

**JSC "VEF Radiotehnika RRR"**

**Unified Registration No. 40003286712**

**Address: Kurzemes prospekts 3, Riga, LV-1067**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31.03. 2016**

**JSC "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31.03. 2016**

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**JSC "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31.03. 2016**

**GENERAL INFORMATION**

<b>Full name of the Company</b>	<i>JSC "VEF Radiotehnika RRR"</i>		
<b>Legal status of the Company</b>	<i>Public Joint-Stock Company</i>		
<b>Registration No., place and date of issue</b>	<i>40003286712</i> <i>1998.12.11</i>		
<b>Legal address of the Company</b>	<i>Kurzemes prospekts 3, Riga, LV-1067</i>		
<b>NACE code</b>	<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>	
<b>Council members of the JSC</b>			
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 Līvcha 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>		
<b>Board members of the JSC</b>			
Chairman of the Board	<i>Eduards Malejevs</i>		
Board Member	<i>Ēriks Ertmanis</i>		
<b>Administrator of legal protection</b>	<i>Vigo Krastiņš</i>		
<b>Reporting year</b>	<i>from</i>	<i>2016.01.01</i>	<i>till</i> <i>2016.03.31</i>
<b>Previous reporting year</b>	<i>from</i>	<i>2015.01.01</i>	<i>till</i> <i>2015.12.31</i>
<b>Chief Accountant</b>	<i>Olga Romanko</i>		
<b>Auditor</b>	<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>		

**JSC "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31.03. 2016**

**Management report**

**Principal activities**

During year 2016, 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 2015. New types of activities have not been performed. By the end of 2016 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:	-129 128 EUR
Deferred corporate income tax:	0 EUR
Other taxes:	-5 333 EUR
Net result:	-134 461 EUR

Net turnover in year 2016 was EUR 216 670.

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

31. May, 2016

**JSC "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31.03. 2016**

**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 May 2016, appropriate accounting principles were consistently applied and justified and prudent decisions were made.

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

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

Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

31.May, 2016

**JSC "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31.03. 2016**

**Profit or loss account for the year ended 31 May 2016**  
**(by turnover cost method)**

	Notes	2016 EUR	2015 EUR
Net sales	1	216 670	804 360
Cost of sales	2	(312 330)	(1 016 107)
<b>Gross profit / (loss)</b>		<b>(95 660)</b>	<b>(211 747)</b>
Selling expenses	3	(10)	(3 098)
Administrative expenses	4	(28 501)	(95 143)
Other operating income	5	233	873 851
Other operating expenses	6	(5 190)	(37 061)
Interest income and similar income	7	-	-
Interest expenses and similar expenses	8	-	(78 038)
<b>Profit / (loss) before taxes</b>		<b>(129 128)</b>	<b>448 764</b>
Deferred corporate income tax for the reporting year	9		-
Other taxes	10	(5 333)	(72 475)
<b>Current year's profit / (loss)</b>		<b>(134 461)</b>	<b>376 289</b>
Profit/ (loss) per share		<b>0,153</b>	<b>(0,244)</b>

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

Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

31 May, 2016

**JSC "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31.03. 2016**

**Balance sheet as at 31.03.2016**

ASSETS	Note	<u>2016</u>	<u>2015</u>
		EUR	EUR
<b>1. Non-current assets</b>			
<b>II. Fixed assets:</b>			
Land, buildings and constructions		665 967	666 664
Equipment and vehicles		1 092 989	1 147 850
Other fixed assets		23 589	24 137
<b>Total fixed assets:</b>	<b>11</b>	<b><u>1 782 545</u></b>	<b><u>1 838 651</u></b>
<b>III. Investment properties:</b>			
<b>Total investment properties:</b>	<b>12</b>	<b><u>3 563 459</u></b>	<b><u>3 588 452</u></b>
Loans to related parties	<b>18</b>	309 160	309 160
<b>Total non-current financial investments:</b>		<b><u>309 160</u></b>	<b><u>309 160</u></b>
<b>Total non-current assets:</b>		<b><u>5 655 164</u></b>	<b><u>5 736 263</u></b>
<b>2. Current assets</b>			
<b>I. Inventory:</b>			
Raw materials	<b>13</b>	5 069	
Finished goods	<b>14</b>	-	-
Advance payments for materials			
<b>Total inventory:</b>	<b>15</b>	<b><u>10 923</u></b>	<b><u>6 688</u></b>
<b>III. Receivables:</b>			
Trade receivables	<b>16</b>	164 597	159 914
Receivables from related parties	<b>17</b>	44 906	48 739
Other receivables	<b>18</b>	120 665	52 609
Deferred expenses	<b>19</b>	996	983
<b>Total receivables:</b>		<b><u>331 164</u></b>	<b><u>262 245</u></b>
<b>V. Cash</b>	<b>20</b>	<b><u>132</u></b>	<b><u>8 999</u></b>
<b>Total current assets:</b>		<b><u>347 288</u></b>	<b><u>277 932</u></b>
<b>TOTAL ASSETS:</b>		<b><u>6 002 452</u></b>	<b><u>6 014 195</u></b>

