JSC "VEF Radiotehnika RRR"
Unified Registration No. 40003286712
Address: Kurzemes prospekts 3, Riga, LV-1067

Measurement units: EUR

2014 3 Months Report

Submission date: ________________________

Date of receipt: ________________________

Riga, Latvia

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INFORMATION about the COMPANY

Full name of the Company	*JSC "VEF Radiotehnika RRR"*
Legal status of the Company	*Public Joint-Stock Company*
Unified Registration Nr., place and date of issue	*40003286712* *11.12.1998*
Legal address of the Company	*Kurzemes prospekts 3, Riga, LV-1067*
Telephone	*67418087*
Postal address	*Kurzemes prospekts 3, Riga, LV-1067*
Chairman of the Council	*Janis Salenieks*
Council Member	*Jurijs Malejevs*
Council Member	*Inga Spruga*
Council Member	*Inars Klavins*
Council Member	*Jekaterina Malejeva*
Boar members of the JSC	
Chairman of the Board	*Eduards Malejevs*
Board Member	*Eriks Ertmanis*

Reporting year	***from***	***01.01.2014***	***till***	***31.03.2014***
Previous reporting period	***from***	***01.01.2013***	***till***	***31.12.2013***

Chief Accountant	*Olga Romanko*
Telephone:	67852054

Auditor:

SIA Potapoviča un Andersone
Licence No 99
Udens street 12-45 , Riga

Anna Temerova-Allena
Certified auditor
Certificate Nr.154

Management Report

Principal activities

During the first 6 months of 2012, the main JSC "VEF Radiotehnika RRR" activities were:

1. Purchase and sales of acoustic systems and their enclosures;
2. Purchase and sales of electronic assemblies and nodes;
3. Purchase and sales of printed pallets, galvanization services;
4. Real estate renting services.

All of the above-mentioned activities have been performed also in year 2011. New types of activities have not been acquired.
Due to encashment order from State Revenue Service, in the second half-year of the 2012 the manufacturing process was stopped and the Company dealt exclusively with renting of real estate property and equipment. In December 2012 the State Revenue Service encashment order was canceled.
During the second quarter of 2013 it is planned to restore the developing of acoustic systems and their enclosures and to restore the organizing the production, producing and selling.

Current year activities of the Company

The current year results of the Company are the following:

Result before extraordinary items and taxes:	-424853 LVL
Other taxes:	-66830 LVL
Net result:	-491683 LVL

Net turnover in year 2012 was LVL 1 017 690 and it has fallen by 23% in comparison with the year 2011.
There were no other significant events which could directly influence performance for the reporting period.

The company's current liabilities exceeded its current assets.
Total liabilities did not exceed total assets of the Company.

Company's profitability:	
Gross profit margin (%)	-48,31
Operating profit margin (%)	-35,22
Gross profit margin (%)	-0,61
Financial profitability (%)	
Return on capital	-4,43
Return on equity	-6,97

2012 was a year of significant challenges for JSC "VEF Radiotehnika RRR" when a decision was made to make important adjustments of the results of the previous years to create solid foundations for sustainable growth in future.
Significant losses incurred due to recognizing impairment of Company's assets as loss.

Future prospects and going concern

As mentioned above, the result of the year 2012 is loss in amount of LVL 491 683, which is associated with a significant reduction in the sales market sector, as well as recognizing impairment of the Company's assets. At the end of the year current liabilities of the Company exceeded current assets by LVL 1 410 107. The management of the Company considers that the existing situation is temporary and takes actions to restore the income in the previous level. If the current situation becomes permanent and will not be dissolved, the Company may be forced to sell non-profile assets.
To absorb the losses and settle with the creditors, the possibility of selling the company-owned non-profile assets that are engaged in business but the possession of which increases the real estate tax burden, will be considered. Non-profile assets are now considered

the administrative building, warehouses, land. The sales of non-profile assets would stabilize the Company and will enable further development of the Company in chosen directions.

The repayment of loan from SEB bank with the maturity date of the principal amount on 30 June 2013 is planned to be extended till it will be possible to refinance the loan with another bank. Negotiations with other banks are in process.

In year 2013 it is planned to complete the clearance process - putting into operation - of the fixed assets under construction.

JSC "VEF Radiotehnika RRR" largest creditors are State Revenue Service and JSC "Latvenergo". Taking into account that during the year 2012 the Company has paid LVL 108 867 to the state budget, on 21 December 2012 the Company and the State Revenue Service agreed on a schedule of repayment of the delayed tax payments, and JSC "VEF Radiotehnika RRR" is fulfilling the obligations on timely basis. Repayment plan of debts to JSC "Latvenergo" is at the stage of negotiating.

The Annual Report has been prepared considering the going concern principle because in year 2012 JSC "VEF Radiotehnika RRR" has signed contracts for the sale of the acoustic systems with several companies: Russian electronics trading company "MediaMarkt-Saturn", Byelorussian company "Patio" that serves the electronics shops "5.Elements".
Cooperation in production of enclosures with the Italian company RCF Spa has been revolved.

Post balance sheet events

From the end of the During the period from the last day of the financial year to the date of signing this report there have been no significant events having impact on the year-end results.

Proposals concerning covering of loss

The loss for year 2012 will be covered by future profits from the sales of non-profile assets.

Chairman of the Board	Eduards Malejevs
Member of the Board	Ēriks Ertmanis

2013.22.05

Notification of management's responsibility

Company's management is responsible for the preparation of the financial statements for each reporting period on the basis of the accounting principles and which reflect true and fair view of the company's financial situation as well as operating results.

