

JSC "VEF Radiotehnika RRR"
Unified Registration No. 40003286712
Address: Kurzemes prospekts 3, Riga, LV-1067
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

Date of submission: _____

Date of receipt: _____

Riga

TABLE OF CONTENTS

	Page
General information	3
Management report	4 - 5
Statement of the management's responsibility	6
Income statement	7
Balance sheet	
Assets	8
Liabilities	9
Statement of cash flows	10
Statement of changes in shareholders' equity	11
Notes to the financial statements:	
1. Accounting policies and methods	12
2. Notes to the income statement	17
3. Notes to the balance sheet	20
4. Other notes	26
Independent auditors's report	29 - 30

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 2013

GENERAL INFORMATION

Full name of the Company	<i>JSC "VEF Radiotehnika RRR"</i>			
Legal status of the Company	<i>Public Joint-Stock Company</i>			
Unified Registration No., place and date of issue	<i>40003286712 1998.12.11</i>			
Legal address of the Company	<i>Kurzemes prospekts 3, Riga, LV-1067</i>			
Telephone No.	<i>67418087</i>			
NACE code	<i>26.40</i>	<i>Manufacture of electronic devices</i>		
	<i>68.32</i>	<i>Real estate management with remuneration or based on agreements</i>		
Council members of the JSC				
Chairman of the Council	<i>Janis Salenieks</i>			
Council Member	<i>Jurijs Malejevs</i>			
Council Member	<i>Inga Spruga</i>			
Council Member	<i>Ausma Smiltiece till 01/07/2013</i>			
Council Member	<i>Vjaceslavs Mihailovins till 10/06/2013</i>			
Council Member	<i>Inars Klavins from 01/07/2013</i>			
Council Member	<i>Jekaterina Malejeva from 01/07/2013</i>			
Board members of the JSC				
Chairman of the Board	<i>Eduards Malejevs</i>			
Board Member	<i>Boriss Livča till 01/05/2013</i>			
Board Member	<i>Ēriks Ertmanis</i>			
Reporting year	<i>from</i>	<i>2013.01.01</i>	<i>till</i>	<i>2013.12.31</i>
Previous reporting year	<i>from</i>	<i>2012.01.01</i>	<i>till</i>	<i>2012.12.31</i>
Chief Accountant	<i>Olga Romanko</i>			
Telephone No.	<i>67852054</i>			
Auditor	<i>SIA Potapoviča un Andersone Certified Auditors Company Licence No. 99 Udens Street 12-45, Riga, LV-1007</i>			
	<i>Responsible auditor: Anna Temerova-Allena Certificate No.154</i>			

Management report

Principal activities

During year 2013, the main activities of JSC "VEF Radiotehnika RRR" were:

1. Purchase and sales of acoustic systems and their enclosures;
2. Real estate renting services.

All of the above-mentioned activities have been performed also in year 2012. New types of activities have not been performed.

During the third quarter of 2014 it is planned to restore acoustic systems development, organisation of production and sales.

Operations of the Company during the reporting year

Reporting year results of the Company are the following:

Result before extraordinary items and taxes:	- 383 284 LVL
Deferred corporate income tax:	38 986 LVL
Other taxes:	- 63 863 LVL
Net result:	- 408 161 LVL

Net turnover in year 2013 was LVL 842 494 and it has decreased by 17% compared to the year 2012.

During the reporting year part of the Company's real estate was sold resulting in 1 639 thousand lats decrease in non-current assets revaluation reserve while a gain from disposal of assets amounting to 222 thousand lats was recognised in the income statement.

The Company's current liabilities exceed its current assets.

2013 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 a solid foundations for sustainable growth in the future. Significant losses were incurred due to recognition of additional impairment losses in respect of the assets recognised in the Company's balance sheet. During the reporting year the management of the Company performed detailed analysis of carrying and recoverable value of its assets, and, based on the historical information, recognised retrospective adjustments in respect of classification and recoverable value of certain assets. Adjustments impact previously reported value of the assets as well as results of previous periods and total equity. Total impact of the adjustment as at 31.12.2011 is decrease in total equity by 529 886 lats and as at 31.12.2012 is decrease in this caption by 763 497 lats.

Going concern

As previously mentioned above, the Company has concludes year 2013 with a loss 408 161 lats, which has resulted from a significant reduction in the sales market sector, as well as impaired assets. As at the end of the reporting year current liabilities of the Company exceed current assets by 2 189 464 lats.

The Company has reached an agreement with AS SEB Banka on prolonging the repayment term from 20 June 2014 to 22 December 2014, until the Company would refinance the loan with different bank. Currently negotiations are run with a number of Latvian banks.

Except bank, the largest creditors of AS VEF Radiotehnika RRR are the State Revenue Service (SRS) and AS Latvenergo. SRS tax debt collection department (SRS TDCD) decision Nr.4.1.1.4/L-7547 from 12 March 2014 cancelled SRS TDCD director's M.Burajs decision from 29 November 2012 on tax support activities and extension of repayment terms and simultaneously with SRS decision Nr.4.1.1.4/20011 from 3 March 2014 incasso applied on VAT payments. In June 2014 with SRS TDCD decision Nr.4.1.1.4/60613 a ban has been applied on reduction of the Company's share capital, as well as a record has been made in the Commercial pledge register on ban to register any new or changed commercial pledges.

The terms of repayment of accounts payable to AS Latvenergo are under negotiation.

The management of the Company considers that the existing situation is temporary and takes actions to restore the income at the previous level. The Company's year 2013 financial statements have been prepared applying the going concern principle.

To absorb the accumulated losses and settle payments to creditors, the option of selling the company-owned non-profile assets that are engaged in business but the possession of which increases the real estate tax burden, is considered. Currently as non-profile assets are considered the administrative building, warehouse and a few land plots.

Currently the Company is negotiation real estate disposal deal with SIA DEPO DIY, as a result of which the Company will be able partly settle its liabilities. Realisation of the deal takes time as there are 4 legal parties involved and in addition, a permission to build new buildings must be received. Consequently, receipt of documents from the state institutions is not so quick as one would like. The management of the Company considers that the execution of the deal might take up to 6 months. Expected selling price is below carrying value of the respective assets, therefore 500 thousand lats impairment of the real estate value has been recognised already in year 2013 financial statements.

If the current situation becomes permanent and will not be dissolved, the Company might be forced to sell also other assets of the Company.

