

**AS "VEF Radiotehnika RRR"**

**Unified Registration No. 40003286712**

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

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2015**

**AS “VEF Radiotehnika RRR”  
Annual accounts for the year ended 31 December 2015**

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**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2015**

**GENERAL INFORMATION**

<b>Full name of the Company</b>	<i>AS "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>Phone number</b>	<i>67418087</i>
<b>NACE code</b>	<i>26.40      Manufacture of electronic devices</i> <i>68.32      Real estate management with remuneration</i> <i>                 or based on agreements</i>
<b>Council members</b>	
Chairman of the Council	<i>Janis Salenieks till 12.10.2015</i>
Chairman of the Council	<i>Boris Livča from 12.10.2015</i>
Council Member	<i>Jurijs Maļejevs till 12.10.2015</i>
Council Member	<i>Inga Sprūga till 12.10.2015</i>
Council Member	<i>Inārs Kļaviņš</i>
Council Member	<i>Jekaterina Maļejeva till 12.10.2015</i>
Council Member	<i>Olga Romaņko from 12.10.2015</i>
Council Member	<i>Genādijs Hotejevs from 12.10.2015</i>
Council Member	<i>Vjačeslavs Mihailovins from 12.10.2015</i>
<b>Board members</b>	
Chairman of the Board	<i>Eduards Maļejevs</i>
Board Member	<i>Ēriks Ertmanis</i>
<b>Administrator of legal protection</b>	<i>Vigo Krastiņš</i>
<b>Reporting year</b>	<i>from    2015.01.01    till    2015.12.31</i>
<b>Previous reporting year</b>	<i>from    2014.01.01    till    2014.12.31</i>
<b>Chief Accountant</b>	<i>Olga Romaņko</i>
<b>Phone number</b>	<i>67852054</i>
<b>Auditor</b>	<i>SIA Potapoviča un Andersone</i> <i>Certified Auditors Company</i> <i>Licence No. 99</i> <i>Ūdens Street 12-45, Riga, LV-1007</i>  <i>Responsible certified auditor:</i> <i>Anna Temerova-Allena</i> <i>Certificate No. 154</i>

**AS “VEF Radiotehnika RRR”  
Annual accounts for the year ended 31 December 2015**

**Management report**

**Principal activities**

The main activities of AS “VEF Radiotehnika RRR” in 2015 were:

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

New types of activities have not been performed. In the future 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:	238 048 EUR
Deferred corporate income tax:	(122 505) EUR
Other taxes:	(72 475) EUR
Net result:	43 068 EUR

Net turnover in 2015 was EUR 804 360, and it has decreased by 17% compared to 2014. As at 31 December 2015 the Company's current liabilities significantly exceed its current assets the same as it was in previous year.

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 Vigo Krastiņš as an administrator of legal protection.

In order to settle payments to creditors the legal protection process plan provides to sell the Company's owned non-profile assets – real estate, as well as production renewal. In 2015 the Company signed a part of the real estate sale transactions and according to the legal protection process plan partially settled the liabilities to AS SEB bank and State revenue service. In 2016 it is expected to sell a significant portion of the Company's remaining investment property. Please see also Note 38.

The Company's 2015 annual accounts have been prepared applying the going concern principle. The Company's ability to continue operations depends on its ability to realize the provided sale of real estate, as well as restoring production. By the date of approval of these annual accounts the Company has received production orders in amount of 114 thousand euro.

Management of the Company believes that it will be able to stabilize operations of the Company, realize the planned sale of real estate in 2016, settle liabilities to SEB bank and implement the actions provided by legal protection process plan, especially to launch the production process thus restoring profits and positive cash flow. Consequently, the Company's management believes that going concern principle is appropriate basis for preparation of the annual accounts of 2015.

**Post balance sheet events**

As at 12 February 2016 and 31 May 2016 Riga Kurzeme District Court approved amendments to the Company's legal protection process plan versions amended accordingly on 11 January 2016 and 18 April 2016. The amendments mainly specify the legal protection process implementation timetable in relation to sale of real estate.

Except for the 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.

**Proposals for profit distribution**

The Company plans to use profit of 2015 to cover part of the prior years' loss.

