

**Standardisation, Accreditation and Metrology Centre Ltd.
(SIA Standartizācijas, akreditācijas un metroloģijas centrs)**

Structural Unit "Latvian National Accreditation Bureau"

Annual Report 2010

Table of Contents

	Page
About the Company	3
Management Report	4-5
Balance Sheet	6-7
Income Statement	8
Annex to the Financial Statements	9-16

Information about the structural unit and the company

Company name	<i>Standardisation, Accreditation and Metrology Centre Ltd. (SIA Standartizācijas, akreditācijas un metroloģijas centrs)</i>
	<i>Structural Unit Latvian National Accreditation Bureau</i>
Legal status of the company	<i>A limited liability company</i>
Registration No. in the Commercial Register, place and date	<i>40003427231, Riga, 30 June 2004</i>
Registered office	<i>Krišjāņa Valdemāra 157, Riga LV-1013</i>
Contacts	<i>67 379348; fax: 67 371324; email:samc@samc.lv</i>
Chairman of the Board	<i>Visvaldis Zvejs – until 27 August</i> <i>Valdis Blome – after 27 August</i>
Board Members	<i>Edmunds Beļskis until 12 April</i> <i>Normunds Broks - all year through</i> <i>Ritvars Pavlovs from 12 April to 9 December</i> <i>Armands Slokenbergs from 22 December</i>
Accounting period	<i>01.01.2010 – 31.12.2010</i>
Auditors	<i>Company of Certified Auditors Licence No. 29</i> <i>Limited Liability Company SIA Briede, Vīndedze un Meijubers</i> <i>Certified Auditor Jānis Meijubers Certificate No.113</i> <i>Lāčplēša iela 21-7, LV-1011, Riga</i>

Management Report
Operation of the Standardisation, Accreditation and Metrology Centre Ltd. and the structural unit
Latvian National Accreditation Bureau in 2010

Type of business of the Company

Standardisation, Accreditation and Metrology Centre Ltd. (hereinafter referred to as the SAMC) has performed the assignments of standardisation, accreditation and metrology pursuant to the Standardisation Law, the Conformity Assessment Law, the Law on the Uniformity of Measurements and other related regulatory enactments since 1 July 2009.

Structural changes:

As a result of the state budget consolidation and structural reforms in 2009 the number of the employees at the SAMC was reduced by 43% (27 employees) and the remuneration of the remaining employees was reduced by 20%. The reforms continued in 2010 and the following optimisation measures were taken:

- the service-providing structural units were merged and the infrastructure reduced;
- the premises occupied by the Company and business travel costs were reduced (employees participate only in events organised by key European organisations in which participation is compulsory for the organisation members);
- the expenditure on telecommunications, fuel and stationery was diminished.

Regardless of the aforesaid reductions in the budgetary expenditure, all goals of the budgetary sub-programme were retained:

- to ensure a uniform, EU-recognised conformity assessment system and the compliance thereof with the needs of the Latvian national economy, which comprises assessment, accreditation and supervision of testing and calibration laboratories; product, system and staff certification institutions; inspecting institutions and environmental verifiers;
- to maintain national measurement benchmarks according to the needs of the national economy, ensuring international recognition thereof;
- to provide for the adaptation of European and international standards and development of the national standard.

Overview of the Company's operation in the accounting year and its financial standing

Accreditation

The Latvian National Accreditation Bureau of the SAMC (hereinafter referred to as LATAK) provides for the functioning of the national accreditation system. For the purposes of mitigating the consequences of reorganisation, amendments were introduced to the Conformity Assessment Law and other regulatory enactments in 2010. Within the framework of European law LATAK is defined as a national accreditation body included in the NANDO database of the European Commission and is designated at the national level pursuant to a procedure prescribed by the law (a decree of the Cabinet of Ministers). To comply with the requirements set forth in Article 8 Clause 11 of the Regulation 765/2008 of the European Commission, a methodology for preparation of annual financial statements for accreditation activities has been developed. The financial standing was marked as at 1 January 2010, income and expenditure related to accreditation services were singled out, the procedure was established for *the attributing of expenditure* to the costs of the SAMC structural units by means of application of accounting policies approved by the SAMC and an income statement was prepared on the first half of the year 2010. According to the Regulation, national accreditation bodies have to publish audited financial statements. Article 4 of the Regulation 765/2008 of the European Commission states that a national accreditation body must work on a non-profit basis.

In 2010, the Regulation of the Latvian National Accreditation Council was supplemented and new Council Members were appointed.