Post balance sheet events

Except as disclosed in the Note 39, from the last day of the financial year to the date of signing this report there have been no other significant events which would impact the year-end results of which would need to be additionally disclosed in the financial statements.

Proposals concerning covering the loss

It is planned to cover year 2013 loss with future periods profits from income generated by renewed production process and with proceeds from disposal of non-profile assets.

Chairman of the Board



Eduards Malejevs

Member of the Board



Ēriks Ertmanis

18 July 2014

Statement of the 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 the preparation of the annual report for the period ended 31 December 2013, appropriate accounting principles were consistently applied and justified and prudent decisions were made.

Management is responsible for application of appropriate accounting principles, safeguarding of the company's assets as well as prevention of fraud and other unlawful activities.

The management of the company confirms, that is has provided information and explanations required for the audit.

Chairman of the Board



Eduards Malejevs

Member of the Board



Ēriks Ertmanis

18 July 2014

JSC "VEF Radiotehnika RRR"
 unified Reg.Nr.40003286712
 Annual report 2013

INCOME STATEMENT
FOR THE YEAR ENDED
 31.12.2013 (in compliance with the turnover costs method)

	Note	2013	2013	2012
		LVL	EUR	LVL
Net turnover	1	842 494	1 198 761	1 017 690
Cost of sales	2	(1 136 651)	(1 617 309)	(1 072 614)
Gross loss		(294 157)	(418 548)	(54 924)
Selling expenses	3	(14 296)	(20 341)	(23 132)
Administrative expenses	4	(138 539)	(197 123)	(113 230)
Other operating income	5	245 848	349 810	170 411
Other operating expenses	6	(124 841)	(177 633)	(589 274)
Interest income and similar income	7	322	458	369
Interest expense and similar expenses	8	(57 621)	(81 987)	(66 452)
Loss before extraordinary items and taxes		(383 284)	(545 364)	(676 232)
Deferred corporate income tax for the reporting year	9	38 986	55 472	
Other taxes	10	(63 863)	(90 869)	(66 830)
Net loss for the year		(408 161)	(580 761)	(743 062)
Earnings (loss) per share (EPS coefficient)		(0.160)	(0.228)	(0.292)

Notes on pages 12 to 28 are an integral part of these financial statements.

Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

18 July 2014

JSC "VEF Radiotehnika RRR"
 unified Reg.Nr.40003286712
 Annual report 2013

BALANCE SHEET as at 31.12.2013.

ASSETS		Note	2013	2013	2012	2012
			LVL	EUR	LVL	EUR
I. Non-current assets						
II. Fixed assets:						
Land, buildings and constructions			1 532 909	2 181 133	3 130 905	4 454 876
Equipment and vehicles			1 089 363	1 550 024	1 188 124	1 690 548
Other fixed assets			21 630	30 777	43 763	62 269
Total fixed assets:		11	2 643 902	3 761 934	4 362 792	6 207 693
III. Investment properties:						
Total investment properties:		12	2 802 255	3 987 250	3 588 893	5 106 535
Loans to related parties			217 279	309 160	-	-
Total non-current financial investments:		17	217 279	309 160	-	-
Total non-current assets:			5 663 436	8 058 344	7 951 685	11 314 228
2. Current assets						
I. Inventory:						
Raw materials		13	13 290	18 910	57 084	81 223
Finished goods		14	-	-	18 520	26 352
Advance payments for materials		15	1 995	2 839	3 544	5 043
Total inventory:			15 285	21 749	79 148	112 618
III. Receivables:						
Trade receivables		16	23 250	33 082	187 418	266 672
Receivables from related parties		17	88 016	125 235	254 907	362 700
Other receivables		18	179	255	11 915	16 954
Deferred expenses		19	2 893	4 116	3 326	4 732
Total receivables:			114 338	162 688	457 566	651 058
V. Cash		20	596	848	429	610
Total current assets:			130 219	185 285	537 143	764 286
TOTAL ASSETS:			5 793 655	8 243 628	8 488 828	12 078 514

Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

18 July 2014

JSC "VEF Radiotehnika RRR"
 unified Reg.Nr.40003286712
 Annual report 2013

BALANCE SHEET as at 31.12.2013.

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2013		2012	
		LVL	EUR	LVL	EUR
I. Shareholders' equity:					
Share capital	21	2 549 084	3 627 020	2 549 084	3 627 020
Non-current assets revaluation reserve	23	2 495 951	3 551 418	4 326 485	6 156 034
Accumulated losses:					
a) accumulated losses of previous years	22	- 1 621 357	- 2 306 983	- 878 295	- 1 249 701
b) current year loss	22	- 408 161	- 580 761	- 743 062	- 1 057 282
Total shareholders' equity:		3 015 517	4 290 694	5 254 212	7 476 071
2. Provisions:					
Other provisions	24	15 793	22 471	12 427	17 682
Total provisions:		15 793	22 471	12 427	17 682
3. Liabilities:					
I. Non-current liabilities:					
Deferred tax	34	383 980	546 354	746 002	1 061 465
Taxes and social security liabilities	25	58 682	83 497	160 728	228 695
Total non-current liabilities:		442 662	629 851	906 730	1 290 160
II. Current liabilities:					
Loans from credit institutions	26	1 066 507	1 517 503	1 441 377	2 050 895
Other loans	27	110 405	157 092	9 665	13 752
Advances from customers	28	565	804	866	1 232
Trade accounts payable	29	688 344	979 425	455 239	647 747
Payables to related parties	30	63 728	90 677	94 390	134 305
Taxes and social security liabilities	31	306 386	435 948	243 408	346 338
Other liabilities	32	31 976	45 498	26 403	37 567
Accrued liabilities	33	51 772	73 665	44 111	62 764
Total current liabilities:		2 319 683	3 300 612	2 315 459	3 294 600
Total liabilities:		2 762 345	3 930 463	3 222 189	4 584 760
TOTAL LIABILITIES :		5 793 655	8 243 628	8 488 828	12 078 514

Notes on pages 12 to 28 are an integral part of these financial statements.