Chairman of the Board

Eduards Maļejevs

Member of the Board

Ēriks Ertmanis

17 June, 2016

**AS “VEF Radiotehnika RRR”**  
**Annual accounts for the year ended 31 December 2015**

**Statement of the management's responsibility**

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

The management confirms that in the preparation of the annual report for the period ended 31 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 Maļejevs

Member of the Board

Ēriks Ertmanis

17 June, 2016

**AS “VEF Radiotehnika RRR”**  
**Annual accounts for the year ended 31 December 2015**

**Profit or loss account for the year ended 31 December 2015**

	Notes	2015 EUR	2014 EUR
Net sales	1	804 360	818 666
Cost of sales	2	(1 016 107)	(1 053 667)
<b>Gross loss</b>		<b>(211 747)</b>	<b>(235 001)</b>
Selling expenses	3	(3 098)	(3 400)
Administrative expenses	4	(95 143)	(264 581)
Other operating income	5	873 851	107 539
Other operating expenses	6	(247 777)	(152 667)
Interest expenses and similar expenses	7	(78 038)	(69 838)
<b>Profit before taxes</b>		<b>238 048</b>	<b>617 988</b>
Deferred corporate income tax for the reporting year	8	(122 505)	69 288
Other taxes	9	(72 475)	72 371
<b>Current year's profit / (loss)</b>		<b>43 068</b>	<b>(621 071)</b>
Profit/ (loss) per share		<b>0.017</b>	<b>(0.244)</b>

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

Chairman of the Board

Eduards Maļejevs

Member of the Board

Ēriks Ertmanis

17 June, 2016

**AS “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
<b>I. Non-current assets</b>			
<b>II. Fixed assets:</b>			
Land, buildings and constructions		215 941	1 419 426
Equipment and vehicles		1 147 850	1 368 449
Other fixed assets		24 137	26 410
<b>Total fixed assets:</b>	<b>10</b>	<u><b>1 387 928</b></u>	<u><b>2 814 285</b></u>
<b>III. Investment properties:</b>			
<b>Total investment properties:</b>	<b>11</b>	<u><b>1 242 038</b></u>	<u><b>4 089 284</b></u>
<b>V. Non-current financial investments</b>			
Loans to related parties	<b>16</b>	309 160	309 160
<b>Total non-current financial investments:</b>		<u><b>309 160</b></u>	<u><b>309 160</b></u>
<b>Total non-current assets:</b>		<u><b>2 939 126</b></u>	<u><b>7 212 729</b></u>
<b>2. Current assets</b>			
<b>I. Inventory:</b>			
Raw materials	<b>12</b>	-	1 350
Finished goods and goods for sale	<b>13</b>	-	-
Advance payments for materials	<b>14</b>	6 896	458
<b>Total inventory:</b>		<u><b>6 896</b></u>	<u><b>1 808</b></u>
<b>III. Receivables:</b>			
Trade receivables	<b>15</b>	157 869	122 424
Receivables from related parties	<b>16</b>	50 784	62 839
Other receivables	<b>17</b>	52 401	22 918
Deferred expenses	<b>18</b>	983	413
<b>Total receivables:</b>		<u><b>262 037</b></u>	<u><b>208 594</b></u>
<b>V. Cash</b>	<b>19</b>	<u><b>8 999</b></u>	<u><b>1 062</b></u>
<b>Total current assets:</b>		<u><b>277 932</b></u>	<u><b>211 464</b></u>
<b>TOTAL ASSETS:</b>		<u><b>3 217 058</b></u>	<u><b>7 424 193</b></u>

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**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2015**

**Balance sheet as at 31.12.2015**

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>EUR</b>	<b>EUR</b>
<b>1. Shareholders' equity:</b>			
Share capital	20	3 627 020	3 627 020
Long term investment revaluation reserve	22	153 845	3 063 860
Retained earnings/ (accumulated loss):			
a) accumulated loss of previous years	21	(3 508 848)	(2 887 773)
b) current year profit/ (loss)	21	43 068	(621 071)
<b>Total shareholders' equity:</b>		<b>315 085</b>	<b>3 182 036</b>
<b>2. Provisions:</b>			
Other provisions	23	10 016	12 705
<b>Total provisions:</b>		<b>10 016</b>	<b>12 705</b>
<b>3. Liabilities:</b>			
<b>I. Non-current liabilities:</b>			
Loans from credit institutions	24	-	690 485
Deferred tax	32	-	391 027
Trade creditors	26	538 371	522 009
Payables to related parties	27	183 132	189 936
Deferred income	31	301 226	301 226
<b>Total non-current liabilities:</b>		<b>1 022 729</b>	<b>2 094 683</b>
<b>II. Current liabilities:</b>			
Loans from credit institutions	24	679 845	796 360
Advances from customers	25	25 000	568
Trade accounts payable	26	821 667	740 184
Payables to related parties	27	-	15 188
Taxes and social security liabilities	28, 34	283 339	491 633
Other creditors	29	30 127	31 514
Accrued liabilities	30	29 250	59 322
<b>Total current liabilities:</b>		<b>1 869 228</b>	<b>2 134 769</b>
<b>Total liabilities:</b>		<b>2 891 957</b>	<b>4 229 452</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		<b>3 217 058</b>	<b>7 424 193</b>