Pursuant to the Conformity Assessment Law, the key functions of LATAK are to assess, accredit and supervise testing and calibration laboratories, certification and inspecting institutions and environmental verifiers according to the requirements set forth in regulatory enactments and to represent Latvia in the international accreditation organisations.

At the end of 2010, the accreditation status was maintained for 210 accredited bodies. In 2010, 24 new bodies were accredited while for 8 bodies the accreditation was cancelled.

The compliance of the Latvian accreditation system with the Multilateral Recognition Arrangement (MLA) of the European Cooperation for Accreditation (EA) was assessed in October 2009. The report on the assessment results will be approved at the first meeting of the EA MAC in 2011.

LATAK is a participant of the international cooperation projects coordinated by the Ministry of Economics with accreditation bodies in Belarus, Georgia, Ukraine and Uzbekistan.

Financial standing

The year 2010 state budget funding for the Latvian National Accreditation Bureau was LVL 71 300 according to the approved financing plan.

Own income from service fees was LVL 226 550 and other income was LVL 17 270.

The considerably decreased budgetary grant and the increase in own income ensured that in 2010 LATAK provided functioning at the required scope and ensured stability of financial indicators.

Future prospects and development in 2011

According to the approved plans, the Latvian National Accreditation Bureau has the following priority operation areas:

- maintenance of the national accreditation system;
- cooperation with international, European and national conformity assessment organisations.

LATAK has submitted project applications in international twinning projects on the strengthening of conformity assessment systems in Georgia and Moldova, which may influence the employee workloads in 2011 and 2012. With the assistance of European Union funding the SAMC has started to represent Latvia at the European Commission's standardisation and conformity assessment expert meetings.

Considering the funding for the operation of LATAK, LATAK will continue to ensure the operation of the national accreditation system in 2011, whereby:

- LATAK will be represented at the European and international accreditation organisations;
- the accreditation services necessary for the national economy will be provided by means of cooperation between LATAK and organisations of the sectors of the national economy.

Chairman of the Board

Valdis Blome

Head of the Latvian National Accreditation Bureau

Mārtiņš Ozoliņš

8 August 2011

Balance Sheet of the structural unit of SAMC Ltd. – the Latvian National Accreditation Bureau – and the entire Company as at 31 December 2010

Assets	Note No.	31.12.2010 LVL Structural unit
1. Non-current assets		
I. Intangible assets		
Other intangible assets		
Goodwill		
<i>Intangible assets total</i>		
II. Fixed assets		
Assets invested for leasehold improvement		
Plant and machinery		
Other fixed assets and inventory	6	3 602
<i>Fixed assets total</i>		3 602
Non-current assets total		3 602
2. Current assets		
I. Stock		
Raw materials and consumables	7	7 577
<i>Stock total</i>		7 577
II. Receivables		
Trade receivables	8	12 661
Other receivables	9	1 656
Deferred costs		
Deferred costs and accrued income	10	5 243
<i>Receivables total</i>		19 560
IV. Cash assets	11	68 968
Current assets total		96 105
Assets total		99 707

Capital and liabilities	Note No.	31.12.2010 LVL Structural unit
1. Equity		
Shares or stock (share capital)		
Reserves:		
c) other reserves	12	63 617
Reserves total		
Retained earnings:		
a) retained earnings (loss) of previous years		
b) undivided profit of the accounting year		8 215
Equity total		<u>71 832</u>
3. Payables		
I. Long-term liabilities		
Other long-term liabilities		
<i>Long-term liabilities total</i>		<u> </u>
II. Current liabilities		
Advance payments from buyers	13	10 794
Taxes and compulsory state social insurance contributions	14	2 163
Accrued liabilities	15	4 609
Deferred income	16	10 309
<i>Current liabilities total</i>		<u>27 875</u>
Payables total		<u>27 875</u>
Capital and liabilities total		<u>99 707</u>

Income Statement 2010 of the structural unit of SAMC Ltd. – the Latvian National Accreditation Bureau –
and the entire Company

According to the turnover cost method

	Note number	2010 LVL Structural unit
Net turnover	1	297 850
Production costs of products sold	2	(298 968)
Gross profit or loss		(1 118)
Administration costs	3	(2 694)
Other operating income	4	12 016
Other operating costs		
Other interest income and similar income	5	11
Profit or loss before extraordinary items and taxes		8 215
Extraordinary income		
Profit or loss before taxes		8 215
Corporate tax for the accounting year		-
Profit or loss of the accounting year		<u>8 215</u>

Annex shall be an integral part to these financial statements.