**JSC "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31.03. 2016**

**Balance sheet as at 31.03.2016**

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>Note</b>	<b>2016</b>	<b>2015</b>
		<b>EUR</b>	<b>EUR</b>
<b>1. Shareholders' equity:</b>			
Share capital	21	3 627 020	3 627 020
Non-current assets revaluation reserve	23	2 352 304	2 352 304
Accumulated losses:			
a) accumulated losses of previous years	22	(3 132 559)	(3 508 848)
b) current year loss	22	(134 461)	376 289
<b>Total shareholders' equity:</b>		<b>2 712 304</b>	<b>2 846 765</b>
<b>2. Provisions:</b>			
Other provisions	24	10 016	10 016
<b>Total provisions:</b>		<b>10 016</b>	<b>10 016</b>
<b>3. Liabilities:</b>			
<b>I. Non-current liabilities:</b>			
Loans from credit institutions	26		
Deferred tax	35	265 458	265 458
Trade creditors	29	531 567	538 371
Accounts payable to affiliated companies	30	189 936	183 132
Taxes and social security liabilities	25, 37	-	
Deferred income	34	193 837	193 837
<b>Total non-current liabilities:</b>		<b>1 180 798</b>	<b>1 180 798</b>
<b>II. Current liabilities:</b>			
Loans from credit institutions	26	679 845	679 845
Other loans	27	27 629	-
Advances from customers	28	43 184	25 000
Trade accounts payable	29	886 287	821 666
Payables to related parties	30	-	-
Taxes and social security liabilities	31, 37	292 324	283 339
Other liabilities	32	35 440	30 127
Accrued liabilities	33	27 236	29 250
Deferred income	34	107 389	107 389
<b>Total current liabilities:</b>		<b>2 099 334</b>	<b>1 976 616</b>
<b>Total liabilities:</b>		<b>3 280 132</b>	<b>3 157 414</b>
<b>TOTAL LIABILITIES :</b>		<b>6 002 452</b>	<b>6 014 195</b>

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

Chairman of the Board

Eduards Malejevs

Member of the Board

Eriks Ertmanis

31 May, 2016



**JSC "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31.03. 2016**

**Cash flow statement for the year ended 31 May 2016 (indirect method)**

<b>I. Cash flow from operating activities</b>	Note	<b>2016</b>	<b>2015</b>
		<b>EUR</b>	<b>EUR</b>
<i>Loss before extraordinary items and taxes</i>		<b>(129 128)</b>	<b>448 764</b>
<i>Adjustments for:</i>			
a) depreciation of fixed assets and investment properties		81 099	340 225
c) provisions (excluding provisions for doubtful receivables)		-	(2 689)
d) gains or losses from foreign currency exchange rate fluctuations			(827 970)
g) other income from interest or similar income		-	78 038
h) profit/loss from sale of fixed assets			-
i) interest payments and similar activities		-	-
k) depreciation of revalued fixed assets		-	(30 389)
<i>Loss before working capital and current liabilities adjustments</i>		<b>(48 029)</b>	<b>5 979</b>
<i>Adjustments for:</i>			
a) debtors increase (-) or decrease (+)		(43 797)	(37 490)
b) inventory increase (-) or decrease (+)		(5 069)	1 350
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)		88 118	(135 622)
<i>Gross cash flow from operating activities</i>		<b>(8 777)</b>	<b>(165 783)</b>
Interest payments			(78 038)
Real estate tax payments		(90)	(98 601)
<i>Cash flow before extraordinary items</i>		<b>(8 867)</b>	<b>(342 422)</b>
<i>Net cash flow from operating activity</i>		<b>(8 867)</b>	<b>(342 422)</b>
<b>II. Cash flow from investing activities</b>			
Acquisition of fixed assets and intangibles		-	(1 641)
Proceeds from disposal of fixed assets and intangibles		-	1 159 000
Interest received		-	-
<i>Net cash flow from investing activities</i>		<b>-</b>	<b>1 157 359</b>
<b>III. Cash flow from financing activities</b>			
Loans received		-	-
Loans repaid		-	(807 000)
Financial lease payments		-	-
<i>Net cash flow from financing activities</i>		<b>-</b>	<b>(807 000)</b>
<b>IV. Foreign exchange rate differences</b>			-
<b>V. Net cash flow for the year</b>		<b>(8 867)</b>	<b>7 937</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>		<b>8 999</b>	<b>1 062</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	<b>20</b>	<b>132</b>	<b>8 999</b>