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

Chairman of the Board

Eduards Maļejevs

Member of the Board

Ēriks Ertmanis

17 June, 2016



**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2015**

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

<b>I. Cash flow from operating activities</b>	Note	<b>2015</b>	<b>2014</b>
		<b>EUR</b>	<b>EUR</b>
<b><i>Profit/ (loss) before extraordinary items and taxes</i></b>		<b>238 048</b>	<b>(617 988)</b>
<b><i>Adjustments for:</i></b>			
a) depreciation of fixed assets and investment properties		340 224	339 474
b) provisions (excluding provisions for doubtful receivables)		208 027	(9 766)
c) gains or losses from foreign currency exchange rate fluctuations		-	(805)
d) profit/loss from sale of fixed assets		(827 957)	-
e) interest payments and similar activities		78 038	69 838
f) depreciation of revalued fixed assets		(30 389)	(33 950)
<b><i>Loss before working capital and current liabilities adjustments</i></b>		<b>5 991</b>	<b>(253 197)</b>
<b><i>Adjustments for:</i></b>			
a) debtors increase (-) or decrease (+)		(53 650)	(45 914)
b) inventory increase (-) or decrease (+)		(4 880)	19 941
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)		(113 344)	351 938
<b><i>Gross cash flow from operating activities</i></b>		<b>(165 883)</b>	<b>72 768</b>
Interest payments		(78 038)	(72 610)
Real estate tax payments		(98 601)	(12 926)
<b><i>Cash flow before extraordinary items</i></b>		<b>(342 522)</b>	<b>(12 768)</b>
<b><i>Net cash flow from operating activity</i></b>		<b>(342 522)</b>	<b>(12 768)</b>
<b>II. Cash flow from investing activities</b>			
Acquisition of fixed assets and intangibles		(1 641)	(33 496)
Proceeds from disposal of fixed assets and intangibles		1 159 100	-
<b>Net cash flow from investing activities</b>		<b>1 157 459</b>	<b>(33 496)</b>
<b>III. Cash flow from financing activities</b>			
Loans received		-	77 083
Loans repaid		(807 000)	(30 605)
<b>Net cash flow from financing activities</b>		<b>(807 000)</b>	<b>46 478</b>
<b>V. Net cash flow for the year</b>		<b>7 937</b>	<b>214</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>		<b>1 062</b>	<b>848</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	<b>19</b>	<b>8 999</b>	<b>1 062</b>

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

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17 June, 2016

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2015**

**Statement of changes in equity for the year ended 31 December 2015**

	Share capital	Long term investment revaluation reserve	Result of the reporting year	Previous year's retained earnings/ (accumulated loss)	Total shareholders' equity
	EUR	EUR	EUR	EUR	EUR
<b>Balance as on December 31, 2013</b>	<b>3 627 020</b>	<b>3 551 415</b>	<b>(580 761)</b>	<b>(2 306 980)</b>	<b>4 290 694</b>
Loss carried over	-	-	580 761	(580 761)	-
Loss for the year	-	-	(621 071)	-	(621 071)
Correction of previous years	-	-	-	(32)	(32)
Change in revaluation reserve	-	(487 555)	-	-	(487 555)
<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 for the year	-	-	43 068	-	43 068
Rounding effect	-	-	-	(4)	(4)
Change in revaluation reserve	-	(2 910 015)	-	-	(2 910 015)
<b>Balance as on December 31, 2015</b>	<b>3 627 020</b>	<b>153 845</b>	<b>43 068</b>	<b>(3 508 848)</b>	<b>315 085</b>

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

Chairman of the Board

Eduards Maļejevs

Member of the Board

Ēriks Ertmanis

17 June, 2016

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2015**

**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 been changed.

**Reclassifications**

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

**Transactions in foreign currency**

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	1.2141

**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	5-20	%
* 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.

**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.

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2015**

**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.

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.

**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.

**Estimates and assumptions**

The preparation of annual accounts requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Thus actual results may differ from these calculations. Legislation of the Republic of Latvia states that when preparing annual accounts, 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 income and expenses for the reporting period. Actual results may differ from these estimates (for example, deferred Corporate Income Tax liabilities, vacation provisions etc).