**Annex to the 2010 Annual Report of the structural unit of SAMC Ltd.
– Accreditation Bureau – and the entire company**

Background information on the Company

Standardisation, Accreditation and Metrology Centre Ltd. (hereinafter referred to as SAMC Ltd.) was established on 1 July 2009 subject to Decree No. 351 of the Cabinet of Ministers on the liquidation of the State Agency for Metrology and Accreditation. The limited liability company SIA Latvijas standarts was the legal successor of the liquidated agency in the fields of accreditation and metrology.

Initially the limited liability company SIA Latvijas standarts (hereinafter referred to as the Company) was registered in the Register of Enterprises of the Republic of Latvia on 30 June 2004. The name of the company was changed to Standardisation, Accreditation and Metrology Centre Ltd. (limited liability company SIA Standartizācijas, akreditācijas un metroloģijas centrs) on 1 July 2009. Structurally SAMC Ltd. consists of three individual and independent bureaus – the Accreditation Bureau, the Standardisation Bureau and the Metrology Bureau with the support function provided by the Administrative Department.

Summary of important accounting policies

Basic principles of preparation of the financial statements:

The financial statements of SAMC Ltd. are prepared according to the Annual Reports Law of the Republic of Latvia, in line with the requirements of the Latvian Accounting Standards.

The monetary unit used in the financial statements is the currency of the Republic of Latvia, lats (LVL).

The financial statements cover the period from 1 January to 31 December 2010.

The annual report is prepared according to the following basic principles: the accruals principle, the assumption of the going concern, comparability, materiality, joining and reliability of items.

The principles and use of estimates for preparation of the financial statements of the structural unit of the SAMC – the Latvian National Accreditation Bureau

To prepare a separate balance sheet for the structural unit – the Accreditation Bureau – estimates, subsidiary account data and previously approved item attribution principles were used.

Information from the accounting program was used to prepare the income statement.

For the purposes of preparation of the 2010 financial statements the accrued income was calculated and provisions were created for unused employee vacations.

The accounting is organised so as to, where it is possible, identify income and expenditure and attribute the same to the relevant structural unit.

Income and expenditure that cannot be directly attributed to a particular structural unit are divided between structural units according to calculated ratios.

Intangible assets

Intangible assets are carried at cost and amortised over the useful life according to the straight-line method.

Fixed assets

Fixed assets are carried at cost less accrued depreciation. Depreciation is calculated over the useful life of the asset according to the straight-line method.

Depreciation is calculated as of the month following commissioning of the fixed asset or the engagement thereof in operating activities.

**Annex to the 2010 Annual Report of the structural unit of SAMC Ltd.
– Accreditation Bureau – and the entire company**

Stocktaking of non-current assets is conducted at the end of the accounting period subject to a written order by the Chairman of the Board.

Depreciation deducted on fixed assets acquired free of charge are aligned with income that is recognised from the deferred income.

Stock

Stock is used to ensure the process of operating activities is utilised within one year and is at once written off to costs upon being disbursed for utilisation of the company's employees. If any stock is utilised during the next accounting period it is written off within the relevant accounting period.

Stock is carried at cost. Stocktaking of stock is conducted at the end of the accounting period subject to a written order by the Chairman of the Board

The value of reference materials at the disposal of LATAK was partly written down to operating costs, as the stock must be assessed at the lowest market value on the balance sheet date.

Accrued income

Accrued income is calculated on the basis of the effective agreements on the annual accreditation maintenance fee with different bodies.

Trade receivables and other debtors

Balances of debtor claims are indicated in the balance sheet at the net value calculated by deducting the provisions created for doubtful debts from the book value of such claims.

Where it is not possible to attribute balances of accounts receivable and accounts payable to any particular structural unit, such balances are included in the statement as a proportion depending on the own income ratio expressed as percentage (77.83%).

Cash and cash equivalents

Cash and cash equivalents consist of the cash on hand and cash in the bank. To prepare the financial statements the proportion that depends on the own income ratio expressed as percentage (77.83%) is applied to divide the cash balance.

Accrued liabilities

Provisions are recognised as liabilities because an obligation exists due to past events that would require outflow of economic benefits from the company and the amount of such obligation can be credibly assessed.

The provisions item reflects liabilities towards employees with respect to unused vacations as at 31.12.2010. Costs of covering unused employee vacations in comparison with the previous year have decreased because during the year employees exercised their right to the annual vacation more intensively. The accrued costs also comprise costs of communication services and utilities provided within and attributable to the accounting period while invoices thereof will be received during the next accounting period.

Important accounting policies

The policy of stock recording was not changed during the accounting year. Assets with value not exceeding LVL 150 per unit are recorded under stock.

