

**AS "VEF Radiotehnika RRR"**

**Unified Registration No. 40003286712**

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

**ANNUAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**AS “VEF Radiotehnika RRR”  
Annual accounts for the year ended 31 December 2016**

***TABLE OF CONTENTS***

	<b>Page</b>
<b>General information</b>	<b>3</b>
<b>Management report</b>	<b>4</b>
<b>Statement of the management's responsibility</b>	<b>5</b>
<b>Income statement</b>	<b>6</b>
<b>Balance sheet</b>	
<b>Assets</b>	<b>7</b>
<b>Liabilities</b>	<b>8</b>
<b>Statement of cash flows</b>	<b>9</b>
<b>Statement of changes in shareholders' equity</b>	<b>10</b>
<b>Notes to the financial statements</b>	<b>11</b>

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2016**

**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>Boriss Livča</i>
Council Member	<i>Inārs Kļaviņš</i>
Council Member	<i>Olga Romaņko</i>
Council Member	<i>Genādijs Hotejevs</i>
Council Member	<i>Vjačeslavs Mihailovins</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    2016.01.01    till    2016.12.31</i>
<b>Previous reporting year</b>	<i>from    2015.01.01    till    2015.12.31</i>
<b>Chief Accountant</b>	<i>Olga Romaņko</i>
<b>Phone number</b>	<i>67852054</i>
<b>Auditor</b>	<i>SIA Grant Thornton Baltic</i> <i>Certified Auditors Company</i> <i>License No. 155</i> <i>Blaumana Street 22, Riga,</i>  <i>Responsible certified auditor:</i> <i>Kaspars Rutkis</i> <i>Certificate No. 171</i>

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2016**

**Management report**

**Principal activities**

The main activities of AS "VEF Radiotehnika RRR" in 2016 were:

1. Real estate renting services; ražošana
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, organization 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:	(863 866) EUR
Deferred corporate income tax:	0 EUR
Other taxes:	(21 332) EUR
Net result:	(885 198) EUR

Net turnover in 2016 was EUR 979 652. As at 30 December 2016 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 2016 annual financial report has been prepared under the going concern principle. The Company's ability to continue operations is depends on the ability to successfully realize the intended sale of real estate transactions, as well as restoring production volumes.

At the end of 2016 the Company has resumed production processes and has already produced the first orders that were shipped to customers abroad. For example, as in Austria, Germany, Italy, Estonia, Lithuania, Russia and potentially in other countries.

The Company's management believes that it will be able to stabilize the Company's operations in 2016, to realize the planned sale of real estate, settled with SEB bank and implement the legal protection process plan and to start production in order to restore the Company's revenues, profits and positive cash flow. Consequently, the Company's management believes that the Company's 2016 financial report has been prepared based on the application of the principle of continuation.

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**

On January 31, 2017, Riga Kurzemes Court decided to terminate the legal protection process of JSC "VEF Radiotehnika RRR".

Reducing the remaining uncovered unsecured creditors of the principal claim for 80% of the company increased its profit for 1272 thousands EUR and as a result, the Company has a positive equity and current assets exceed current liabilities.

Apart from the above, from the last date until today there have been no other events that could significantly affect the review the assessment or who should additionally be explained in the financial statements.

It is planned to cover year 2016 loss with future periods' profits from income generated by renewed production process.

Chairman of the Board

Eduards Maļejevs

Member of the Board

Ēriks Ertmanis

28 February, 2017

**AS “VEF Radiotehnika RRR”  
Annual accounts for the year ended 31 December 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 30 December 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 Maļejevs

