 133
Borrowings from related parties	61 610	87 663	73 484	104 558
	937 295	1 333 651	746 224	1 061 781
Total borrowings	**24 346 159**	**34 641 464**	**24 922 340**	**35 461 295**

The fair values of borrowings

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Bank borrowings	19 307 309	27 471 826	19 759 154	28 114 743
Non-convertible bonds	682 587	971 234	682 587	971 234
Other borrowings	81 197	115 533	456 869	650 066
Borrowings from a related company	883 299	1 256 821	855 467	1 217 220
Borrowings from shareholders	65 608	93 351	66 476	94 586
	21 020 000	29 908 765	21 820 553	31 047 849

The fair values of the:

- bank borrowings approximate their carrying amount, as they bear floating interest rate
- bonds at close of 2010 have been estimated by using the price per bond which the Group has paid to acquire these bonds in 2009 (see Note 7). Despite the fact that bonds were listed in 2010, no transactions with the bonds were made at the stock exchange. For this reason the management believes that fair value ascribed to the bonds last year in all material respects continues being valid as of year-end 2011
- other borrowings, inclusive of borrowings from related parties, have been determined by calculating their present value at the reporting date with reference to effective market interest rates available to the Group.

Bank borrowings

Bank borrowings are secured by all assets owned by the Group. Based on the ranking by type of outgoing payments, the bank oversights and approves the Group's payments to its creditors. Interest rates throughout the financial year were within the range from 3 month EURIBOR plus 3% - 7%. The bank's borrowings on 23 November 2011 were partly restructured. This restructure included issue of additional loan to a Group's subsidiary of EUR 6 261 342 (LVL 4 400 496) to repay debt to the bank owed by another Group's subsidiary. By virtue of this the effective interest rate on above specified loan reduced from 3 month EURIBOR + 7% to 3 month EURIBOR + 3% p.a. The principal and any outstanding accrued interest expense is repayable by 30 March 2013. The bank has rights to require immediate settlement of the debt if the Group is in breach with the contractual covenants.

Bonds

On 30 October 2006 in a closed emission the Group's subsidiary Apex Investments SIA issued 4 730 bonds for price EUR 871.69 per bond. In 2007 additional 300 bonds were issued and purchased by investors. Nominal value per bond was EUR 1 000. Interest rate was 5% per annum payable on semi-annual basis. The bond with an issued nominal value of Euro 5 030 000 was due and payable on 30 April 2009.

On 24 April 2009 the Group issued terms of the new bond issue and rolled over 100% of Apex Investments bonds into Acme Corporation bonds on 30 April 2009. These bonds were listed with NASDAQ OMX Riga on 3 August 2010. The bonds are issued at 8% yield to maturity with a step-up coupon rate varying throughout the length of the issue from 4% to 6% p.a. with accrual beginning on 30 October 2010. The Company issued 5 030 bonds. The initial and redemption values thereof are EUR 1 000 and EUR 1 202.87 accordingly. The notes are due back on 30 April 2013 together with a one-time payment (equity kicker) determined by the following valuation formula:

EQ = ((RE + C + IRS (if asset)) – (L + IRS (if liability) + N))*0.25, where:

- EQ – equity kicker in EUR
- RE – value of all the real estate owned by the Group expressed in EUR
- C – Cash, cash equivalents and receivables due in 30 days
- L – outstanding loans of the Group expressed in EUR
- IRS – value of interest rate swap expressed in EUR
- N – total size of the issue at initial Nominal value.

The effective interest rate of bonds as assessed by the management comprised 10.66%. The computation of equity kicker as of 31 December 2009 was made in accordance with the expected value methodology by deriving 3 scenarios based on the following:

- EQ values derived under different scenarios were assigned weights of 15%, 25% and 60%;
- RE - values of properties used in grocery, household and office rent segments were derived by capitalising estimated net operating income within the range from 3 – 3.7 million Euro. The capitalisation rates used represented the yields within the range from 8 - 11%. Real estate under the property development segment was estimated with reference to the range of market values for that specific real estate. Net operating income is based on the Group's profit and loss forecast covering the period from 2010 – 2014;
- C, IRS – nil values have been assigned to these inputs;

- L – the outstanding borrowings of the Group on 30 April 2013 stand at about 27 million Euro.

The above resulted in initial computation of equity kicker in amount of LVL 472 thsd. (EUR 672 thsd.). As at 31 December 2010 the management updated the computation of the equity kicker as follows:

- Due to reduction in estimates of net operating income the management no longer applied the expected value methodology in assessing EQ;
- RE – the capitalisation rates used represented the yields within the range from 9 – 9.5%. Real estate under the property development segment was still estimated with reference to the range of market values for that specific real estate. Net operating income is based on the Group's profit and loss forecast covering the period from 2011 – 2015;
- C, IRS – still nil values have been assigned to these inputs;
- L – the outstanding borrowings of the Group on 30 April 2013 still stand at about 27 million Euro.

Based on above the reassessed amount of equity kicker was nil. Having recomputed the carrying value of bonds as of 31 December 2010, the difference of LVL 372 349 (EUR 529 805) with initial computation of the carrying value was identified. This difference was taken to reduce the interest expense for 2010.

As at 31 December 2011 the Group's management reviewed computations of equity kicker, having ascertained that value of equity kicker since last year remains unchanged.

Other borrowings

EUR denominated borrowings of LVL 459 041 (EUR 653 156) originated in 2010 as a result of assignment of loans issued to the Group by a related company to independent third parties. As at year end 2010 these borrowings carried fixed interest within the range from 3% to 5.049% and were repayable starting from 31 December 2012 to May 2030. On 4 January 2011, pursuant to a 3 party transaction of netting their receivables and payables (see Note 6), borrowings were partially netted. The new balance thereof as of 4 January 2011 stands at LVL 83 005 (EUR 118 105). Remaining borrowings carry fixed interest of 3% and are repayable by May 2030.

Borrowings from related parties

	2011 LVL	**2011 EUR**	**2010 LVL**	**2010 EUR**
At start of the period	929 339	1 322 330	289 447	411 846
Accrued interest expense	41 392	58 896	36 103	51 369
Repayment of borrowing	(485)	(690)	-	-
Assignment of borrowings	(10 979)	(15 622)	(459 041)	(653 156)
Waiver of accrued interest expense	(12 356)	(17 581)	-	-
Borrowings received	-	-	1 062 830	1 512 271
As at 31 December	**946 911**	**1 347 333**	**929 339**	**1 322 330**

The total amount is comprised of borrowings from shareholders and a related company.

Borrowings from shareholders

On 24 April 2009 the Company acquired shares of subsidiaries for total consideration of LVL 68 000 (see Note 26) payable by end of May 2009. On 1 June 2009 payables to Gerald Allen Wirth, David Allen De Rousse and Svetland Kunder De Rousse, ex-shareholders of the subsidiaries, were converted into interest free LVL denominated loans maturing on 31 May 2010. In 2010 the facility of LVL 68 000 (EUR 96 755) was rolled-forward for another year. In 2011 the facility was pro-longed by 31 May 2013.

Borrowings from a related company

In 2010 the Group's payables to a related company of LVL 813 927 (EUR 1 158 114) with regard to exiting from the interest rate SWAP agreement were converted into borrowings. The latter carries fixed interest of 5% p.a. and is repayable by 31 August 2026. Interest is due for payment starting from 31 December 2012.

