

JSC "VEF Radiotehnika RRR"
Unified Registration No. 40003286712
Address: Kurzemes prospekts 3, Riga, LV-1067
ANNUAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2015

Date of submission: _____

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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	18
3. Notes to the balance sheet	21
4. Other notes	26

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 01.01.2015-31.03.2015

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 11.12.1998</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>Inars Klavins</i>			
Council Member	<i>Jekaterina Malejeva</i>			
Board members of the JSC				
Chairman of the Board	<i>Eduards Malejevs</i>			
Board Member	<i>Ēriks Ertmanis</i>			
Reporting year	<i>from</i>	<i>01.01.2015</i>	<i>till</i>	<i>31.03.2015</i>
Previous reporting year	<i>from</i>	<i>01.01.2014</i>	<i>till</i>	<i>31.12.2014</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 2015, 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 2014. New types of activities have not been performed.

Operations of the Company during the reporting year

Reporting year results of the Company are the following:

Result before extraordinary items and taxes:	- 105 667 EUR
Deferred corporate income tax:	-
Other taxes:	- 18 093 EUR
Net result:	- 123 760 EUR

Net turnover in year 2015 was EUR 211 444, in year 2014 - EUR 818 666

The Company's current liabilities exceed its current assets.

2014 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.

As previously mentioned above, the Company has concludes the first quarter of year 2015 with a loss 123 760 EUR, 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 1 876 712 eur.

AS SEB banka loan repayment term ended on December 19, 2014.

Repayment of the loan are made in accordance with legal protection process action plan approved by the Riga City Kurzeme District Court on January 05, 2015.

All payments to creditors will be made according to the legal protection process action plan.

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 2015 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.

30.04.2015 Currently the Company is negotiation real estate disposal deal with SIA Pārupes būmaņi", 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 1039 thousand EUR impairment of the real estate value has been recognised in year 2014 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.

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. On September 19, 2014, Riga City Kurzemes Court decided to start a case of legal protection process of JSC VEF Radiotehnika RRR defining that the legal protection implementation plan is to be agreed till November 19,2014.

On November 24, 2014 is received Riga City Kurzemes District Court's decision to prolong development of the legal protection implementation plan up to December 19,2014.

On January 05, 2015 the Riga City Kurzeme District Court has approved JSC "VEF Radiotehnika RRR" legal protection process action plan and made decision to appoint an administrator of JSC "VEF Radiotehnika RRR", reg. Nr.40003286712, legal protection certified administrator Vigo Krastiņū, Nr.00164 certificate, apprenticeship Blaumaņa iela 10, Riga, LV-1011.

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 2015 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

29.05.2015

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 March 2015 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.

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29.05.2015

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 01.01.2015-31.03.2015

INCOME STATEMENT
FOR THE YEAR ENDED

31.03.2015 (in compliance with the turnover costs method)

	Note	<u>2015</u>	<u>2014</u>
		<u>EUR</u>	<u>EUR</u>
Net turnover	1	211 444	818 666
Cost of sales	2	(271 713)	(1 053 667)
Gross loss		(60 269)	(235 001)
Selling expenses	3	(660)	-
Administrative expenses	4	(20 359)	(262 630)
Other operating income	5	400	839 698
Other operating expenses	6	(2 190)	(149 480)
Interest expense and similar expenses	7	(22 589)	(66 892)
Loss before extraordinary items and taxes		(105 667)	125 695
Deferred corporate income tax for the reporting year	8		
Other taxes	9	(18 093)	(72 371)
Net loss for the year		(123 760)	53 324
Earnings (loss) per share (EPS coefficient)		(0,049)	0,021

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

Chairman of the Board

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JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 01.01.2015-31.03.2015

BALANCE SHEET as at 31.03.2015

ASSETS	Note	<u>2015</u>	<u>2014</u>
		<u>EUR</u>	<u>EUR</u>
1. Non-current assets			
II. Fixed assets:			
Land, buildings and constructions		1 414 411	1 419 425
Equipment and vehicles		1 313 278	1 368 449
Other fixed assets		25 368	26 410
Total fixed assets:	10	<u>2 753 057</u>	<u>2 814 284</u>
III. Investment properties:			
Total investment properties:	11	<u>2 988 892</u>	<u>3 013 885</u>
Loans to related parties		309 160	309 160
Total non-current financial investments:	16	<u>309 160</u>	<u>309 160</u>
Total non-current assets:		<u>6 051 109</u>	<u>6 137 329</u>
2. Current assets			
I. Inventory:			
Raw materials	12	9 595	9 151
Finished goods	13	1 047 179	1 047 286
Advance payments for materials	14	1 623	1 342
Total inventory:		<u>1 058 397</u>	<u>1 057 779</u>
III. Receivables:			
Trade receivables	15	166 166	133 784
Receivables from related parties	16	61 928	66 192
Other receivables	17	34 664	22 859
Deferred expenses	18	302	413
Total receivables:		<u>263 060</u>	<u>223 248</u>
V. Cash	19	<u>395</u>	<u>999</u>
Total current assets:		<u>1 321 852</u>	<u>1 282 026</u>
TOTAL ASSETS:		<u>7 372 961</u>	<u>7 419 354</u>