Member of the Board

Ēriks Ertmanis

28 February, 2017

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2016**

**Profit or loss account for the year ended 31. December 2016**

	Notes	2016 EUR	2015 EUR
Net sales	1	979 652	804 360
Cost of sales	2	(1 084 460)	(1 016 107)
<b>Gross loss</b>		<b>(104 808)</b>	<b>(211 747)</b>
Selling expenses	3	(57 931)	(3 098)
Administrative expenses	4	(100 611)	(95 143)
Other operating income	5	137 772	873 851
Other operating expenses	6	(722 668)	(247 777)
Interest expenses and similar expenses	7	(15 620)	(78 038)
<b>Profit before taxes</b>		<b>(863 866)</b>	<b>238 048</b>
Deferred corporate income tax for the reporting year	8	-	(122 505)
Other taxes	9	(21 332)	(72 475)
<b>Current year's profit / (loss)</b>		<b>(885 198)</b>	<b>43 068</b>
Profit/ (loss) per share		<b>(0,3470)</b>	<b>0,017</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

28 February, 2017

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2016**

**Balance sheet as at 31. December 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		213 188	215 941
Equipment and vehicles		276 007	1 147 850
Other fixed assets		21 946	24 137
<b>Total fixed assets:</b>	<b>10</b>	<u><b>511 141</b></u>	<u><b>1 387 928</b></u>
<b>III. Investment properties:</b>			
<b>Total investment properties:</b>	<b>11</b>	<u><b>-</b></u>	<u><b>1 242 038</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>820 301</b></u>	<u><b>2 939 126</b></u>
<b>2. Current assets</b>			
<b>I. Inventory:</b>			
Raw materials	<b>12</b>	17 495	-
Work in progress	<b>13</b>	49 363	-
Finished goods and goods for sale	<b>13</b>	31 084	-
Advance payments for materials	<b>14</b>	10 752	6 896
<b>Total inventory:</b>		<u><b>108 694</b></u>	<u><b>6 896</b></u>
<b>III. Receivables:</b>			
Trade receivables	<b>15</b>	222 555	157 869
Receivables from related parties	<b>16</b>	57 725	50 784
Other receivables	<b>17</b>	244 365	52 401
Deferred expenses	<b>18</b>	124	983
<b>Total receivables:</b>		<u><b>524 769</b></u>	<u><b>262 037</b></u>
<b>V. Cash</b>	<b>19</b>	<u><b>3 347</b></u>	<u><b>8 999</b></u>
<b>Total current assets:</b>		<u><b>636 810</b></u>	<u><b>277 932</b></u>
<b>TOTAL ASSETS:</b>		<u><b>1 457 111</b></u>	<u><b>3 217 058</b></u>

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

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2016**

**Balance sheet as at 31. December 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	20	3 568 718	3 627 020
Long term investment revaluation reserve	22	153 845	153 845
Reserves	20	58302	
Retained earnings/ (accumulated loss):			
a) accumulated loss of previous years	21	(3 465 780)	(3 508 848)
b) current year profit/ (loss)	21	(885 198)	43 068
<b>Total shareholders' equity:</b>		<b>-570 113</b>	<b>315 085</b>
<b>2. Provisions:</b>			
Other provisions	23	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	24	-	-
Deferred tax	32	-	-
Trade creditors	26	491 769	538 371
Payables to related parties	27	163 598	183 132
Deferred income	31	297 676	301 226
<b>Total non-current liabilities:</b>		<b>953 043</b>	<b>1 022 729</b>
<b>II. Current liabilities:</b>			
Loans from credit institutions	24		679 845
Other loans	24	14 242	
Advances from customers	25	7 202	25 000
Trade accounts payable	26	735 908	821 667
Payables to related parties	27	-	-
Taxes and social security liabilities	28, 34	246 961	283 339
Other creditors	29	17 703	30 127
Accrued liabilities	30	42 149	29 250
<b>Total current liabilities:</b>		<b>1 064 165</b>	<b>1 869 228</b>
<b>Total liabilities:</b>		<b>2 017 208</b>	<b>2 891 957</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		<b>1 457 111</b>	<b>3 217 058</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