The management confirms that in preparation of the report for the period ended December 31, 2012, the corresponding accounting principles have been applied, their use was consistent and the protective and logical decisions had been made.

Management is responsible for application of the necessary accounting principles, safeguarding company's assets as well as protection from misrepresentation and unlawful activities.

Chairman of the Board Eduards Malejevs

Member of the Board Ēriks Ertmanis

2014.30.05

PROFIT AND LOSS STATEMENT
FOR THE PERIOD ENDED
31.03.2014

	Note	2014	2013
		EUR	**EUR**
Net turnover	**1**	376 813	1 198 761
Cost of sales	**2**	(360 015)	(1 616 772)
Gross profit or loss		**16 798**	**(418 011)**
Selling expenses	**3**	(1 244)	(20 341)
Administrative expenses	**4**	(54 113)	(197 187)
Other operating income	**5**	3 591	349 810
Other operating expenses	**6**	(18 523)	(177 633)
Interest income and similar income	**7**	458	458
Interest expense and similar expenses	**9**	(24 627)	(81 987)
Profit or loss before extraordinary items and taxes		**(77 660)**	**(544 891)**
Deferred corporate income tax for the reporting period	**10**	-	
Other taxes	**11**	(25 744)	(90 869)
Profit or loss for the period		**(103 404)**	**(635 760)**
Earnings per share (EPS coefficient)		(0,041)	(0,249)

Attachments from 12 to 28 pages are an integral part of these financial statements

Chairman of the Board Eduards Malejevs

Member of the Board Ēriks Ertmanis

2014.30.05

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Financial Statements for the period from 01.01.2014 to 31.03.2014.

BALANCE SHEET as at 31.03.2014.

ASSETS	Note nr.	2014 EUR	2013 EUR
1. Non-current assets			
II. Fixed assets:			
Land, buildings and constructions		2 246 270	2 250 721
Equipment and vehicles		1 501 378	1 550 024
Other fixed assets		29 676	30 777
Total fixed assets:	**13**	**3 777 324**	**3 831 522**
V. Long-term financial investments:	**14**	3 905 636	3 918 302
Other loans and other long-term debtors			
Other long-term receivables (PR. 12000075)			
Deferred taxation assets			
Total long-term financial investments:	**15**	**3 905 636**	**3 918 302**
Total non-curent assets:		**7 682 960**	**7 749 824**
2. Current assets			
I. Inventory:			
Raw materials	**16**	23 562	18 910
Advance payments for materials	**18**	16 706	2 839
Total inventory:		**40 268**	**21 749**
III. Receivables:			
Trade receivables	**19**	31 442	33 082
Associate company debts	**20**	402 683	434 396
Other receivables	**21**	12 414	255
Deferred expenses	**22**	6 816	4 116
Total receivables:		**- 453 355**	**471 849**
V. Cash	**23**	**192**	**848**
Total currents assets:		**493 815**	**494 446**
TOTAL ASSETS:		**8 176 775**	**8 244 269**

Chairman of the Board Eduards Malejevs

Member of the Board Ēriks Ertmanis

2013.22.05

JSC "VEF Radiotehnika RRR"
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Financial Statements for the period from 01.01.2014 to 31.03.2014.

BALANCE SHEET as at 31.03.2014.

LIABILITIES AND SHAREHOLDERS' EQUITY	**Note nr.**	**2014 EUR**	**25013 EUR**
1. Shareholders' equity:			
Share capital	**24**	-	3 627 020
Reserves:	**26**	4 178 139	4 178 139
Retained earnings:			
a) previous years' retained earnings	**25**	- 2 967 522	- 2 331 762
b) current year profit/(loss)	**25**	- 103 404	- 635 760
Total shareholders' equity:		**4 734 233**	**4 837 637**
2. Provisions:			
Other provisions		22 471	22 471
Total provisions:		22 471	22 471
3. Liabilities:			
I. Non-current liabilities:			
Loans from lending institutions	**27**	-	-
Other loans	**28**	-	-
Deferred income	**29**	83 497	83 497
Total non-current liabilities:		**83 497**	- **83 497**
II. Current liabilities:			
Loans from lending institutions	**30**	1 517 503	1 517 503
Other loans	**31**	154 638	157 092
Advances from customers	**32**	17 920	804
Trade accounts payable	**33**	1 005 210	989 024
Debt to associated companies	**34**	85 694	81 078
Taxes and social security liabilities	**35**	449 873	435 948
Other liabilities	**36**	49 312	45 498
Deferred income	**37**	56 424	73 718
Total current liabilities:		- **3 336 574**	- **3 300 665**
Total liabilities:		- **3 420 071**	- **3 384 162**
TOTAL LIABILITIES :		**8 176 775**	**8 244 269**

Attachments from 12 to 28 pages are an integral part of these financial statements

Chairman of the Board Eduards Malejevs

Member of the Board Ēriks Ertmanis

2013.30.05

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Financial Statements for the period from 01.01.2014 to 31.03.2014.

