

JSC "VEF Radiotehnika RRR"

Unified Registration No. 40003286712

Address: Kurzemes prospekts 3, Riga, LV-1067

ANNUAL REPORT

FOR THE YEAR ENDED 31.12. 2015

JSC "VEF Radiotehnika RRR"
Annual accounts for the year ended 31.december 2015

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JSC "VEF Radiotehnika RRR"
Annual accounts for the year ended 31.december 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>		
Registration No., place and date of issue	<i>40003286712</i> <i>1998.12.11</i>		
Legal address of the Company	<i>Kurzemes prospekts 3, Riga, LV-1067</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 till 2015.10.12</i>		
Council Member	<i>Jurijs Malejevs till 2015. 10.12</i>		
Council Member	<i>Inga Spruga till 2015.10.12</i>		
Council Member	<i>Inārs Kļaviņš</i>		
Council Member	<i>Jekaterina Maļejeva till 2015. 10. 12</i>		
Chairman of the Council	<i>Boris Livcha from 2015.10.12</i>		
Council Member	<i>Olga Romanko from 2015.10.12</i>		
Council Member	<i>Genadijs Hotejevs from 2015.10.12</i>		
Council member	<i>Vjacheslavs From Mihailovins 2015.10.12</i>		
Board members of the JSC			
Chairman of the Board	<i>Eduards Malejevs</i>		
Board Member	<i>Ēriks Ertmanis</i>		
Administrator of legal protection	<i>Vigo Krastiņš</i>		
Reporting year	<i>from</i>	<i>2015.01.01</i>	<i>till</i> <i>2015.12.31</i>
Previous reporting year	<i>from</i>	<i>2014.01.01</i>	<i>till</i> <i>2014.12.31</i>
Chief Accountant	<i>Olga Romanko</i>		
Auditor	<i>SIA Potapoviča un Andersone</i> <i>Certified Auditors Company</i> <i>Licence No. 99</i> <i>Udens Street 12-45, Riga, LV-1007</i>		
	<i>Responsible certified auditor:</i> <i>Anna Temerova-Allena</i> <i>Certificate No. 154</i>		

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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. By the end of 2015 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:	463 608 EUR
Deferred corporate income tax:	0 EUR
Other taxes:	-72 475 EUR
Net result:	391 133 EUR

Net turnover in year 2015 was EUR 807 239.

The Company's current liabilities exceed its current assets.

As at September 19, 2014 Riga Kurzeme District Court decided to initiate AS VEF Radiotehnika RRR legal protection proceedings and to set the term for the development and coordination of the the legal protection plan till 19 November 2014. As at 24 November the Company received decision of Riga Kurzeme District Court to extend the term of the development and coordination of the the legal protection plan till 19 December 2014.

As at January 5, 2015 Riga Kurzeme District Court announced AS VEF Radiotehnika RRR legal protection process implementation, approved the legal protection process action plan, set the legal protection implementation period till January 5, 2017 and appointed an administrator of legal protection- certified administrator Vigo Krastiņš, p.c. 111278-12318, certificate No.00164, place of practice Blaumaņa Street 10, Riga.

The repayment term of the loan from AS SEB banka ended as at 19 December 2014. Payments for repayment of the loan is made in accordance with the Riga Kurzeme District Court judgment on the legal protection process action plan dated as at 5 January 2015. All payments to creditors are made according to the approved legal protection process plan.

To absorb the accumulated losses and settle payments to creditors, it is considered to sell the Company owned by non-profile assets that are engaged in business, but possession of those assets causes the Company additional property tax charge. Currently as non-profile assets are considered - administrative buildings and a few plots of land.

As at April 30, 2015 the Company concluded an agreement on the structure of the transaction with "Pārupes būmaņi". As a result of the agreement the Company will be able to pay the debts to the State revenues service and partially repay of liabilities to the SEB bank. Implementation of the the transaction takes time, because the transaction involves 4 legal entities. On October 21, 2015 was completed sale of the administrative building with the land (cadastre number 01000802326). The above mentioned property was sold to SIA "Pārupes būmaņi" for the EUR 945'000 in accordance with the legal protection process action plan. The received funds partially covered claims of secured creditors and real estate tax in accordance with the legal protection process action plan.

