



**JOINT STOCK COMPANY
GOLDINVEST ASSET MANAGEMENT**

Annual Report 2011

**AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011**

TABLE OF CONTENTS

| | |
|---|---------|
| Company information | 3 – 4 |
| Management report | 5 – 7 |
| Profit and loss statement | 8 |
| Balance Sheet | 9 – 10 |
| Overview of changes in the equity capital | 11 |
| Cash flow statement | 12 |
| Notes | 13 – 25 |
| Independent Auditors' Report | 25 |

**AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011**

Company Information

| | |
|---|---|
| Firm | „GOLDINVEST ASSET MANAGEMENT” |
| Legal status | JOINT STOCK COMPANY |
| Number, place and date of registration | 40003335793 Riga, 3 April, 1997 Re-registered in the Enterprise Register 09.03.2004.. |
| Registered address | Brīvības gatve 214, Riga, LV-1039 |
| Shareholders and the proportion of equity capital | Barrow Consulting Ltd., foreign merchant Registered address: Euro – trust Company Complex, Ajeltake Island, Ajeltake Road, Majuro, Marshall Islands MH 96960 – owns 57.84 % of capital, starting from 11.04.2012 - 43 % Gints Feņuks - owns 28.07 % of capital, starting from 11.04.2012 - 43 % Ints Kalniņš - owns 0.64 % of capital, starting from 11.04.2012 - 1 % SIA „Nekustamā īpašuma projektu aģentūra” owns 13.45 % of capital, starting from 11.04.2012 – 3 % |
| Board | Jānis Lāma – Member of the Board |
| Council as of 11.08.2010 | Pēteris Avotiņš – Chairman of the Council Gints Feņuks – Deputy Chairman of the Council Dmitrijs Čeļebijs – Member of the Council |
| Pārskata gads | 2011. gada 1. janvāris - 31. decembris |
| Information about subsidiary compenies | SIA „VEF Komunikāciju serviss” (Ltd.), Address: Brīvības gatve 214, Rīga, LV-1039; Share – 58% OOO „Goldinvest Asset Menedzment” (Ltd.), Address: 11933, Moscow, Lenin's Prospect 37A-24; Share – 100 % |
| Information about branch office | Goldinvest Asset Management Vilnius Filialas, Address: Kalvariju g.3/A Juozapavičiaus g.1, Vilnius |
| Accountancy | SIA „Baricentrs” (Ltd.) NMNR LV40003511763 Address: Biķernieku iela 12b-81, Riga, LV – 1039 |
| Auditor | SIA „D. Daņēvičas revidentu birojs” (Ltd.) Licence No 33 Address: Tērbatas iela 6/8-75, Rīga, LV – 1050 Latvia |

**AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011**

Auditor in charge

Dagnija Daņēviča
Certified auditor
Certificate No 72

Management report

Type of economic activity

The main activities of the Goldinvest Asset Management AS (the Company) include dealing in investment gold, silver, platinum and palladium, trading with collectors' accessories, provision of precious metal expert and storage services, as well as transactions with precious metal-bearing materials and their recycling on the basis of the Latvian and international legislation.

Operation of the Company in the accounting year

Over the year 2011, the company's revenue grew to **LVL 5 252 363**, an increase of LVL 1 971 379, when compared with the previous year. The company concluded the year with profits of LVL 105 049 (LVL 0.12 per share), an increase of 103 598 over the previous year.

The value of Goldinvest assets in 2011 increased by 38% and by the end of the year amounted to **LVL 2 019 272**. To compare – at the end of 2010 the value of assets was LVL 1.46 million. In 2011, the credit line extended to the Company by the "SEB Bank" was increased to EUR 350 000.

The profit decline, compared to the unaudited preliminary annual report, is explained by the fact that the Lithuanian subsidiary specified and summarised its expenditure, not entirely included in the preliminary results, because in the Republic of Lithuania a longer period of time is allowed for preparation of reports. During the reporting year, adjustments were made in the interest due on loans to the VEF Communication Service, calculated in 2009, which was also one of causes of the profit decline. The corporate income tax estimated in 2010 profit and loss was not calculated and included in the Preliminary Report, because the corporate income tax statement is prepared in accordance with the Law on Corporate Income Tax and the calculation procedure – after the report is ready, under the Law on the Annual Reports including all statutory provisions.

During the reporting period the company has increased its equity capital up to LVL 855 000 through capitalization of loans of shareholders and attracting a new shareholder SIA "Nekustamā Īpašuma Projektu Aģentūra".

On March 22, 2011, the company's shares were listed in North First list of NASDAQ OMX Riga exchange. The Company is the first in the Baltics using opportunity to quote its shares at this exchange. The quotation of shares was started to inform the potential investors and ensure a wide publicity, and to determine the potential value of the stocks and the company.

To reduce the risks, when purchasing the raw materials containing precious metals, the company has purchased the analysis and pre-treatment equipment in value of over EUR 22 000.00. The analysis equipment allows for rapid determination of precious metal content, in turn, the samples are prepared for analysis during the pre-treatment processing.

In cooperation with the SEB bank, and within the framework of customer service quality and loyalty, the Latgold VISA card was launched — a loyalty card combining a payment card and customer loyalty programs.

The two stores of the company — at the Brīvības gatve 214 and in the t/c Galleria Rīga at the Dzirnāvu Street 67, in Rīga, continue to operate successfully. In addition, customers can make orders at the company's online store at www.latgold.lv as well as at the branch in Vilnius, Lithuania, and a subsidiary firm in Moscow, Russian Federation.

AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011

Financial risk management

The Company may be affected by several financial risks, including credit risk, foreign currency rate, fluctuation risk of precious metal prices and interest rates. The Company management carries out measures to minimize the potential adverse impact of the financial risks on the financial performance of the Company. Risk factors to the Company are inability to prognosticate sales amounts of goods and services in long term, price fluctuations of precious metals in global markets, fluctuations of currency exchange rate, especially of LVL/USD, LVL/EUR, USD/EUR, and quality of purchased scrap metals containing precious metals. Also, limiting regulatory enactments of different countries for circulation of precious metals.