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2015**

**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.

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2015**

**(1) Net Turnover**

	<b>2015</b>	<b>2014</b>
<b>Type of activity</b>	<b>EUR</b>	<b>EUR</b>
Income from exports of finished goods	-	18 932
Income from rent of premises	105 456	115 034
Income from sale of finished goods in the local market	578	2 779
Income from utility services	682 735	676 799
Income from sale of materials	15 591	5 122
<b>Total</b>	<b>804 360</b>	<b>818 666</b>

**Division of net turnover by geographical markets**

Latvia	804 360	799 734
Russia	-	18 932
<b>Total</b>	<b>804 360</b>	<b>818 666</b>

**(2) Cost of goods sold**

	<b>2015</b>	<b>2014</b>
<b>Cost type</b>	<b>EUR</b>	<b>EUR</b>
Personnel costs	1 591	17 842
Provisions for annual leave and social security	(755)	(7 458)
Depreciation of fixed assets	184 999	184 248
Depreciation of fixed assets (project 124000075)	155 225	155 226
Write-off of low-value inventory	3 792	2 307
Change in stocks of finished goods	-	40 045
Change in stock of purchased materials and goods	5 546	2 135
Ongoing maintenance and repair	77 629	41 001
Real estate maintenance, including utilities	586 011	617 510
Other costs	2 089	811
<b>Total</b>	<b>1 016 107</b>	<b>1 053 667</b>

**(3) Selling expenses**

	<b>2015</b>	<b>2014</b>
<b>Cost type</b>	<b>EUR</b>	<b>EUR</b>
Goods' transportation costs	-	1 800
Commissions paid	2 810	-
Other selling expenses (marketing)	-	830
Advertising costs	288	810
<b>Total</b>	<b>3 098</b>	<b>3 440</b>

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	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
<b>(4) Administrative expenses</b>		
<b>Cost type</b>		
Personnel costs	33 234	46 148
Provisions for annual leave and social security	(1 915)	(2 309)
Representation costs	1 178	1 119
Office expenses	2 033	1 280
Communication expenses	7 669	9 783
Bank expenses	3 699	4 061
Transportation costs	-	757
Accounting and legal expenses	23 873	12 686
Consulting services	15 400	168 599
Other administrative costs	9 972	22 457
<b>Total</b>	<b>95 143</b>	<b>264 581</b>

	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
<b>(5) Other operating income</b>		
<b>Type on income</b>		
Net income from sale of real estate *	827 970	-
Debt write-off	15 492	68 195
Amortization of long-term investment revaluation reserve	30 389	33 950
Other income	-	5 394
<b>Total</b>	<b>873 851</b>	<b>107 539</b>

\*See also Notes 11 and 22.

	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
<b>(6) Other operating expenses</b>		
<b>Type of income/expense</b>		
Net loss from foreign exchange rate fluctuations	1 216	805
Penalties	31 559	127 644
Bad debts written off	-	8 822
Provisions for unsecured debts	3 974	3 071
Provision for impairment of investment properties *	210 716	-
Previous years ' expenditure	-	167
Expenditures not related to economic activity	339	12 158
<b>Total</b>	<b>247 777</b>	<b>152 667</b>

\*See also Note 11.

	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
<b>(7) Interest expense and similar expenses</b>		
<b>Type of costs</b>		
Loan interest paid	70 038	69 838
<b>Total</b>	<b>70 038</b>	<b>69 838</b>

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	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
<b>(8) Corporate income tax for the reporting year</b>		
Deferred tax (Note No. 32)	122 505	(69 288)
Current corporate income tax	-	-
<b>Total</b>	<b>122 505</b>	<b>(69 288)</b>
<b>Profit/ (loss) before taxation</b>	238 048	(617 988)
Theoretically calculated tax	35 707	(92 698)
Non-deductible expenses and non-taxable income net difference	7 670	23 410
Accumulated tax losses lost in previous years	37 606	-
Changes in unrecognized deferred tax asset	41 522	-
<b>Tax charge</b>	<b>122 505</b>	<b>(69 288)</b>

Accumulated tax losses carried forward for corporate income tax purposes amount to 1 525 450 EUR as at 31 December 2015. 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 EUR</b>	<b>Expiry term</b>
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	214 117	-
2014 loss for corporate income tax purposes	344 347	-
<b>Total</b>	<b>1 525 450</b>	

	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
<b>(9) Other taxes</b>		
Real estate tax, land	9 246	9 246
Real estate tax, buildings and constructions	63 229	63 125
<b>Total</b>	<b>72 475</b>	<b>72 371</b>