Income recognition, expenditure

**Annex to the 2010 Annual Report of the structural unit of SAMC Ltd.
– Accreditation Bureau – and the entire company**

Income is recognised according to the conviction of the likeliness of gaining economic benefits by the Company and to such extent as it is possible to assess it with credibility, less value added tax. For recognition of income the following preconditions are also taken into account:

Income from services is recognised within the period during which the services were provided, with consideration of the principle of coherence of gaining income and expenditure and on the basis of contractual relations with the customers.

If the outcome of a service-related transaction cannot be credibly assessed, income is recognised only to the extent of recovery of recognised expenditure.

In preparing the income statement a part of the administrative expenses is attributed to the expenditure of the Latvian National Accreditation Bureau, applying a proportion of the total sum of own income and the budgetary grant (57.83%).

Transactions in foreign currency

Transactions in foreign currency are recorded according to the Bank of Latvia currency exchange rate on the transaction date.

Disbursement of dividends

To calculate disburseable dividends a proportion of the sum total of own income and the budgetary grant is applied.

Events after the balance sheet date

According to the instructions of the Ministry of Economics the Accreditation Bureau, Standardisation Bureau and the administration of SAMC Ltd. has to move to the premises of the Ministry of Economics at 55 Brīvības Street after 1 April 2011.

Comparable information

These financial statements have been prepared with the special purpose of disclosing the operations, income and expenditure of one structural unit of SAMC Ltd. – the Latvian National Accreditation Bureau. Where appropriate, the comparable information used is the data from the SAMC Ltd. 2010 Annual Report, so that the user may gain understanding of the activities and the financial standing of the entire Company, and specifically of the activities and financial standing of one structural unit of the Company SAMC Ltd. – the Latvian National Accreditation Bureau.

Information regarding the data included in the financial statements

Subject to Decree No. 351 of the Cabinet of Ministers on the liquidation of the State Agency for Metrology and Accreditation on 1 July 2009, the limited liability company SIA Latvijas standarts is the legal successor of the liquidated agency in the areas of accreditation and metrology. Hence, the calculations for the income statement of the annual report do not include the comparative information on the relevant indicators of 2009 and do not provide complete information on the actual trends of changes in the balance sheet items.

Any relative and absolute changes in income and expenditure items over a short period do not characterise the actual dynamics of change of a company's operating activities. A longer period of time is necessary to make conclusions regarding the effectiveness of the company's operating activities on the basis of changes in the financial statement items.

**Annex to the 2010 Annual Report of the structural unit of SAMC Ltd.
– Accreditation Bureau – and the entire company**

1) Net turnover

Turnover is income gained during a year from the main business of the company – provision of services, less the value added tax: the funding received from the state budget for the provision of functions specified by the Government is indicated as a part of the turnover.

Structure of income	2010 LVL Structural unit
Services provided against a fee	221 307
Income of foreign financial assistance	
Accrued income	5 243
State subsidies and grants	71 300
Total	297 850

2) Production costs of products sold (direct Accreditation Bureau costs)

	2010 LVL Structural unit
Staff costs	230 899
Depreciation on fixed assets	13 688
Writing down of current asset value	8 312
Computer hardware maintenance costs	2 289
Software maintenance	341
Repairing of the climate control system	
LNE maintenance costs	
Information technology services	272
Repairing and maintenance of the photocopier	36
Transport costs (fuel, repairs, insurance)	4 179
Lease of premises, payments for utilities	13 901
Car hire	3 646
Communication services	2 736
Business travel costs	15 139
Costs of the strategy seminar	433
Other operating costs	1 063
Membership fee at the Latvian Chamber of Commerce and Industry	148
Purchase and translation of standards	
Advertising services	232
Seminars, courses	115
VENDEN water	240
Banking services	34
Subscription to magazines, newspapers	72
Business risk duty	80
Security guard costs	
Mailing costs	462
Costs of optics for employees	155
Stationery	506
Total	298 968

**Annex to the 2010 Annual Report of the structural unit of SAMC Ltd.
– Accreditation Bureau – and the entire company**

3) Administration costs

Structure of expenditure	2010 LVL
	Structural unit
Communications costs	51
Office expenditure	79
Costs of annual report auditing	824
Other auditor services	1 327
Other management expenditure	1
Representation costs	412
Total	2 694

4) Other operating income

Structure of income	2010 LVL
	Structural unit
Recognised income from fixed assets received free of charge (aligned with depreciations deductions)	12 016
Fixed assets recorded after stocktaking	
Total	12 016