Financial means that may have an adverse impact on concentration level of credit risk are mainly cash and debts of clients and customers. The Company has introduced and follows credit policy, i.e. the Company sells services on credit only to clients with good credit history and not exceeding the credit ceiling set for each client. The debts of clients and customers are presented in their retrievable value. Company partners in financial transactions are local financial institutions with respective credit history.

Results of economic activity of the Company are directly dependent on the amount and price of sold goods and rendered services. With the amount and price of sales falling, also the financial performance of the Company will worsen.

One of the main risks is influence of macroeconomic processes on the Company, as a result of which expenses of offered goods and services may increase. Also, cycle of macroeconomics in Latvia and the world may notably affect operation of the Company.

Branches and representative offices abroad

The company has established a branch in Vilnius, Lithuania, which is working successfully. The Vilnius branch carries out market research and actively promotes the services of the Company. Several distribution agreements have been made with a number of Lithuanian companies for the rights to sell investment gold. The company's services are used by the Lithuanian customers.

During the year, the company has become a partner of the Bank of Lithuania in distribution of coins issued in Lithuania.

The Moscow subsidiary company reorganization took place in 2011, increasing the amount of shares owned by the Company in the Russian OOO Goldinvest Asset Management from 99% to 100%.

The main tasks of the subsidiary company in the initial period are to identify potential customers in the Russian Federation and CIS countries, advertising the company services and opportunities, to establish partnerships with local companies, and financial and processing companies, to gather and evaluate the local legal base (including the custom's legislation), which may affect the Company's operation.

Events after balance sheet date

Over the time period from the last date of the reporting year to the date of signature of this Report, no significant events have taken place, which might essentially affect the result of the reporting year.

AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011

Future outlook

In 2012, Goldinvest plans to continue the ongoing projects, focusing especially on the following activities:

- increasing the equity capital of the Company and activation of quotation of shares on the list of alternative share market NASDAQ OMX Riga First North;
- to improve the quality of customer service, achieving faster and more efficient servicing of customer orders by introducing new possibilities in the e-shop service and procedure of payments;
- to implement new and innovative solutions in trade of investment gold and precious metals;
- promotion of growth of the subsidiary company in Russia, supplying customers with different types of precious metals, as well as through purchase and exports of raw materials containing precious metals;
- to increase the number of customers in the Republic of Lithuania by studying the needs and demand of Lithuanian customers. To open a trade and purchase center of precious metals in the Republic of Lithuania;
- to improve expertise system of raw materials of precious metals with the aim to exclude and eliminate errors in determination of content of precious metals by purchasing and equipping a laboratory in Riga;
- to study and research other alternative supply sources and regions of raw materials containing precious metals in Northern Europe and Ukraine;
- planning to increase the turnover by 20% in excess of LVL 6 million;
- planning to increase the profits in 2012 to LVL 150 000.



Jānis Lāma
Member of the Board

In Riga, 28 April, 2012

The Annual Report was approved by the Shareholders' meeting on the 30 April, 2012

AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011

Profit and Loss Statement 2011

| | Annex | 2011 LVL | 2010 LVL |
|---|--------------|-----------------------|----------------------|
| 1. Net turnover | 1 | 5 252 363 | 3 280 984 |
| 2. Production expenses for sold goods | 2 | (4 916 344) | (3 193 759) |
| 3. Gross profit | | <u>336 019</u> | <u>87 225</u> |
| 4. Cost of sales | 3 | (78 819) | (76 451) |
| 5. Administrative expenses | 4 | (60 159) | (31 765) |
| 6. Other interest receivable and similar income | 5 | 2 686 | 67 204 |
| 7. Interest payable and similar charges | 6 | (69 679) | (39 477) |
| 8. Profit before taxation | | <u>130 048</u> | <u>6 736</u> |
| 9. Corporate income tax for the accounting year | 25 | (24 999) | (5 285) |
| 10. Total profit or loss | | <u>105 049</u> | <u>1 451</u> |

Annexes on pages 13 - 25 are an integral part of the present report.



Jānis Lāma
Member of the Board

In Riga, 28 April, 2012

AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011

Balance Sheet on 31 December, 2011

| | Annex | 31.12.2011. LVL | (1) 31.12.2010. LVL |
|---|--------------|----------------------------------|--|
| Assets | | | |
| Long-term investments | | | |
| I Intangible assets: | | | |
| Concessions, patents, licenses, brand names and similar rights | | 273 | 906 |
| Intangible assets, total: | 7 | 273 | 906 |
| II Fixed assets: | | | |
| Other fixed assets and inventory | | 35 988 | 12 670 |
| Fixed assets, total: | 8 | 35 988 | 12 670 |
| III Long-term financial investments: | | | |
| Participation in capital of related undertakings | 9 | 234 385 | 234 385 |
| Loans to related undertakings | 10 | 273 934 | 273 934 |
| Other long-term debtors | 11 | - | 65 520 |
| Other securities and investments in capital | 12 | 484 861 | 484 861 |
| Long-term financial investments, total: | | 993 180 | 1 058 700 |
| Long-term investments, total: | | 1 029 441 | 1 072 276 |
| Current assets | | | |
| I Reserves: | | | |
| Finished products and goods for sale | | 352 816 | 188 234 |
| Advance payments for goods | | 2 004 | 2 030 |
| Reserves, total: | 13 | 354 820 | 190 264 |
| II Debtors: | | | |
| Debts of customers and clients | 14 | 599 966 | 164 313 |
| Other debtors | 15 | 19 983 | 9 873 |
| Short-term loans to the Company management | 16 | - | 10 781 |
| Deferred costs | 17 | 2 108 | 1 856 |
| Debtors, total: | | 622 057 | 186 823 |
| IV Cash: | 18 | 12 954 | 9 000 |
| Current assets, total: | | 989 831 | 386 087 |
| <u>Assets, total</u> | | <u>2 019 272</u> | <u>1 458 363</u> |

Annexes on pages 13 - 25 are an integral part of the present report.

AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011

Balance Sheet on 31 December, 2011

(2)

| | Annex | 31.12.2011. LVL | 31.12.2010. LVL |
|---|-------|-------------------------|-------------------------|
| <u>Liabilities</u> | | | |
| Equity capital: | | | |
| Equity or share capital (equity capital) | 19 | 855 000 | 300 000 |
| Reserves: | | | |
| a) other reserves | | | - |
| Retained earnings | | | |
| a) retained earnings from previous years | | 1 302 | (149) |
| b) retained earnings from accounting year | | 105 049 | 1 451 |
| Equity capital, total: | | 961 351 | 301 302 |
| Reserves | | | |
| Other reserves | 20 | 17 422 | 11 813 |
| Reserves, total | | 17 422 | 11 813 |
| Creditors: | | | |
| Long-term creditors: | | | |
| Other loans | | 190 633 | 189 080 |
| Loans from financial credit institutions | | 5 173 | - |
| Long-term creditors, total: | 21 | 195 806 | 189 080 |
| Short-term creditors: | | | |
| Loans from financial credit institutions | 22 | 257 028 | 167 582 |
| Loans to be turned into shares | 23 | - | 555 000 |
| Other loans | 24 | 266 002 | 50 989 |
| Settlements for received advance payments | | 140 560 | - |
| Trade accounts payable | | 148 647 | 177 491 |
| Taxes and mandatory state social security contributions | 25 | 25 126 | 2 287 |
| Other loans | 26 | 7 330 | 2 819 |
| Short-term creditors, total: | | 844 693 | 956 168 |
| Creditors, total | | 1 040 499 | 1 145 248 |
| <u>Liabilities, total</u> | | <u>2 019 272</u> | <u>1 458 363</u> |

Annexes on pages 13 - 25 are an integral part of the present report.



Jānis Lāma
Member of the Board

In Riga, 28 April, 2012

**AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011**

Overview of changes in the equity capital in 2010 and 2011

| | Equity capital LVL | Other reserves LVL | Retained earnings LVL | Total LVL |
|---|-----------------------|--------------------------|-----------------------------|----------------|
| Balance as at 31 December 2009 | 300 000 | - | (149) | 299 851 |
| Profit for the accounting year | - | - | 1 451 | 1 451 |
| Balance as at 31 December 2010 | 300 000 | - | 1 302 | 301 302 |
| Increased equity capital | 555 000 | - | - | 555 000 |
| Profit of the accounting year | - | - | 105 049 | 105 049 |
| Balance as at 31 December 2011 | 855 000 | - | 106 351 | 961 351 |

Annexes on pages 13 - 25 are an integral part of the present report.



Jānis Lāma
Member of the Board

In Riga, 28 April, 2012

AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011

Overview of cash flow in 2010 and 2011

| | 2011 | 2010 |
|--|------------------|-----------------|
| | LVL | LVL |
| I. Cash flow of the basic economic activity | | |
| 1. Profit or loss before taxation | 130 048 | 6 736 |
| <u>Adjustments:</u> | | |
| a) depreciation of fixed assets | 7 199 | 9 866 |
| b) changes in reserves | 5 609 | 2 477 |
| c) income from interest | (762) | (23 358) |
| d) interest expenses | 61 065 | 30 512 |
| e) profit or loss from fluctuations of foreign currency Exchange rate | - | (10 943) |
| | 203 159 | 15 290 |
| <u>Adjustments:</u> | | |
| a) (Increase)/ decrease of debts of the clients and customers | (446 891) | (109 986) |
| b) (Increase)/ decrease of reserves | (164 556) | 7 002 |
| c) (Increase)/ decrease of debts to suppliers and other creditors | (566 408) | 49 219 |
| 2. Gross cash flow of the basic economic activity | (974 696) | (38 475) |
| Interest expenses | (11 287) | (14 330) |
| Paid Corporate Income Tax | (3 506) | (2 337) |
| 3. Net cash flow of the basic economic activity | (989 489) | (55 142) |
| II. Cash flow of investment activity | | |
| Purchase of fixed assets and intangible assets | (29 884) | (9 940) |
| Paid for investments | - | (185) |
| Granted loans | - | (10 781) |
| Repaid loans | 10 781 | - |
| Received interest | 762 | 21 558 |
| 3. Net cash flow of investment activity | (18 341) | 652 |
| III. Cash flow of financing activity | | |
| Received/ repaid loans, net | 1 012 704 | 54 697 |
| Expenses for redemption of a leased fixed asset | (920) | (5 455) |
| Net cash flow of financing activity | 1 011 784 | 49 242 |
| IV. Balance due to foreign currency fluctuations | - | 10 943 |
| Increase/ (decrease) of net cash and its equivalents of the accounting year | 3 954 | 5 695 |
| Balance of net cash and its equivalents at the beginning of the accounting year | 9 000 | 3 305 |
| Balance of net cash and its equivalents at the end of the accounting year | 12 954 | 9 000 |

Annexes on pages 13 - 25 are an integral part of the present report.



Jānis Lāma
Member of the Board

In Riga, 28 April, 2012

Annex

Accounting policy

(a) General principles

The Annual report is elaborated in line with the Law on Accountancy and the Law on Annual Reports of the Republic of Latvia and according to Latvian accountancy standards. The profit or loss account is elaborated according to the function of expense method.

Overview of the cash flow is elaborated according to the indirect method.

In comparison with the previous year, the accounting and valuation methods used by the Company have not been changed.