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29.05.2015

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 01.01.2015-31.03.2015

BALANCE SHEET as at 31.03.2015

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	<u>2015</u> <u>EUR</u>	<u>2014</u> <u>EUR</u>
1. Shareholders' equity:			
Share capital	20	3 627 020	3 627 020
Non-current assets revaluation reserve	22	2 234 585	2 234 585
Accumulated losses:			
a) accumulated losses of previous years	21	- 2 834 452	- 2 887 776
b) current year loss	21	- 123 760	53 324
Total shareholders' equity:		<u>2 903 393</u>	<u>3 027 153</u>
2. Provisions:			
Other provisions	23	12 705	12 705
Total provisions:		<u>12 705</u>	<u>12 705</u>
3. Liabilities:			
I. Non-current liabilities:			
Deferred tax	34	546 354	546 354
Trade accounts payable	24	538 371	538 371
Payables to related parties	33	173 574	173 574
Total non-current liabilities:		<u>1 258 299</u>	<u>1 258 299</u>
II. Current liabilities:			
Loans from credit institutions	25	1 486 845	1 486 845
Advances from customers	26	568	568
Trade accounts payable	27	882 508	825 874
Payables to related parties	33	12 907	10 022
Taxes and social security liabilities	28	725 155	707 121
Other liabilities	32	31 601	31 455
Accrued liabilities	33	58 980	59 312
Total current liabilities:		<u>3 198 564</u>	<u>3 121 197</u>
Total liabilities:		<u>4 456 863</u>	<u>4 379 496</u>
TOTAL LIABILITIES :		<u>7 372 961</u>	<u>7 419 354</u>

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

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29.05.2015

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 01.01.2015-31.03.215

CASH FLOW STATEMENT FOR THE PERIOD ENDED
31.03.2015 (indirect method)

I. Cash flow from operating activities	<u>2015</u>	<u>2014</u>
	<u>EUR</u>	<u>EUR</u>
<i>Loss before extraordinary items and taxes</i>	(105 667)	125 695
<i>Adjustments for:</i>		
a) depreciation of fixed assets and investment properties	86 220	339 474
c) provisions (excluding provisions for doubtful receivables)		(9 766)
d) gains or losses from foreign currency exchange rate fluctuations	722	322
h) profit/loss from sale of fixed assets		(839 698)
i) interest payments and similar activities	22 589	66 892
k) depreciation of revalued fixed assets		(33 960)
<i>Loss before working capital and current liabilities adjustments</i>	<u>3 864</u>	<u>(351 041)</u>
<i>Adjustments for:</i>		
a) debtors increase (-) or decrease (+)	(32 382)	(60 736)
b) inventory increase (-) or decrease (+)	(444)	9 759
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)	41 292	(290 351)
<i>Gross cash flow from operating activities</i>	<u>12 330</u>	<u>(692 369)</u>
Interest payments	(12 934)	(70 011)
Real estate tax payments	-	(12 927)
<i>Cash flow before extraordinary items</i>	<u>(604)</u>	<u>(775 307)</u>
<i>Net cash flow from operating activity</i>	<u>(604)</u>	<u>(775 307)</u>
 II. Cash flow from investing activities		
Acquisition of fixed assets and intangibles		(33 496)
Proceeds from disposal of fixed assets and intangibles		839 698
<i>Net cash flow from investing activities</i>	<u>-</u>	<u>806 203</u>
 III. Cash flow from financing activities		
Loans received		(30 658)
<i>Net cash flow from financing activities</i>	<u>-</u>	<u>(30 658)</u>
 IV. Foreign exchange rate differences	<u>-</u>	<u>-</u>
V. Net cash flow for the year	<u>(604)</u>	<u>238</u>
VI. Cash and cash equivalents at the beginning of the period	<u>999</u>	<u>848</u>
VII. Cash and cash equivalents at the end of the period	<u>395</u>	<u>999</u>