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

Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

31 May, 2016

**JSC "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31.03. 2016**

**Statement of changes in equity for the year ended 31. May 2016**

	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
<b>Balance as on December 31, 2014</b>	<b>3 627 020</b>	<b>3 063 860</b>	<b>(621 071)</b>	<b>(2 887 773)</b>	<b>3 182 036</b>
Loss carried over	-	-	621 071	(621 071)	-
Profit/loss for the year	-	-	376 289		376 289
Company reserves build-up	-	(711 559)	-	-	(711 559)
Correction of previous years		3		(4)	(1)
<b>Balance as on December 31, 2015</b>	<b>3 627 020</b>	<b>2 352 304</b>	<b>376 289</b>	<b>(3 508 848)</b>	<b>2 846 765</b>
Loss carried over	-	-	(376 289)	376 289	-
Loss for the year	-	-	(134 461)	-	(134 461)
Correction of previous years	-	-	-		
Company reserves build-up	-	-	-	-	-
<b>Balance as on December 31, 2015</b>	<b>3 627 020</b>	<b>2 352 304</b>	<b>(134 461)</b>	<b>(3 132 559)</b>	<b>2 712 304</b>

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

Chairman of the Board

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Member of the Board

Ēriks Ertmanis

31 May, 2016

**JSC "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31.03. 2016**

**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 2015.

**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:

	2016.03.31	2015.12.31
USD	1,1385	1,0887

**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 31.03. 2016**

**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.

**JSC "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31.03. 2016**

**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.

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**(1) Net Turnover**

	<b>2016</b>	<b>2015</b>
<b>Type of activity</b>	<b>EUR</b>	<b>EUR</b>
Income from exports of finished goods	-	-
Income from rent of premises	50 595	105 456
Income from sale of finished goods in the local market	645	578
Income from utility services	165 430	682 735
Income from sale of materials	-	15 591
<b>Total</b>	<b>216 670</b>	<b>804 360</b>

**Division of net turnover by geographical markets**

Latvia	216 670	804 360
Russia	-	-
<b>Total</b>	<b>216 670</b>	<b>818 666</b>

**(2) Cost of goods sold**

	<b>2016</b>	<b>2015</b>
<b>Cost type</b>	<b>EUR</b>	<b>EUR</b>
Personnel costs	7 241	1 591
Provisions for leave and social security	-	775
Depreciation of fixed assets	81 099	340 225
Write-off of miscellaneous items	979	3 792
Changes in finished goods inventory	-	5 546
Ongoing maintenance and repair	57 439	77 629
Real estate property maintenance	165 382	586 011
Other costs	190	2 088
<b>Total</b>	<b>312 330</b>	<b>1 016 107</b>

**(3) Selling expenses**

	<b>2016</b>	<b>2015</b>
<b>Cost type</b>	<b>EUR</b>	<b>EUR</b>
Commissions paid	-	2 810
Sales costs	10	-
Advertising costs	-	288
<b>Total</b>	<b>10</b>	<b>3 098</b>