(b) Applied accounting principles

Items of financial reports have been assessed in line with the following accounting principles:

a) It is assumed that the Company will operate also in future.

b) The same assessment methods as last year have been used.

c) Assessment has been performed with due caution:

- only profit gained only until the balance sheet date has been included in the report;
- all predictable risk amounts and losses that have occurred in the accounting year or previous years have been taken into account, even if they were found between the balance sheet date and the day of preparation of the report;
- all value decrease and depreciation amounts have been calculated and taken into account, regardless of whether the accounting year is concluded with profit or loss.

d) Income and expenses related to the accounting year have been taken into account, regardless of the payment date, or reception or issue date of invoice. Expenses have been harmonized with income in the accounting period.

e) Contents of assets and liabilities items have been assessed separately.

f) Opening balance of the accounting year corresponds to the closing balance of previous year.

g) All items notably affecting assessment of users or decision making of the accounting year have been stated, low-significance items are joined and their details are provided in annex.

h) Economic transactions in the annual report have been presented taking into account their economic content and essence, not legal form.

(c) Income acknowledgement and net turnover

Net turnover is the value sum of the products and services sold over the year, deducting any discounts and value added tax. The income from sales of products is acknowledged, when the customer has accepted the goods according to delivery conditions thereof. The income from sales of services is acknowledged, when the service is provided.

(d) Conversion of foreign currency into Lats

Accountancy of Komunikaciju centrs Ltd is in Latvian Lats. All transactions in foreign currency are converted into Lats according to the official currency rate set by the Bank of Latvia at the very day of transaction. Monetary assets and liabilities in foreign currency are converted into Lats according to the official currency rate set by the Bank of Latvia on the last day of the accounting year. Profit or loss due to conversion of the value of transactions, monetary assets and liabilities is included in the profit or loss account for the respective period

| | 31.12.2011. | 31.12.2010. |
|-------|--------------------|--------------------|
| | LVL | LVL |
| 1 USD | 0.544000 | 0.535000 |
| 1 EUR | 0.702804 | 0.702804 |
| 1 LTL | 0.204000 | 0.204000 |

(e) Investments

**AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011**

Subsidiary company

Subsidiary company is a company controlled by parent company that can determine financial and operational policy of the company to benefit from activity of the company.

Share in subsidiary company is initially acknowledged in purchase expenses. If value of share on the balance sheet date is lower than purchase expenses or assessment in the balance sheet of previous year, and the decrease of value is expected to last, it is assessed according to the lowest value.

(f) Intangible assets and fixed assets

Intangible assets and fixed assets are presented at their purchase value, deducting accrued depreciation and accrued decrease of value. The purchase value includes all and any costs, which are directly related to the purchase of the intangible or fixed asset. The purchase value of licenses intended for purchased software includes the license purchase value and costs in relation to the introduction of these for further use.

The depreciation of other assets is calculated according to the straight-line method over the useful period of use of the respective intangible or fixed assets, in order write off the purchase value of the intangible or fixed assets till the estimated value thereof by the end of its useful life, applying the following rates set by the management:

| | % per annum |
|---------------------------------------|--------------------|
| Intangible assets | 33 |
| Technologies | 20-50 |
| Other devices and equipment, vehicles | 10-25 |

In case the book value of any intangible or fixed asset exceeds its retrievable value, the value of the respective intangible or fixed asset is immediately written off till its retrievable value. The retrievable value is higher than the actual value of the respective intangible or fixed asset, deducting cost of sales or usage values.

Further costs are included in the assets of the balance sheet or acknowledged as a separate asset only, where there is high probability that the future commercial benefits in relation with this item will flow into the company and the costs of this budget line may be truthfully identified. Such costs are written off within the residual useful life of the respective fixed asset. Where the set reserve part costs are capitalized, the residual value of the substituted part is written off in the profit or loss account. Running repair and maintenance costs of the fixed assets are included in the respective profit or loss account, when the costs existed.

Profit or loss from exclusion of fixed assets is calculated as a balance between the book value and the income from the sale thereof, and is included in the respective profit or loss account, when the income was generated.

(h) Reserves

Reserves are indicated in the lowest from costs or net sales value. The costs are calculated according to the FIFO method. Net sales value is a sales price of the reserves, which is determined during the normal operation of a company, deducting completion costs and cost of sales from the price. In case where the net sales value of the reserves is less than their costs, accruals for these reserves are created in order to decrease their value till net sales value.

(i) Debtors debts

The debtors' debts in the balance sheet are presented in the amortized purchase value, deducting accruals for the value decrease. Accruals for the value decrease are created in cases, when there is reasonable evidence that the Company will not receive the debts in full value according to the initially set payback deadlines. The accrual volume is the balance between accounting sum of the debtors' debt and the retrievable value thereof..

AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011

(j) Taxes

The corporate income tax costs for the accounting year are included in the financial report, based on calculations made by the management according to existing tax laws and regulations of the Republic of Latvia.

(k) Cash and its equivalents

Cash and its equivalents consist of cash in hand and cash at bank.

(l) Corporate income tax

The calculated corporate income tax is calculated according to conditions of the Law on Corporate Income Tax, determining income subject to taxation and applying the official 15% tax rate.

(m) Financial risk management

Based on existing proportion of financial assets and liabilities in foreign currency, the currency risk is insignificant.

(n) Accrued liabilities

Accruals are intended for the covering of particular losses, liabilities or costs of the present or previous accounting years, and which are forecast or reasonably known, but the volume or incurring of liabilities and the coverage date thereof are unclear, at the time the present annual report is elaborated.

As at the end of the accounting year the following accruals are created:

Accrued liabilities for unused annual leave are calculated according to number of days of unused annual leave as at 31 December 2010 and the average daily salary during the last six months of the accounting year;

(o) Deferred tax liabilities

Deferred corporate income tax was calculated for temporary balance due to time deviation, which arises due to the differences between values of assets and liabilities in the financial reports and the value thereof for tax base. The deferred tax was calculated according to the official 15 % rate. The said balances have mainly arisen due to different fixed assets' depreciation rates, which are applied for commercial and tax accounting. The deferred tax asset based on caution principle is not acknowledged.

| | 2011 | 2010 |
|---|--------------|--------------|
| | LVL | LVL |
| Temporary differences in the depreciation rates | (1 537) | (158) |
| Other temporary differences | 2 613 | 1 772 |
| Provision for deferred tax (liability) / asset | 1 076 | 1 614 |

(p) Related parties, transactions with related parties

A party is deemed related with the Company, where:

- a) The Party either directly or indirectly controls, is being controlled of is jointly controlled with the Company (parent companies, affiliates and other holding affiliates), the Party owns shares, which entitles it to a significant hold of the Company, or the Party has a joint control over the Company;
- b) Party is an associated undertaking of the Company;
- c) Party is a partnership, in which the Company is a member thereof;
- d) Party is member of the board of the Company or its parent company;
- e) Party is a close family member of any natural person subject to a) or d);
- f) Party is a company, which is controlled, jointly controlled or which is under significant impact of natural persons according to d) and e), or which either directly or indirectly owns significant rights to vote through either any of d) or e) natural person.

AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011

(1) Net turnover

Turnover is the income generated from basic economic activities of the Company during the period of one year – production sales, deducting any discounts and value added tax..

| | 2011 | 2010 |
|--|-------------------------|-------------------------|
| | LVL | LVL |
| Income from sales of investment gold and other precious metals and precious metal-containing secondary materials | 5 231 366 | 3 280 816 |
| Income from the Lithuanian Subsidiary | 20 997 | - |
| Other income | - | 168 |
| | <u>5 252 363</u> | <u>3 280 984</u> |

Net sales by geographical markets:

| | 2011 | 2010 |
|------------------|-------------------------|-------------------------|
| | LVL | LVL |
| Baltic countries | 1 470 361 | 724 689 |
| Other EU states | 2 598 402 | 2 103 133 |
| CIS countries | 112 798 | 272 335 |
| Other countries | 1 070 802 | 180 827 |
| | <u>5 252 363</u> | <u>3 280 984</u> |

(2) Production expenses for sold goods

This item presents costs related to reaching the net turnover – costs of goods or services in the production or purchase cost price and costs related to the purchase of goods/ services:

| | 2011 | 2010 |
|---|-------------------------|-------------------------|
| | LVL | LVL |
| Investment gold, recycled materials of other precious metals and containing precious metals | 4 822 691 | 3 113 557 |
| Service costs | 23 741 | 29 853 |
| Transportation of goods | 5 165 | 6 660 |
| Payroll | 49 878 | 32 631 |
| Reserves for leave | 2 044 | 1 996 |
| Statutory social insurance dues | 12 515 | 8 478 |
| Commercial risk due | 28 | 22 |
| Non-deductible input tax | 282 | - |
| Other external costs | - | 562 |
| | <u>4 916 344</u> | <u>3 193 759</u> |

(3) Cost of sales

| | 2011 | 2010 |
|----------------------------------|-------------|-------------|
| | LVL | LVL |
| Advertisement costs | 13 351 | 18 507 |
| Insurance payments | 4 221 | 3 001 |
| Household costs | 1 058 | 3 675 |
| Business trip costs | 8 281 | 5 746 |
| Office rent and utilities' costs | 12 656 | 9 646 |

**AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011**

| | | |
|------------------------------|---------------|---------------|
| Depreciation of fixed assets | 6 718 | 9 387 |
| Staff training | 240 | 310 |
| Other sales costs | 1 748 | 2 473 |
| Lithuanian Subsidiary costs | 30 546 | 23 706 |
| | <u>78 819</u> | <u>76 451</u> |

(4) Administrative expenses

| | 2011 | 2010 |
|----------------------------------|---------------|---------------|
| | LVL | LVL |
| Legal advice | 16 674 | 5 816 |
| Accountancy service | 3 370 | 3 773 |
| Annual report and audit services | 1 600 | 1 000 |
| Communication costs | 3 160 | 3 970 |
| Office costs | 12 955 | 7 061 |
| Cash turnover extra costs | 13 237 | 5 262 |
| Transport costs | 7 853 | 4 740 |
| Representation costs | 1 310 | 143 |
| | <u>60 159</u> | <u>31 765</u> |

(5) Other interest income and similar income

| | 2011 | 2010 |
|--|--------------|---------------|
| | LVL | LVL |
| Interest income | 762 | 23 358 |
| Income from currency and investment gold market price fluctuations | - | 7 186 |
| Income from currency fluctuations - net | - | 10 943 |
| Received penalty fees | - | 7 |
| Other income | 1 924 | 25 710 |
| | <u>2 686</u> | <u>67 204</u> |

(6) Interest payments and similar expenditures

| | 2011 | 2010 |
|--------------------------------------|---------------|---------------|
| | LVL | LVL |
| Paid interest | 61 065 | 14 076 |
| Reversed previously accrued interest | - | 16 436 |
| Paid penalty fees | 8 | 39 |
| Other costs | 8 606 | 8 926 |
| | <u>69 679</u> | <u>39 477</u> |

(7) Intangible assets

| | Software | Total |
|----------------------|-----------------|--------------|
| | LVL | LVL |
| Initial value | | |
| 31.12.2009. | 2 709 | 2 709 |
| Purchase value | 40 | 40 |

AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011

| | | |
|-------------------------------------|--------------|--------------|
| 31.12.2010. | 2 749 | 2 749 |
| Purchase value | - | - |
| 31.12.2011 | 2 749 | 2 749 |
| Depreciation | | |
| 31.12.2009. | 1 089 | 1 089 |
| Calculated for 2010 | 754 | 754 |
| 31.12.2010. | 1 843 | 1 843 |
| Calculated for 2011. | 633 | 633 |
| 31.12.2011. | 2 476 | 2 476 |
| Book value as on 31.12.2010 | 906 | 906 |
| Book value as on 31.12.2011. | 273 | 273 |