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

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29.05.2015

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR 31.03.2015

	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 at 31 December 2013	3 627 020	3 551 415	(580 761)	(2 306 980)	4 290 694
Result carried over	-	-	580 761	(580 761)	-
Balance as at 31 December 2014	3 627 020	3 551 415	53 324	(2 887 743)	4 344 018
Result carried over	-	-	(53 324)	53 324	-
Loss for the year	-	-	(123 760)	-	(123 760)
Fixed assets revaluation reserve	-	(1 316 830)	-	-	(1 316 830)
Balance as at 31 march 2014	3 627 020	3 551 415	(566 928)	(2 834 419)	2 903 393

*- 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.

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Member of the Board

Ēriks Ertmanis

29.05.2015

Annexes to the Financial Statements

1. Accounting Policies and Utilized methods

National currency of Latvian Republic - EURO, shortened - EUR is used in the data in 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" 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 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.

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 01.01.2015-31.03.2015

Reporting period: from 01.01.2015. to 31.3.2015

Transactions in foreign currency

Data in the Financial Statements is in the currency of Latvian Republic -Euro (EUR).

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:

	31.03.2015	31.12.2014
USD	0,922	0,822

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 than 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 end of useful life using the following rates:

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 01.01.2015-31.03.2015

* 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 lease 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, from 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

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 01.01.2015-31.03.2015

(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 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 likelihood 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.

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 01.01.2015-31.03.2015

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 2014 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 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

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 01.01.2015-31.03.2015

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 2015, due to changes in legislation and opinion of management, no changes have been made in classification of items in comparison with 2014.report.

Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

29.05.2015

Notes to the income statements

(1) Net Turnover

Type of activity	<u>2015</u>	<u>2014</u>
	<u>EUR</u>	<u>EUR</u>
Income from exports of finished goods	-	18 932
Income from rent of premises	25 993	115 033
Income from utility services	183 483	679 580
Income from sale of materials	1 968	5 121
Total	<u>211 444</u>	<u>818 666</u>

Division of net turnover by geographical markets

	<u>2015</u>	<u>2014</u>
	<u>EUR</u>	<u>EUR</u>
Latvia	211 444	799 734
Russia	-	18 932
Total	<u>211 444</u>	<u>818 666</u>

(2) Cost of goods sold

Cost type	<u>2015</u>	<u>2014</u>
	<u>EUR</u>	<u>EUR</u>
Personnel costs	922	17 842
Provisions for leave and social security	-	7 458
Depreciation of fixed assets	86 220	341 781
Write-off of miscellaneous items	603	2 364
Changes in finished goods inventory	1 938	2 134
Changes in purchased materials and goods inventory	117	40 045
Production services	-	2 398
Ongoing maintenance and repair	-	22 841
Real estate property maintenance	181 718	631 063
Other costs	195	657
Total	<u>271 713</u>	<u>1 053 667</u>

Notes to the income statement (continued)

		<u>2015</u>	<u>2014</u>
		<u>EUR</u>	<u>EUR</u>
(3) Selling expenses			
	Cost type		
	Goods' transportation costs		1 800
	Commissions paid	660	-3439
	Sales costs		833
	Advertising costs		806
	Total	<u><u>660</u></u>	<u><u>-</u></u>

		<u>2015</u>	<u>2014</u>
		<u>EUR</u>	<u>EUR</u>
(4) Administrative expenses			
	Cost type		
	Personnel costs	8 951	46 148
	Provisions for leave and social security	-	2 309
	Representation costs	-	1 119
	Office expenses	312	1 280
	Communication expenses	1 951	9 783
	Bank expenses	308	4 061
	Transportation costs	-	757
	Accounting and legal expenses	3 750	25 686
	Consulting services	3 309	177 787
	Other administrative costs	1 778	269
	Total	<u><u>20 359</u></u>	<u><u>264 581</u></u>

		<u>2015</u>	<u>2014</u>
		<u>EUR</u>	<u>EUR</u>
(5) Other operating income			
	Type on income		
	Selling of real estate assets (net income)		839 698
	Other income	400	
	Total	<u><u>400</u></u>	<u><u>839 698</u></u>