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	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>(4) Administrative expenses</b>		
<b>Cost type</b>		
Personnel costs	13 296	33 234
Provisions for leave and social security	-	(1 915)
Representation costs	483	1 178
Office expenses	569	2 033
Communication expenses	1 560	7 669
Bank expenses	568	3 699
Accounting and legal expenses	3 000	23 873
Consulting services	7 245	15 400
Other administrative costs	1 780	9 972
<b>Total</b>	<b>28 501</b>	<b>95 143</b>
<b>(5) Other operating income</b>		
<b>Type on income</b>		
Debt write-off	-	843 462
Amortization of long-term investment revaluation reserves	-	30 389
Other income	233	-
<b>Total</b>	<b>233</b>	<b>873 851</b>
<b>(6) Other operating expenses</b>		
<b>Type of income/expense</b>		
Net loss from foreign exchange rate fluctuations	-	1 216
Penalties	5 190	31 559
Bad debts written off	-	-
Provisions for unsecured debts	-	3 947
Previous years ' expenditure	-	-
Expenditures not related to economic activity	-	339
<b>Total</b>	<b>5 190</b>	<b>37 061</b>
<b>(7) Interest income and similar income</b>		
<b>Type of income</b>		
Interest received	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
<b>(8) Interest expense and similar expenses</b>		
<b>Type of costs</b>		
Loan interest paid	-	78 038
<b>Total</b>	<b>-</b>	<b>78 038</b>

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	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>(9) Corporate income tax for the reporting year</b>		
Deferred tax (Note No. 35)	-	(69 288)
Current corporate income tax	-	-
<b>Total</b>	<b>-</b>	<b>(69 288)</b>
<b>Loss before taxation</b>	<b>-</b>	<b>(617 988)</b>
Theoretically calculated tax	-	(92 698)
Non-deductible expenses and non-taxable income net difference	-	23 410
Other correction	-	-
<b>Tax charge</b>	<b>-</b>	<b>(69 288)</b>

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:

	<b>Amount of loss</b>	<b>Expiry term</b>
	<b>EUR</b>	
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	-
<b>Total</b>	<b>2 617 292</b>	<b>-</b>

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>(10) Other taxes</b>		
Real estate tax, land	1 460	9 246
Real estate tax, buildings and structures	3 873	63 229
<b>Total</b>	<b>5 333</b>	<b>72 475</b>

**(11) Fixed Assets**

	<b>Land</b>	<b>Buildings and constructions</b>	<b>Technological equipment</b>	<b>Other fixed assets</b>	<b>Total EUR</b>
<b>Historical cost</b>					
<b>31.12.2015.</b>	<b>568 159</b>	<b>150 356</b>	<b>3 309 970</b>	<b>66 056</b>	<b>4 094 541</b>
Acquired	-	-			
Disposed*	-	-			
<b>31.03.2016.</b>	<b>568 159</b>	<b>150 356</b>	<b>3 309 970</b>	<b>66 056</b>	<b>4 094 541</b>
<b>Depreciation</b>					
<b>31.12.2015.</b>	<b>-</b>	<b>51 851</b>	<b>2 162 120</b>	<b>41 919</b>	<b>2 255 890</b>
Calculated	-	697	54 861	548	56 106
Disposed	-	-	-	-	-
<b>31.03.2016.</b>	<b>-</b>	<b>52 548</b>	<b>2 216 981</b>	<b>42 467</b>	<b>2 311 996</b>
<b>Net book value</b>					
<b>31.12.2015.</b>	<b>568 159</b>	<b>98 505</b>	<b>1 147 850</b>	<b>24 137</b>	<b>1 838 651</b>
<b>Net book value</b>					
<b>31.12.2015.</b>	<b>568 159</b>	<b>97 808</b>	<b>1 092 989</b>	<b>23 589</b>	<b>1 782 545</b>

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**

	<b>EUR</b>
<b>Historical value</b>	
31.12.2015	5 596 614
Written-off	-
31.03.2016	5 596 614
<b>Depreciation</b>	
31.12.2015	2 008 162
Calculated	24 993
Impairment	-
31.03.2016	2 033 155
<b>Carrying value 31.12.2015</b>	<b>3 588 452</b>
<b>Carrying value 31.03.2016</b>	<b>3 563 459</b>

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**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Raw materials	4 666	-
Inventory in use	7 563	7 160
Provision for inventory loss	(7 160)	(7 160)
<b>Total</b>	<b>5 069</b>	<b>-</b>

**(14) Work in progress and finished goods**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Finished goods and goods in warehouse	44 609	44 609
Provision for decrease in value	(44 609)	(44 609)
<b>Total</b>	<b>-</b>	<b>-</b>

**(15) Advance payments for goods**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Advances (residents)	10 923	6 688
<b>Total</b>	<b>10 923</b>	<b>6 688</b>

**(16) Trade receivables**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Receivables (non-residents)	-	-
Receivables (residents)	292 216	287 533
Provisions for doubtful debtors	(127 619)	(127 619)
<b>Total</b>	<b>164 597</b>	<b>159 914</b>

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<b>(17) Receivables from related parties</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Loans (non-current)	<b>309 160</b>	<b>309 160</b>
Payments for good	44 906	48 739
Advance payments for services	3 353	3 353
Provisions for receivables from related parties	( 3 353)	(2 353)
<b>Total current receivables:</b>	<b>44 906</b>	<b>48 739</b>
<b>Total</b>	<b>354 066</b>	<b>371 999</b>

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.