CASH FLOW STATEMENT FOR THE PERIOD ENDED

31.03.2014 (indirect method)

I. Cash flow from operating activities	**2014**	**2013**
	EUR	**EUR**
Profit or loss before extraordinary items and taxes	- 77 660	- 544 892
Adjustments for:		
a) depreciation of fixed assets	71 868	332 085
b) depreciation current assets.	-	
c) savings (excluding provisions for unsecured receivables)		4 789
d) gains or losses from foreign currency exchange rate	2 796	679
d) profit or loss from the exchange rate fluctuations	-	
f) income from subsidies, grants, gifts or donations		
g) other income from interest or similar income	(458)	(458)
h) profit/loss from sale of fixed assets		(349 810)
i) interest payments and similar activities	24 627	81 987
k) proceeds from fixed asset depreciation of revalued		(37 809)
Profit or loss before current assets and short-term liabilities corrections	**21 173**	**(513 428)**
Adjustments for:		
a) trade receivables increase (-) or decrease (+)	1 640	233 590
b) inventory increase (-) or decrease (+)	(18 519)	416 011
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)	2 296	349 321
Gross cash flow from operating activities	**6 590**	**485 494**
Interest payments		(73 787)
Expenses in the company's tax payments:		(110 762)
Cash flow before extraordinary items	**6 590**	**300 944**
Net cash flow from operating activity	**6 590**	**300 944**
II. Cash flow from investing activities		
Fixed assets and intangible investments acquisitions	(4 996)	(67 086)
Income from fixed assets sale		519 298
Interest received	458	458
Net cash flow from investing activities	**(4 538)**	**452 671**
III. Cash flow from financing activities		
Loans received		177 591
Loans repaid	(2 708)	(553 635)
Rented asset buy-out expenses		(13 792)
Net cash flow from financing activities	(2 708)	(389 836)
IV. Foreign exchange rate differences	-	
V. Net cash flow for the year	**(656)**	**238**
VI. Cash and cash equivalents at the beginning of the period	**848**	**610**
VII. Cash and cash equivalents at the end of the period	**192**	**848**

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Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

2013.22.05

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR 2014 03 months Report

	Subscribed share capital	Investment revaluation reserve	Statutory reserves	Profit for the year	Previous year's retained earnings	Total share capital and reserves

	Subscribed share capital	Investment revaluation reserve	Statutory reserves	Profit for the year	Previous year's retained earnings	Total share capital and reserves
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as on December 31, 2011	**3 627 020**	**7 282 130**		**7 039**	**- 502 775**	**10 413 411**
korekcija				**- 1 136 422**		**- 1 136 422**
Balance as on December 31,2011	**3 627 020**	**7 282 130**		**- 1 129 383**	**- 502 775**	**9 276 989**
Profit carried over				**- 7 039**	**7 039**	
Profit for the year				**- 699 603**	**-**	**- 699 603**
Fixed assets revaluation reserve		**- 39 738**				**- 39 738**
Balance as on December 31, 2012	**3 627 020**	**7 242 392**	**-**	**- 1 836 025**	**- 495 738**	**8 537 648**
Profit carried over				**1 836 025**	**- 1 836 025**	
Profit for the year				**- 635 760**		**- 635 760**
Company reserves buildup		**- 3 064 253**				**- 3 064 253**
Balance as on December 31, 2013	**3 627 020**	**4 178 139**		**- 635 760**	**- 2 331 763**	**4 838 637**
Profit carried over				**635 760**	**- 635 760**	
Profit for the year				**- 103 404**		**- 103 404**
Balance as on March 31, 2014	**3 627 020**	**4 178 139**		**- 103 404**	**- 2 967 523**	**4 734 233**

Attachments from 12 to 28 pages are an integral part of these financial statements

Chairman of the Board Eduards Malejevs

Member of the Board Ēriks Ertmanis

2014.30.05

Notes to the Financial Statements

1. Accounting Policies

Data in the Financial Statements is in the national currency of Latvian Republic - Lats (LVL), shortened - Ls.

General Principles

The Annual Report is prepared in accordance with the Republic of Latvia
"Law On Accounting" and "Law on Annual Reports", the Cabinet Regulation No 488 "Application of Law on Annual Reports"
the Cabinet Regulation No 481 "Contents and procedure for the preparation of the cash flow report and report of changes in shareholders' equity"

Profit and Loss Statement is prepared using turnover (period) costs method.
Cash Flow Statement is prepared using indirect method.
Financial Statements provides true and fair view of the Company's assets, liabilities, financial standing and profits or losses.
Accounting policies ensure that the Financial Statements provide information, which is:
1. Acceptable to Financial Statements' users for making decisions;
2. Is valid in the way that it:
* correctly reflects Company's results and financial standing - not only the legal form but also the economic nature, is neutral, i.e. non-biased nor deliberate;
* fully represents all real aspects.

Changes to the accounting policies

Compared to the previous year, the accounting policy has not changed.
Should the application of the new external legislation and the Latvian Accounting Standard requirements' or voluntary accounting policy affect the reporting period or any previous periods, the LAS Nr.4 shall be applied.

Changes to the accounting policy are to be applied with reversed date effect, thus the Company shall change every balance entry of affected share capital item for all previous periods shown in the Financial Statements, as well as in other comparative tables for all shown periods in a way, as if the new accounting policy had always been used, except when it is not practically possible to evaluate the influence of the change in the accounting policy for the previous period or its overall influence.

Error correction
Literal errors for the previous periods are to be corrected by the Company with reversed date effect in the first financial statement after the error has been discovered:
1) by correcting comparable indicators for the periods in which the error has occurred; or
2) should the error get discovered prior the latter financial reporting period, by amending the asset, liability and share capital starting figures for the latter reporting period's.

Adapted accounting principles
Items of the Annual Report are valued in accordance with the following accounting principles:
a) it is assumed that the Company continues operations;
b) the same valuation methods as for the previous reporting year shall be used;
c) item valuation is performed with due attention, taking into account the following provisions:
- only profit received prior to the Balance Sheet date is used;
- all foreseen risk amounts and losses which have arisen in the reporting year or in the previous years, are included, even when they became known between the Balance Sheet date and the Annual Report preparation date;
- all value depreciations and reductions are considered and calculated regardless of whether the reporting year had profits or losses;

d) all incomes and expenses related to the reporting year are in included in the Profit and Loss Statement regardless of payment date, invoice receipt or issuance dates. Expenses are compared with incomes in the corresponding reporting period;
e) assets and liabilities items are valued separately;
f) reporting year's beginning balance is matching the previous year's ending balance;
g) all items which may influence Annual Report's users decision making or valuation, are included;
h) operating activities for the reporting period are reflected taking into account their economic meaning and contents, not legal form.