13 Deferred income tax liabilities

Deferred taxes arising from temporary differences and unused tax losses in LVL can be summarised as follows:

	01.01.2011 LVL	Recognised under pooling of assets LVL	Recognised in comprehen-sive income LVL	31.12.2011 LVL
Investment property and PPE	663 862	-	593 244	1 257 106
Loans and receivables	(633 126)	-	(58 809)	(691 935)
Provisions and accrued liabilities	(6 001)	-	1 113	(4 888)
Unused tax losses	(681 208)	-	16 557	(664 651)
Unrecognized tax assets	654 421	-	(95 133)	559 288
	(2 052)	-	456 972	454 920
Recognised as:				
Deferred tax asset	**(17 875)**			**-**
Deferred tax liability	**15 823**			**454 920**

Deferred taxes arising from temporary differences and unused tax losses presented in EUR is as follows:

	01.01.2011 EUR	Recognised under pooling of assets EUR	Recognised in comprehen-sive income EUR	31.12.2011 EUR
Investment property and PPE	944 591	-	844 110	1 788 701
Loans and receivables	(900 857)	-	(83 678)	(984 535)
Provisions and accrued liabilities	(8 539)	-	1 584	(6 955)
Unused tax losses	(969 272)	-	23 559	(945 713)
Unrecognized tax assets	931 157	-	(135 362)	795 795
	(2 920)	-	650 213	647 293
Recognised as:				
Deferred tax asset	**(25 434)**			**-**
Deferred tax liability	**22 514**			**647 293**

Deferred taxes for the comparative period can be summarised as follows:

	01.01.2010 LVL	Recognised under pooling of assets LVL	Recognised in comprehen-sive income LVL	31.12.2010 LVL
Investment property and PPE	556 969	155 636	(48 743)	663 862
Loans and receivables	(234 921)	-	(398 205)	(633 126)
Provisions and accrued liabilities	(7 675)	-	1 674	(6 001)
Unused tax losses	(602 332)	-	(78 876)	(681 208)
Unrecognized tax assets	397 105	-	257 316	654 421
	109 146	155 636	(266 834)	(2 052)
Recognised as:				
Deferred tax asset	**(22 546)**			**(17 875)**
Deferred tax liability	**131 692**			**15 823**

Deferred taxes arising from temporary differences and unused tax losses presented in EUR is as follows:

	01.01.2010 EUR	Recognised under pooling of assets EUR	Recognised in comprehensive income EUR	31.12.2010 EUR
Investment property and PPE	792 496	221 450	(69 355)	944 591
Loans and receivables	(334 262)	-	(566 595)	(900 857)
Provisions and accrued liabilities	(10 921)	-	2 382	(8 539)
Unused tax losses	(857 041)	-	(112 231)	(969 272)
Unrecognized tax assets	565 029	-	366 128	931 157
	155 301	221 450	(379 671)	(2 920)
Recognised as:				
Deferred tax asset	**(32 080)**			**(25 434)**
Deferred tax liability	**187 381**			**22 514**

Deferred tax is calculated by using the tax rate of 15%.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable.

As of 31 December 2011 the Group had accumulated tax losses of LVL 4 431 004 (EUR 6 304 751) which it can carry forward and utilise in future years. Tax losses carried forward can be covered in chronological order from taxable income during the following years:

Expiry term	**Tax losses** **LVL**
2013	41 997
2014	218 594
2015	889 753
No time limits	3 280 660
	4 431 004

14 Trade and other payables

	31.12.2011 **LVL**	**31.12.2011** **EUR**	**31.12.2010** **LVL**	**31.12.2010** **EUR**
Trade payables	62 903	89 503	94 899	135 029
Advances received from tenants	100 594	143 132	78 842	112 182
Accrued expenses	116 200	165 337	96 978	137 987
Tax liabilities	33 453	47 599	26 665	37 941
Other payables	102 511	145 860	94 337	134 229
	415 661	**591 431**	**391 721**	**557 368**

The carrying values of trade and other payables approximate their fair values due to their short term nature. Trade and other payables carry no interest.

15 Revenue

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Rental income from investment property	2 297 844	3 269 537	2 337 045	3 325 315
Other income	67 803	96 475	59 699	84 944
	2 365 647	**3 366 012**	**2 396 744**	**3 410 259**

Rental income includes income from rent of investment property leased out under operating leases. The future aggregate minimum rentals receivable under operating leases are as follows:

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Not later than 1 year	2 003 073	2 850 116	2 089 575	2 973 197
Later than 1 year and no later than 5 years	2 645 820	3 764 663	3 071 006	4 369 648
Later than 5 years	68 142	96 957	272 567	387 828
	4 717 035	**6 711 736**	**5 433 148**	**7 730 673**

16 Cost of sales

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Depreciation and amortization	(846 789)	(1 204 872)	(843 649)	(1 200 404)
Property management charges	(163 189)	(232 197)	(161 794)	(230 212)
Real estate tax	(152 248)	(216 629)	(151 104)	(215 002)
Property maintenance and public utilities	(60 967)	(86 748)	(46 475)	(66 128)
Salaries	(15 020)	(21 372)	(15 128)	(21 525)
Compulsory social insurance contributions	(3 618)	(5 148)	(3 644)	(5 185)
Insurance of real estate	(7 510)	(10 686)	(6 298)	(8 961)
Rent of land	(12 217)	(17 383)	(11 777)	(16 757)
Other expenses	(8 335)	(11 860)	(10 133)	(14 418)
	(1 269 893)	**(1 806 895)**	**(1 250 002)**	**(1 778 592)**

17 Administrative expenses

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Salaries	(134 634)	(191 567)	(144 347)	(205 387)
Compulsory social insurance contributions	(32 352)	(46 033)	(34 673)	(49 335)
Professional fees	(42 664)	(60 705)	(37 849)	(53 854)
Depreciation and amortization	(553)	(787)	(1 283)	(1 826)
Other administrative expenses	(10 577)	(15 050)	(8 242)	(11 728)
	(220 780)	**(314 142)**	**(226 394)**	**(322 130)**

18 Other operating income

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Reversal of impairment loss on trade receivables	1 561	2 221	600	854
Reversal of impairment charge on loans	-	-	23 423	33 328
Other operating income	19 862	28 261	3 279	4 665
	21 423	**30 482**	**27 302**	**38 847**

19 Other operating expenses

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Write-off of investment property's component and fixed assets	(43 450)	(61 824)	-	-
Expensing capitalized costs of idle project	-	-	(32 244)	(45 879)
Listing fees and expenses	(20 358)	(28 966)	(21 464)	(30 541)
Impairment loss on trade receivables	(5 841)	(8 311)	(7 678)	(10 925)
Net loss on foreign exchange	(10 940)	(15 566)	(5 969)	(8 493)
Other operating expenses	(48 898)	(69 575)	(20 891)	(29 725)
	(129 487)	**(184 242)**	**(88 246)**	**(125 563)**

20 Finance income

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Interest income on financial assets carried at amortised cost	-	-	1 847	2 628
Interest income on impaired financial assets	746	1 061	9 604	13 665
Penalties and surcharges	-	-	84	120
	746	**1 061**	**11 535**	**16 413**

21 Finance costs

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Interest on borrowings at amortised cost:				
▪ On loans from the bank	(1 096 154)	(1 559 687)	(945 672)	(1 345 570)
▪ On issued bonds	(404 939)	(576 176)	(403 693)	(574 403)
▪ On loans from related parties	(41 392)	(58 896)	(36 102)	(51 369)
▪ On other loans	(2 639)	(3 754)	-	-
Interest for borrowings at amortised cost	(1 545 124)	(2 198 513)	(1 385 467)	(1 971 342)
Interest SWAP exit fee (see Note 25)	-	-	(813 927)	(1 158 114)
Reduction of interest expense on issued bonds (see Note 12)	-	-	372 349	529 805
Penalties and other finance costs	-	-	(23)	(33)
	(1 545 124)	**(2 198 513)**	**(1 827 068)**	**(2 599 684)**

22 Income tax

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Reconciliation of expected and actual tax expense				
Profit before tax	3 306 655	4 704 946	(963 123)	(1 370 401)
Effective tax rate for the Group	15%	15%	15%	15%
Expected tax (expense)/ income	(495 998)	(705 742)	144 468	205 560
Adjustment for non-deductible expenses	(161 978)	(230 474)	(12 986)	(18 478)
Adjustment for unrecognised deferred tax asset	95 133	135 362	257 316	366 128
Consolidation adjustment	105 871	150 641	(123 805)	(176 158)
Tax (expense)/ income	**(456 972)**	**(650 213)**	**264 993**	**377 052**

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Tax (expense)/ income comprises:				
Current tax expense	-	-	(1 841)	(2 620)
Deferred tax (expense)/ income	(456 972)	(650 213)	266 834	379 672
	(456 972)	**(650 213)**	**264 993**	**377 052**

Note 13 provide information on the Group's deferred tax assets and liabilities.

23 Related-party transactions

Related parties are defined as the shareholders of the Company, the members of the Board of the Group companies, their close relatives and the companies in which they have a significant influence or control.