Post balance sheet events

The Riga City Kurzeme District Court has approved amendments to JSC "VEF Radiotehnika RRR" legal protection process action plan (January 11, 2016 version) on February 12, 2016.

Except as disclosed in the Note 40, 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

The profit of the Company shall be used to cover losses from previous years.

Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

26 February, 2016

JSC "VEF Radiotehnika RRR"
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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 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.

Chairman of the Board

Eduards Malejevs

Member of the Board

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26 February, 2016

JSC "VEF Radiotehnika RRR"
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Profit or loss account for the year ended 31 December 2015
(by turnover cost method)

	Notes	2015 EUR	2014 EUR
Net sales	1	807 239	818 666
Cost of sales	2	(1 015 638)	(1 053 667)
Gross profit / (loss)		(208 399)	(235 001)
Selling expenses	3	(3 098)	(3 440)
Administrative expenses	4	(92 846)	(264 581)
Other operating income	5	881 664	107 539
Other operating expenses	6	(31 792)	(152 667)
Interest income and similar income	7	-	-
Interest expenses and similar expenses	8	(81 921)	(69 838)
Profit / (loss) before taxes		463 608	(617 988)
Deferred corporate income tax for the reporting year	9		(69 288)
Other taxes	10	(72 475)	(72371)
Current year's profit / (loss)		391 133	(621 071)
Profit/ (loss) per share		0,153	(0,244)

Notes on pages from 11 to 23 are integral part of these financial statements.

Chairman of the Board

Eduards Malejevs

Member of the Board

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26 February, 2015

JSC "VEF Radiotehnika RRR"
Annual accounts for the year ended 31.december 2015

Balance sheet as at 31.12.2015

ASSETS	Note	<u>2015</u>	<u>2014</u>
		EUR	EUR
1. Non-current assets			
II. Fixed assets:			
Land, buildings and constructions		316 290	1 419 426
Equipment and vehicles		1 147 850	1 368 449
Other fixed assets		24 137	26 410
Total fixed assets:	11	<u>1 488 277</u>	<u>2 814 285</u>
III. Investment properties:			
Total investment properties:	12	<u>1 957 899</u>	<u>4 089 284</u>
Loans to related parties	18	309 160	309 160
Total non-current financial investments:		<u>309 160</u>	<u>309 160</u>
Total non-current assets:		<u>3 755 336</u>	<u>7 212 729</u>
2. Current assets			
I. Inventory:			
Raw materials	13	-	1 350
Finished goods	14	-	-
Advance payments for materials			
	15	6 754	458
Total inventory:		<u>6 754</u>	<u>1 808</u>
III. Receivables:			
Trade receivables	16	163 479	122 424
Receivables from related parties	17	51 619	62 839
Other receivables	18	53 099	22 918
Deferred expenses	19	1 524	413
Total receivables:		<u>269 721</u>	<u>208 594</u>
V. Cash	20	<u>8 999</u>	<u>1062</u>
Total current assets:		<u>285 474</u>	<u>211 464</u>
TOTAL ASSETS:		<u>4 040 810</u>	<u>7 424 193</u>

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Balance sheet as at 31.12.2015