Reporting period: **from 01.01.2012. to 31.12.2012**

Transactions in foreign currency

Data in the Financial Statements is in the national currency of Latvian Republic - Lats (LVL).
All monetary assets and liabilities are translated at the Bank of Latvia rate of exchange on last day of the reporting year.

Differences in exchange rates, arising from foreign currency transactions or when representing asset and liability items, between the exchange rate originally recorded, are to be reflected by their starting net value in the Profit and Loss Statement. Profit or loss, resulted due to the fluctuation of the foreign currency rate, is reflected in the Profit and Loss Statement for the corresponding period.

Currency rates at the last reporting date for the past two years have been the following:

	31.12.2012	31.12.2011	31.12.2010
USD	0,531	0,544	0,535
EUR	0,702804	0,702804	0,702804

Long-term and short-term items

The following amount are shown in the current assets:
* that shall be used or realised during the usual working cycle of the Company;
* that are mainly for trading purposes or are of short-term nature and can be realised within 12 months after the Balance Sheet date;
* that are cash or cash equivalents, possessing unlimited usage options.

Other assets are classified as long-term.
The following current liabilities are shown:
* that will be paid off during the usual working cycle of the Company;
* that will be paid off within 12 months after the Balance Sheet date;

Other liabilities are classified as long-term.

Company's non-current liabilities (long-term liabilities) are also those which pay-off term is less that one year but:
* original liability term was longer than one year;

Intangible assets and fixed assets depreciation

Intangible asset is an asset that:
is believed to bring operating benefits to the Company, related to this asset; which costs can be evaluated.
Only acquired for reward/compensation "concessions, patents, licenses, trade marks and similar rights" can be shown.

In the Balance Sheet all intangible assets are shown at the historical cost less depreciation.
Depreciation is calculated by straight-line method, using the following depreciation rates:

Intangible assets

Software	20-35	%
Licenses	20	%
Trade Marks	20	%
Non-material value	20	%

Intangible asset with specified useful life is systematically depreciated during the rounded up useful life period.
Intangible asset with unlimited useful life is checked for value decrease every year.
Computer software and licenses, commercial licenses, trade marks, patents, certificates and advance payments for the non-material investments are considered as intangible assets. Intangible assets are shown using their net value, computer software used together with licenses and ownership rights.

Fixed Assets:

Fixed assets are physical objects with useful life over 12 calendar months and acquisition value of 50,- LVL and more.
Work tools, production accessories and obligatory work clothes, shoes and other items are not classified as fixed assets, regardless of their acquisition value or useful life.

All fixed assets are valued by their acquisition value.

Fixed assets are shown using their acquisition or revaluations value, less depreciation. Depreciation is calculated using the straight-line method, reducing the net book value of the asset at the eng of useful life using the following rates:

* Buildings and constructions	1-5	%
* Technological equipment	10-20	%
* Transport vehicles	10-20	%
* Furniture	10-20	%
* Other fixed assets	10-20	%
* Mobile phones	35	%
* Computers and other data storage units	15-35	%

* Depreciation on land plots is not calculated.

Unfinished construction object's historic cost is increased by the interest paid on the loan taken for construction of the fixed asset and on other costs arising in relation to the given object until it is completed and accepted for usage.
Unfinished construction object's historic cost is, however, not increased by the interest paid on the loan taken for construction of the fixed asset should the construction work during the periods when the construction is not taking place.

Rent

In cases when fixed assets are rented, repair and improvement costs are reflected in the account "Long-term investments in rented fixed assets" and are gradually written off during the rental period.

Hire-purchase (Financial leasing)

In cases when fixed asset are taken on financial leas basis along with risks and returns, these fixed assets are recorded in immediate purchase cost basis. Leasing interest payment and related costs are included in the Profit and Loss Statement for the corresponding period, when they occurred.

Long-term financial investments

Long-term financial investments are purchase of a company (or shares of it), long-term loans, long-term investments.
Long-term investments are investments with pay-off date of over one year and are outside the reporting year.

Investments in subsidiaries and related Company shareholding.

Investments in subsidiaries and in capital of the related companies are treated as costs. Company recognises incomes only when they are received from the related company as distribution of its profits. Should the investment exceed the profit received, then it is reflected as investment expenditure reduction. Should there be sufficient ground to believe that the capital value of the company has decreased, then losses from the decrease are calculated as the difference between the original investment and the ending value of the investment. The ending value is calculated as the larger of the following indicators: investment's true value, form which the sales costs are deducted and company's usage value. Losses resulting from investment value's decrease can be reversed, if after the last time the losses from value decrease were recognised they have changed which was used for determining the decreased value.

Inventory valuation

Received and issued goods management
is performed with help of computer software "IC". Uninterrupted inventory method is applied in monitoring wholesale movement of goods. During the reporting year, warehouse management software reflected every movement of inventory- sale, internal movement, return of goods to the supplier, return of goods from buyers. The goal of annual inventory is to check the correctness of inventory movement management system. Inventories are valued using FIFO method.
In case of necessity, outdated, slow turnover or damaged inventories' values decrease is written-off, or provisions are made.
Unused material values and stocks at the end of reporting period are valued on historic cost basis, with addition of additional costs (Customs' duties, transport costs, delivery services etc) proportion which is related to the stocks valued.