Chairman of the Board

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Ēriks Ertmanis

18 July 2014

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 2013

CASH FLOW STATEMENT FOR THE PERIOD ENDED
31.12.2013 (indirect method)

I. Cash flow from operating activities

Loss before extraordinary items and taxes

Adjustments for:

- a) depreciation of fixed assets and investment properties
- c) provisions (excluding provisions for doubtful receivables)
- d) gains or losses from foreign currency exchange rate fluctuations
- f) income from subsidies, grants, gifts or donations
- g) other income from interest or similar income
- h) profit/loss from sale of fixed assets
- i) interest payments and similar activities
- k) depreciation of revalued fixed assets

Loss before working capital and current liabilities adjustments

Adjustments for:

- a) debtors increase (-) or decrease (+)
- b) inventory increase (-) or decrease (+)
- c) accounts payable to suppliers and other creditors increase (+) or decrease (-)

Gross cash flow from operating activities

- Interest payments
- Real estate tax payments

Cash flow before extraordinary items

Net cash flow from operating activity

II. Cash flow from investing activities

- Acquisition of fixed assets and intangibles
- Proceeds from disposal of fixed assets and intangibles
- Interest received
- Net cash flow from investing activities

III. Cash flow from financing activities

- Loans received
- Loans repaid
- Financial lease payments
- Net cash flow from financing activities

IV. Foreign exchange rate differences

V. Net cash flow for the year

VI. Cash and cash equivalents at the beginning of the period

VII. Cash and cash equivalents at the end of the period

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
<i>Loss before extraordinary items and taxes</i>	(383 284)	(545 364)	(676 232)	(962 191)
<i>Adjustments for:</i>				
a) depreciation of fixed assets and investment properties	233 841	332 726	233 737	332 578
c) provisions (excluding provisions for doubtful receivables)	3 366	4 789	4 463	6 350
d) gains or losses from foreign currency exchange rate fluctuations	477	679	1 586	2 257
f) income from subsidies, grants, gifts or donations	-	-	(46 798)	(66 588)
g) other income from interest or similar income	(322)	(458)	(369)	(525)
h) profit/loss from sale of fixed assets	(221 988)	(315 860)	(80 541)	(114 600)
i) interest payments and similar activities	57 621	81 987	66 452	94 553
k) depreciation of revalued fixed assets	(23 860)	(33 950)	(27 928)	(39 738)
<i>Loss before working capital and current liabilities adjustments</i>	(334 149)	(475 451)	(525 630)	(747 904)
<i>Adjustments for:</i>				
a) debtors increase (-) or decrease (+)	125 949	179 209	254 350	361 907
b) inventory increase (-) or decrease (+)	63 863	90 869	249 758	355 374
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)	184 077	261 918	103 511	147 283
<i>Gross cash flow from operating activities</i>	39 740	56 545	81 989	116 660
Interest payments	(51 858)	(73 787)	(72 814)	(103 605)
Real estate tax payments	(77 844)	(110 762)	(21 000)	(29 880)
<i>Cash flow before extraordinary items</i>	(89 962)	(128 004)	(11 825)	(16 825)
<i>Net cash flow from operating activity</i>	(89 962)	(128 004)	(11 825)	(16 825)
II. Cash flow from investing activities				
Acquisition of fixed assets and intangibles	(47 148)	(67 086)	(49 129)	(69 904)
Proceeds from disposal of fixed assets and intangibles	411 113	584 961	99 677	141 828
Interest received	322	458	366	521
Net cash flow from investing activities	364 287	518 334	50 914	72 444
III. Cash flow from financing activities				
Loans received	110 405	157 092	38 800	55 207
Loans repaid	(374 870)	(533 392)	(149 901)	(213 290)
Financial lease payments	(9 693)	(13 792)	(24 644)	(35 065)
Net cash flow from financing activities	(274 158)	(390 092)	(135 745)	(193 148)
IV. Foreign exchange rate differences	-	-	-	-
V. Net cash flow for the year	167	238	(96 489)	(137 530)
VI. Cash and cash equivalents at the beginning of the period	429	610	97 085	138 140
VII. Cash and cash equivalents at the end of the period	596	848	429	610

Notes on pages 12 to 28 are an integral part of these financial statements.

Chairman of the Board

Eduards Malejevs

Member of the Board

Eriks Ertmanis

18 July 2014

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR 2013

	Share capital	Non-current assets revaluation reserve	Result of the reporting year	Previous year's retained earnings	Total shareholders' equity
	LVL	LVL	LVL	LVL	LVL
Balance as at 31 December 2011 (before adjustment)	2 549 084	5 117 911	4 947	(353 354)	7 318 588
Adjustments of previous years*	-	(767 687)	(529 886)	-	(1 297 573)
Balance as at 31 December 2011 (adjusted)	2 549 084	4 350 224	(524 939)	(353 354)	6 021 015
Result carried over	-	-	524 939	(524 939)	-
Loss for the year	-	-	(743 062)	-	(743 062)
Fixed assets revaluation reserve	-	(23 739)	-	-	(23 739)
Balance as at 31 December 2012	2 549 084	4 326 485	(743 062)	(878 295)	5 254 212
Result carried over	-	-	743 062	(743 062)	-
Loss for the year	-	-	(408 161)	-	(408 161)
Fixed assets revaluation reserve	-	(1 830 534)	-	-	(1 830 534)
Balance as at 31 December 2013	2 549 084	2 495 951	(408 161)	(1 621 357)	3 015 517

	Share capital	Non-current assets revaluation reserve	Result of the reporting year	Previous year's retained earnings	Total shareholders' equity
	EUR	EUR	EUR	EUR	EUR
Balance as on December 31, 2011 (before adjustment)	3 627 020	7 282 131	7 039	(502 777)	10 413 413
Adjustments of previous years*	-	1 092 320	(753 960)	-	(1 846 280)
Balance as on December 31, 2011 (adjusted)	3 627 020	6 189 811	(746 921)	(502 777)	8 567 133
Profit carried over	-	-	746 921	(746 921)	-
Profit for the year	-	-	(1 057 282)	-	(1 057 282)
Fixed assets revaluation reserve	-	(33 780)	-	-	(33 780)
Balance as on December 31, 2012	3 627 020	6 156 031	(1 057 282)	(1 249 698)	7 476 071
Profit carried over	-	-	1 057 282	(1 057 282)	-
Profit for the year	-	-	(580 761)	-	(580 761)
Company reserves buildup	-	(2 604 616)	-	-	(2 604 616)
Balance as on December 31, 2013	3 627 020	3 551 415	(580 761)	(2 306 980)	4 290 694

*- for explanations of the retrospective adjustments please refer to Accounting policies and methods section.