		<u>2015</u>	<u>2014</u>
		<u>EUR</u>	<u>EUR</u>
(6) Other operating expenses			
	Type of income/expense		
	Net profits from foreign exchange rate fluctuations	1 275	866
	Penalties	850	125 377
	Bad debts written off		7 818
	Provisions for unsecured debts	-	3 071
	Expenditures not related to economic activity	-	12 033
	Expenditures related to economic activity (inventory losses)	65	315
	Total	<u><u>2 190</u></u>	<u><u>149 480</u></u>

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 01.01.2015-31.03.2015

Notes to the income statement (continued)

(8) Interest expense and similar expenses	2014	2014
Type of cost	EUR	EUR
Loan interest paid	22 589	66 892
Total	22 589	66 892

(9) Corporate income tax for the reporting year	2015	2014
Type of cost	EUR	EUR
Deferred tax (Note No.34)	-	55 472
Total	-	55 472

Accumulated tax losses carried forward for corporate income tax purposes amount to 2 272 946 EUR as at 31 December 2014

In concordance 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
	EUR	
2007 loss for corporate income tax purposes	1 091 651	2015
2008 loss for corporate income tax purposes	519 048	-
2009 loss for corporate income tax purposes	332 712	-
2010 loss for corporate income tax purposes	115 226	-
2013 loss for corporate income tax purposes	214 309	-
Total	2 272 946	-

(10) Other taxes	2015	2014
Type of cost	EUR	EUR
Real estate tax, land	2 312	9 246
Real estate tax, buildings and structures	15 781	63 124
Total	18 093	72 371

Notes to the financial statements

Notes to the balance sheet as at 31 march 2015

(10) Fixed Assets

	Land	Buildings and constructions	Technological equipment	Other fixed assets	Total EUR
Historical cost					
31.12.2014.	1 318 131	150 356	3 370 901	211 798	5 051 187
Acquired		-		-	
Disposed			-		
31.03.2015	1 318 131	150 356	3 370 901	211 798	5 051 187
Depreciation					
31.12.2014		49 063	2 002 452	185 388	2 236 903
Calculated	-	5 015	55 170	1 042	61 227
Disposed	-	-	-	-	-
31.03.2015		54 078	2 057 622	186 430	2 298 130
Net book value					
31.12.2014	1 318 131	101 293	1 368 449	26 410	2 814 284
Net book value					
31.03.2015	1 318 131	96 278	1 313 280	25 368	2 753 057

Cadastre value of real estate is 5085152 EUR on 31.03.2015 (31.12.2014: 5085152 EUR).

Buildings, constructions, technological equipment and cars are insured.

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

(11) Investment properties

	EUR
Historical value	
31.12.2014	3 670 994
Written-off	
31.03.2015	3 670 994
Depreciation	
31.12.2014	657 109
Calculated	24 993
31.03.2015	682 102
Carrying value 31.12.2014	3 013 885
Carrying value 31.03.2015	2 988 892

On 31.12.2012 investment properties were reclassified from fixed assets (land, buildings), due to the fact that these fixed assets were handed over for rent 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 Pārupes būmaņi and expected selling price is below current revalued value of the respective asset, then an impairment of 1282085 EUR has been recognised, correspondingly reducing the non-current asset revaluation reserve.

The Company's income from the rent of investment properties was 25999 EUR in 20153 (2014: 115033 EUR).

The Company's maintenance costs of investment properties was 9365 EUR in 2015 (2014: 43590 EUR).

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

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 01.01.2015-31.03.2015

Notes to the Balance Sheet (continued)

(12-13) Raw materials	<u>2015</u>	<u>2014</u>
	<u>EUR</u>	<u>EUR</u>
Raw materials	423	
Inventory in use	9 172	9 151
Unfinished goods	1 114 675	1 114 782
Finished goods and goods in warehouse	(67 496)	(68 612)
Total	<u>1 056 774</u>	<u>1 055 321</u>
(14) Advance payments for goods	<u>2015</u>	<u>2014</u>
	<u>EUR</u>	<u>EUR</u>
Advance payments for materials	1 623	1 342
Total	<u>1 623</u>	<u>1 342</u>
(15) Trade receivables	<u>2015</u>	<u>2014</u>
	<u>EUR</u>	<u>EUR</u>
Receivables (non-residents)	18 660	24 115
Receivables (residents)	274 630	237 093
The savings are not safe for customers	-127 124	(127 424)
Total	<u>166 166</u>	<u>133 784</u>
(16.) Associated companies debts	<u>2015</u>	<u>2014</u>
	<u>EUR</u>	<u>EUR</u>
Associate company long-term debts	<u>309 160</u>	<u>309 160</u>
Trade accounts payable	51 925	62 839
Advance payments for services	10 003	3 353
Total short term debts:	<u>61 928</u>	<u>66 192</u>
Total	<u>371 088</u>	<u>375 352</u>

On 12 November 2012, the Company issued non-interest bearing unsecured loan of EUR 309160 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.