The shareholders of the Company Gerald Allen Wirth and David Allen De Rousse have received remuneration from Apex Investments SIA where they work as the members of the Board:

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Salary	(132 492)	(188 519)	(152 243)	(216 622)
Compulsory social insurance contributions	(31 918)	(45 415)	(36 575)	(52 042)
	(164 410)	**(233 934)**	**(188 818)**	**(268 664)**

Gerald Allen Wirth and David Allen De Rousse have not received any remuneration for work in capacity of the members of the Board in another Group companies.

The employment agreements with Apex Investments SIA provide that upon termination of the agreements prior to 31 December 2013 Gerald Allen Wirth and David Allen De Rousse would be entitled to net termination pay of LVL 250 000 (EUR 350 000) each.

The following transactions were carried out with related parties:

Services received and rendered

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Services received:				
▪ Property management services	(142 429)	(202 658)	(141 215)	(200 930)
▪ Project management and intermediary services	(27 332)	(38 890)	(5 697)	(8 106)
▪ Charge under the interest rate swap (see Note 25)	-	-	(813 927)	(1 158 114)
▪ Other	(360)	(512)	(397)	(565)
	(170 121)	**(242 060)**	**(961 236)**	**(1 367 715)**
Services rendered:				
▪ Lease of office premises	3 557	5 061	7 772	11 059

Other

Purchase of tangible fixed assets	-	-	(4 977)	(7 082)
Proceeds on sale of tangible fixed assets	3 689	5 249	-	-
Interest expense on borrowings	(41 392)	(58 886)	-	-
Gain on lender's waiver of interest expense	12 356	17 581	-	-

- See Note 12 for information about borrowings from related parties.
- See Note 25 for information about the interest rate SWAP agreement.
- See Note 27 for information about acquisition of subsidiaries in 2009.

24 Operating leases as lessee

The future minimum lease payments under non-cancellable operating leases are as follows:

	31.12.2011 LVL	**31.12.2011 EUR**	**31.12.2010 LVL**	**31.12.2010 EUR**
Within 1 year	5 753	8 186	5 808	8 264
1 to 5 years	18 614	26 485	18 614	26 485
After 5 years	47 946	68 221	52 599	74 842
	72 313	**102 892**	**77 021**	**109 591**

Lease payments recognised as an expense during the reporting period amount to LVL 12 217 or EUR 17 383 (2010: LVL 11 777 or EUR 16 757). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Group.

25 Derivative financial instruments

During the year 2007 the Group through its related service company R.B. Management SIA entered into interest rate swap contract which locked the portfolio's interest rate exposure at 3.00 - 3.97% plus bank margin for EUR denominated borrowings.

On 15 December 2009 the Group exited from the interest rate swap contract by amendments made to the contract with R.B. Management SIA which as intermediary was the holder of interest rate swap contract with the issuer of the interest rate swap. As a result the Group in 2009 derecognised loss on revaluation under the interest rate swap carried in the liabilities of LVL 1 000 956 (EUR 1 424 232) having recognised this amount in the profit and loss under 'finance income'. The excess interest resulting from the swap instrument which the Group accrued during 2009 amounted to LVL 457 079 (EUR 650 365).

Due to loss position of the swap instrument, lack of fee free exit clauses from the swap instrument made with issuer thereof and the fact that swap was concluded on behalf of the Group, R.B. Management SIA in 2010 insisted on amending the terms of the contracts and requiring the Group to cover its share of loss. On 4 July 2010 R.B. Management SIA and the Group reached a settlement regarding the Group's obligation to pay its proportionate share of the SWAP value of LVL 813 927 (EUR 1 158 114). This amount has been recognized in the profit and loss under 'finance expense'. R.B. Management SIA has agreed to a loan on the outstanding SWAP debt for 16 years carrying an interest of 5% p.a.

26 Segment reporting

Management currently identifies the Group's operating segments with reference to the type of real estate that the Group owns. These operating segments are monitored and strategic decisions are made on the basis of operating results for each property which are reported in the same form as general purpose financial statements.

Segment information in LVL for the reporting period can be analysed as follows:

	Grocery rent LVL	Household rent LVL	Office rent LVL	Property develop-ment LVL	Total LVL
Revenue from external customers	1 438 841	204 425	722 381	-	2 365 647
Revenue from other segments	-	-	-	-	-
Segment revenues	1 438 841	204 425	722 381	-	2 365 647
Selling expense	(4 761)	-	(16 161)	-	(20 922)
Administrative expense	(188 351)	(3 516)	(19 892)	(2 417)	(214 176)
Depreciation and amortisation charges	(465 920)	(73 800)	(307 069)	-	(846 789)
Impairment (charge)/ reversal	827 898	247 953	3 029 194	-	4 105 045
Credit loss (charges)/ reversal	(521 761)	-	(134 908)	-	(656 669)
Other operating income	1 842	-	6 752	12 356	20 950
Other operating expenses	(313 290)	(46 194)	(186 739)	(465)	(546 688)
Segment operating profit/ (loss)	774 498	328 868	3 093 558	9 474	4 206 398
Finance income	264 931	-	-	746	265 677
Finance expense	(1 039 786)	(20 544)	(749 637)	(55 192)	(1 865 159)
Profit/ (loss) before tax	**(357)**	**308 324**	**2 343 921**	**(44 972)**	**2 606 916**
Segment assets	**16 873 335**	**1 170 746**	**7 779 117**	**623 052**	**26 446 250**

Table below discloses segment information in EUR:

	Grocery rent EUR	Household rent EUR	Office rent EUR	Property develop-ment EUR	Total EUR
Revenue from external customers	2 047 286	290 870	1 027 856	-	3 366 012
Revenue from other segments	-	-	-	-	-
Segment revenues	2 047 286	290 870	1 027 856	-	3 366 012
Selling expense	(6 774)	-	(22 995)	-	(29 769)
Administrative expense	(267 999)	(5 003)	(28 304)	(3 439)	(304 745)
Depreciation and amortisation charges	(662 944)	(105 008)	(436 920)	-	(1 204 872)
Impairment (charge)/ reversal	1 177 993	352 805	4 310 155	-	5 840 953
Credit loss (charges)/ reversal	(742 399)	-	(191 957)	-	(934 356)
Other operating income	2 621	-	9 607	17 581	29 809
Other operating expenses	(445 773)	(65 728)	(265 706)	(661)	(777 868)
Segment operating profit/ (loss)	1 102 011	467 936	4 401 736	13 481	5 985 164
Finance income	376 963	-	-	1 061	378 024
Finance expense	(1 479 482)	(29 231)	(1 066 637)	(78 531)	(2 653 881)
Profit/ (loss) before tax	**(508)**	**438 705**	**3 335 099**	**(63 989)**	**3 709 307**
Segment assets	**24 008 593**	**1 665 821**	**11 068 686**	**886 523**	**37 629 624**

Segment information in LVL for 2010 is as follows:

	Grocery rent	Household rent	Office rent	Property develop-ment	Total
	LVL	LVL	LVL	LVL	LVL
Revenue from external customers	1 455 807	204 425	736 512	-	2 396 744
Revenue from other segments	-	-	-	-	-
Segment revenues	1 455 807	204 425	736 512	-	2 396 744
Selling expense	(4 264)	-	(2 730)	-	(6 994)
Administrative expense	(199 221)	(2 889)	(12 888)	(4 357)	(219 355)
Depreciation and amortisation charges	(461 584)	(73 800)	(308 265)	(66)	(843 715)
Impairment (charge)/ reversal	-	-	-	-	-
Credit loss (charges)/ reversal	422 685	-	(145 092)	23 423	301 016
Other operating income	35	542	3 302	-	3 879
Other operating expenses	(316 719)	(18 920)	(158 847)	(113)	(494 599)
Segment operating profit/ (loss)	896 739	109 358	111 992	18 887	1 136 976
Finance income	222 413	-	-	9 604	232 017
Finance expense	(1 082 278)	(18 897)	(932 628)	(66 052)	(2 099 855)
Profit/ (loss) before tax	**36 874**	**90 461**	**(820 636)**	**(37 561)**	**(730 862)**
Segment assets	**12 818 150**	**971 365**	**5 223 817**	**1 043 911**	**20 057 243**

Table below discloses segment information in 2010 in EUR:

	Grocery rent	Household rent	Office rent	Property develop-ment	Total
	EUR	EUR	EUR	EUR	EUR
Revenue from external customers	2 071 427	290 871	1 047 962	-	3 410 260
Revenue from other segments	-	-	-	-	-
Segment revenues	2 071 427	290 871	1 047 962	-	3 410 260
Selling expense	(6 067)	-	(3 884)	-	(9 951)
Administrative expense	(283 466)	(4 111)	(18 338)	(6 199)	(312 114)
Depreciation and amortisation charges	(656 775)	(105 008)	(438 622)	(94)	(1 200 499)
Impairment (charge)/ reversal	-	-	-	-	-
Credit loss (charges)/ reversal	601 427	-	(206 447)	33 328	428 308
Other operating income	50	771	4 698	-	5 519
Other operating expenses	(450 651)	(26 921)	(226 019)	(161)	(703 752)
Segment operating profit/ (loss)	1 275 945	155 602	159 350	26 874	1 617 771
Finance income	316 465	-	-	13 665	330 130
Finance expense	(1 539 943)	(26 888)	(1 327 010)	(93 984)	(2 987 825)
Profit/ (loss) before tax	**52 467**	**128 714**	**(1 167 660)**	**(53 445)**	**(1 039 924)**
Segment assets	**18 238 584**	**1 382 128**	**7 432 822**	**1 485 352**	**28 538 886**

During the reporting period, LVL 906 939 (EUR 1 290 458) or 38% of the Group's revenues (2010: LVL 912 750 (EUR 1 298 726) or 44% of the Group's revenues) depended on a single customer in the grocery rent segment. Geographically the Group's activities are performed solely in Latvia. The Group's revenue by type of service is disclosed within the Note 15.

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in its financial statements as follows:

	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Revenues				
Total segment revenues	2 365 647	3 366 012	2 396 744	3 410 259
Reconciling items	-	-	-	-
Group revenues	2 365 647	3 366 012	2 396 744	3 410 259
Profit or loss				
Segment profit/ (loss) before tax	2 606 916	3 709 307	(730 862)	(1 039 923)
Credit loss incurred within the Group	650 828	926 045	-	-
Reversal of credit loss within the Group	-	-	(277 593)	(394 979)
Operating expenses of the Company	(6 193)	(8 811)	(6 975)	(9 925)
Finance items within the Group	55 104	78 406	52 307	74 426
Group profit/ (loss) before tax	3 306 655	4 704 947	(963 123)	(1 370 401)

	31.12.2011 LVL	31.12.2011 EUR	31.12.2010 LVL	31.12.2010 EUR
Assets				
Total segment assets	26 446 250	37 629 624	20 057 243	28 538 886
Total intercompany loans and receivables	(11 196 950)	(15 931 825)	(7 334 828)	(10 436 520)
Total participating interests held within the Group	(1 000)	(1 423)	(1 000)	(1 423)
Total assets of holding companies	1 771 816	2 521 067	1 562 162	2 222 756
Group assets	17 020 116	24 217 443	14 283 577	20 323 699

27 Acquisition of subsidiaries

During 2009 the Company entered into the following combinations with entities under common control:

- On 24 April 2009 the Company acquired 100% of the share capital of Apex Investments SIA for LVL 20 000 (EUR 28 457);
- On 24 April 2009 the Company acquired 100% of the share capital of Neatkarīgā patentu aģentūra SIA for LVL 20 000 (EUR 28 457);
- On 24 April 2009 the Company acquired 100% of the share capital of Investbūve SIA for LVL 20 000 (EUR 28 457);
- On 24 April 2009 the Company acquired 100% of the share capital of Big Truck SIA for LVL 8 000 (EUR 11 383);
- On 12 June 2009 the Company acquired 100% of the share capital of Tukuma Projekts SIA for LVL 1 000 (EUR 1 423).

All above combinations have been accounted for using the pooling of assets method (see Note 2.5).

28 Events after the balance sheet date

There have been no events since the last date of the reporting year, which would have a significant effect on the financial position of the Group as at 31 December 2011.

29 Contingencies

The tax authorities may at any time inspect the books and records within 3 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Group's management is not aware of any circumstances which may give rise to potentially material liability in this respect.

The tax authority in January 2012 commenced audit of the Group's tax affairs for the fiscal year 2010. As of the date of approving these financial statements by the board of directors the tax audit is still pending. These consolidated financial statements do not include any possible corrections that might arise as a result of this examination.

30 Authorisation of financial statements

The consolidated financial statements for the financial year ended 31 December 2011 were approved by the board of directors on 26 April 2012.

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David Allen DeRousse
Member of the Board

CORPORATE GOVERNANCE REPORT

INTRODUCTION

SIA Acme Corporation (hereinafter Acme) Corporate Governance Report of the year 2011 (hereinafter – the Report) is prepared on the basis of requirements of the third paragraph of section 56.2 of the Financial Instruments Market Act and NASDAQ OMX Riga "Corporate governance principles and recommendation on their implementation" issued in 2010. The Report is made by Acme Board.

Corporate governance principles were adjusted to Acme as much as possible and Acme complied with the biggest part of them, carrying out its operational activities, in 2011. The Report informs also according to the principle "observe or explain" on those principles, which Acme observed partially or did not observe in 2011, and on the circumstances that justified it.

The Report is submitted to NASDAQ OMX Riga as part of Acme audited consolidated financial statements for 2011.

On behalf of SIA Acme Corporation management

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David DeRousse
Chairman of the Board

26 April 2012

PRINCIPLES OF GOOD CORPORATE GOVERNANCE

A. SHAREHOLDERS' MEETING

Shareholders realize their right to participate in the management of the Issuer at shareholders' meetings. In compliance with legal acts the Issuers shall call the annual shareholders' meeting as a minimum once a year. Extraordinary shareholders' meetings shall be called as required.

1. Ensuring shareholders' rights and participation at shareholders' meetings

The Issuers shall ensure equal attitude towards all the shareholders – holders of one category of shares. All shareholders shall have equal rights to participate in the management of the Issuer – to participate at shareholders' meetings and receive information that shareholders need in order to make decisions.
1.1. It shall be important to ensure that all the holders of shares of one category have also equal rights, including the right to receive a share of the Issuer's profit as dividends or in another way in proportion to the number of the shares owned by them if such right is stipulated for the shares owned by them.

Acme applies this principle.

1.2. The Issuer shall prepare a policy for the division of profit. In the preparation of the policy, it is recommended to take into account not only the provision of immediate benefit for the Issuer's shareholders by paying dividends to them but also the expediency of profit reinvesting, which would increase the value of the Issuer in future. It is recommended to discuss the policy of profit division at a shareholders' meeting thus ensuring that as possibly larger a number of shareholders have the possibility to acquaint themselves with it and to express their opinion on it. The Report shall specify where the Issuer's profit distribution policy is made available.

Acme applies this principle according to articles of association.

1.3. In order to protect the Issuer's shareholders' interest to a sufficient extent, not only the Issuers but also any other persons who in compliance with the procedure stipulated in legislative acts call, announce and organize a shareholders' meeting are asked to comply with all the issues referred to in these Recommendations in relation to calling shareholders' meetings and provision of shareholders with the required information.

Acme applies this principle. Up to now the Shareholders' Meetings have been called by the Board of Acme in compliance with the law and Acme`s Statutes.

1.4. Shareholders of the Issuers shall be provided with the possibility to receive in due time and regularly all the required information on the relevant Issuer, participate at meetings and vote on agenda issues. The Issuers shall carry out all the possible activities to achieve that as many as possible shareholders participate at meetings; therefore, the time and place of a meeting should not restrict the attendance of a meeting by shareholders. Therefore, it should not be admissible to change the time and place of an announced shareholders' meeting shortly before the meeting, which thus would hinder or even make it impossible for shareholders to attend the meeting.

Acme applies this principle. Acme is a closely held private company. Its current shareholders are engaged in daily running of the business. There have not been any of the mentioned obstacles for participation at the Shareholders' Meeting.

1.5. The Issuers shall inform their shareholders on calling a shareholders' meeting by publishing a notice in compliance with the procedure and the time limits set forth in legislative acts. The Issuers are asked to announce the shareholders' meeting as soon as the decision on calling the shareholders' meeting has been taken; in particular, this condition applies to extraordinary shareholders' meetings. The information on calling a shareholders' meeting shall be published also on the Issuer's website on the Internet, where it should be published also at least in one foreign language. It is recommended to use the English language as the said other language so that the website could be used also by foreign investors. When publishing information on calling a shareholders' meeting, also the initiator of calling the meeting shall be specified.