Write-off of purchased invetory's values:

Inventory items are recorded in the actual volumes at historical cost in the sub account specially dedicated for these purposes.
Inventory balances are checked during annual inventory.

Debtors

Accounts receivable are valued on precautionary basis in the balance sheet, showing only real debtors. Actual accounts receivable amounts comply with the contracts and other documents presented. The accounts receivable comparison is performed and bad debts are written off as well as provisions for doubtful debts have been made, based on evaluation of individual client's financial standing and operating activity analysis.
Accounts receivables are shown in the Balance Sheet on a net (purchase) value, with special provisions for doubtful debts subtracted.
The necessary amount of provisions has been set by analysing each debtor and by performing debt comparison.
Bad debts are written off when the likehood of recovering the debt becomes unrealistic and impossible.
Debtor and creditor liabilities are checked in the 4th quarter of every reporting year, and reconciliation statement is issued.
The debtor and creditor mutual reconciliation has been performed with mutual reconciliation acts.
Differences, discovered during comparison of accounting data are to be resolved in the annual report for the reporting year.

Net turnover

Turnover is the total of goods sold during the year less Value Added Tax.

Income and expenses acknowledgement

1. Income from sale of goods is recognised when the transaction complies with the following requirements:
a) The Company has handed over to the buyer distinctive risks and rewards together with ownership rights of the goods;
b) The Company no longer executes holding rights or control related to the ownership rights over the goods sold;
c) can credibly evaluate the income amount;
d) it is believed that as a result of the transaction, the Company will receive commercial benefits;
e) can credibly evaluate costs arisen or arising related to the transaction.
Sale of goods is reflected, considering transaction's economic nature, not only legal form.
2. Result of the service supply transaction can credibly calculate, if the following conditions are met:
a) can credibly evaluate the income amount;
b) it is believed that as a result of the transaction, the Company will receive commercial benefits;
c) can credibly evaluate, what is service supply volume in percentage at the Balance Sheet date;
d) can credibly evaluate costs arisen or arising related to the transaction.
3. Incomes which arise if other parties use Company's assets and thus receive interest, royalties or dividends, can be recognised using the following methods, if:
a) it is believed that as a result of the transaction, the Company will receive commercial benefits;
b) can credibly evaluate the income amount;
Incomes are recognised, using the following methods:
* interest, based on the proportional division of time, taking into account actual profitability;
* royalties are recognised in accordance with accumulation principle in connection with the corresponding agreement;
* dividends are recognised when the Company has legal grounds to receive them.
4. Incomes from rent - at the moment of coming into existence;
All significant cost items are processed per accumulation principle.

Cash and cash equivalents

Cash and cash equivalents consist from cash on hand and current balances in the bank accounts.

Financial Asset's or Liability's real value

The real value of financial assets and liabilities reflect the cash quantity, for which the asset can be sold or liabilities can be paid off between two independent parties. Should in Management's view, financial asset and liability real value is different from the Balance Sheet values, then that real value of assets and liabilities can be separately reflected in the Notes to the Financial Statements.

Accounts Payable

Accounts payable are shown in the Balance Sheet on the basis of corresponding documents and entries in the accounting registers, which are compared with creditors' own data.
These liabilities are correspondingly separated into long-term debts (liabilities) and short-term liabilities. Short-term liabilities - liabilities which arise during the usual operating of the company and which should be settled not later than 12 months after the Balance Sheet date. Long-term liabilities - liabilities, settlement of which should start not earlier than one year after end of the reporting year. Loan or leasing liabilities are divided accordingly into short-term and long-term parts.

Reserves

Reserves are formed in order to cover certain liabilities, which are related to the reporting period or previous periods, can be foreseen at the time of preparation of the Annual Report or known not to exceed these amounts. The level of the reserves is set in accordance with the methods, adopted by the Company.

Provisions for unused vacations

Amount of the provisions is calculated by dividing the total salaries for 2012 by 12 months.

Loans received and loans issued

Loans received and loans issued are initially shown in their original amount, which is stated in corresponding Loan Agreement at the transaction date.
Amounts of loans issued from the lending institutions are to be compared with the written statements with acceptance from lending institutions at the end of the reporting year. For loans received in foreign currency, the remaining principal amount is calculated per Bank of Latvia exchange rate on the last day of the reporting year.

Deferred Liabilities

All invoices, received or issues after the reporting year yet related to the expenses which have arisen during the reporting year, the costs of which are known at the end of the reporting year, are treated as deferred liabilities.
Deferred liabilities are shown in the Balance Sheet in a separate row.

Taxes

Corporate Income Tax for the reporting year is included in the Financial Statements, based on the known tax rates at the date of the Balance Sheet, in accordance with calculations performed in compliance with the tax legislation of the Republic of Latvia.

Deferred tax is calculated in accordance with the liabilities method in relation to all temporary discrepancies between assets and liability amounts in the Financial Statements and their values for the purpose of tax calculations. Tax rate used for calculation of deferred tax, is a rate which is expected to be during the period in which the temporary discrepancies are resolved based on the tax rates effective on the date of the Balance Sheet. Temporary discrepancies mainly arise die to usage of different fixed asset depreciation rates, as well as from tax losses, which are transferred to the future taxation periods.
The total deferred tax result is shown in the Asset part of the Balance Sheet and is to be entered in the Financial Statements only in cases when the return of the tax is definite.
The reconciliation of tax liability data with State Revenue Service is performed.