(17.) Other receivables	<u>2015</u>	<u>2014</u>
	<u>EUR</u>	<u>EUR</u>
Loans to employees	24 164	22 859
Loans to employees	7 248	7 248
Provisions for loans to employees	-	7 248
Settlements with employees	10 500	
Total	<u>34 664</u>	<u>22 859</u>

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 01.01.2015-31.03.2015

Notes to the Balance Sheet (continued)

(18.) Deferred costs		2015	2014
		EUR	EUR
Insurance costs		302	413
Total		302	413

(19.) Cash and cash equivalents		2015	2014
		EUR	EUR
Cash in bank accounts		395	999
Total		395	999

(20.) Information on company's share capital

On 31.03.2015 company's share capital consisted of 2 549 084 registered and fully paid shares with nominal value of 1.43 EUR each. Largest shareholders of JSC "VEF Radiotehnika RRR" are:

Shareholders	Number of shares		Value	
			EUR	
	31.03.2015	31.12.2014	31.03.2015	31.12.2014
Eduards Malejevs	941 880	941 880	1 340 175	1 340 175
Jurijs Malejevs	864 512	864 512	1 230 090	1 230 090
Inga Sprūga	330 086	330 086	469 670	469 670
Jekaterina Malejeva	270 000	270 000	384 175	384 175
Others (<5%)	142 606	142 606	202 910	202 910
Total:	2 549 084	2 549 084	3 627 020	3 627 020

(21.) 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.

		2015	2014
		EUR	EUR
Previous years' retained earnings/losses		(2 834 452)	(2 887 776)
Current year profit/loss		(123 760)	53 324
Total		(2 958 212)	(2 834 452)

(22.) Long term investment revaluation reserve

		2015	2014
		EUR	EUR
Historical cost		2 234 585	3 551 418
Written-off			(1 282 872)
proceeds of the revalued asset depreciation			(33 961)
Net book value		2 234 585	2 234 585

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.

In connection with contract for the sale of property signed on April 30, 2015 with SIA "Pārupes Būmanis" (DEPO) part of the fixed assets, land and administration building were excluded from the assets and transferred to inventory in December 2014.

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 01.01.2015-31.03.2015

Notes to the Balance Sheet (continued)

(23.) Other provisions

	Provision for unused vacation leave EUR
As at 31 December 2014	12 705
Increase	
As at 31 March 2015	12 705

(24.) Trade accounts payable (long-term)

	2015	2014
	EUR	EUR
Trade accounts payable to non-residents	150 000	150 000
Trade accounts payable to residents	388 371	388 371
Total	538 371	538 371

(25.) Current loans from credit institutions

	2015	2014
	EUR	EUR
Loan from JSC SEB Banka (EUR)	1 486 845	1 486 845
Total	1 486 845	1 486 845

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 4784000 EUR.

The carrying value of pledged assets is 7749183 EUR as at 31 December 2013 (31.12.2012: 11314228)

The loans bears interest rate based on 3m EURIBOR plus fixed margin of 4.5%.

Loan repayment term is December 19, 2014.

Repayment of the loan are made in accordance with legal protection process action plan approved by the Riga City Kurzeme District Court on January 05, 2015.

(26.) Advances from customers

	2015	2014
	EUR	EUR
Advances from residents	568	568
Total	568	568

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 01.01.2015-31.03.2015

Notes to the Balance Sheet (continued)

(27.) Trade accounts payable (short-term)	<u>2015</u>	<u>2014</u>
	<u>EUR</u>	<u>EUR</u>
Trade accounts payable to non-residents	8 295	7 420
Trade accounts payable to residents	874 213	818 454
Total	<u>882 508</u>	<u>825 874</u>
(33.) the Debt to associated companies	<u>2015</u>	<u>2014</u>
	<u>EUR</u>	<u>EUR</u>
..... Payment for services	12 907	10 022
Kopā	<u>12 907</u>	<u>10 022</u>
(28.) Taxes and social insurance payments	<u>2015</u>	<u>2014</u>
	<u>EUR</u>	<u>EUR</u>
Personal Income Tax	92 514	93 850
State Social Insurance payments	121 326	123 268
Value Added Tax	89 228	86 003
Real estate tax for land, building and constructions	419 194	401 101
Nature resources tax	2 845	2 845
Corporate risk tax	48	54
Total	<u>725 155</u>	<u>707 121</u>
(29.) Other liabilities	<u>2015</u>	<u>2014</u>
	<u>EUR</u>	<u>EUR</u>
Salaries	12 184	14 201
Security	19 417	17 254
Total	<u>31 601</u>	<u>31 455</u>
(33.) Accumulated obligated	<u>2015</u>	<u>2014</u>
	<u>EUR</u>	<u>EUR</u>
Current expense	58 980	59 312
	<u>58 980</u>	<u>59 312</u>