Acme does not apply this principle. Acme is closely held by two individuals who are engaged in daily management of Acme.

1.6. The Issuer shall ensure that compete information on the course and time of the meeting, the voting on decisions to be adopted, as well as the agenda and draft decisions on which it is planned to vote at the meeting is available in due time to the shareholders. The Issuers shall also inform the shareholders whom they can address to receive answers to any questions on the arrangements for the shareholders' meeting and the agenda issues and ensure that the required additional information is provided to the shareholders.

Acme applies this principle.

1.7. The Issuer shall ensure that at least 14 (fourteen) days prior to the meeting the shareholders have the possibility to acquaint themselves with the draft decisions on the issues to be dealt with at the meeting, including those that have been submitted additionally already after the announcement on calling the meeting. The Issuer shall ensure the possibility to read a complete text of draft decisions, especially if they apply to voting on amendments to the Issuer's statutes, election of the Issuer's officials, determination of their remuneration, division of the Issuer's profit and other issues.

Acme applies this principle.

1.8. In no way may the Issuers restrict the right of shareholders to nominate representatives of the shareholders for council elections. The candidates to the council and candidates to other offices shall be nominated in due time so that the information on the said persons would be available to the shareholders to the extent as stipulated in Clause 1.9 of this Section as minimum 14 (fourteen) days prior to the shareholders' meeting.

Acme applies this principle.

1.9. Especially, attention should be paid that the shareholders at least 14 (fourteen) days prior to the shareholders' meeting have the possibility to acquaint themselves with information on council member candidates and audit committee member candidates whose approval is planned at the meeting. When disclosing the said information, also a short personal biography of the candidates shall be published.

Acme applies this principle in accordance with the laws and regulations of the Republic of Latvia.

1.10. The Issuer may not restrict the right of shareholders to consult among them during a shareholders' meeting if it is required in order to adopt a decision or to make clear some issue.

Acme applies this principle.

1.11. To provide shareholders with complete information on the course of the shareholders' meeting, the Issuer shall prepare the regulations on the course of shareholders' meeting, in which the agenda of shareholders' meeting and the procedure for solving any organizational issues connected with the shareholders' meeting (e.g., registration of meeting participants, the procedure for the adoption of decisions on the issues to be dealt with at the meeting, the Issuer's actions in case any of the issues on the agenda is not dealt with, if it is impossible to adopt a decision etc.). The procedures adopted by the Issuer in relation to participation in voting shall be easy to implement.

Acme applies this principle.

1.12. The Issuer shall ensure that during the shareholders' meeting the shareholders have the possibility to ask questions to the candidates to be elected at the shareholders' meeting and other attending representatives of the Issuer. The Issuer shall have the right to set reasonable restrictions on questions, for example, excluding the possibility that one shareholder uses up the total time provided for asking of questions and setting a time limit of speeches.

Acme applies this principle.

1.13. Since, if a long break of meeting is set, the right of shareholders to dispose of freely with their shares is hindered for an undetermined time period, it shall not be recommended to announce a break during a shareholders' meeting. The conditions upon which it is possible to announce a break shall be stipulated also in the regulations on the course of meeting. A break of meeting may be a lunch break, a short break (up to 30 minutes) etc.

Acme applies this principle.

1.14. When entering the course and contents of discussions on the agenda issues to be dealt with at the shareholders' meeting in the minutes of shareholders' meeting, the chairperson of the meeting shall ensure that, in case any meeting participant requires it, particular debates are reflected in the minutes or that shareholder proposal or questions are appended thereto in written form.

Acme applies this principle.

2. Participation of members and member candidates of the Issuer's management institutions at shareholders' meetings Shareholders' meetings shall be attended by the Issuer's board members, auditors, and as possibly many council members.

2.1. The attendance of members of the Issuer's management institutions and auditor at shareholders' meetings shall be necessary to ensure information exchange between the Issuer's shareholders and members of management institutions as well as to fulfill the right of shareholders to receive answers from competent persons to the questions submitted. The attendance of the auditor shall not be mandatory at shareholders' meetings at which issues connected with the finances of the Issuer are not dealt with. By using the right to ask questions shareholders have the possibility to obtain information on the circumstances that might affect the evaluation of the financial report and the financial situation of the Issuer.

Acme applies this principle partially. Given that Acme is a closely held company whose owners are engaged in managing the company's daily operations, the Auditor normally does not attend shareholders' meetings unless specifically invited.

2.2. Shareholders' meetings shall be attended by the Issuer's official candidates whose election is planned at the meeting. This shall in particular apply to council members. If a council member candidate or auditor candidate is unable to attend the shareholders' meeting due to an important reason, then it shall be admissible that this person does not attend the shareholders' meeting. In this case, all the substantial information on the candidate shall be disclosed before the shareholders' meeting.

Acme applies this principle.

2.3. During shareholders' meetings, the participants must have the possibility to obtain information on officials or official candidates who do not attend the meeting and reasons thereof. The reason of non-attendance should be entered in the minutes of shareholders' meeting.

Acme applies this principle.

B. BOARD

The board is the Issuer's executive institution, which manages and represents the Issuer in its everyday business, therefore the Issuer shall ensure that it is efficient, able to take decisions, and committed to increase the value of the company, therefore its obligations and responsibilities have to be clearly determined.

3. Obligations and responsibilities of the Board. The Issuers shall clearly and expressively determine the obligations and authorities of the board and responsibilities of its members, thus ensuring a successful work of the board and an increase in the Issuer's value.

3.1. The board shall have the obligation to manage the business of the Issuer, which includes also the responsibility for the realization of the objectives and strategies determined by the Issuer and the responsibility for the results achieved. The board shall be responsible for the said to the council and the shareholders' meeting. In fulfillment of its obligations, the board shall adopt decisions guided by interests of all the shareholders and preventing any potential conflict of interests.

Acme applies this principle.

3.2. The powers of the board shall be stipulated in the Board Regulations or a similar document, which is to be published on the website of the Issuer on the Internet. This document must be also available at the registered office of the Issuer.

The power of the board is stipulated by the articles of association and applicable legislation. Acme has not published on the website or elsewhere on the Internet the powers of the board.

3.3. The board shall be responsible also for the compliance with all the binding regulatory acts, risk management, as well as the financial activity of the Issuer.
3.4. The board shall perform certain tasks, including:
1) corporate strategies, work plan, risk control procedure, assessment and advancement of annual budget and business plans, ensuring control on the fulfillment of plans and the achievement of planned results;
2) selection of senior managers of the Issuer, determination of their remuneration and control of their work and their replacement, if necessary, in compliance with internal procedures (e.g. personnel policy adopted by the Issuer, remuneration policy etc.);
3) timely and qualitative submission of reports, ensuring also that the internal audits are carried out and the disclosure of information is controlled.
3.5. In annual reports, the board shall confirm that the internal risk procedures are efficient and that the risk management and internal control have been carried out in compliance with the said control procedures throughout the year.
3.6. It shall be preferable that the board submits decisions that determine the objectives and strategies for achievement thereof (participation in other companies, acquisition or alienation of property, opening of representation offices or branches, expansion of business etc) to the Issuer's council for approval.

Acme applies these principles.

4. Board composition and requirements for board members
A board composition approved by the Issuer shall be able to ensure sufficiently critical and independent attitude in assessing and taking decisions.

4.1. In composing the board, it shall be observed that every board member has appropriate education and work experience. The Issuer shall prepare a summary of the requirements to be set for every board member, which specifies the skills, education, previous work experience and other selection criteria for every board member.

Acme applies this principle.

4.2. On the Issuer's website on the Internet, the following information on every Issuer's board member shall be published: name, surname, year of birth, education, office term, position, description of the last three year's professional experience, number of the Issuer's or its parent companies/subsidiaries shares owned by the member, information on positions in other capital companies.

Acme does not apply this principle directly. However, information about the Company's board members is available at the website of a related company.

4.3. In order to fulfill their obligations successfully, board members must have access in due time to accurate information on the activity of the Issuer. The board must be capable of providing an objective evaluation on the activity of the Issuer. Board members must have enough time for the performance of their duties.

Acme applies this principle.