<b>(18) Other receivables</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Settlements with employees	15 810	1 008
Settlements with management	-	42
Loans to employees	7 248	7 248
Provision for loans to employees	(7 248)	(7 248)
Other receivables	104 855	51 559
<b>Total</b>	<b>120 665</b>	<b>52 609</b>

<b>(19) Deferred expenses</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Insurance costs	788	983
Other costs	208	-
<b>Total</b>	<b>996</b>	<b>983</b>

<b>(20) Cash and cash equivalents</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Cash on hand	-	-
Cash in bank accounts	132	8 999
<b>Total</b>	<b>132</b>	<b>8 999</b>

**(21) Information on company's share capital**

As at 31 May 2016 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	
	2016.03.31	2015.12.31	2016.03.31	2015.12.31	2015.03.31	2015.12.31
Eduards Malejevs	741 880	741 880	741 880	741 880	1 055 600	1 055 600
Jurijs Malejevs	864 512	864 512	864 512	864 512	1 230 090	1 230 090
Armands Malejevs	264 519	264 519	264 519	264 519	376 377	376 377
Inga Sprūga	65 567	65 567	65 567	65 567	93 293	93 293
Eriks Ertmanis	200 000	200 000	200 000	200 000	284 574	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
<b>Total:</b>	<b>2 549 084</b>	<b>2 549 084</b>	<b>2 549 084</b>	<b>2 549 084</b>	<b>3 627 020</b>	<b>3 627 020</b>

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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.

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Previous years' retained losses	(3 132 559)	(3 508 844)
Correction of the previous years	-	-
Current year profit/ loss	(134 461)	376 289
<b>Total</b>	<b>(3 267 020)</b>	<b>(3 132 559)</b>

**(23) Long term investment revaluation reserve**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>Opening balance</b>	<b>2 352 304</b>	<b>3 063 863</b>
Disposed non-current assets	-	(806 739)
Depreciation charge for the reporting year	-	(30 389)
Impairment of non-current assets	-	-
Deferred corporate income tax part	-	125 569
<b>Closing balance</b>	<b>2 352 304</b>	<b>2 352 304</b>

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**

	<b>Provision for unused vacation leave</b>
	<b>EUR</b>
<b>As at 31 December 2015</b>	<b>10 016</b>
Decrease	-
<b>As at 31 May 2016</b>	<b>10 016</b>

**(25) Taxes payable (non-current)**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Real estate tax	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Loan from AS SEB Banka – long term part	-	-
Loan from AS SEB Banka – short term part	679 845	679 845
<b>Total</b>	<b>679 845</b>	<b>679 845</b>

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 807 000 EUR on October 28, 2015 and 679 845 EUR is planned to repay in year 2016.

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<b>(27) Other loans (short-term)</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Other loans	27 629	-
<b>Total</b>	<b>27 629</b>	<b>-</b>

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".

<b>(28) Advances from customers</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Advances from residents	43 184	25 000
<b>Total</b>	<b>43 184</b>	<b>25 000</b>

<b>(29) Trade accounts payable</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>Long-term part:</b>		
Trade accounts payable to non-residents	150 000	150 000
Trade accounts payable to residents	381 567	388 371
<b>Long-term part total</b>	<b>531 567</b>	<b>538 371</b>
<b>Short-term part:</b>		
Trade accounts payable to non-residents	-	232
Trade accounts payable to residents	886 287	821 434
<b>Short-term part total</b>	<b>886 287</b>	<b>821 666</b>

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".