4) Other interest income

Structure of income	2010 LVL
Interest income	11
Income from currency rate fluctuations	
Total	11

6) Statement of turnover of non-current assets

	Investments for leasehold improvement	Concessions, patents, licences, trademarks and similar expenditure	Plant and machinery	Other fixed assets	Total
	LVL	LVL	LVL	LVL	LVL
Initial value at 31.12.2009		60736	465	122187	183388
Supplemented					
Liquidated		(272)		(6431)	(6703)
Initial value at 31.12.2010		60464	465	115756	176685
Accrued depreciation at		57141	51	110156	167348

**Annex to the 2010 Annual Report of the structural unit of SAMC Ltd.
– Accreditation Bureau – and the entire company**

01.01.2010

Depreciation in the accounting year	3595	12	8472	12079
Disposed due to cessation of operation	(272)		(6072)	(6344)
Accrued depreciation at 31.12. 2010	60464	63	112556	173083
Residual value at 31.12.2009	<u>3595</u>	<u>414</u>	<u>12031</u>	<u>16040</u>
Residual value at 31.12.2010	<u>-</u>	<u>402</u>	<u>3200</u>	<u>3602</u>

7) Stock

Balance sheet items	2010 LVL Structural unit
Inventory and office goods (result of liquidation of the State Agency for Metrology and Accreditation)	
PHARE reference materials (result of liquidation of the State Agency for Metrology and Accreditation)	7 577
Total	<u>7 577</u>

The written-off stock is included in the production costs of products sold item of the income statement.

8) Trade receivables

Balance sheet items	2010 LVL Structural unit
Book value of trade receivables	12 661
Accruals for doubtful debts	-
Book value	<u>12 661</u>

9) Other debtors

Balance sheet items	2010 LVL Structural unit
Overpaid corporate tax	1 656
Total	<u>1 656</u>

10) Deferred costs and accrued income

Balance sheet items	2010
---------------------	-------------

**Annex to the 2010 Annual Report of the structural unit of SAMC Ltd.
– Accreditation Bureau – and the entire company**

	LVL
	Structural unit
Accrued income (annual accreditation maintenance fee)	5 243
Subscription to periodicals and newspapers	
Total	<u>5 243</u>

Contractual obligations provide for an annual accreditation maintenance fee for customers. The Company has made calculations to estimate the part of the income that is attributable to the accounting period but for which no invoices have been issued yet.

11) Cash assets in LVL in foreign currency according to the Bank of Latvia rate on 31.12.2010

	2010
	LVL
	Structural unit
Balance sheet items	
Bank accounts and cash on hand	68 968
Total	<u>68 968</u>

12) Equity

The Ministry of Economics of the Republic of Latvia is the holder of capital shares for the Government, the nominal share value is LVL 1, number of shares 114 505.

The amount of equity attributable to the structural unit – Accreditation Bureau – is calculated analytically, by attributing a part of the company's equity reserve.

13) Advances from buyers

	2010
	LVL
	Structural unit
Balance sheet items	
Advances from buyers	10 794
Total	<u>10 794</u>

14) Taxes

	2010
	LVL
	Structural unit
Balance sheet items	
Taxes	2 163
Total	<u>2163</u>

15) Accrued liabilities

	2010
	LVL
	Structural unit
Balance sheet items	
Costs of annual report audit	
Accruals for communications costs	
Computed vacation reserve	3 807
Other accruals (utilities payments, fuel, communication services)	802
Total	<u>4 609</u>

**Annex to the 2010 Annual Report of the structural unit of SAMC Ltd.
– Accreditation Bureau – and the entire company**

16) Deferred income

Balance sheet items	2010 LVL Structural unit
Residual value of the fixed assets received free of charge	1 553
Part of the annual accreditation maintenance fee attributable to the period of 2011	8 756
Total	10 309

18) Staff costs (Accreditation Bureau)

In 2010 there were on average 36 employees at the Company, including 10 employees at the Accreditation Bureau. Furthermore, the payroll comprised 83 temporary employees who performed assistant functions of the company (79 employees in 2009). The staff costs are reflected as follows:

Type of costs	2010 LVL Structural unit
Salaries, benefits	94 626
Contract work	32 426
Social insurance contributions	29 203
Reduction of the vacation reserve	
Total	156 255

22) Lease obligations

The Company has entered into a non-residential premises lease agreement for an unspecified term. The lessee received for use non-residential premises at Kr.Valdemāra iela 157, Riga, LV-1013, with the total area of 466 m², of which 139 m² are for the office purposes of the Accreditation Bureau. The rent and utilities payments constitute LVL 4050 per month.