**(10) 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>31.12.2014.</b>	<b>1 318 132</b>	<b>150 356</b>	<b>3 370 659</b>	<b>211 807</b>	<b>5 050 954</b>
Acquired	-	-	-	1 641	1 641
Disposed	-	-	(60 689)	(147 392)	(208 081)
Reclassified to investment properties	(1 200 696)	-	-	-	(1 200 696)
<b>31.12.2015.</b>	<b>117 436</b>	<b>150 356</b>	<b>3 309 970</b>	<b>66 056</b>	<b>3 643 818</b>
<b>Depreciation</b>					
<b>31.12.2014.</b>	<b>-</b>	<b>49 062</b>	<b>2 002 210</b>	<b>185 397</b>	<b>2 236 669</b>
Calculated	-	2 789	220 599	3 914	227 302
Disposed	-	-	(60 689)	(147 392)	(208 081)
<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>
<b>Net book value</b>					
<b>31.12.2014.</b>	<b>1 318 132</b>	<b>101 294</b>	<b>1 368 449</b>	<b>26 410</b>	<b>2 814 285</b>
<b>Net book value</b>					
<b>31.12.2015.</b>	<b>117 436</b>	<b>98 505</b>	<b>1 147 850</b>	<b>24 137</b>	<b>1 387 928</b>

Cadastral value of real estate (including investment property) is EUR 1 526 182 as at 31.12.2015 (31.12.2014: 5 085 152 EUR). Buildings, constructions, technological equipment and cars are insured. See Note No. 24 for information on the pledged assets.



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**(11) Investment properties**

	<b>EUR</b>
<b>Historical value</b>	
31.12.2014	6 232 817
Reclassified	1 200 696
Disposed	(2 552 876)
31.12.2015	<b>4 880 637</b>
<b>Depreciation</b>	
31.12.2014	2 143 533
Calculated	112 922
Disposed	(1 414 994)
Impairment of long-term investment revaluation reserves (Note 22)	2 586 422
Impairment recognized in the income statement (Note 11)	210 716
31.12.2015	<b>3 638 599</b>
<b>Carrying value 31.12.2014</b>	<b>4 089 284</b>
<b>Carrying value 31.12.2015</b>	<b>1 242 038</b>

Investment property consists of land and buildings that are leased to the manufacturing companies.

During the reporting year the land from fixed assets was reclassified to investment property, because it is planned to sell the land in 2016.

In the reporting year the Company hired a certified real estate valuator to assess the market value of land and buildings provided for sale. The expert's assessment of the property's market price was lower than the net book value of the property, consequently in the reporting year was recognized real estate impairment to its estimated market price.

The Company's income from the rent of investment properties in 2015 was EUR 105 456 (in 2014: 115 034 EUR).

The Company's maintenance costs of investment properties in 2015 was EUR 49 862 (in 2014: 38 117 EUR), net of utilities and depreciation.

See Note No. 24 for information on the pledged assets.

**(12) Raw materials**

	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
Inventory in use	7 161	9 151
Provision for inventory loss	(7 161)	(7 801)
<b>Total</b>	<b>-</b>	<b>1 350</b>

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

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

**(14) Advance payments for goods**

	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
Advances (residents)	6 896	458
<b>Total</b>	<b>6 896</b>	<b>458</b>

**(15) Trade receivables**

	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
Receivables (non-residents)	-	18 660
Receivables (residents)	285 488	242 548
Provisions for doubtful debtors	(127 619)	(138 784)
<b>Total</b>	<b>157 869</b>	<b>122 424</b>

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<b>(16) Receivables from related parties</b>	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
<b>Loans (non-current)*</b>	<b>309 160</b>	<b>309 160</b>
Payments for goods	50 784	62 839
Advance payments for services	-	3 353
Provisions for receivables from related parties	-	( 3 353)
<b>Total current receivables:</b>	<b>50 784</b>	<b>125 235</b>
<b>Total</b>	<b>359 944</b>	<b>434 395</b>

\*On 12 November 2012 the Company issued non-interest bearing unsecured loan of EUR 309 160 to the related company SIA "Imanta Retail Park" 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 2015 annual accounts, the Company's net cash flow is negative and its short-term liabilities significantly exceed its current assets. Although SIA "Imanta Retail Park" net result of 2015 is positive, it is not from the main operations, but from sale of real estate.

<b>(17) Other receivables</b>	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
Settlements with employees	1 008	245
Other debtors	1 203	-
Settlements with management	42	22 673
Loans to employees	7 248	7 248
Provision for loans to employees	(7 248)	(7 248)
Short-term loan SIA LAS-RT for launch of production	50 148	-
<b>Total</b>	<b>52 401</b>	<b>22 918</b>

<b>(18) Deferred expenses</b>	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
Insurance costs	983	344
Other costs	-	69
<b>Total</b>	<b>983</b>	<b>413</b>

<b>(19) Cash and cash equivalents</b>	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
Cash in bank accounts	8 999	1 062
<b>Total</b>	<b>8 999</b>	<b>1 062</b>

**(20) Information on the 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.

AS "VEF Radiotehnika RRR" major shareholders are:

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	-	376 378	-
Inga Sprūga	65 567	330 086	65 567	330 086	93 293	469 670
Jekaterina Malejeva	270 000	270 000	270 000	270 000	384 175	384 175
Ēriks Ertmanis	200 000	-	200 000	-	284 574	-
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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**(21) Retained earnings/(accumulated loss)**

In accordance with decisions of Shareholders' meetings, the accumulated loss of previous years to be covered with the next years' profits.