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2015	2014
		EUR	EUR
1. Shareholders' equity:			
Share capital	21	3 627 020	3 627 020
Non-current assets revaluation reserve	23	237 615	3 063 860
Accumulated losses:			
a) accumulated losses of previous years	22	(3 508 844)	(2 887 773)
b) current year loss	22	391 133	(621 071)
Total shareholders' equity:		746 924	3 182 036
2. Provisions:			
Other provisions	24	12 705	12 705
Total provisions:		12 705	12 705
3. Liabilities:			
I. Non-current liabilities:			
Loans from credit institutions	26		690 485
Deferred tax	35	391 027	391 027
Trade creditors	29	531 567	522 009
Accounts payable to affiliated companies	30	189 936	189 936
Taxes and social security liabilities	25, 37	-	
Deferred income	34	193 837	193 837
Total non-current liabilities:		1 306 367	1 987 294
II. Current liabilities:			
Loans from credit institutions	26	690 485	796 360
Other loans	27		-
Advances from customers	28	25 000	568
Trade accounts payable	29	814 167	740 184
Payables to related parties	30	-	15 188
Taxes and social security liabilities	31, 37	282 523	491 633
Other liabilities	32	30 000	31 514
Accrued liabilities	33	25 250	59 322
Deferred income	34	107 389	107 389
Total current liabilities:		1 974 814	2 242 158
Total liabilities:		3 281 181	4 229 452
TOTAL LIABILITIES :		4 040 810	7 424 193

Notes on pages from 11 to 23 are integral part of these financial statements.

Chairman of the Board

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26 February, 2016

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Cash flow statement for the year ended 31 December 2015 (indirect method)

I. Cash flow from operating activities	Note	2015	2014
		EUR	EUR
Loss before extraordinary items and taxes		463 608	(617 988)
Adjustments for:			
a) depreciation of fixed assets and investment properties		340 255	339 474
c) provisions (excluding provisions for doubtful receivables)		-	(9 766)
d) gains or losses from foreign currency exchange rate fluctuations		(1 016)	(805)
g) other income from interest or similar income		(868 078)	-
h) profit/loss from sale of fixed assets		-	-
i) interest payments and similar activities		81 921	69 838
k) depreciation of revalued fixed assets		-	(33 950)
Loss before working capital and current liabilities adjustments		16 660	(253 197)
Adjustments for:			
a) debtors increase (-) or decrease (+)		(41 055)	(45 914)
b) inventory increase (-) or decrease (+)		1 350	19 941
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)		73 983	351 938
Gross cash flow from operating activities		50 938	72 768
Interest payments		(81 921)	(72 610)
Real estate tax payments		(98 601)	(12 926)
Cash flow before extraordinary items		(129 584)	(12 768)
Net cash flow from operating activity		(129 584)	(12 768)
 II. Cash flow from investing activities			
Acquisition of fixed assets and intangibles		(1 641)	(33 496)
Proceeds from disposal of fixed assets and intangibles		1 017 667	-
Interest received		-	-
Net cash flow from investing activities		1 016 026	(33 496)
 III. Cash flow from financing activities			
Loans received		-	77 083
Loans repaid		(878 505)	(30 605)
Financial lease payments		-	-
Net cash flow from financing activities		(878 505)	46 478
 IV. Foreign exchange rate differences			-
V. Net cash flow for the year		7 937	214
VI. Cash and cash equivalents at the beginning of the period		1 062	848
VII. Cash and cash equivalents at the end of the period	20	8 999	1 062

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26 February, 2016

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Statement of changes in equity for the year ended 31. December 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 on December 31, 2013	3 627 020	3 551 415	(580 761)	(2 306 980)	4 290 694
Loss carried over	-	-	580 761	(580 761)	-
Loss for the year	-	-	(621 071)		(621 071)
Company reserves build-up	-	(487 555)	-	-	(487 555)
Correction of previous years				(32)	(32)
Balance as on December 31, 2014	3 627 020	3 063 860	(621 071)	(2 887 773)	3 182 036
Loss carried over	-	-	621 071	(621 071)	-
Loss for the year	-	-	391 133	-	391 133
Correction of previous years	-	-	-		
Company reserves build-up	-	(2 826 245)	-	-	(2 826 245)
Balance as on December 31, 2015	3 627 020	3 063 860	391 133	(3 508 844)	746 924

Notes on pages from 11 to 23 are integral part of these financial statements.

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26 February, 2016

JSC "VEF Radiotehnika RRR"
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Notes

Accounting policies and 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.

Changes to the accounting policies

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

Reclassifications

In 2015 there have been no changes in classification of items in comparison with the year 2014.