(8) Fixed assets

| | Other fixed assets and inventory | Total |
|--|---|---------------|
| | LVL | LVL |
| Initial value | | |
| 31.12.2009. | 41 400 | 41 400 |
| Purchased | 10 123 | 10 123 |
| Excluded | (223) | (223) |
| 31.12.2010. | 51 300 | 51 300 |
| Purchased | 29 902 | 29 902 |
| Excluded | (18) | (18) |
| 31.12.2011. | 81 184 | 81 184 |
| Depreciation | | |
| 31.12.2009. | 29 518 | 29 518 |
| Calculated for 2010 | 9 112 | 9 112 |
| 31.12.2010. | 38 630 | 38 630 |
| Calculated for 2011 | 6 566 | 6 566 |
| 31.12.2011. | 45 196 | 45 196 |
| Net book value as at 31.12.2010 | 12 670 | 12 670 |
| Net book value as at 31.12.2011 | 35 988 | 35 988 |

(9) Investments in subsidiaries

| | |
|--|----------------|
| Book value as at 31.12.2010 | LVL |
| Purchase in 2011 | 234 385 |
| Liquidation or sales in 2011 | |
| Dividends calculated 2011 | |
| Foreign exchange rate fluctuations due to foreign investment revaluation | |
| Book value as at 31.12.2011 | 234 385 |

| Firm | Shares on 31.12.2011 | Purchase valuea | Investment book value on 31.12.2011 | Subsidiary's equity capital value on uz 31.12.2011 | Subsidiary's profit in accounting year |
|-------------|---------------------------------|----------------------------|--|---|---|
| | % | LVL | LVL | LVL | LVL |

**AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011**

| | | | | | |
|--|----------|----------------|----------------|------------------|-----------------|
| Russian Company GoldInvest Asset Management OOO (Ltd.), Moscow, registration number 770201001 | 100 | 185 | 185 | (3 440) | (3 493) |
| SIA „VEF Komunikāciju Serviss” (Ltd.) Brīvības gatve 214, Rīga, Unified reg.No 40003514685 | 58 | 234 200 | 234 200 | 1 525 087 | 1 700 |
| | x | 234 385 | 234 385 | 1 521 647 | (1 793) |

In order to use the rights to vote for additional 14% of the shares of the VEF „Komunikāciju Serviss”, a task for voting from physical entity Guntis Lipiņš should be received. The condition is valid until the Company makes the final payment to Guntis Lipiņš for purchase of shares of “VEF Komunikāciju Serviss” Ltd and “VEF” JSC. Pursuant to contract concluded with Guntis Lipiņš, payment should be performed until 31 December 2012.

(10) Loans to affiliated undertakings

| | | | |
|------------------------------------|-----------------|----------------|-----------------|
| Book value as at 31.12.2010 | | LVL | 273934 |
| Amounts lent 2011.gadā | | | |
| Amounts repaid 2011.gadā | | | |
| Loan outstanding value 31.12.2011 | | | 273 934 |
| Book value as at 31.12.2011 | | | 273 934 |
| Loans by currency: | | | |
| | 2011 | | 2010 |
| | Currency | LVL | Currency |
| LVL | | 273 934 | 273 934 |
| | | 273 934 | 273 934 |

As a result of cession, the Company overtook the residual debt from another legal entity “VEF Komunikāciju Serviss” Ltd in the amount of LVL 273 934 issued by founder of the Company Barrow Consulting Ltd. Pursuant to conditions of loan contract and agreement, the interest-free debt should be repaid by 2014. The loan is not subject to loan guarantee.

(11) Other long-term debtors

| | |
|------------------------------------|---------------|
| Book value as at 31.12.2010 | 65 520 |
| Purchase in 2011 | - |
| Purchase value as at 31.12.2011 | - |
| Loan adjustments | 65 520 |
| Book value as at 31.12.2011 | - |

AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011

During the reporting period, in accordance with the Netting Agreement of 11 May, 2011, a credit assignment of the debt 120 000 USD or 65 520 LVL (in accordance with the promissory notes 1,567,636 AA) of the Ukrainian company Sermeta Corporation, registration code 319577797, to company founder Barrow Consulting Ltd. was carried out. According to the terms of the Netting Agreement, Barrow Consulting Ltd. deletes the appropriate amount of claim against the Company.

(12) Other securities and capital investments

| | LVL |
|--|----------------|
| Book value as at 31.12.2010 | 484 861 |
| Purchase in 2011 | |
| Purchase value as at 31.12.2011 | |
| Revaluation reserve as at 31.12.2011 | |
| Accrued losses due to revaluation as at 31.12.2011 | |
| Book value as at 31.12.2011 | 484 861 |

As on 31 December, 2011, the Company has a significant hold in the “VEF” JSC, where it owns 426 377 voting shares. In order to use the rights to vote for 164 051 VEF shares of closed emission, a task for voting from physical entity Guntis Lipiņš should be received. The condition is valid until the Company makes the final payment to Guntis Lipiņš for purchase of shares of “VEF Komunikāciju Serviss” Ltd and “VEF” JSC. Pursuant to contract concluded with Guntis Lipiņš, payment should be performed until 31 December 2012. Until fulfillment of the contract, 164 051 shares of VEF JSC are registered in the internal shareholder register of VEF JSC on the name of Company.

The purchase value of investments is presented, based on the opinion of the management that the investments are not kept with the aim to sell these and there is no set deadline.

According to the abovementioned assumptions the securities are not adjusted according to the market price as at the balance sheet day.

(13) Reserves

| | 2011 | 2010 |
|---|----------------|----------------|
| | LVL | LVL |
| Investment gold, recycled materials of other precious metals and materials containing precious metals | 352 816 | 188 234 |
| Advance payments for goods | 2 004 | 2 030 |
| | 354 820 | 190 264 |

(14) Trade and other receivables

| | 2011 | 2010 |
|---------------------------------|----------------|----------------|
| | LVL | LVL |
| Book value of trade receivables | 599 966 | 164 313 |
| | 599 966 | 164 313 |

(15) Other debtors

| | 2011 | 2010 |
|------------------------------|---------------|--------------|
| | LVL | LVL |
| Non-cash settlements | 64 | - |
| Payments to other debtors | 8 751 | 5 793 |
| Overpaid taxes (see Note 25) | 11 168 | 4 080 |
| | 19 983 | 9 873 |

AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011

(16) Loans to Company shareholders and management

| Loans by currencies: | 2011 | | 2010 | |
|----------------------|----------|-----|----------|--------------|
| | Currency | LVL | Currency | LVL |
| USD | - | - | 2505 | 1340 |
| EUR | - | - | 5000 | 3514 |
| LVL | - | - | - | 5927 |
| | | | | <u>10781</u> |

(17) Deferred expenses

| | 2011 LVL | 2010 LVL |
|-------------------|--------------|--------------|
| Deferred expenses | 2 108 | 1 856 |
| | <u>2 108</u> | <u>1 856</u> |

(18) Cash

| | 2011 LVL | 2010 LVL |
|--------------|---------------|--------------|
| Cash at bank | 5 549 | 5 167 |
| Cash in hand | 7 405 | 3 833 |
| | <u>12 954</u> | <u>9 000</u> |

(19) Equity capital

On 31 December 2011, equity capital of the Company in the amount of LVL 855 000 has been registered, consisting of 855 000 ordinary dematerialized registered shares with the nominal value of LVL 1 each. The equity capital was increased on 11 January, 2011.

(20) Other accruals

| | 2011 LVL | 2010 LVL |
|-----------------------------------|--------------|---------------|
| Accruals for unused annual leaves | 14619 | 9 502 |
| Accruals for payable taxes | 2803 | 2 311 |
| | <u>17422</u> | <u>11 813</u> |

(21) Long-term share of the loans

| | 2011 LVL | 2010 LVL |
|--|----------------|----------------|
| Credit line from shareholder non-resident* | 190 633 | 160 658 |
| Long-term share of loans from credit institutions | 5 173 | - |
| Loans from a physical person of the Republic of Latvia | - | 28 422 |
| | <u>195 806</u> | <u>189 080</u> |

* A contract on Credit line of 25 September 2000 with amendments of 24 April 2006 for sum of the Credit line 1 500 000 USD, due as by 1 October 2015, annual interest rate is 3 %. At the end of the year the basic amount is LVL 190 633.

(22) Loans from credit institutions

| | 2011 LVL | 2010 LVL |
|--|-------------|-------------|
|--|-------------|-------------|

**AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011**

| | | |
|---------------------|----------------|----------------|
| JSC SEB Credit line | 249 267 | 167 582 |
| JSC SEB credit | 7 761 | - |
| | <u>257 028</u> | <u>167 582</u> |

Credit line:

The Credit line contract was concluded with JSC "SEB banka" on 21st July 2008. As on 31 December 2011 the credit amount spent is LVL 249 267. . The repayment term of the Credit line is 20 July 2012, and the annual interest rate is 3 month EURIBOR + 4%.The guarantor of the liabilities is a legal entity of the Republic of Latvia, and a financial collateral agreement VZ 08214/FK-1 for all funds. Also all the stocks are pledged in value of LVL 350000 vērtībā.

Loan agreement:

Loan agreement with the JSC SEB Bank was signed on the 22nd July, 2011h. On the 31st December 2011., the loan balance is LVL 12 934. The intended use of the loan - the asset purchase. Loan repayment term is the 22nd July 2013, and the annual interest rate is 3 month EURIBOR + 3.50%. The guarantor of another legal entity with the Ministry pledge contract no. VZ11195/H-1

(23) Loans to be turned into shares

| | 2011 | 2010 |
|---|-------------|----------------|
| | LVL | LVL |
| Gints Feņuks | - | 90 000 |
| SIA „Nekustamā īpašuma projektu aģentūra” | - | 115 000 |
| Barrows Consulting LLC | - | 350 000 |
| | <u>-</u> | <u>555 000</u> |

Increase of equity capital registered on 11 January 2011.

(24) Other loans

| | 2011 | 2010 |
|--|----------------|---------------|
| | LVL | LVL |
| Loan from resident of Latvia – physical entity | 136 762 | 2 802 |
| Loan from resident of Latvia – legal entity * | 57 189 | 1 891 |
| Loan from resident of Latvia – legal entity** | 38 218 | 45 381 |
| Loans from a physical person of LR | 33 833 | - |
| Financial leasing liabilities *** | - | 915 |
| | <u>266 002</u> | <u>50 989</u> |

* The loan agreement with SIA „Nekustamā īpašuma Projektu aģentūra” (Ltd.) was concluded on 8 January 2008 for the total sum - EUR 240 000. The repayment term of the loan is 28 May, 2013, the annual interest rate is 10 % from the amount of the loan. The loan is not secured by any collateral. The principal amount as on the end of the year is LVL 57 189.

** A loan agreement with SIA “JO Investīcijas” (Ltd.) was concluded on 10 July 2008 for the total sum – EUR 60 000; the annual interest rate is 20% of the loan for the time period of its use. A possessory pledge contract RKL – 100708JO serves as security of the loan, whereby investment gold in the value corresponding to the loan amount is transferred to storage to the pledgee.

***Financial leasing contract No KZ06038 of the 24 February 2006 with SIA "SEB Leasing" (Ltd.) on purchase of the motor car Volvo XC90. The interest rate is 5.41% of the residual value. The term of the contract is 15 February 2011. At the time of preparation of this Annual Report there are no financial leasing liabilities.