Notes on pages 12 to 28 are an integral part of these financial statements.

Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

8 July 2014

Notes to the Financial Statements

1. Accounting policies and methods

National currency of Latvian Republic - Lats, abbreviated - Ls or LVL is used in the data of the Financial Statements.

General Principles

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

Income statement is prepared using turnover (period) costs method.

Cash flow statement is prepared using indirect method.

Changes to the accounting policies

Compared to the previous year, the accounting policy has not changed.

Errors

Significant errors of the previous periods are to be corrected by the Company retrospectively 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 opening balances for the latest period presented.

Retrospective adjustments

During the reporting year the Company's management conducted a detailed inventory of assets and their recoverable values, and based on the historical information available, recognised a retrospective adjustment to the classification and recoverable value of certain assets. The adjustment impacts previously reported values of assets as at 31.12.2012, as well as the previous year accumulated results and shareholders' equity. Adjustments impact on 31.12.2012 data and 2012 income statements is presented in the following table. Total impact of the adjustments as at 31.12.2011 is decrease in total shareholders' equity by 529 886 lats due to the decrease in net result and decrease by 767 687 lats due to recognition of the deferred corporate income tax liability in relation to non-current assets revaluation reserve. Total decrease in previously reported shareholders' equity is 1 297 573 lats.

The company recognised a retrospective adjustment of deferred tax liability calculation by extending part of the non-current assets revaluation reserve for deferred income tax liabilities. The adjustment affects previously reported non-current assets revaluation reserve and deferred income tax liability. The adjustment does not affect the 2012 year's income statement.

Below given balance sheet items affected by retrospective correction:

	As presented in 2012 annual report	Adjustments	Adjusted 31.12.2012
	LVL	LVL	LVL
Assets			
Fixed assets:			
2.Fixed assets under construction	973 767	(973 767)	-
Total fixed assets:	5 336 559	(973 767)	4 362 792
Investment property:			
Deferred tax asset	17 328	(17 328)	-
Total long-term financial investments:	333 176	(333 176)	-
Total long-term investments:	8 382 238	(430 553)	7 951 685
Inventory:			
Raw materials and consumables	185 865	(128 781)	57 084
Finished goods and goods for sale	115 579	(97 059)	18 520
Advances for goods receivable	6 215	(2 671)	3 544
Total inventory:	307 659	(228 511)	79 148
Other debtors	125 713	(113 798)	11 915
Deferred expenses	29 146	(25 820)	3 326
Total debtors:	597 184	(139 618)	457 566
Total current assets:	905 272	(368 129)	537 143
Total assets	9 287 510	(798 682)	8 488 828

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 2013

Liabilities

Shareholders' funds:

long-term investment revaluation reserve	5 089 982	(763 497)	4 326 485
a) prior years' retained earnings	(348 407)	(529 886)	(878 293)
b) current year's profit	(491 683)	(251 379)	(743 062)
Total shareholders' funds:	6 798 974	(1 544 762)	5 254 212

Creditors:

I. Long-term creditors:

Deferred tax liability	-	746 000	746 002
Total long-term creditors:	160 728	746 000	906 728

II. Short-term creditors

Other creditors	26 323	80	26 403
Total short-term creditors:	2 315 379	80	2 315 459
Total creditors	2 476 107	746 080	3 222 187
Total liabilities and shareholders funds	9 287 510	(798 682)	8 488 828

Below given profit or loss account items affected by retrospective correction:

	As presented in	Adjustments	Adjusted
	2012 annual report	LVL	year 2012
	LVL	LVL	LVL
Cost of sales	(1 023 926)	(48 688)	(1 072 614)
Gross profit / (loss)	(6 236)	(48 688)	(54 924)
Other operating expenses	(386 583)	(202 691)	(589 274)
Profit / (loss) before taxes	(424 853)	(251 379)	(676 232)
Current year's loss	(491 683)	(251 379)	(743 062)

Transactions in foreign currency

All monetary assets and liabilities are translated at the Bank of Latvia rate of exchange on last day of the reporting year.

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:

	2013.12.31	2012.12.31
USD	0.515	0.544
EUR	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.

Fixed assets

Fixed assets are physical objects with useful life over 12 calendar months and acquisition value of 50,- LVL and more.

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 end 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.		

Fixed assets depreciation are calculated from acquisition costs less residual value. If the residual value is immaterial, it is not considered.

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 2013

Repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Interest costs on borrowing to finance the fixed assets under construction and other direct charges related to the particular fixed asset under construction are capitalised, during the period of time that is required to complete and prepare the asset for its intended use, as part of the cost of the asset. Capitalisation of the borrowing costs is suspended during extended periods in which active developments are interrupted.

Investment property

Investment property is land, buildings, parts of buildings and constructions that the Company (as an owner or lessee in finance lease agreement) holds with the intention to gain rental (lease) income or gain increase in value of the investment by means of market value increase of the asset. The property is not utilized for production purposes, service provision, administrative needs or other ordinary business activities of the company.

Investment properties are initially recognised at acquisition cost, including transaction costs. After initial recognition investment properties are valued at revalued amounts (please see fixed assets recognition and depreciation accounting policy).

Investment property is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

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.

Lease in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any financial incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

Hire-purchase (Financial leasing)

Leases of assets under which the Company has substantially all the risks and rewards of ownership are classified as financial leases. Financial leases are capitalised at the inception of the lease at the present value of the minimum lease payments. Interest element of leasing payments is charged to the profit and loss account over the lease period.

In cases when fixed assets are acquired under financial lease terms and all risks and benefits have been assumed, then these fixed assets are recognised at the value, at which they could have been acquired with immediate payment. Lease interest payments and any related payments are included in the income statement when incurred.

Inventory valuation

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 inventory'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 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 likelihood of recovering the debt becomes unrealistic and impossible.

Net turnover

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

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue from sale of goods outside the Latvia is recognized based on the terms of delivery.

Income and expenses acknowledgement

1. Income from sale of goods is recognised when the transaction complies with the following requirements:

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 2013

- 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;
 4. Incomes from rent - at the moment of coming into existence;
All significant cost items are processed per accumulation principle.