Correction of errors

Significant errors of the previous periods are 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.

Transactions in foreign currency

Since the Republic of Latvia joined the Eurozone 1 January 2014, the Company maintains its accounts in euros. Comparative figures have been converted from the Latvian lats to the euro using the official exchange rate of € 1: 0.702804 lats. At the end of the reporting year foreign currency cash balance and balances of advances and loans denominated in foreign currencies as well as other debtors' or creditors' debts payable in foreign currencies are translated from the foreign currency to the euro in accordance with the foreign exchange rates in force on the last date of the reporting year. The resulting profit or loss is charged to the profit and loss account.

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

	2015.12.31	2014.12.31
USD	1,0887	1.214

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 70 EUR 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. 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.

JSC "VEF Radiotehnika RRR"
Annual accounts for the year ended 31.december 2015

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)

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.

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

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 sold during the year less 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 Latvia is recognised 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:

- 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 the provisions is calculated by multiplying the average wage of employees in the last six months per day by the amount of accrued but unused annual leave at the end of the reporting year.

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Annual accounts for the year ended 31.december 2015

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 European Central bank 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 economic 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.

JSC "VEF Radiotehnika RRR"
Annual accounts for the year ended 31.december 2015

(1) Net Turnover

	2015	2014
Type of activity	EUR	EUR
Income from exports of finished goods	-	18 932
Income from rent of premises	105 445	115 034
Income from sale of finished goods in the local market	578	2 779
Income from utility services	687 868	676 799
Income from sale of materials	13 348	5 122
Total	807 239	818 666

Division of net turnover by geographical markets

Latvia	807 239	799 734
Russia	-	18 932
Total	807 239	818 666

(2) Cost of goods sold

	2015	2014
Cost type	EUR	EUR
Personnel costs	1 591	17 842
Provisions for leave and social security	-	(7 458)
Depreciation of fixed assets	184 999	184 248
Depreciation of fixed assets (project 124000075)	155 226	155 226
Write-off of miscellaneous items	3 792	2 307
Changes in finished goods inventory	-	40 045
Changes in purchased materials and goods inventory	1 582	2 135
Production services	198	-
Ongoing maintenance and repair	34 259	41 001
Real estate property maintenance	632 848	617 510
Other costs	1 143	811
Total	1 015 638	1 053 667

(3) Selling expenses

	2015	2014
Cost type	EUR	EUR
Goods' transportation costs		1 800
Commissions paid	2 810	-
Sales costs	285	830
Advertising costs	3	810
Total	3 098	3 440

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	2015	2014
	EUR	EUR
(4) Administrative expenses		
Cost type		
Personnel costs	33 234	46 148
Provisions for leave and social security	-	(2 309)
Representation costs	1 147	1 119
Office expenses	2 033	1 280
Communication expenses	7 487	9 783
Bank expenses	3 699	4 061
Transportation costs	-	757
Accounting and legal expenses	19 873	12 686
Consulting services	15 400	168 599
Other administrative costs	9 973	22 457
Total	92 846	264 581
(5) Other operating income		
Type on income		
Debt write-off	881 087	68 195
Amortization of long-term investment revaluation reserves	-	33 950
Other income	577	5 394
Total	881 664	107 539
(6) Other operating expenses		
Type of income/expense		
Net loss from foreign exchange rate fluctuations	1 216	805
Penalties	30 296	127 644
Bad debts written off	-	8 822
Provisions for unsecured debts	-	3 071
Previous years ' expenditure	-	167
Expenditures not related to economic activity	280	12 158
Total	31 792	152 667
(7) Interest income and similar income		
Type of income		
Interest received	-	-
Total	-	-
(8) Interest expense and similar expenses		
Type of costs		
Loan interest paid	81 921	69 838
Total	81 921	69 838