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 01.01.2015-31.03.2015

Notes to the financial statements

Other notes

(31.1.) Average number of employees during the year

Average number of employees during the year

Year 2015	Year 2014
11	16

(31.2.) Total personnel costs

- Salaries
- Social security payments
- Corporate risk duty

2015	2014
EUR	EUR
10 465	63 989
8 110	52 128
2 342	11 795
13	66

- including:

Management salaries

- Salaries
- Social security payments
- Corporate risk duty

3 566	14 263
1 119	4 478
2	9
4 687	18 750

- total:

(32) Taxes, duties and compulsory social insurance contributions

	(-) underpayment, (+) overpayment 31.12.2014	Calculated	Paid	(-) underpayment, (+) overpayment 31.03.2015
Type of tax				
Value added tax	55 480	3 223		58 703
penalties resulting from the tax audit	1 865	-		1 865
delay payments	28 658			28 658
Personal income tax	59 943	1 494	2 830	58 607
delay payments	33 907			33 907
State social security obligatory payments	80 972	2 531	4 473	79 030
delay payments	42 296			42 296
Corporate risk duty	52	13	19	46
delay payments	2	-		2
Nature resources tax	1 792			1 792
delay payments	1 053			1 053
Real estate tax	293 002	18 093		311 095
delay payments	108 099	-		108 099
	707 121	25 354	7 322	725 155
Tax debt	707 121			725 155
Including delay payments	215 880			215 880

(33) Transactions with related parties

The company's shareholders have significant impact on SIA "Baltlains", SIA "Imanta Retail Park", SIA "Firma Albatross Tukuma rajonā" 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 2014 or 2015.

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712
Annual report 01.01.2015-31.03.2015

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"	2014	354 926	63 023	309 160	-	371 999	6 835
	2015	165 813	1 265	309 160	-	372 818	5 207
SIA "Baltlains"	2014	2 393		23 230	-	3 353	-
	2015	6 000	-	2 536	-	9 353	-
SIA "Firma Albatross Tukuma rajonā"	2014				168 367		168 367
	2015	1 050	2 000			1 050	170 367
Balt-East SIA	2014	-	3 443	-	-	-	8 394
	2015	-		-	-	-	8 394
TOTAL	2014	357 319	66 466	309 160	168 367	375 352	183 596
TOTAL	2015	172 863	3 265	309 160	-	383 221	183 968

(34) Remuneration to certified auditors

Certified auditors fess in respect of year 2014 financial statements audit is EUR 4356 .

(35) Post balance sheet events

AS SEB banka loan repayment term ended on December 19, 2014.

Repayment of the loan are made in accordance with legal protection process action plan approved by the Riga City Kurzeme District Court on January 05, 2015.

30.04.2015 Currently the Company is negotiation real estate disposal deal with SIA Pārupes būmaņi", 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 permit 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 1039 thousand EUR impairment of the real estate value has been recognised in year 2014 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.

On September 19, 2014, Riga City Kurzemes Court decided to start a case of legal protection process of JSC VEF Radiotehnika RRR defining that the legal protection implementation plan is to be agreed till November 19, 2014.

On November 24, 2014 is received Riga City Kurzemes District Court's decision to prolong development of the legal protection implementation plan up to December 19, 2014.

On January 05, 2015 the Riga City Kurzeme District Court has approved JSC "VEF Radiotehnika RRR" legal protection process action plan and made decision to appoint an administrator of JSC "VEF Radiotehnika RRR", reg. Nr.40003286712, legal protection certified administrator Vigo Krastiņū, Nr.00164 certificate, apprenticeship Blaumaņa iela 10, Riga, LV-1011.

36) Going concern

The Company's net turnover has significantly decreased in 2015 and it has concluded reporting year with a net loss of 123760 euro, 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 1 876 712 euro.

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 2014 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.

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 March 2015 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