Calculations

Preparation of the Financial Statements Management is basing on the known calculations and approaches, which affect certain definitions and amounts in the Financial Statements. Thus actual results may differ from these calculations.
Legislation of the Republic of Latvia states that when preparing Financial Statements, Company's management has to evaluate and to draft assumptions, which affect both Balance Sheet and off-Balance Sheet assets and liabilities on the Balance Sheet date, as well as shown incomes and expenses for the reporting period. Actual results may differ from these assumptions (for example, deferred Corporate Income Tax liabilities, vacation provisions etc).

Possible liabilities and assets

In these Financial Statements possible liabilities are not displayed but are reflected in the Notes to Financial Statements.
As liabilities are recognised only when, if possibility that the funds will be paid out becomes founded. Possible assets in

these Financial Statements are not recognised. Possible assets are shown in the Financial Statements only when there is enough proof that the economical benefits will reach the company.

Events after the end of the reporting year

Certain events which give additional information about Company's financial standing at the Balance Sheet date (correcting factors) have been considered during the preparation of the Financial Statements. If post Balance Sheet date events are not correcting factors, they are included in the Financial Statements only if they are substantial.

Related parties

The following sides are treated as "related parties": shareholders of the Company, Board Members, their close family members and companies which are under control or significant influence to the aforementioned related parties.

Reclassification of subjects (items)

In 2012, due to changes in legislation and opinion of management, no changes have been made in classification of items in comparison with 2011.report.

Chairman of the Board Eduards Malejevs

Member of the Board Ēriks Ertmanis

2014.30.05

2. Notes to the Profit and Loss statement entries

Note Nr.1
Net Turnover
Net turnover is income from main activity of the Company, sale of goods and supply of services from which trade discounts and other assigned discounts are subtracted, as well as value added tax and other taxes directly related to sales.

	2014	2013
Type of activity	**EUR**	**EUR**
Income from exports of finished goods		28 358
Income from rent of premises	31 834	179 814
Income from sale of finished goods in the local market		257 177
Income from utility services	343 860	672 196
Income from sale of materials	1 119	61 216
Total	**376 813**	**1 198 759**

Division of net turnover by geographical markets

LV	376 813	1 170 403
RU		28 358
	376 813	**1 198 759**

	2014	2013
Note Nr. 2		
Cost of goods sold	**EUR**	**EUR**
Costs of production or purchasing in order to perform sale of goods or supply of services		
Cost type		
Personnel costs	8 320	32 212
Provisions for leave and social security		1 352
Depreciation of fixed assets	33 062	176 860
Depreciation of fixed assets (project 124000075)	38 806	155 225
Write-off of cost of turnaround means		48 642
Changes in finished goods inventory		268 160
Changes in purchased materials and goods inventory		129 638
Services for productions		4 126
Ongoing maintenance and repair	4 364	71 704
Real estate property maintenance	168 425	725 976
Other costs	42	2 876
Total	**253 020**	**1 616 772**

Notes to the Profit and Loss statement entries (continued)

Note Nr. 3
Sales costs

	2014	2013
	EUR	**EUR**
Cost type		
Commissions paid	-	9905
Goods' transport costs		5 970
Sales costs	72	3 672
Advertising costs	802	794
Total	**875**	**20 341**

Note Nr. 4
Administrative costs

	2014	2013
	EUR	**EUR**
Cost type		
Personnel costs	16 422	81 565
Provisions for leave and social security	-	3 438
Representation costs	409	2 022
Office expenses	611	2 298
Communication expenses	2 465	11 568
Bank expenses	121	18 933
Transport costs	169	6 784
Accounting and legal expenses	215	44 399
Consulting services	13 993	11 692
Other administrative costs	3 625	14 489
Total	**38 031**	**197 189**

Note Nr. 5
Other incomes from operating activity

Type on income	2014	2013
	EUR	**EUR**
Sale of fixed assets (neto income0		349 810
Other income	2 524	
Debt write-off	-	
Revenue from goods are posted to		-
Total	**2 523**	**349 810**

Note Nr. 6
Other incomes/expenses from operating activity

Type of income/expense	2014	2013
	EUR	**EUR**
Net profits from Exchange rate fluctuations on net	2 797	882
Net profit from the net of the exchange rate of purchase/sales	10 006	52 369
Net interest		31 609
Provisions for unsecured debts		85 136
Previous years ' expenditure		
With economic activity related expenditure	215	7 637
With economic activity in the associated costs (losses)		
Total	**13 018**	**177 633**

Notes to the Profit and Loss statement entries (continued)

Note Nr. 7

Other interest and similar income		**2014**	**2013**
Type of income		**EUR**	**EUR**
Interest received on account balances		458	458
	Total	**458**	**458**

Note Nr. 9			**2014**		**2013**
Deferred Corporate Income Tax			**EUR**		**EUR**
Loan interest paid			17 308		81 987
	Total:		**17 308**		**81 987**
Note Nr. 10			**2014**		**2013**
Other taxes			**EUR**		**EUR**
Deferred corporate income tax			-		-
	Total:	-	-	-	-
FA and intangible assets net book value financial accounting					
FA and intangible assets net book value for tax purposes					
Vacation accruals					
Tax deductible losses					
Temporary difference					
The difference from last year					

Note Nr. 11		**2014**	**2013**
		EUR	**EUR**
Real estate tax, land		2 311	12 545
Real estate tax for buildings and structures		15 781	78 323
	Total:	**18 093**	**90 868**

Notes to the Financial Statements

Notes to the Balance Sheet as on December 31, 2012.