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	2015	2014
	EUR	EUR
(9) Corporate income tax for the reporting year		
Deferred tax (Note No. 35)	-	(69 288)
Current corporate income tax	-	-
Total	-	(69 288)
Loss before taxation	-	(617 988)
Theoretically calculated tax	-	(92 698)
Non-deductible expenses and non-taxable income net difference	-	23 410
Other correction	-	-
Tax charge	-	(69 288)

Accumulated tax losses carried forward for corporate income tax purposes amount to 2 617 292 EUR as at 31 December 2014. 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
	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	-
2014 loss for corporate income tax purposes	344 347	-
Total	2 617 292	-

	2015	2014
	EUR	EUR
(10) Other taxes		
Real estate tax, land	9 246	9 246
Real estate tax, buildings and structures	63 229	63 125
Total	72 475	72 371

(11) Fixed Assets

	Land	Buildings and constructions	Technological equipment	Other fixed assets	Total EUR
Historical cost					
31.12.2014.	1 318 131	150 356	3 370 659	211 807	5 050 953
Acquired	-	-		1 641	1 641
Disposed*	(1 100 345)	-			(1 100 345)
31.12.2015.	217 786	150 356	3 370 659	213 448	3 952 249
Depreciation					
31.12.2014.	-	49 062	2 002 210	185 397	2 236 669
Calculated	-	2 790	220 599	3 914	227 303
Disposed	-	-	-	-	-
31.12.2015.	-	51 852	2 222 809	189 311	2 463 972
Net book value					
31.12.2014.	1 318 132	101 294	1 368 449	26 410	2 814 285
Net book value					
31.12.2015.	217 786	98 504	1 147 850	24 137	1 488 277

Cadastre value of real estate (including investment property) is 1 526 182 EUR on 31.12.2015 (31.12.2014: 5 085 152 EUR). Buildings, constructions, technological equipment and cars are insured. See Note No. 26 for information on the pledged assets.
*See Note No. 12.

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(12) Investment properties

	EUR
Historical value	
31.12.2014	6 232 817
Written-off	(1 244 342)
31.12.2015	4 988 475
Depreciation	
31.12.2014	2 143 533
Calculated	112 922
Impairment	774 121
31.12.2015	3 030 576
Carrying value 31.12.2014	4 089 284
Carrying value 31.12.2015	1 957 899

Investment property consists of land and buildings that are leased to the manufacturing companies. The administrative building with the land (cadastre number 01000802326) was sold to SIA "Pārupes būmaņi" for the EUR 945'000 on October 21, 2015

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

(13) Raw materials

	2015	2014
	EUR	EUR
Raw materials	1	-
Inventory in use	7 160	9151
Provision for inventory loss	(7 161)	(7 801)
Total	0	1 350

(14) Work in progress and finished goods

	2015	2014
	EUR	EUR
Finished goods and goods in warehouse	44 609	44 982
Provision for decrease in value	(44 609)	(44 982)
Total	-	-

(15) Advance payments for goods

	2015	2014
	EUR	EUR
Advances (residents)	6 754	458
Total	6 754	458

(16) Trade receivables

	2015	2014
	EUR	EUR
Receivables (non-residents)	7 299	18 660
Receivables (residents)	287 482	242 548
Provisions for doubtful debtors	(131 302)	(138 784)
Total	163 479	122 424

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(17) Receivables from related parties

	2015	2014
	EUR	EUR
Loans (non-current)	309 160	309 160
Payments for good	51 619	68 839
Advance payments for services	3 353	3 353
Provisions for receivables from related parties	(3 353)	(2 353)
Total current receivables:	51 619	62 839
Total	360 779	434 395

On 12 November 2012 the Company issued non-interest bearing unsecured loan of EUR 309 160 SIA Imanta Retail Park, LV40103265172, with maturity on 10 November 2013. On 11 November 2013 the maturity date was changed to 12 November 2018. According to SIA "Imanta Retail Park" audited 2014 annual report, the Company's net result is loss, its net cash flow is negative and its short-term liabilities far exceed its current assets.