<b>(30) Payables to related parties</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>Long-term part:</b>		
Loans	142 099	142 099
Payment for services	47 837	41 033
<b>Long-term part total</b>	<b>189 936</b>	<b>183 132</b>
<b>Short-term part:</b>		
Loans	-	-
Payment for services	-	-
<b>Short-term part total</b>	<b>-</b>	<b>-</b>

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

<b>(31) Taxes and social insurance payments</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Personal Income Tax	4 823	1 572
State Social Insurance payments	3 184	1 783
Value Added Tax	-	922
Real estate tax for land, building and constructions	284 300	279 056
Nature resources tax	-	-
Corporate risk tax	17	6
<b>Total</b>	<b>292 324</b>	<b>283 339</b>

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

<b>(32) Other liabilities</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Salaries	11 873	6 684
Advance settlement amounts	-	126
Security	23 567	23 317
Other creditors	-	-
<b>Total</b>	<b>35 440</b>	<b>30 127</b>

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**(33) Accrued liabilities**

Current expense

2016	2015
EUR	EUR
27 236	29 250
<b>27 236</b>	<b>29 250</b>

**(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**

2016	2015
EUR	EUR
3 550	3 550
73 489	73 489
108 100	108 100
8 698	8 698
<b>193 837</b>	<b>193 837</b>
107 389	107 389
<b>107 389</b>	<b>107 389</b>

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**

2 065	2015
EUR	EUR
265 458	391 027
	(125 569)
<b>265 458</b>	<b>265 458</b>

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

	2 016	2 015
	EUR	EUR
Temporary difference on fixed assets depreciation	513 619	513 619
Land revaluation effect	279 825	279 825
Provision for slow moving inventory	(7 917)	(7 917)
Provision for unused vacation leave	(1 906)	(1 906)
Tax loss carried forward	(392 594)	(392 594)
<b>Deferred tax liability</b>	<b>391 027</b>	<b>391 027</b>

**(36.1.) Average number of employees during the year**

Average number of employees during the year

2016	2015
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:

2016	2015
EUR	EUR
<b>20 537</b>	<b>34 825</b>
16748	28 587
3772	6 192
17	46
2 160	10 046
679	2 183
2	9
<b>2 841</b>	<b>12 238</b>

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**(37) Taxes and social insurance payments**

<b>Type of tax</b>	<b>31.12.2015.</b>	<b>NAP non-current</b>	<b>Calculated</b>	<b>Paid</b>	<b>Redirected</b>	<b>31.03.2016.</b>
<b>Value added tax</b>	922	-	(4 971)		4 049	-
penalties resulting from the tax audit		-	-	-		-
delay payments		-				-
<b>Personal income tax</b>	1 572	-	3 251			4 823
delay payments		-				-
<b>State social security obligatory payments</b>	1 783	-	5 450		(4 049)	3 184
delay payments		-				-
<b>Business risk duty</b>	6	-	17	(6)		17
delay payments		-				-
<b>Natural resource tax</b>		-				-
delay payments		-				-
<b>Real estate tax</b>	266 875		5 334	(90)		272 119
delay payments	12 181					12 181
	<b>283 339</b>		<b>9 081</b>	<b>(96)</b>		<b>292 324</b>
<b>Tax overpayment</b>						-
<b>Tax debt</b>	<b>283 339</b>					<b>292 324</b>
Including delay payments						-

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 2015 or 2016.

<b>Related party</b>		<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Loans issued</b>	<b>Loans received</b>	<b>Amounts owed by related Parties as at 31 December</b>	<b>Amounts owed to related parties as at 31 December</b>
SIA Imanta Retail Park"	2015	459 149	23 823	-	-	338 568	5 207
	2016	79 369	343		-	334 554	12 011
"Albatross" Tukuma rajonā	2015	36 329	45 568	-	-	19 331	177 925
	2016	0	0	-	-	19 512	177 925
<b>TOTAL</b>	<b>2015</b>	<b>495 478</b>	<b>18 121</b>	<b>309 160</b>	-	<b>357 899</b>	<b>183 132</b>
<b>TOTAL</b>	<b>2016</b>	<b>79 369</b>	<b>69 401</b>	<b>309 160</b>	-	<b>354 066</b>	<b>189 936</b>

**(39) Remuneration to certified auditors**

Certified auditors fess in respect of year 2015 financial statements audit is 4 840 euro.

**JSC "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31.03. 2016**

**(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 būvmaņi". 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 3 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 2015. 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 loss of EUR 134 461, 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 1 752 056 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 2016 have been prepared applying the going concern principle.

Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

31 May, 2016