4.4. It is not recommended to elect one and the same board member for more than four successive terms. The Issuer has to evaluate whether its development will be facilitated in the result of that and whether it will be possible to avoid a situation where greater power is concentrated in hands of one or a number of separate persons due to their long-term work at the Issuer. If, however, such election is admitted, it shall be recommended to consider to change the field of work of the relevant Board member at the Issuer.

Acme is a closely held whose shareholders are engaged in daily running of the business.

5. Identification of interest conflicts in the work of board members
Every board member shall avoid any interest conflicts in his/her work and be maximally independent from any external circumstances and willing to assume responsibility for the decisions taken and comply with the general ethical principles in adopting any decisions connected with the business of the Issuer.

5.1. It shall be the obligation of every board member to avoid any, even only supposed, interest conflicts in his/her work. In taking decisions, board members shall be guided by the interests of the Issuer and not use the cooperation offers proposed to the Issuer to obtain personal benefit.
5.2. On the occurrence of any interest conflict or even only on its possibility, a board member shall notify other board members without delay. Board members shall notify on any deal or agreement the Issuer is planning to conclude with a person who has close relationship or is connected with the board member in question, as well as inform on any interest conflicts occurred during the validity period of concluded agreements. For the purposes of these Recommendations the following shall be regarded as persons who have close relationship with a board member: spouses, a relative, including kinship of second degree or brother-in-law of first degree, or persons with whom the board member has had a common household for at least one year. For the purposes of these recommendations the following shall be regarded as persons who are connected with a board member: legal persons where the board member or a closely related to him/her person is a board or council member, performs the tasks of an auditor or holds another managing office in which he or she could determine or affect the business strategy of the respective legal entity.
5.3. Board members should not participate in taking decisions that could cause an interest conflict.

Acme applies these principles.

C. COUNCIL
In compliance with legal acts a council is the institution that supervises the Issuer and represents interests of shareholders between meetings in cases stipulated in the law and in the statutes of the Issuer, supervises the work of the board.

6. Obligations and responsibilities of the council
The objective of the Issuer's council is to act in the interests of all the shareholders, ensuring that the value of the Issuer grows. The Issuer shall clearly determine the obligations of the council and the responsibility of the council members, as well as ensure that individual council members or groups thereof do not have a dominating role in decision making.

6.1. The functions of the council shall be set forth in the council regulation or a document equated thereto that regulates the work of the council, and it shall be published on the Issuer's website on the Internet. This document shall be also available at the Issuer's office.
6.2. The supervision carried out by the council over the work of the board shall include supervision over the achievement of the objectives set by the Issuer, the corporate strategy and risk management, the process of financial accounting, board's proposals on the use of the profit of the Issuer, and the business performance of the Issuer in compliance with the requirements of regulatory acts. The council should discuss every of the said matters and express its opinion at least annually, complying with frequency of calling council meetings as laid down in regulatory acts, and the results of discussions shall be reflected in the minutes of the council's meetings.
6.3. The council and every its member shall be responsible that they have all the information required for them to fulfill their duties, obtaining it from board members and internal auditors or, if necessary, from employees of the Issuer or external consultants. To ensure information exchange, the council chairperson shall contact the Issuer's board, inter alia the board chairperson, on a regular basis and discuss all the most important issues connected with the Issuer's business and development strategy, business activities, and risk management.

6.4. When determining the functions of the council, it should be stipulated that every council member has the obligation to provide explanations in case the council member is unable to participate in council meetings. It shall be recommended to disclose information on the council members who have not attended more than a half of the council meetings within a year of reporting, providing also the reasons for non-attendance.

Acme does not apply above principles. Acme has no council do to the small size of the company.

7. Council composition and requirements for council members
The council structure determined by the Issuer shall be transparent and understandable and ensure sufficiently critical and independent attitude in evaluating and taking decisions.

7.1. The Issuer shall require every council member as well as council member candidate who is planned to be elected at a shareholders' meeting that they submit to the Issuer the following information: name, surname, year of birth, education, office term as a council member, description of the last three year's professional experience, number of the Issuer's or its parent companies/subsidiaries shares owned by the member, information on positions in other capital companies. The said information shall be published also on the Issuer's website on the Internet, providing, in addition to the said information, also the term of office for which the council member is elected, its position, including also additional positions and obligations, if any.
7.2. When determining the requirements for council members as regards the number of additional positions, attention shall be paid that a council member has enough time to perform his or her duties in order to fulfill their duties successfully and act in the interests of the Issuer to a full extent.
7.3. In establishing the Issuer's council, the qualification of council members should be taken into account and assessed on a periodical basis. The council should be composed of individuals whose knowledge, opinions and experience is varied, which is required for the council to fulfill their tasks successfully.
7.4. Every council member in his or her work shall be as possibly independent from any external circumstances and have the will to assume responsibility for the decisions taken and comply with the general ethical principles when taking decisions in relation to the business of the Issuer.
7.5. It is impossible to compile a list of all the circumstances that might threaten the independence of council members or that could be used in assessing the conformity of a certain person to the status of an independent council member. Therefore, the Issuer, when assessing the independence of council members, shall be guided by the independence criteria of council members specified in the Annex hereto.
7.6. It shall be recommended that at least a half of council members are independent according to the independence criteria specified in the Annex hereto. If the number of council members is an odd number, the number of independent council members may be one person less than the number of the council members who do not conform to the independence criteria specified in the Annex hereto.
7.7. As independent shall be considered persons that conform to the independence criteria specified in the Annex hereto. If a council member does not conform to any of to the independence criteria specified in the Annex hereto but the Issuer does consider the council member in question to be independent, then it shall provide an explanation of its opinion in detail on the tolerances permitted.
7.8. The conformity of a person to the independence criteria specified in the Annex hereto shall be evaluated already when the council member candidate in question has been nominated for election to the council. The Issuer shall specify in the Report who of the council members are to be considered as independent every year.

Acme does not apply above principles. Acme has no council do to the small size of the company.

8. Identification of interest conflicts in the work of council members
Every council member shall avoid any interest conflicts in his/her work and be maximally independent from any external circumstances. Council members shall comply with the general ethical principles in adopting any decisions connected with the business of the Issuer and assume responsibility for the decisions taken.
8.1. It shall be the obligation of every council member to avoid any, even only supposed, interest conflicts in his/her work. When taking decisions, board members shall be guided by the interests of the Issuer and not use the cooperation offers proposed to the Issuer to obtain personal benefit.

8.2. On the occurrence of any interest conflict or even only on its possibility, a council member shall notify other council members without delay. Council members shall notify on any deal or agreement the Issuer is planning to conclude with a person who has close relationship or is connected with the council member in question, as well as inform on any interest conflicts occurred during the validity period of concluded agreements. For the purposes of these recommendations the following shall be regarded as persons who have close relationship with a council member: spouses, a relative, including kinship of second degree or brother-in-law of first degree, or persons with whom the council member has had a common household for at least one year. For the purposes of these recommendations the following shall be regarded as persons who are connected with a council member: legal persons where the council member or a closely related to him/her person is a board or council member, performs the tasks of an auditor or holds another managing office in which he or she could determine or affect the business strategy of the respective legal entity.
8.3. A council member who is in a possible interest conflict should not participate in taking decisions that might be a cause of an interest conflict.

Acme does not apply above principles. Acme has no council do to the small size of the company.

D. DISCLOSURE OF INFORMATION
Good practice of corporate governance for an Issuer whose shares are included in the market regulated by the Stock Exchange means that the information disclosed by the Issuer has to provide a view on the economic activity of the Issuer and its financial results. This facilitates a justified determination of the price of financial instruments in public circulation as well as the trust in finance and capital markets. Disclosure of information is closely connected with investor relations (hereinafter – the IR), which can be defined as the process of developing Issuer's relations with its potential and existing investors and other parties interested in the business of the Issuer.

9. Transparency of the Issuer's business
The information disclosed by the Issuers shall be provided in due time and allowing the shareholders to assess the management of the Issuer, to get an idea on the business of the company and its financial results, as well as to take grounded decisions in relation to the shares owned by them.

9.1. The structure of corporate governance shall be established in a manner that ensures provision of timely and exhaustive information on all the substantial matters that concern the Issuer, including its financial situation, business results, and the structure of owners.
9.2. The information disclosed shall be checked, precise, unambiguous and prepared in compliance with high-quality standards.