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 provision for unused annual leave is determined by multiplying the average wage of employees in the last six months per day by

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 due 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)

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 2013

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

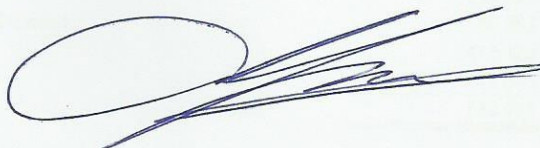
The following sides are treated as "related parties": shareholders of the Company, Board Members, their close family members and companies which are under control or significant influence to the aforementioned related parties.

Chairman of the Board



Eduards Malejevs

Member of the Board



Ēriks Ertmanis

18 July 2014

JSC "VEF Radiotehnika RRR"
 unified Reg.Nr.40003286712
 Annual report 2013

Notes to the income statements

(B) Net Turnover

Type of activity

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Income from exports of finished goods	19 930	28 358	151 703	215 854
Income from rent of premises	126 374	179 814	262 015	372 814
Income from sale of finished goods in the local market	180 745	257 177	52 315	74 437
Income from utility services	472 422	672 196	476 394	677 847
Income from sale of materials	43 023	61 216	75 263	107 090
Total	842 494	1 198 761	1 017 690	1 448 042

Division of net turnover by geographical markets

Latvia	822 564	1 170 403	865 987	1 232 188
Estonia	-	-	1 599	2 275
Germany	-	-	38	54
Russia	19 930	28 358	21 990	31 289
Finland	-	-	5 620	7 997
Italy	-	-	63 355	90 146
Belarus	-	-	8 153	11 601
The Czech Republic	-	-	49 679	70 687
The UK	-	-	1 269	1 806
Total	842 494	1 198 761	1 017 690	1 448 042

(C) Cost of goods sold

Cost type

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Personnel costs	22 639	32 212	21 592	30 723
Provisions for leave and social security	950	1 352	938	1 335
Depreciation of fixed assets	124 748	177 501	124 643	177 351
Depreciation of fixed assets (project 124000075)	109 093	155 226	109 093	155 225
Write-off of miscellaneous items	34 186	48 642	40 697	57 906
Changes in finished goods inventory	188 464	268 160	194 458	276 689
Changes in purchased materials and goods inventory	91 037	129 534	75	107
Production services	2 900	4 126	2 854	4 061
Ongoing maintenance and repair	50 394	71 704	31 164	44 342
Real estate property maintenance	510 219	725 976	531 389	756 098
Other costs	2 021	2 876	15 711	22 355
Total	1 136 651	1 617 309	1 072 614	1 526 191

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 2013

Notes to the income statement (continued)

3) Selling expenses

Cost type

Goods' transportation costs
Commissions paid
Sales costs
Advertising costs

Total

2013	2013	2012	2012
LVL	EUR	LVL	EUR
6 961	9 905	13 939	19 834
4 196	5 970	-	-
2 581	3 672	7 421	10 559
558	794	1 772	2 521
14 296	20 341	23 132	32 914

4) Administrative expenses

Cost type

Personnel costs
Provisions for leave and social security
Representation costs
Office expenses
Communication expenses
Bank expenses
Transportation costs
Accounting and legal expenses
Consulting services
Other administrative costs

Total

2013	2013	2012	2012
LVL	EUR	LVL	EUR
57 324	81 565	57 529	81 856
2 416	3 437	3 525	5 016
1 421	2 022	1 284	1 827
1 615	2 298	3 496	4 974
8 130	11 568	7 679	10 926
13 306	18 933	12 066	17 168
4 768	6 784	13 055	18 576
31 204	44 399	3 557	5 061
8 217	11 692	3 340	4 752
10 138	14 425	7 699	10 955
138 539	197 123	113 230	161 112

5) Other operating income

Type on income

Receivables from Grant financing
Selling of real estate assets (net income)
Amortization of long-term investment revaluation reserves
Other income

Total

2013	2013	2012	2012
LVL	EUR	LVL	EUR
-	-	46 798	66 589
221 988	315 860	80 541	114 600
23 860	33 950	27 928	39 738
-	-	15 144	21 546
245 848	349 810	170 411	242 473

6) Other operating expenses

Type of income/expense

Net profits from foreign exchange rate fluctuations
Penalties
Bad debts written off
Provisions for unsecured debts
Previous years' expenditure
Expenditures not related to economic activity
Expenditures related to economic activity (inventory losses)

Total

2013	2013	2012	2012
LVL	EUR	LVL	EUR
620	882	2 716	3 864
36 805	52 369	109 753	156 164
22 215	31 609	347 731	494 777
59 834	85 136	16 827	23 943
-	-	16 277	23 160
5 367	7 637	684	973
-	-	95 286	135 580
124 841	177 633	589 274	838 461

JSC "VEF Radiotehnika RRR"
 unified Reg.Nr.40003286712
 Annual report 2013

Notes to the income statement (continued)

(7) Interest income and similar income

Type of income

Interest received

Total

2013	2013	2012	2012
LVL	EUR	LVL	EUR
322	458	369	525
322	458	369	525

(8) Interest expense and similar expenses

Type of cost

Loan interest paid

Total

2013	2013	2012	2012
LVL	EUR	LVL	EUR
57 621	81 987	66 452	94 553
57 621	81 987	66 452	94 553

(9) Corporate income tax for the reporting year

Deferred tax (Note No.34)

Current corporate income tax

Total

2013	2013	2012	2012
LVL	EUR	LVL	EUR
(38 986)	(55 472)	-	-
-	-	-	-
(38 986)	(55 472)	-	-

Accumulated tax losses carried forward for corporate income tax purposes amount to 1 597 435 lats as at 31 December 2013.