	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
Previous years' accumulated loss	(3 508 844)	(2 887 773)
Correction	(4)	-
Current year's profit/(loss)	43 068	(621 071)
<b>Total</b>	<b>(3 465 780)</b>	<b>(3 508 844)</b>

**(22) Long-term investment revaluation reserve**

	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
<b>Opening balance</b>	<b>3 063 863</b>	<b>3 551 415</b>
Disposed non-current assets	(806 739)	-
Depreciation charge for the reporting year	(30 389)	(33 950)
Impairment of non-current assets	(2 586 422)	(539 644)
Deferred corporate income tax part	513 532	86 039
<b>Closing balance</b>	<b>153 845</b>	<b>3 063 860</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 the reporting year a certified real estate valuator assessed the value of real estate provided for sale. Consequently in the reporting year was recognized impairment of investment property aligning the net book value to the assessed market value and setting the revaluation reserve in amount of EUR 2 586 422.

**(23) Other provisions**

	<b>Provision for unused vacation leave EUR</b>
<b>As at 31 December 2014</b>	<b>12 705</b>
Decrease	(2 689)
<b>As at 31 December 2015</b>	<b>10 016</b>

**(24) Loans from credit institutions**

	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
Loan from AS SEB Banka – long-term part	-	690 485
Loan from AS SEB Banka – short-term part	679 845	796 360
<b>Total</b>	<b>679 845</b>	<b>1 486 845</b>

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

The residual value of pledged fixed assets and investment property is indicated in Notes 10 and 11.

Interest rate applied to the loan 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 the Company repaid to AS "SEB banka" 807 00 EUR in 2015 and in 2016 it is planned to repay the remaining amount of 679 845 EUR.

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<b>(25) Advances from customers</b>	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
Advances from residents	25 000	568
<b>Total</b>	<b>25 000</b>	<b>568</b>

<b>(26) Trade accounts payable</b>	<b>2015</b>	<b>2014</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	388 371	372 009
<b>Long-term part total</b>	<b>538 371</b>	<b>522 009</b>
<b>Short-term part:</b>		
Trade accounts payable to non-residents	232	7 419
Trade accounts payable to residents	821 435	732 765
<b>Short-term part total</b>	<b>821 667</b>	<b>740 184</b>
<b>Trade accounts payable total</b>	<b>1 360 038</b>	<b>1 262 193</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.

In 2014 trade payables (who agreed on delay of payments) was reclassified to long-term creditors and included in position "Trade accounts payable".

<b>(27) Payables to related parties</b>	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
<b>Long-term part:</b>		
Loans	142 099	142 099
Payment for services	41 033	47 837
<b>Long-term part total</b>	<b>183 132</b>	<b>189 936</b>
<b>Short-term part:</b>		
Payment for services	-	15 188
<b>Short-term part total</b>	<b>-</b>	<b>15 188</b>
<b>Payables to related parties total</b>	<b>183 132</b>	<b>205 124</b>

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

<b>(28) Taxes and social insurance payments</b>	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
Personal Income Tax	1 572	60 007
State Social Insurance payments	1 783	103 376
Value Added Tax	922	55 754
Real estate tax for land, building and constructions	279 056	178 630
Nature resources tax	-	1 792
Corporate risk tax	6	52
<b>Total</b>	<b>283 339</b>	<b>491 633</b>

<b>(29) Other creditors</b>	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
Salaries	6 684	14 201
Advance settlement amounts	126	59
Security	23 317	17 254
<b>Total</b>	<b>30 127</b>	<b>31 514</b>

<b>(30) Accrued liabilities</b>	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
Current expense	29 250	59 322
Provision for VAT audit	-	-
<b>Total</b>	<b>29 250</b>	<b>59 322</b>

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	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
<b>(31) Deferred income</b>		
<b>Legal protection plan fine</b>		
<b>Long-term part:</b>		
Financial and Capital Market Commission	3 550	3 550
Latvenergo AS	73 489	73 489
Riga City Council Finance Department	108 100	108 100
The State Revenue Service	107 389	-
AS Rīgas siltums	8 698	8 698
<b>Long-term part total</b>	<b>301 226</b>	<b>301 226</b>