13. Fixed Assets

	Land	Buildings and constructions	Technological equipment	Other fixed assets	Total	
Historical cost						
31.12.2013.	**2 077 050**	**249 232**	**737 046**	**211 799**	**3 275 127**	
Reclassified					-	
Purchased			4 996		4 996	
Written-off						
31.03.2014	**2 077 050**	**249 232**	**742 042**	**211 799**	**3 280 123**	
Depreciation						
31.12.2013	**-**	**75 560**	**428 827**	**181 022**	**685 409**	
Calculated		4 452	14 837	1 107	20 396	
Purchased						
Written-off						
31.03.2014		**80 012**	**443 664**	**182 129**	**705 805**	
Net book value						
31.12.2013.	**2 077 050**	**173 671**	**308 220**	**30 777**	**2 589 718**	
Net book value						
31.03.2014	**2 077 050**	**169 220**	**298 378**	**29 676**	**2 574 326**	

Notes to the Balance Sheet (continued)

	Technological equipment (project 124000075)		Pre-payments for fixed assets	construction of fixed assets	Total	
Historical cost						
31.12.2013	**2 600 116**	**-**	**-**		**2 600 116**	
Purchased	-	-	-			
Written-off		-	-		-	
31.03.2014	**2 600 116**	**-**	**-**		**2 600 116**	
Depreciation						
31.12.2013	**1 358 312**	**-**	**-**		**1 358 312**	
Calculated	38 806	-	-		38 806	
Written-off	-	-	-		-	
31.03.2014	**1 397 118**	**-**	**-**		**1 397 118**	
Net book value						
31.12.2013.	**1 241 804**	**-**	**-**		**1 241 804**	
Net book value						
31.03.2014.	**1 202 998**	**-**	**-**		**1 202 998**	

Assets in the balance sheet are presented in the remainder of the value of the real estate cadastre value 4 517871 LVL.
According to 30.06.2011 g. Ober Haus Real State Company report on real estate market values were revalued fixed .
assets: land and buildings
Residue of fixed assets on December 31, 2012 were checked during inventory January 14, 2013.
Buildings, constructions, technological equipment and cars are insured.

Financial leasing: the fixed assets

Dismantled and scrapped, sold, fixed assets and intangible investments result:	**2014**	**2013**
	EUR	**EUR**
Original value		2 739 802
Accumulated depreciation		151 833
Net book value		**2 564 597**
Sales income		**349 810**

14. Investment properties:	**2014**
	EUR
31.12.2013	**4663588**
Original value	
Reclassified	
31.03.2014	**4 663 588**
31.12.2013	**745 286**
Depreciation	**12 665**
Reclassified	
31.03.2014	**757 951**
Balance sheet value 31.12.2013	**3 789 956**
Balance sheet value 31.03.2014	
Total	**3 905 636**

Investment properties 31.12.2012.g. reclassified from fixed assets (land, buildings), since these assets are transferred to hiring a manufacturing firm, which by VEF Radiotehnika RRR order is producing.

Notes to the Balance Sheet (continued)

16. Raw materials		2014		2013
		EUR		EUR
Raw materials		14 996		9 832
Inventory in use		8 566		9 078
		23 562		**18 910**

17. Stock		2014		2013
		EUR		EUR
Unfinished goods		16 706		2 839
Finished goods and goods in warehouse		-		-
	Total	**16 706**		**2 839**

19. Trade receivables		2014		2013
		EUR		EUR
Receivables (non-residents)		15 104		34 673
Receivables (residents)		179 918		161 990
The savings are not safe for customers		- 163 580		- 163 580
Book value of purchases and customers, total	**Total**	**31 442**		**33 083**
Provisions for doubtful debts		-	-	-
Net trade receivables, total		**31 442**	-	**33 083**

20. Associated companies debts		2014		2013
		EUR		EUR
Trade accounts payable		55 326		55 326
Loans		309 160		309 160
Advance payments for services		38 197		69 910
	Total	**402 683**		**434 396**

21. Other receivables		2013	0	2013
		EUR		EUR
Settlements with employees		12 414		255
Tax pre-payments for customs procedures		-		-
Loans to empoyees		7 248		7 248
Provisions for loan officers		- 7 248		- 7 248
Other loans		-		-
Others		-		-
	Total	**12 414**		**255**

Notes to the Balance Sheet (continued)

22. Deferred expenses	2014	2013
	EUR	EUR
Insurance expenses	6 357	3 736
Other expenses	459	380
Total	**6 816**	**4 116**

23. Cash and cash equivalents	2014	2013
	EUR	EUR
Cash in bank accounts	192	848
Total	**191**	**848**

24. Information about company's share capital

On 31.12.2012 company's share capital consisted of 2549084 registered and fully paid shares with nominal value of 1 Ls.
Larges shareholders of JSC "VEF Radiotehnika RRR" are:

Shareholders	Number of shares		Value	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
Jekaterina Malejeva	270000	270000	384175	3841785
Eduards Malejevs	941880	941880	1340175	1340175
Jurijs Malejevs	864512	864512	1230090	1230090
Inga Sprūga	330086	330086	469670	469670
Others (<5%)	142606	142606	202910	202910
Total:	**2549084**	**2549084**		

25. Retained earnings/losses

In accordance with decisions of Shareholders' meetings, losses of previous year remain uncovered, those shall be covered from the next years' profits.