(25) Taxes and mandatory state social insurance contributions

| VAT | State social insurance contributions | Personal income tax | CIT | Commer cial risk fee | Total |
|-----|--|------------------------|-----|----------------------------|-------|
|-----|--|------------------------|-----|----------------------------|-------|

**AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011**

| | LVL | LVL | LVL | LVL | LVL |
|---------------------------------|---------------|--------------|--------------|---------------|-----------------|
| Overpaid 31.12.2010. | 3 200 | - | - | 876 | 4 080 |
| Debt 31.12.2010. | - | 1 157 | 1 130 | - | 2 287 |
| Calculated for 2011. | 106 774 | 17 513 | 8 686 | 24 999 | 29 |
| Paid in 2011 | 114 738 | 16 089 | 7 888 | 3 506 | 28 |
| Overpaid 31.12.2011. | 11 164 | - | - | - | 5 11 169 |
| Debt 31.12.2011. | - | 2 581 | 1 928 | 20 617 | - 25 126 |

(26) Other creditors

| | 2011 LVL | 2010 LVL |
|------------------------------|---------------------|---------------------|
| Calculated, but unpaid wages | 7 330 | 2 819 |
| | 7 330 | 2 819 |

(27) Average number of employees in the Company

| | 2011 | 2010 |
|---|-------------|-------------|
| Average number of employees in the accounting year in Latvia | 9 | 7 |
| Average number of employees in the accounting year in Lithuanian Subsidiary | 2 | 2 |
| | 11 | 9 |

(28) Personnel costs

| | 2011 LVL | 2010 LVL |
|--|---------------------|---------------------|
| Payroll and accruals for annual leave | 51 920 | 34 627 |
| Mandatory state social insurance contributions | 12 515 | 8 478 |
| Commercial risk fee | 28 | 22 |
| | 64 463 | 43 127 |

Personnel costs of Lithuanian Subsidiary

| | 2011 LVL | 2010 LVL |
|--|---------------------|---------------------|
| Payroll and accruals for annual leave | 15788 | 15 598 |
| Mandatory state social insurance contributions | 4892 | 4 808 |
| | 20680 | 20 406 |

Management remuneration

| | 2011 LVL | 2010 LVL |
|--|---------------------|---------------------|
| Payroll | 13191 | 12156 |
| Mandatory state social insurance contributions | 3178 | 2928 |
| Commercial risk fee | 6 | 6 |
| | 16375 | 15090 |

**AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011**

(29) Off-balance sheet liabilities

The Company had granted a security as an off-balance sheet liability, pledging 792 shares of “VEF Komunikāciju Serviss” Ltd in favor of TKB Asset Management LLC with the maximum amount of the security LVL 210 840, where the debtor was Fund Administrate LLC (1220 N. Market Street, Suite 606, DE 19801, Wilmnigton, Delaware, USA). During the reporting period these liabilities have been cancelled and the Company's guarantee is not valid.

(30) Transactions with related parties

| Entity related to the Company | Sold products and rendered services LVL | Purchased products and services LVL | Debts to related entities LVL | Debts of related entities LVL |
|---|--|--|--|--|
| Nekustamā īpašuma projektu aģentūra SIA | 3 074 | - | 57 189 | - |
| Barrow Consulting LLC | 625 204 | - | 190 633 | - |
| VEF AS | - | 8 049 | - | - |
| Pēteris Avotiņš | - | - | 112 904 | - |
| Gints Feņuks | - | - | 23 858 | - |
| Total | 628 278 | 8 049 | 384 584 | - |

(31) Other information

Shares of “Goldinvest Asset Management” JSC are being quoted on the alternative share market NASDAQ OMX Riga First North since 22 March 2011.

| | |
|----------------------------|-----------------|
| Short title of issuer | GAM |
| Exchange code | GAM1R |
| Nominal value | 1,00 LVL |
| Total number of securities | 855 000 |

(32) Remuneration of auditor

The remuneration of the auditor for auditing the Annual Report 2011 is LVL 1600 (In year 2010 – LVL 1000). The auditor has not provided any other services.

(33) Other events

On March 15, 2012, the thematic review by the State Revenue Service resulted in a decision to apply the administrative violation liability in amount of LVL 31 435. Payment of the penalty provisions are not made in connection with the company's ongoing legal proceedings challenging the penalty applied by the SRS.



Jānis Lāma
Member of the Board

In Riga, 28 April, 2012

SIA D.Daņēvičas revidentu birojs

INDEPENDENT AUDITOR STATEMENT
for shareholders of
“GOLDINVEST ASSET MANAGEMENT” JSC

Statement on financial report

We have audited the annexed financial report 2011 of “GOLDINVEST ASSET MANAGEMENT” JSC provided on pages 8 to 25. The audited financial report comprises balance sheet of 31 December 2011, profit and loss account 2011, overview of changes in the equity capital and overview of cash flow, as well as summary of important accounting principles and other explanatory information in annex.

Management's responsibility for the financial reports

Management is responsible for preparation of financial report and fair presentation of information provided therein pursuant to the Law on Annual Reports of the Republic of Latvia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

We are responsible for the opinion that we express on this financial report based on our audit. We conducted the audit in accordance with the International Standards on Auditing acknowledged in Latvia. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial report is free from material misstatement.

The audit comprises procedures that are performed to obtain audit evidence on amounts provided in the financial report and found information. The procedures are selected based on professional assessment of the auditor, including material misstatement, whether due to fraud or error, in the financial report of risk assessment. When performing the said risk assessment, the auditor takes into account the internal control established to ensure preparation of financial report and fair presentation of information provided therein, with the aim to determine audit procedures relevant to circumstances, but not to express opinion on efficiency of the control. The audit also comprises general assessment of validity of the applied accounting policies and important assumptions of the management, as well as information provided within the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

We consider the above Financial report presents a true and clear view of the financial situation on 31 December, 2011 of JSC “Goldinvest Asset Management”, as well as of its financial performance and cash flows in 2011 according to the Law on Annual Reports of Republic of Latvia.

Accentuation of circumstances

We draw attention to the Note 33 of the Financial Report, reflecting the view of the administration on the events taking place after the date of the Balance Sheet concerning the inspection by the State Revenue Service. Our Opinion does not include any objections in reference to this issue.

**AS GOLDINVEST ASSET MANAGEMENT
ANNUAL REPORT 2011**

Report on compliance with other legal and regulatory requirements

We have acquainted with the management report of 2011 presented on pages 5 -7, and we have not found substantial discrepancies between financial information presented in the said management report and financial report 2011.

On behalf of SIA D.Daņēvičas revidentu birojs (Licence No 33)

Dagnija Daņēviča, Member of the Board, sworn auditor, Licence No. 72

28 April, 2012, in Riga, at Tērbatas Str. 6/8-75