In accordance with the legislation of the Republic of Latvia, tax losses that have been incurred until 2007 can be covered

chronologically from the taxable income of the subsequent eight years. Annual taxable income from later periods of taxation:

	Amount of loss		Expiry term
	LVL	EUR	
2007 loss for corporate income tax purposes	767 217	1 091 651	2015
2008 loss for corporate income tax purposes	364 789	519 048	-
2009 loss for corporate income tax purposes	233 831	332 712	-
2010 loss for corporate income tax purposes	80 981	115 226	-
2013 loss for corporate income tax purposes	150 617	214 309	-
Total	1 597 435	2 272 946	-

(10) Other taxes

Real estate tax, land

Real estate tax, buildings and structures

Total

2013	2013	2012	2012
LVL	EUR	LVL	EUR
8 817	12 545	11 815	16 811
55 046	78 323	55 015	78 280
63 863	90 869	66 830	95 091

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 2013

Notes to the financial statements

Notes to the balance sheet as at 31 December 2013

Fixed Assets

	Land	Buildings and constructions	Technological equipment	Other fixed assets	Total LVL	Total EUR
Historical cost						
31.12.2012.	3 052 811	105 671	2 298 223	217 651	5 674 356	8 073 881
Acquired	-	-	47 148	-	47 148	67 086
Disposed	(1 593 052)	-	-	(68 797)	(1 661 849)	(2 364 598)
31.12.2013.	1 459 759	105 671	2 345 371	148 854	4 059 655	5 776 369
Depreciation	-	-	-	-	-	-
31.12.2012	-	27 577	1 110 099	173 888	1 311 564	1 866 187
Calculated	-	4 944	145 909	5 707	156 561	222 766
Disposed	-	-	-	(52 372)	(52 372)	(74 518)
31.12.2013.	-	32 521	1 256 008	127 224	1 415 753	2 014 435
Net book value						
31.12.2012.	3 052 811	78 094	1 188 124	43 763	4 362 792	6 207 694
31.12.2013.	1 459 759	73 150	1 089 363	21 630	2 643 901	3 761 933

Carrying value of real estate is 3 573 865 LVL on 31.12.2013 (31.12.2012: 4 517 871 LVL).

Buildings, constructions, technological equipment and cars are insured.

See Note No. 26 for information on the pledged assets.

Carrying value of the fixed assets purchased on financial lease as at 31 December 2013 is LVL 0 (31.12.2012: LVL 18 147).

Investment properties

	LVL	EUR
Historical value	4 110 773	5 849 103
Disposed	(263 695)	(375 204)
31.12.2013	3 847 078	5 473 899
Depreciation		
31.12.2012	521 880	742 568
Calculated	77 281	109 961
Disposed	(54 338)	(77 316)
Impairment	500 000	711 436
31.12.2013	1 044 823	1 486 649
Carrying value 31.12.2012	3 588 893	5 106 535
Carrying value 31.12.2013	2 802 255	3 987 250

On 31.12.2012 investment properties were reclassified from fixed assets (land, buildings), due to the fact that these fixed assets were handed over to the manufacturing companies, that produce goods according to orders of JSC Radiotehnika RRR.

Since the Company currently is negotiation real estate disposal deal with SIA DEPO DIY and expected selling price is below current revalued value of the respective asset, then an impairment of 500 000 lats has been recognised, correspondingly reducing the non-current asset revaluation amount.

The Company's income from the rent of investment properties was 126 374 lats in 2013 (2012: 262 015 lats).

The Company's maintenance costs of investment properties was 61 394 lats in 2013 (2012: 35 164 lats).

See Note No. 26 for information on the pledged assets.

JSC "VEF Radiotehnika RRR"
 unified Reg.Nr.40003286712
 Annual report 2013

Notes to the balance sheet (continued)

03) Raw materials

Raw materials
 inventory in use

Total

2013	2013	2012	2012
LVL	EUR	LVL	EUR
6 910	9 832	22 946	32 649
6 380	9 078	34 138	48 574
13 290	18 910	57 084	81 223

04) Finished goods

Finished goods and goods in warehouse
 provision for decrease in value

Total

2013	2013	2012	2012
LVL	EUR	LVL	EUR
48 221	68 612	66 741	94 964
(48 221)	(68 612)	(48 221)	(68 612)
-	-	18 520	26 352

05) Advance payments for goods

Advance payments to residents
 Advance payments to non-residents

Total

2013	2013	2012	2012
LVL	EUR	LVL	EUR
1 995	2 839	1 946	2 769
-	-	1 598	2 274
1 995	2 839	3 544	5 043

06) Trade receivables

Receivables (non-residents)
 Receivables (residents)
 provision for doubtful receivables

Total

2013	2013	2012	2012
LVL	EUR	LVL	EUR
24 368	34 672	16 013	22 784
108 753	154 742	221 442	315 084
(109 871)	(156 332)	(50 037)	(71 196)
23 250	33 082	187 418	266 672

07) Receivables from related parties

Loans (non-current)
 Payments for goods
 Loans
 Advance payments for services
 Total current receivables:

Total

2013	2013	2012	2012
LVL	EUR	LVL	EUR
217 279	309 160	-	-
38 883	55 325	9 556	13 597
-	-	229 307	326 274
49 133	69 910	16 044	22 829
88 016	125 235	254 907	362 700
305 295	434 395	254 907	362 700

On 12 November 2012 the Company issued non-interest bearing unsecured loan of EUR 309 160 SIA Imanta Retail Park, LV40103265172, with maturity date on 10 November 2013. On 11 November 2013 the maturity date was changed to 12 November 2018.

The legal protection process initiated on 17 March 2014 was terminated on 12 May 2014, the management of the Company considers the loan fully recoverable.

08) Other receivables

Settlements with employees
 Loans to employees
 Provisions for loans to employees

Total

2013	2013	2012	2012
LVL	EUR	LVL	EUR
179	255	11 915	16 954
5 094	7 248	5 094	7 248
(5 094)	(7 248)	(5 094)	(7 248)
179	255	11 915	16 954

JSC "VEF Radiotehnika RRR"
 unified Reg.Nr.40003286712
 Annual report 2013

Notes to the balance sheet (continued)

19) Deferred expenses

	2013		2012	
	LVL	EUR	LVL	EUR
Insurance costs	2 626	3 736	3 326	4 732
Expenses for repairs of buildings and premises		-		-
Expenses for implementation of project Nr.124000075		-		-
Expenses for reconstruction of block I-2		-		-
Other costs	267	380	-	-
Total	2 893	4 116	3 326	4 732

20) Cash and cash equivalents

	2013		2012	
	LVL	EUR	LVL	EUR
Cash on hand	-	-	16	22
Cash in bank accounts	596	848	413	588
Total	596	848	429	610

21) Information on the company's share capital

As at 31 December 2013 the Company's share capital consists of 2 549 084 registered and fully paid shares with a nominal value of LVL 1 each.