(18) Other receivables

	2015	2014
	EUR	EUR
Settlements with employees	954	245
Settlements with management	-	22 673
Loans to employees	7 248	7 248
Provision for loans to employees	(7 248)	(7 248)
Other receivables	52 145	
Total	53 099	22 918

(19) Deferred expenses

	2015	2014
	EUR	EUR
Insurance costs	1 108	344
Other costs	416	69
Total	1 524	413

(20) Cash and cash equivalents

	2015	2014
	EUR	EUR
Cash on hand	-	-
Cash in bank accounts	8 999	1 062
Total	8 999	1 062

(21) Information on company's share capital

As at 31 December 2015 the subscribed and fully paid share capital consists of 2 549 084 ordinary shares with a nominal value of 1.42 EUR each. Share capital is presented according to the official exchange rate, converting from lats to euro, therefore value of one share is not expressed in full euro. Re-registration of the share capital to euro at the moment of approval of the annual report was not made. The mandatory capital re-registration deadline is 30 June 2016.

Shareholders	Number of shares		Value			
			LVL		EUR	
	2015.12.31	2014.12.31	2015.12.31	2014.12.31	2015.12.31	2014.12.31
Eduards Malejevs	741 880	941 880	741 880	941 880	1 055 600	1 340 175
Jurijs Malejevs	864 512	864 512	864 512	864 512	1 230 090	1 230 090
Armands Malejevs	264 519	-	264 519	-	376 377	-
Inga Sprūga	65 567	330 086	65 567	330 086	93 293	469 670
Eriks Ertmanis	200 000		200 000		284 574	
Jekaterina 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

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(22) 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 losses	(3 508 844)	(2 887 773)
Correction of the previous years	-	-
Current year loss	391 133	(621 071)
Total	(3 117 711)	(3 508 844)

(23) Long term investment revaluation reserve

	2015	2014
	EUR	EUR
Opening balance	3 063 863	3 551 418
Disposed non-current assets	(703 488)	-
Depreciation charge for the reporting year	-	(33 950)
Impairment of non-current assets	(2 122 757)	(539 644)
Deferred corporate income tax part	-	86 039
Closing balance	237 615	3 063 863

The Company's fixed assets (land and buildings) were revalued according to Ober Haus Real Estate Company report on the real estate market value dated with 30.06.2011.

In August 2015 part of the fixed assets (warehouses) will be sold and the revaluation reserve will be reduced accordingly.

(24) Other provisions

	Provision for unused vacation leave
	EUR
As at 31 December 2014	12 705
Decrease	-
As at 31 December 2015	12 705

(25) Taxes payable (non-current)

	2015	2014
	EUR	EUR
Real estate tax	-	-
Total	-	-

According to the decision No.PIP-14-12914-nd (dated August 29, 2014) Riga City Council Municipal Revenue Administration decision No. PIP-12-15096-nd (dated 3 December 2012) on tax aid measure and the extension of the payment term allocation was cancelled. Tax debts were recorded in the short-term debts. Please refer to Note 37.

(26) Loans from credit institutions

	2015	2014
	EUR	EUR
Loan from AS SEB Banka – long term part		690 485
Loan from AS SEB Banka – short term part	690 485	796 360
Total	690 485	1 486 845

In accordance with Loan Agreement No. KD04277 and KD08128, the obligations are secured with primary pledge of the real estate property located in Riga at the address Kurzemes prospekts 3 (Land book section No. 18732) and primary commercial pledge on fixed assets, purchased under Project Nr.124000075 for the amount of 4 784 000 EUR.

The residual value of pledged fixed assets and investment property as at 31.12.2014 is 6 903 569 EUR (31.12.2013.: 7 749 183 EUR).

The loan interest rate applied is 3-month EURIBOR plus fixed rate 4.5%.

As at 10 December 2014 AS "SEB banka" announced that the loan maturity is 19 December 2014.

According to the approved legal protection plan to AS SEB banka was paid 700 000 EUR on October 28, 2015 and 690 485 EUR is planned to repay in year 2016.