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

	<b>2 015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
<b>(32) Deferred tax</b>		
Deferred tax liability opening balance	391 027	546 354
Deferred tax change during the reporting year <i>(refer to Note 9) charged to the income statement</i>	122 505	(69 288)
Deferred tax change during the reporting year <i>charged to the revaluation reserve</i>	(513 532)	(86 039)
<b>Deferred tax liability closing balance</b>	<b>-</b>	<b>391 027</b>

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

	<b>2 015</b>	<b>2 014</b>
	<b>EUR</b>	<b>EUR</b>
Temporary difference on fixed assets depreciation	180 569	513 619
Land revaluation effect	15 994	279 825
Provision for slow moving inventory	(7 766)	(7 917)
Provision for unused annual leave	(1 502)	(1 906)
Tax loss carried forward	(288 817)	(392 594)
Unrecognised changes in deferred tax asset	41 522	-
<b>Deferred tax liability</b>	<b>-</b>	<b>391 027</b>

Deferred income tax asset is not recognized in the reporting year, as there is no certainty that in future it could be used.

	<b>2015</b>	<b>2014</b>
<b>(33.1.) Average number of employees during the year</b>		
Average number of employees during the year	15	15

	<b>2015</b>	<b>2014</b>
	<b>EUR</b>	<b>EUR</b>
<b>(33.2.) Total personnel costs</b>	<b>34 825</b>	<b>63 990</b>
- Salaries	28 587	52 129
- Social security payments	6 192	11 795
- Corporate risk duty	46	66
<b>Including:</b>		
<i>Management salaries</i>		
- Salaries	10 046	18237
- Social security payments	2 183	5 397
- Corporate risk duty	9	9
<b>Total:</b>	<b>12 238</b>	<b>22 481</b>

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

	<b>31.12.2014.</b>	<b>Correction</b>	<b>Calculated</b>	<b>Paid</b>	<b>31.12.2015.</b>
<b>Type of tax</b>					
Value added tax	55 754	(2 836)	18 997	(70 994)	921
Personal income tax	60 008	-	5 399	(63 835)	1 572
State social security obligatory payments	81 026	-		9 090	(88 332)
Business risk duty	52	-	46	(92)	6
Natural resource tax	1792	-	-	(1 792)	-
Real estate tax	293 001	-	72 475	(98 601)	266 875
-delay payment	-	-	12 181	-	12 181
	<b>491 633</b>	<b>(2 836)</b>	<b>118 188</b>	<b>(323 646)</b>	<b>283 339</b>
<b>Tax overpayment</b>	-				-
<b>Tax debt</b>	<b>491 633</b>				<b>283 339</b>
Including delay payment	-				12 181

According to the legal protection plan on 28 October 2015 were paid tax debts in amount of EUR 184 713, including personal income tax- 57 187 EUR, value added tax- 48 122 EUR, social security obligatory payments- 77 574 EUR; natural resource tax- 1 792 EUR; business risk duty-38 EUR and real estate tax- 26 000 EUR.

**(35) Transactions with related parties**

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

In 2015 the shareholders sold their shares in SIA "Baltlains".

The goods are sold to related parties and bought from related parties on market based prices. Outstanding commitments at the end of the year not secured and settlement is made in cash. No guaranties have been received or issued in respect of related party transactions neither in 2014 nor in 2015.

<b>Related party</b>		<b>Sales to related parties</b>	<b>Purchases from related parties</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"	2014	324 725	7 915	-	371 999	-
	2015	459 148	23 833	-	338 568	5 207
SIA "Baltlains"	2014	2 393	-	-	3 353	-
	2015	-	-	-	-	-
"Albatross" Tukuma rajonā	2014	5 963	10 206	77 083	-	168 367
	2015	36 329	9 558	-	19 331	177 925
SIA "Erelux"	2014	-	36 792	-	-	21 527
	2015	-	-	-	-	-
Balt-East SIA	2014	-	3 443	-	-	8 395
	2015	-	-	-	-	-
<b>TOTAL</b>	<b>2014</b>	<b>333 081</b>	<b>58 356</b>	<b>77 083</b>	<b>375 352</b>	<b>198 289</b>
<b>TOTAL</b>	<b>2015</b>	<b>495 477</b>	<b>33 391</b>	<b>-</b>	<b>357 899</b>	<b>183 132</b>

Balance sheet item "other receivables" includes a claim against the Company's management in amount of 42 EUR.

**(36) Remuneration to certified auditors**

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

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2015**

**(37) Post balance sheet events**

As at 12 February 2016 and 31 May 2016 Riga Kurzeme District Court approved amendments to the Company's legal protection process plan versions amended accordingly on 11 January 2016 and 18 April 2016. The amendments mainly specify the extension of alienation period to two months of the undivided share of the land plot 6967/7842 and building located at Kurzemes prospekts 3D, Riga.