Largest shareholders of JSC "VEF Radiotehnika RRR" are:

Shareholders	Number of shares		Value		Value	
	2013.12.31	2012.12.31	LVL	EUR	LVL	EUR
			2013.12.31	2012.12.31	2013.12.31	2012.12.31
Andrijs Malejevs	941 880	941 880	941 880	941 880	1 340 175	1 340 175
Arnis Malejevs	864 512	864 512	864 512	864 512	1 230 090	1 230 090
Arnis Spruga	330 086	330 086	330 086	330 086	469 670	469 670
Valentīna Malejeva	270 000	270 000	270 000	270 000	384 175	384 175
Others (<5%)	142 606	142 606	142 606	142 606	202 910	202 910
Total:	2 549 084	2 549 084	2 549 084	2 549 084	3 627 020	3 627 020

22) Retained earnings/losses

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

	2013		2012	
	LVL	EUR	LVL	EUR
Accumulated losses of previous periods	(1 621 357)	(2 306 980)	(878 295)	(1 249 698)
Current year loss	(408 161)	(580 761)	(743 062)	(1 057 283)
Total	(2 029 518)	(2 887 741)	(1 621 357)	(2 306 980)

23) Non-current assets revaluation reserve

	2013		2012	
	LVL	EUR	LVL	EUR
Opening balance	4 326 485	6 156 034	4 350 224	6 189 810
Disposed non-current assets	(1 629 709)	(2 318 868)	-	-
Depreciation charge for the reporting year	(23 860)	(33 950)	(27 928)	(39 738)
Impairment of non-current assets	(500 000)	(711 436)	-	-
Deferred corporate income tax part	323 035	459 638	4 189	5 961
Closing balance	2 495 951	3 551 418	4 326 485	6 156 034

According to Ober Haus Real Estate Company report on real estate market value from 30.06.2011, the non-current assets of the Company were revalued (land and buildings).

During 2013 part of the real estate (warehouse) was sold and non-current assets revaluation reserve was decreased accordingly.

JSC "VEF Radiotehnika RRR"
 unified Reg.Nr.40003286712
 Annual report 2013

Notes to the balance sheet (continued)

(24) Other provisions

Provision for unused vacation leave

	LVL	EUR
at 31 December 2012	12 427	17 682
increase	3 366	4 789
at 31 December 2013	15 793	22 471

(25) Taxes payable (non-current)

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Personal income tax	0	0	45 000	64 029
Social security payments	0	0	55 572	79 072
Real estate tax	58 682	83 497	58 682	83 497
Natural resources tax	0	0	1 474	2 097
Total	58 682	83 497	160 728	228 695

The SRS tax debt collection department decision Nr.4.1.1.4/L-7547 from 12 March 2014 cancelled SRS TDCD director's M.Burajs decision from 29 November 2012 on tax support activities and extension of repayment terms. Accordingly tax debts became current. Please also see Note 39.

(26) Current loans from credit institutions

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Loan line from JSC SEB Banka (LVL)	-	-	7 346	10 452
Loan from JSC SEB Banka (EUR)	1 066 507	1 517 503	1 434 031	2 040 442
Total	1 066 507	1 517 503	1 441 377	2 050 895

In accordance with Loan Agreement Nr.KD04277, obligations are secured with primary pledge of the real estate property located in Riga at the address Kurzemes prospekts 3 (Landbook section Nr.18732) and primary commercial pledge on fixed assets, purchased under Project Nr.124000075. Maximum amount of pledge is 3 362 214 lats.

The carrying value of pledged assets is 5 446 157 lats as at 31 December 2013 (31.12.2012: 7 951 685 lats).

The loan bears interest rate based on 3m EURIBOR plus fixed margin of 4,5%.

In 2014 the maturity date of the loan has been extended until December 2014. The extension will come into force when the Company will pay respective bank commissions and other payments required by the bank.

(27) Other loans (short-term)

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Financial lease from SIA CITADELE Līzins un Faktoringa	-	-	9 665	13 752
Other loans	110 405	157 092	-	-
Total	110 405	157 092	9 665	13 752

Other loans represent non-interest bearing loan from Latvian resident, legal person.

(28) Advances from customers

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Advances from non-residents	-	-	45	64
Advances from residents	565	804	821	1 168
Total	565	804	866	1 232

JSC "VEF Radiotehnika RRR"
 unified Reg.Nr.40003286712
 Annual report 2013

Notes to the balance sheet (continued)

(29) Trade accounts payable (short-term)

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Trade accounts payable to non-residents	20 691	29 440	14 286	20 327
Trade accounts payable to residents	667 653	949 985	440 953	627 420
Total	688 344	979 425	455 239	647 747

(30) Payables to related parties

	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Advance payments received from customers	-	-	8 314	11 830
Loans	38 800	55 208	38 800	55 207
Payment for services	24 928	35 469	47 276	67 268
Total	63 728	90 677	94 390	134 305

(31) Taxes and social insurance payments

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Personal Income Tax	56 947	81 028	9 085	12 927
State Social Insurance payments	72 653	103 376	11 027	15 690
Value Added Tax	49 201	70 007	83 023	118 131
Real estate tax for land, building and constructions	125 542	178 630	139 523	198 523
Nature resources tax	2 039	2 901	746	1 061
Corporate risk tax	4	6	4	6
Total	306 386	435 948	243 408	346 338

(32) Other liabilities

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Salaries	12 768	18 167	11 745	16 711
Advance settlement amounts	383	545	795	1 131
Security	15 943	22 685	11 507	16 373
Other creditors	2 882	4 101	2 356	3 352
Total	31 976	45 498	26 403	37 567

(33) Accrued liabilities

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Current expense	47 255	67 238	44 111	62 764
Accrual for VAT audit results	4 517	6 427	-	-
Total	51 772	73 665	44 111	62 764

JSC "VEF Radiotehnika RRR"
 unified Reg.Nr.40003286712
 Annual report 2013

Notes to the balance sheet (continued)

(54) Deferred tax

	2 013	2 013	2 012	2 012
	LVL	EUR	LVL	EUR
Deferred tax liability opening balance	746 002	1 061 465	750 359	1 067 665
Deferred tax change during the reporting year				
under to Note 9) charged to the income statement	-38 986	-55 472	0	0
unrecognised prior period amount and correction	0	0	-168	-240
Deferred tax decrease, to the revaluation reserve	-323 036	-459 639	-4 189	-5 960
Deferred tax liability closing balance	383 980	546 354	746 002	1 061 465

Deferred tax has been calculated from the following temporary differences between the assets and liabilities balance sheet and tax values:

	2 013	2 013	2 012	2 012
	LVL	EUR	LVL	EUR
Fixed assets temporary difference	421 956	600 389	541 908	771 066
Land revaluation effect	211 242	300 570	430 214	612 139
Provision for slow moving inventory	-7 233 -	10 292	-7 233 -	10 292
Provision for unused vacation leave	-2 369 -	3 371	-1 864 -	2 652
Tax losses carried forward	-239 615 -	340 941	-217 023 -	308 796
Deferred tax liability	383 980	546 354	746 002	1 061 465

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 2013

Notes to the financial statements

Other notes

5.1) Average number of employees during the year

Year 2013	Year 2012
24	24

5.2) Total personnel costs

	2013		2012	
	LVL	EUR	LVL	EUR
- Salaries	79 963	113 776	79 121	112 579
- Social security payments	64 950	92 416	64 291	91 478
- Corporate risk duty	14 940	21 256	14 759	21 000
- including:	74	105	71	101
Management salaries				
- Salaries	12 817	18 237	16 989	24 173
- Social security payments	4 147	5 901	5 686	8 090
- Corporate risk duty	7	10	9	13
- total:	16 971	24 148	22 684	32 276

36) Taxes, duties and compulsory social insurance contributions

	(-) underpayment, (+) overpayment NAP non-current			(-) underpayment, (+) overpayment NAP non-current		
	31.12.2012.	Calculated	Paid	31.12.2013.	Calculated	Paid
Corporate tax	-	-	17 678	-	-	29 669
Penalties resulting from the tax audit	-	-	1 542	-	-	1 542
Delay payments	24 733	-	6 832	-	-	17 990
Personal income tax	5 238	27 102	12 688	-	-	35 797
Delay payments	3 847	17 898	6 549	-	-	21 150
Compulsory social security obligatory payments	9 426	35 023	28 448	-	-	48 610
Delay payments	1 601	20 549	7 882	-	-	24 043
Corporate risk duty	4	-	74	-	-	4
Delay payments	-	-	-	-	-	-
Immature resources tax	488	864	197	-	-	1 078
Delay payments	258	610	271	-	-	961
Real estate tax	123 076	-	63 863	33 570	-	109 095
Delay payments	16 447	-	-	25 112	-	16 447
	185 118	102 046	146 024	58 682	306 386	
Overpayment	0					0
Debt	243 408					306 386
Including delay payments	46 886	39 057	23 076	25 112		82 133

37) Transactions with related parties

The company's shareholders have significant impact on SIA "Baltlains", SIA "Imanta Retail Park", SIA "Albatross un partneri", SIA "Erelux" and SIA "Balt-East".

The goods are sold to related parties and bought from related parties on normal (market based) prices. Outstanding commitments at the end of the year are in no way secured and settlement is made in cash. No guaranties have been received or issued in respect of related party transactions neither in 2012 or 2013.

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 2013

related party		Sales to related parties	Purchases from related parties	Loans issued	Loans received	Amounts owed by related parties	Amounts owed to related parties
SIA "Imanta Retail Park"	2012	201 720	41 700	217 279	-	242 879	-
	2013	307 561	94 029	217 279	-	288 763	-
SIA "Balticains"	2012	-	442	12 028	-	12 028	-
	2013	768	-	15 764	-	16 532	-
SIA "Albatross unparteri"	2012	14 516	53 497	-	38 800	-	94 390
	2013	10 820	-	-	39 285	-	56 982
SIA "Indiex SIA"	2012	-	-	-	-	-	-
	2013	-	6 050	-	-	-	3 055
SIA "Balt-East SIA"	2012	-	-	-	-	-	-
	2013	-	3 953	-	-	-	3 691
TOTAL	2012	216 236	95 639	229 307	38 800	254 907	94 390
TOTAL	2013	319 149	104 032	233 043	39 285	305 295	63 728

3.3) Remuneration to certified auditors

Certified auditors fees in respect of year 2013 financial statements audit is 3 631 lats.
During the reporting year the Company has also received expert services on tax issues, for which a fee of 484 lats have been received.

3.4) Post balance sheet events

In July 2014 the Company has reached an agreement with AS SEB Banka on prolonging the repayment term from 20 June 2014 to 22 December 2014. The prolongation will come into force when the Company will pay related bank commission and other payments as requested by the bank.

In March 2014 SRS tax debt collection department (SRS TDCD) cancelled decision on tax support activities and extension of repayment terms making all tax debts of the Company current. Simultaneously SRS applied incasso on VAT payments. In June 2014 SRS TDCD has banned reduction of the Company's share capital, as well as a record has been made in the Commercial pledge register on ban to register any new or changed commercial pledges.

Currently the Company is negotiation real estate disposal deal with SIA DEPO DIY, as a result of which the Company will be able partly settle its liabilities. Realisation of the deal takes time as there are 4 legal parties involved and in addition, a permission to build new buildings must be received. Consequently, receipt of documents from the state institutions is not so quick as one would like. The management of the Company considers that the execution of the deal might take up to 6 months. Expected selling price is below carrying value of the respective assets, therefore 500 thousand lats impairment of the real estate value has been recognised in year 2013 financial statements.

Except as disclosed above, from the last day of the financial year to the date of signing this report there have been no other significant events which would impact the year-end results of which would need to be additionally disclosed in the financial statements.

3.5) Going concern

The Company's net turnover has significantly decreased in 2013 and it has concluded reporting year with a net loss of 408 161 lats, which has resulted from a significant reduction in the sales market sector, as well as impaired assets. As at the end of the reporting year current liabilities of the Company exceed current assets by 2 189 464 lats.

The management of the Company considers that the existing situation is temporary and takes actions to restore the income at the previous level. The Company's year 2013 financial statements have been prepared applying the going concern principle.

To absorb the accumulated losses and settle payments to creditors, the option of selling the company-owned non-profile assets that are engaged in business but the possession of which increases the real estate tax burden, is considered. Currently as non-profile assets are considered the administrative building, warehouse and a few land plots.

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 2013

As disclosed in Note 39, the management of the Company takes certain measures in order to improve the situation - an agreement has been achieved with the bank on repayment term extension until December 2014 and real estate disposal is negotiated in order to settle part of outstanding liabilities.

However, if the current situation becomes permanent and will not be dissolved, the Company might be forced to sell also other assets of the Company.

The financial statements on pages 1 to 28 are approved and signed.

Chairman of the Board



Eduards Malejevs

Member of the Board



Ēriks Ertmanis