Acme applies these principles.

9.3. The Issuers should appoint a person who would be entitled to contact the press and other mass media on behalf on the Issuer, thus ensuring uniform distribution of information and evading publication of contradictory and untruthful information, and this person could be contacted, if necessary, by the Stock Exchange and investors.

Acme applies this principle. The contact person is indicated at the web site of NASDAQ OMX Riga.

9.4. The Issuers should ensure timely and compliant with the existing requirements preparation and disclosure of financial reports and annual reports of the Issuer. The procedure for the preparation of reports should be stipulated in the internal procedures of the Issuer.

Acme applies this principle.

10. Investor relations
Considering that financial instruments of the Issuers are offered on a regulated market, also such activity sphere of the Issuers as investor relations (hereinafter – the IR) and the development and maintaining thereof is equally important, paying special attention to that all the investors have access to equal, timely and sufficient information.

10.1. The main objectives of the IR are the provision of accurate and timely information on the business of the Issuer to participants of finance market, as well as the provision of a feedback, i.e. receiving references from the existing and potential investors and other persons. In the realization of the IR process, it shall be born in mind that the target group consists not only of institutional investors and finance market analysts. A greater emphasis should be put on individual investors, and more importance should be attached to informing other interested parties: employees, creditors and business partners.
10.2. The Issuer shall provide all investors with equal and easily accessible important information related to the Issuer's business, including financial position, ownership structure and management. The Issuer shall present the information in a clear and understandable manner, disclosing both positive and negative facts, thus providing the investors with a complete and comprehensive information on the Issuer, allowing the investor to assess all information available before the decision making.
10.3. A number of channels shall be used for the information flow in the IR. The IR strategy of the Issuer shall be created using both the possibilities provided by technologies (website) and relations with mass media and the ties with the participants of finance market. Considering the development stage of modern technologies and the accessibility thereof, the Internet is used in the IR of every modern company. This type of media has become one of the most important means of communications for the majority of investors.

Acme applies these principles.

10.4. The basic principles that should be observed by the Issuers in preparing the IR section of their websites:
1) the IR section of website shall be perceived not only as a store of information or facts but also as one of the primary means of communication by means of which it is possible to inform the existing and potential shareholders;
2) all the visitors of the IR section of website shall have the possibility to obtain conveniently all the information published there. Information on websites shall be published in all the foreign languages in which the Issuer normally distributes information so that in no way would foreign investors be discriminated, however, it shall be taken into account that information must be disclosed at least in Latvian and English;
3) It shall be recommended to consider a solution that would allow the existing and potential investors to maintain ties with the Issuer by using the IR section of website – submit questions and receive answers thereto, order the most recent information, express their opinions etc.;
4) the information published on websites shall be updated on a regular basis, and the news in relation to the Issuer and its business shall be published in due time. It shall not be admissible that outdated information that could mislead investors is found on websites;
5) after the website is created the creators themselves should assess the IR section of the website from the point of view of users – whether the information of interest can be found easily, whether the information published provides answers to the most important questions etc.

Acme does not apply this principle. Acme does not maintain a website separate to NASDAQ OMX Riga.

10.5. The Issuer shall ensure that at least the following information is contained in the IR section of website:
1) general information on the Issuer - history of its establishment and business, registration data, description of industry, main types of business;
2) Issuer's Report ("*comply or explain*") on the compliance with the principles of corporate governance;
3) Number of issued and paid financial instruments, specifying how many of them are included in a regulated market;
4) information on shareholders' meetings, draft decisions to be examined, decisions adopted – at least for the last year of report;
5) Issuer's statutes;
6) Issuer's board or council regulation or a document equated thereto that regulates its work, as well as the Issuer's remuneration policy (or a reference where it is made available) and the shareholders' meeting procedure regulation, if such has been adopted;
7) Information on the performance of the Issuer's Audit Committee;
8) information on present Issuer's council and board members (on each individually): work experience, education, number of the Issuer's shares owned by the member (as at the beginning of year; the

information shall be updated as required but at least annually), information on positions in other capital companies, and the term of office of board and council members;
9) Issuer's shareholders which/who own at least 5% of the Issuer's shares; and information on changes of shareholders;
10) Financial reports and annual reports of the Issuer prepared in compliance with the procedure specified in legal acts and the Stock Exchange regulations;
11) Any other information to be disclosed by the Issuer, e.g. information on any substantial events, Issuer's press releases, archived information on Issuer's financial and annual reports on previous periods etc.

Acme does not yet apply this principle.

E. INTERNAL CONTROL AND RISKMANAGEMENT
The purpose of internal control and risk management is to ensure efficient and successful work of the Issuer, the truthfulness of the information disclosed and conformity thereof to the relevant regulatory acts and business principles. Internal control helps the board to identify the shortcomings and risks in the management of the Issuer as well as facilitates that the council's task - to supervise the work of the board - is fulfilled efficiently.
11. Principles of the Issuer's internal and external control
To ensure successful work of the Issuer, it shall be necessary to plan regular its controls and to determine the procedure of internal and external (audit) control.

11.1. To ensure successful operation, the Issuer shall control its work on a regular basis and define the procedure of internal control.

Acme applies this principle.

11.2. The objective of risk management is to ensure that the risks connected with the commercial activity of the Issuer are identified and supervised. To ensure an efficient risk management, it shall be necessary to define the basic principles of risk management. It is recommended to characterize the most essential potential and existing risks in relation to the business of the Issuer.

Acme applies this principle.

11.3. Auditors shall be granted access to the information required for the fulfillment of the auditor's tasks and the possibility to attend council and board meetings at which financial and other matters are dealt with.

Acme applies this principle.

11.4. Auditors shall be independent in their work and their task shall be to provide the Issuer with independent and objective auditing and consultation services in order to facilitate the efficiency of the Issuer's business and to provide support in achieving the objectives set for the Issuer's management by offering a systematic approach for the assessment and improvement of risk management and control processes.

Acme applies this principle.

11.5. It shall be recommended to carry out an independent internal control at least annually in order to assess the work of the Issuer, including its conformity to the procedures approved by the Issuer.

Acme applies this principle.

11.6. When approving an auditor, it is recommended that the term of office of one auditor is not the same as the term of office of the board.

Acme applies this principle.

12. Audit Committee
The Audit Committee shall be established by a resolution of the Issuer's shareholders' meeting, and its operations and scope of responsibilities shall be set as guided by the legislation.

12.1. The functions and responsibility of the Audit Committee should be specified in the regulation of the committee or a comparable document.

Acme applies this principle.

12.2. To assure an efficient functioning of the Audit Committee, it is recommended that at least three of its members have adequate knowledge in accounting and financial reporting, because issues related to the Issuer's financial reports and control are in the focus of the Audit Committee's operations.

Acme partially applies this principle. Acme's audit committee consists of three members, namely: Cameron Greaves, Aiga Hercoga and Alona Kuzmina. Mr. Greaves, Chairman of the audit committee has all mentioned knowledge.

12.3. All Audit Committee members shall have access to the information about the accounting principles practiced by the Issuer. Board shall advise the audit Committee as to the approaches to significant and unusual transactions, where alternative evaluations are possible, and shall ensure that the Audit Committee has access to all information that has been specified in the legislation.

Acme applies this principle.

12.4. The Issuer shall ensure that its officials, board members and staff release the information to the Audit Committee that is necessary for its operations. The Audit Committee should also be entitled to carry out an independent investigation in order to identify, within its scope, any violations in the Issuer' activities.

Acme applies this principle.

12.5. Within its scope, the Audit Committee shall adopt resolutions, and is accountable to the shareholders' meeting for its operations.

Acme applies this principle.

F. REMUNERATION POLICY
13. General principles, types and criteria for setting remuneration
The policy of the remuneration of board and council members – type, structure and amount of remuneration - is one of the spheres where persons involved has a potentially greater risk to find themselves in a conflict of interest situation. To avoid it, the Issuer shall develop a clear remuneration policy, specifying general principles, types and criteria for the remuneration to be awarded to the board or council members.

13.1. The Issuers are called on to develop a remuneration policy in which the main principles for setting the remuneration, possible remuneration schemes and other essential related issues are determined. While preparing the remuneration policy Issuer should ensure that the remuneration of management and supervisory board members is proportionate to the remuneration of the Issuer's executive and managing directors and other employees.