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.

**(38) Going concern of the Company**

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 Vigo Krastiņš as an administrator of legal protection.

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

In order to obtain funds the legal protection process plan provides to sell the Company's owned non-profile assets – real estate. In October 2015 the Company realized a part of the planned real estate sales. Sales price was EUR 945 000. As a result the Company settled liabilities to State revenue service and partially settled liabilities to AS SEB bank. The deal was part of the legal protection process plan.

In 2016 it is planned to sell part of the remaining investment properties of the Company. The mentioned properties were evaluated by an independent certified expert in 2015 and impairment of residual value was recognized in the annual accounts for the year ended 31 December 2015. On 28 December 2015 the management of the Company has signed a letter of intent on sale of real estate and on 20 April 2016 the Company received a confirmation from AS "Latvijas pasta banka" that it considers a possibility to finance real estate acquisition of the potential buyer. The intended selling price is EUR 1 300 000. The letter of intent provides the Company's rights to lease the necessary production premises after sale of the real estate.

The Company's result of the year is net profit of EUR 43 068, however it is not operating result, but effect from sale of real estate. The Company's revenue from lease continues to decrease and the Company has not been able to resume production. As at the end of the reporting year current liabilities of the Company exceed its current assets by 1 591 thousand.

Despite the above, the Company's management believes that it will be able to stabilize the Company's operations by selling real estate, settling liabilities with SEB bank and implementing measures provided in the legal protection process action plan- especially launching production process thereby restoring the Company's revenues, profits and positive cash flow. Consequently, the Company's management believes that the Company's annual accounts have been correctly prepared applying the going concern principle.

Chairman of the Board

Eduards Maļejevs

Member of the Board

Ēriks Ertmanis

17 June, 2016

**INDEPENDENT AUDITORS' REPORT**  
*Translation from Latvian*

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To the Shareholders of AS VEF Radiotehnika RRR

**Report on the Financial Statements**

We were engaged to audit the accompanying financial statements of AS VEF Radiotehnika RRR set out on pages 6 to 23 of the accompanying annual report, which comprise the balance sheet as of 31 December 2015 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia On Annual Reports, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

*Basis for disclaimer of opinion*

1. As at 31 December 2015 the Company's balance sheet contains fixed assets with carrying value of 1 388 thousand euro. Gross loss for the reporting year, as well as the fact that the Company has not achieved notable production volumes, indicate that indicators of impairment of fixed assets exist. The management of the Company has not performed impairment test on its fixed assets. During our audit we were not able to obtain sufficient and reliable information, which would allow us to determine impairment to be recognised by the Company and its impact on balance sheet value of fixed assets and net result for 2015.
2. As at 31 December 2015 the Company's balance sheet contains amount receivable from a related party SIA "Imanta Retail Park", amounting to 372 thousands euro and consisting of non-current loan and current trade receivables. During our audit we were not able to obtain sufficient and reliable information, which would allow us to determine whether the receivable is fully recoverable or an impairment should be recognised in the Company's financial statements for 2015, which would impact the receivable's value in the balance sheet and net result for 2015.
3. As at 31 December 2015 the Company has no free cash and its current liabilities, including liabilities towards credit institution, considerably, by 1 591 thousand euro, exceed its current assets. On 5 January 2015 Riga city Kurzemes region court announced commencement of legal protection process, setting legal protection process period until 5 January 2017. We consider that a significant uncertainty exists on whether the Company will be able to resolve its liquidity issues that may cast significant doubt on the Company's ability to continue as a going concern. During our audit we were not able to obtain sufficient and reliable information, which would allow us to conclude, whether it was appropriate to use going concern assumption in the preparation of the Company's financial statements for the year ended 31 December 2015.

The matters described in the Basis for disclaimer of opinion paragraph existed also in relation to financial statements for 2014, on which we issued a disclaimer of opinion dated 31 July 2015.


*Disclaimer of opinion*


Because of the significance of the matters described in the Basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on AS VEF Radiotehnika RRR financial statements for the year ended 31 December 2015.

**Report on Other Legal and Regulatory Requirements**

We have read the management report for 2015 set out on page 4 of the accompanying annual report for 2015 and have not identified material inconsistencies between the financial information contained in the management report and that contained in the financial statements for 2015.

On behalf of SIA Potapoviča un Andersone, Certified Auditors Company licence No. 99

  
Kristīne Potapoviča  
Chairperson of the Board

  
Anna Temerova – Allena  
Responsible Certified Auditor, Certificate Nr. 154

17 June 2016, Riga