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(27) Other loans (short-term)	2015	2014
	EUR	EUR
Other loans	-	-
Total	-	-

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

Within the framework of the legal protection plan it was agreed with the issuer on the loan payment rescheduling, setting the maturity on 5 January 2017, that is after the implementation of the legal protection plan.

The loan received during the reporting period was reclassified to long-term creditors and included in position "Trade accounts payable".

(28) Advances from customers	2015	2014
	EUR	EUR
Advances from residents	25 000	568
Total	25 000	568

(29) Trade accounts payable	2015	2014
	EUR	EUR
Long-term part:		
Trade accounts payable to non-residents	150 000	150 000
Trade accounts payable to residents	381 567	372 009
Long-term part total	531 567	522 009
Short-term part:		
Trade accounts payable to non-residents	198	7 419
Trade accounts payable to residents	813 969	732 765
Short-term part total	814 167	740 184

Within the framework of the legal protection plan it was agreed with suppliers on delay of payments, setting the repayment term on 5 January 2017, which is after the implementation of the legal protection plan.

Trade payables (who agreed on delay of payments) was reclassified to long-term creditors and included in position "Trade accounts payable".

(30) Payables to related parties	2015	2014
	EUR	EUR
Long-term part:		
Loans	142 099	142 099
Payment for services	47 837	47 837
Long-term part total	189 936	189 936
Short-term part:		
Loans	-	-
Payment for services	-	15 188
Short-term part total	-	15 188

Within the framework of the legal protection plan it was agreed to transfer the creditor claims to long-term.

(31) Taxes and social insurance payments	2015	2014
	EUR	EUR
Personal Income Tax	1 509	60 007
State Social Insurance payments	1 783	81 026
Value Added Tax	922	55 754
Real estate tax for land, building and constructions	278 304	293 002
Nature resources tax	-	1 792
Corporate risk tax	5	52
Total	282 523	491 633

In accordance with the legal protection process action plan following tax payments was done on October 28, 2015:

Personal Income Tax: 57187 EUR

State Social Insurance payments: 77574 EUR

Value Added Tax: 48122 EUR

Nature resources tax: 1792 EUR

Corporate risk tax: 38 EUR

(32) Other liabilities	2015	2014
	EUR	EUR
Salaries	6 684	14 201
Advance settlement amounts	-	59
Security	23 317	17 254
Other creditors	-	-
Total	30 001	31 514

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(33) Accrued liabilities

Current expense

2015	2014
EUR	EUR
25 250	59 322
25 250	59 322

(34) Deferred income

Legal protection plan fine

Long term part:

Financial and Capital Market Commission

Latvenergo AS

Riga City Council Finance Department

AS Rīgas siltums

Long term part total

Short-term part:

The State Revenue Service

Short-term part total

2015	2014
EUR	EUR
3 550	3 550
73 489	73 489
108 100	108 100
8 698	8 698
193 837	193 837
107 389	107 389
107 389	107 389

According to the legal protection plan it is planned to exclude fines and periodic penalty payments.

In case of successful implementation of legal protection plan, the Company will be extinguished fine and periodic penalty payments.

(35) Deferred tax

Deferred tax liability opening balance

Deferred tax change during the reporting year

(refer to Note 9) charged to the income statement

Deferred tax change during the reporting year

charged to the revaluation reserve

Deferred tax liability closing balance

2 015	2014
EUR	EUR
391 027	546 354
	(69 288)
	(86 039)
391 027	391 027

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

Temporary difference on fixed assets depreciation

Land revaluation effect

Provision for slow moving inventory

Provision for unused vacation leave

Tax loss carried

forward

Deferred tax liability

2 015	2014
EUR	EUR
513 619	513 619
279 825	279 825
(7 917)	(7 917)
(1 906)	(1 906)
(392 594)	(392 594)
391 027	391 027

(36.1.) Average number of employees during the year

Average number of employees during the year

2015	2014
10	15

(36.2.) Total personnel costs

- Salaries

- Social security payments

- Corporate risk duty

- including:

Management salaries

- Salaries

- Social security payments

- Corporate risk duty

- total:

2015	2014
EUR	EUR
34 826	63 990
28 588	52 129
6 194	11 795
44	66
13 672	17 075
3 154	5 397
9	9
16 835	22 481

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(37) Taxes and social insurance payments

Type of tax	31.12.2014.	NAP non-current	Calculated	Paid	Fine written off	31.12.2015.
Value added tax	55 754	-	16 162	(70 994)	-	922
penalties resulting from the tax audit		-	-	-	(2 194)	-
delay payments		-			(28 054)	-
Personal income tax	60 008	-	5 337	(63 835)		1 509
delay payments		-			(33 843)	-
State social security obligatory payments	81 026	-	9 090	(88 332)	-	1 783
delay payments		-			(42 242)	-
Business risk duty	52	-	45	(92)	-	5
delay payments		-	2	-	(2)	-
Natural resource tax	1 792	-	-	(1 792)		-
delay payments		-	-		(1 054)	-
Real estate tax	293 001	-	83 903	(98 601)	-	278 303
delay payments		-			(108 100)	-
	491 633		114 538	(323647)	(215 489)	282 523
Tax overpayment						-
Tax debt	491 633					282 523
Including delay payments					(215 489)	-

See also Note No. 34 Deferred income.

(38) Transactions with related parties

The company's shareholders have significant impact on SIA "Imanta Retail Park", "Albatross" Tukuma rajonā.

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.

Related party		Sales to related parties	Purchases from related parties	Loans issued	Loans received	Amounts owed by related Parties as at 31 December	Amounts owed to related parties as at 31 December
SIA Imanta Retail Park"	2014	324 725	7 915	-	-	371 999	-
	2015	459 148	23 833	309 160	-	341 447	5 207
"Albatross" Tukuma rajonā	2014	5 963	10 206	-	77 083	-	168 367
	2015	36 329	45 568	-	-	-	184 729
TOTAL	2014	330 688	18 121	309 160	77 083	371 999	168 367
TOTAL	2015	495 477	69 401	309 160	-	360 779	189 936

(39) Remuneration to certified auditors

Certified auditors fess in respect of year 2014 financial statements audit is 4 356 euro.

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(40) Post balance sheet events

As at September 19, 2014 Riga Kurzeme District Court decided to initiate AS VEF Radiotehnika RRR legal protection proceedings. As at January 5, 2015 Riga Kurzeme District Court announced AS VEF Radiotehnika RRR legal protection process implementation, approved the legal protection process action plan, set the legal protection implementation period till January 5, 2017 and appointed an administrator of legal protection- certified administrator Vigo Krastiņš.

The repayment term of the loan from AS SEB banka ended as at 19 December 2014. All payments to creditors are made according to the legal protection process plan approved as at 5 January 2015.

As at April 30, 2015 the Company concluded an agreement on the structure of the transaction with "Pārupes būmaņi". Implementation of the the transaction takes time, because the transaction involves 4 legal entities. Management of the Company believes that this transaction could take up to 6 months. Estimated selling price is lower than the book value of the real estate, so the real estate recoverable impairment is recognised in the annual report of 2014. Management of the Company believes that in result of the agreement the Company will be able to pay the debts to the State revenues service and partially repay of liabilities to the SEB bank.

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.

(41) Going concern

The Company's result of the year is net profit of EUR 391 133, net turnover has significantly decreased in 2014, that is related with rental income reduction and the fact that the Company has not resumed production and sales. As at the end of the reporting year current liabilities of the Company exceed current assets by 1 686 340 EUR.

The legal protection process action plan that was approved on 5 January 2015 involves partial disposal of real estate owned by the Company, to start the settlement of tax debts, bank loans and other creditors. The alienation of the real estate is in process. See notes No.12 and No.34. In addition, the legal protection process action plan provides restoring the production process and the attraction of an investor.

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 financial statements for the year 2015 have been prepared applying the going concern principle.

Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

26 February, 2015