	2014	2013
	EUR	EUR
Previous years' retained earnings/losses	- 2 967 522	- 2 331 762
Current year profit/loss	- 103 404	- 635 760
Total	**- 3 070 926**	**- 2 967 522**

	2013	2013
	EUR	EUR
26.Long term investment revaluation reserve		
Preliminary value	**7 282 130**	**7 282 130**
	-2 315 008	**-2 315 008**
	-37 809	**-37 809**
	-711 436	**-711 436**
Total	**4 967 122**	**4 967 122**

Notes to the Balance Sheet (continued)

29. Deferred income (long-term)	2014	2013
	EUR	EUR
Individual income tax	0	
State social security payments	0	
Real estate tax	0	
Natural resources tax	83 497	83 497
Total	83 497	**83 497**

30.Shot-term loans from lending institutions	2014	2013
	EUR	EUR
loan from JSC SEB Banka	1 517 503	1 517 503
Total	1 519 517	**1 517 503**

31. Other loans (short-term)	2014	2013
	EUR	EUR
Other loans	154 638	159 092
Total	**154 638**	**159 092**

32. Advances from customers	2014	2013
	EUR	EUR
Advances from residents	17 920	804
Total	**17 920**	**804**

Notes to the Balance Sheet (continued)

33. Due to suppliers and providers (short-term)		2014	2013
		EUR	EUR
Trade accounts payable to non-residents		21 929	29 441
Trade accounts payable to residents		983 281	959 583
	Total	**1 005 210**	**989 025**

34. the Debt to associated companies		2014	2013
		EUR	EUR
Advance payments received from customers			
Loans		55 207	55 207
Payment for services		30 487	25 871
	Kopā	**85 694**	**81 078**

Notes to the Balance Sheet (continued)

35. Taxes and social insurance payments		2014	2013
		EUR	EUR
Personal Income Tax		81 557	81 028
State Social Insurance payments		105 743	103 376
Value Added Tax		76 148	70 007
Real estate tax for building and constructions		183 510	178 630
Nature resources tax		2 901	2 901
Corporate risk tax		14	6
	Total	**449 873**	**435 948**

36. Other liabilities			2014	2013
			EUR	EUR
Salaries			21 981	18 167
Advance settlement amounts				545
Security			21 981	22 685
Other creditores			5 350	4 101
	Total	-	**49 312**	**45 498**

38.Accumulated obligated	2014	2013
	EUR	EUR
Current expense	56 424	67 291
	-	6 427
	56 424	**73 718**

Notes to the Financial Statements

General Notes

	Year 2014	2 013
1. Average number of employees during the year		
Average number of employees during the year	21	24

	2014	2013
	EUR	**EUR**
2. Total personnel costs	**24 742**	**113 778**
- salaries	20 206	92 415
- Social security payments	4 513	21 258
- Corporate risk tax	23	105
- including:		
Management salaries		
- salaries	4 290	18 237
- Social security payments	1 349	5 901
- Corporate risk tax	2	10
- total:	**5 641**	**24 148**

3. taxes, duties and compulsory social insurance contributions in motion

	(-) underpayment, (+) overpayment					(-) underpayment, (+) overpayment
	31.12.2013	**Correction**	**Calculated**	**Paid**	**NAP long**	**31.03.2014**
Type of tax						
Value added tax	42215		13 347	6 567	-	48 995
audit	2194			-	-	1 542
delay's money	25597					25 597
Personal income tax	50935		3 743	3 214		51 464
delay's money	30094					30 094
State social security obligatory payments	69166		6 521	4 153		71 534
delay's money	34210					34 210
Business risk duty	6		23	15		14
delay's money	-					-
Nature resources tax	1534		197	471		1 260
delay's money	1367					1 367
Real estate tax	155228		18 093	12 927	47 766	208 160
delay's money	23402				35 731	59 133
	435 948		**41 924**	**27 347**	**83 497**	**533 370**
Tax overpayment			-	-	-	-
Tax debt	**435 948**	**-**	**-**	**-**	**-**	**533 370**
The penalty is calculated	**114 670**				**35 731**	**151 943**

4. transactions with related parties

Related persons are society's subsidiary and associated companies, as well as its members/shareholders, who can control the company or which have significant impact on society, with core business decisions, the company or its parent the company's senior management officials and any of the aforementioned individuals a close family member, as well as the company, which is controlled by that person, or which have a significant impact on them.

The company's shareholders is significant impact on the, SIA "Baltlain" ID.No 40003173740, SIA "Imanta Retail Park" TRK. No 40103265172, SIA "albatross" and "reg. No. 40003761361.
The goods are sold to related parties and bought from associated person of normal market based prices. Outstanding commitments at the end of the year is no way of ensuring, and settlement is made in cash. For any related party receivables is delivered or received any of the warranty in 2012

Related party		Sales to related parties	Purchases from related parties	Loans provided	Loans received	Amounts owed by related parties	Amounts owed to related parties
The company, which have a significant impact of the company:							
SIA Imanta Retail	2013	437 620	95 639	**309 160**	**-**	410 873	**-**
Park"	2014			309 160	-	379 160	-
	2013	1 093	-	22 430	-	23 523	-
SIA"Baltlains"	2014	-		15 764	-	23 523	-
SIA"Albatross	2013	15 395	**-**	**-**	55 896	3 479	81 078
un parteri"	2014			**-**	39 285	**-**	85 694
TOTAL	**2013**	**453 015**	**95 639**	**229 307**	**55 896**	**434 396**	**94 390**
TOTAL	**2014**	**0**	**0**	**324 924**	**39 285**	**402 683**	**85 694**

Information on the reimbursement of certified auditors commercial company total in the reference year

SIA Potapoviča un Andersone
Licence No 99
Udens street 12-45 , Riga

Annual report is accepted and signed from page 1 till 28

Chairman of the Board Eduards Malejevs

Member of the Board Ēriks Ertmanis

2014.30.05