Acme complies with this principle.

13.2. Without limiting the role and operations of the Issuer's management bodies responsible for setting remuneration to the board and council members, the drafting of the remuneration policy should be made a responsibility of the Issuer's board, which during the preparation of a draft policy should consult with the Issuer's council. In order to avoid conflicts of interest and to monitor the management board remuneration policy, the Issuer should appoint a responsible person having sufficient experience and knowledge in the field of remuneration for development of the remuneration policy.

Acme complies with this principle. Acme's remuneration policy during the listing of the bond was determined in the prospectus in point 6.5 "Prohibitive Actions" that Shareholder salaries shall not exceed EUR 120,000 per annum per person (two salaries maximum), all taxes included.

13.3. Should the remuneration policy contain a remuneration structure with a variable part in the form of the Issuer's shares or share options or any other payments, including premiums, it should be linked to previously defined short-term and long-term goals and performance criteria. If remuneration depends on fulfillment of short-term goals only, it is not likely to encourage an interest in the company's growth and improved performance in the long-term. The scope and structure of the remuneration should depend on the business performance of the company, share price and other Issuer's events.

Acme has not implemented this principle. Acme's remuneration policy does not provide for employee share options, shares or variable part of the remuneration.

13.4. While setting the variable part of remuneration, Issuer should set limits on the variable component(s). The non-variable part of remuneration should be sufficient to allow the Issuer to withhold variable part of remuneration when necessary.

Acme has not implemented this principle. Acme's remuneration policy does not provide for employee share options, shares or variable part of the remuneration.

13.5. Where a variable part of remuneration provides Issuer's shares, share options or any other acquisition rights thereof, it should be desirable to prescribe a minimum non-used period of time.

Acme has not implemented this principle. Acme's remuneration policy does not provide for employee share options, shares or variable part of the remuneration.

13.6. Remuneration policy should include provisions that permit the Issuer to reclaim variable part of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated. Such provision should be included in contracts concluded between the respective executives and the Issuer.

Acme has not implemented this principle. Acme's remuneration policy does not provide for employee share options, shares or variable part of the remuneration.

13.7. Remuneration schemes that include Issuer's shares as remuneration may theoretically cause loss to the Issuer's existing shareholders because the share price might drop due to a new issue of shares. Therefore, prior to the preparation and approval of this type of remuneration, it shall be required to assess the possible benefits or losses.

Acme has not implemented this principle. Acme's remuneration policy does not provide for employee share options, shares or variable part of the remuneration.

13.8. When preparing the remuneration policy where a variable part is in the form of the Issuer's shares or share options, the Issuer shall be obliged to disclose information on how the Issuer plans to ensure the amount of shares to be granted in compliance with the approved remuneration schemes– whether it is planned to obtain them by buying on a regulated market or by issuing new shares.

Acme has not implemented this principle. Acme's remuneration policy does not provide for employee share options, shares or variable part of the remuneration.

13.9. While drafting the remuneration policy and envisaging awarding options entitling to the Issuer's shares, the Stock Exchange rules regarding distribution of share options should be taken into account.

Acme has not implemented this principle. Acme's remuneration policy does not provide for employee share options, shares or variable part of the remuneration.

13.10. While setting remuneration principles with regard to board and council members, they should include general approach as to compensations, if any, in cases when contracts with the said officials are terminated (termination payments). Termination payments should not be paid if the termination is due to inadequate performance.

Acme complies with this principle. It is Acme policy that inadequate employees are terminated in their first year of employment. All current employees are adequate for their position and full fill their roles. Errors in judgement are not considered as inadequate performance.

13.11. It is recommended to set an adequate maximum amount of the termination payments which should not be higher than two years of the non-variable part of remuneration.

Acme takes into consideration the recommendation; however termination payments to management are based on employment contracts which have been fully disclosed in the notes to the financial statements. In the 2011 financial statements the disclosure is in note 23.

14. Remuneration Report
A clear and complete report on the remuneration policy with regard to the management body members of the Issuer should be made available to the shareholders. Public disclosure of the said information would allow the existing and potential shareholders to carry out a comprehensive evaluation of the Issuer's approach the remuneration issues; consequently, the Issuer's responsible body shall draft and made public the Remuneration Report.

14.1. The Issuer is obliged to make public the Remuneration Report – a complete report on the remuneration policy applied to the members of the Issuer's management bodies. Remuneration Report may be a separate document, or may be integrated in a special chapter of the Report prepared by the Issuer as recommended by Item 9 of the Introduction of the present Recommendations. The Remuneration Report should be posted on the Issuers website.
14.2. Remuneration Report should contain at least the following information:
1) Information as to the application of the remuneration policy to board and council members in the previous financial year, specifying the material changes to the Issuer's remuneration policy compared to the previous reporting period;
2) The proportion between the fixed and variable part of the remuneration for the respective category of officials;
3) Sufficient information as to linking the remuneration with performance. To consider the information sufficient, the report should contain:
- An explanation how the choice of performance criteria contributes to the long term interest of the Issuer;
- An explanation of the methods applied in order to determine whether performance criteria have been fulfilled;

4) Information about the Issuer's policy with regard to the contracts with the members of the Issuer's management bodies, the terms and conditions of the contracts (duration, notice deadlines about termination, including payments due in case of termination);
5) Information about the incentive schemes and the specifications and reasons for awarding any other benefits;
6) A description of any pension or early retirement schemes;
7) An overview of the remuneration paid to or any benefits received by each individual that has been board or council member in the reporting period – disclosing at least the information required in Items 14.5, 14.5 and 14.7 below.
14.3. To avoid overlapping of information, the Issuer, while preparing its Remuneration Report, may omit the information required in Items 14.2 1) to 7) above, provided it is a part of the Issuer's Remuneration Policy document. In such case, Remuneration Report should have a reference to the Remuneration Policy, together with an indication where it is made available.
14.4. If the Issuer believes that, as a result of following the provisions of Item 14.2 of these Recommendations sensitive business information might become public to the detriment of the Issuer's strategic position, the Issuer may not disclose such information and give the reasons.
14.5. The following remuneration and other benefits related information about each board and council member should be disclosed:
1) Total amount paid or outstanding (salary) for the year;
2) Remuneration and other benefits received from any company associated with the Issuer. For the understanding of this Item, "associated undertaking" is a company according to the definition in Paragraph 1 of the Law on the Financial Instruments Market;
3) Remuneration paid as profit distribution or bonus, and the reasons for awarding such remuneration;
4) Compensation for fulfilment of duties in addition to the regular job responsibilities;
5) Compensations and any other payments received by or to be received by board or council member who has left the position during the accounting period;

6) Total value of any other benefits apart from those listed under Items 1) to 5) received as remuneration.
14.6. The following information should be disclosed with regard to the shares and/or share options or any other incentive schemes resulting in ownership of the Issuer's shares:
1) the number and holding conditions of shares or share options entitling to the Issuer's shares granted over the reporting period to the members of Issuer's management bodies;
2) The number of options exercised during the reporting period, entitling to the Issuer's shares, specifying the price and the number of shares obtained, or the unit value held by the member of the Issuer's management board in a share-related incentive scheme as at the end of the reporting year;
3) The number of non-exercised options entitling to the Issuer's shares as at the end of the reporting year, the share price in the contract, expiry date and the key rules for exercising the option;
4) Information changes, if any, introduced during the reporting period with regard to the provisions of the contracts on options entitling to the Issuer's shares (such as changes in the option exercising rules, change of expiry date etc.).
14.7. The following information should be disclosed with regard to savings or contributions to pension schemes of private pension funds:
1) the amount of contributions made by the Issuer, to the benefit of individuals, to a pension scheme or schemes, and the rules for disbursement of the pension capital;
2) the participation rules, including termination of participation, to the respective pension scheme, applicable the concrete individual.
14.8. Remuneration schemes involving awarding with the Issuer's shares, share options or any other tools resulting in ownership of the Issuer's shares shall be approved by the annual general meeting of shareholders. Shareholders' meeting, while resolving on approval of the remuneration scheme, need not resolve on its application to concrete individuals.

Acme has partially implemented these principles, having disclosed in the notes to the financial statements compensation to the company's owners Mr. David DeRousse (holding as well the position of the member of the Board) and Mr. Gerald Wirth. None of these shareholders exercise any specific rights of control.