28 February, 2017



**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2016**

**Cash flow statement for the year ended 30 December 2016 (indirect method)**

<b>I. Cash flow from operating activities</b>	Note	<u><b>2016</b></u>	<u><b>2015</b></u>
		<u><b>EUR</b></u>	<u><b>EUR</b></u>
<b>Loss before extraordinary items and taxes</b>		<b>(863 866)</b>	<b>238 048</b>
<b>Adjustments for:</b>			
a) depreciation of fixed assets and investment properties		259 154	340 224
c) provisions (excluding provisions for doubtful receivables)		-	208 027
d) gains or losses from foreign currency exchange rate fluctuations		-	-
g) other income from interest or similar income		-	-
h) profit/loss from sale of fixed assets		(129 552)	(827 957)
i) interest payments and similar activities		15 620	78 038
k) depreciation of revalued fixed assets		-	(30 389)
l) impairment of fixed assets		684 320	
<b>Loss before working capital and current liabilities adjustments</b>		<b>(34 324)</b>	<b>5 991</b>
<b>Adjustments for:</b>			
a) debtors increase (-) or decrease (+)		(245 421)	(53 650)
b) inventory increase (-) or decrease (+)		(108 693)	(4 880)
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)		(115 882)	(113 344)
<b>Gross cash flow from operating activities</b>		<b>(504 320)</b>	<b>(165 883)</b>
Interest payments		(15 620)	(78 038)
Real estate tax payments		(87 186)	(98 601)
<b>Cash flow before extraordinary items</b>		<b>(607 126)</b>	<b>(342 522)</b>
<b>Net cash flow from operating activity</b>		<b>(607 126)</b>	<b>(342 522)</b>
<b>II. Cash flow from investing activities</b>			
Acquisition of fixed assets and intangibles		(8 041)	(1 641)
Proceeds from disposal of fixed assets and intangibles		1 300 000	1 159 100
Interest received			
<b>Net cash flow from investing activities</b>		<b>1 291 959</b>	<b>1 157 459</b>
<b>III. Cash flow from financing activities</b>			
Loans received		-	-
Loans repaid		(690 485)	(807 000)
Financial lease payments		-	-
<b>Net cash flow from financing activities</b>		<b>(690 485)</b>	<b>(807 000)</b>
<b>IV. Foreign exchange rate differences</b>			-
<b>V. Net cash flow for the year</b>		<b>(5 652)</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>3 347</b>	<b>8 999</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

28 February, 2017

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2016**

**Statement of changes in equity for the year ended 30 September 2016**

	Share capital	Long term investment revaluation reserve	Legal reserves	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, 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)	-
Loss for the year	-	-		43 068	-	43 068
Correction of previous years	-	-		-	(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>
Loss carried over	-	-		(43 068)	43 068	-
Profit for the year	-	-		(885 198)	-	(885 198)
Rounding effect	-	-		-	-	-
Change in revaluation reserve	(58 302)		58 302	-	-	-
<b>Balance as on September 30, 2016</b>	<b>3 568 718</b>	<b>153 845</b>	<b>58 302</b>	<b>(885 198)</b>	<b>(3 465 780)</b>	<b>(570 113)</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

28 February, 2017

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 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 been changed.

**Reclassifications**

In 2016 there have been no changes in classification of items in comparison with the 2015.

**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:

	2016.12.31	2015.12.31
USD	1.0541	1.0887

**Long-term and short-term items**

The following amount are shown in the current assets:

- \* that shall be used or realized during the usual working cycle of the Company;
  - \* that are mainly for trading purposes or are of short-term nature and can be realized 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 derecognized.

Interest costs on borrowing to finance the fixed assets under construction and other direct charges related to the particular fixed asset under construction are capitalized, 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. Capitalization 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 recognized 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 derecognized 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 derecognized. 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 2016**

**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 analyzing 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 recognized 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 recognized based on the terms of delivery.

**Income and expenses acknowledgement**

1. Income from sale of goods is recognized 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 recognized 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 2016**

**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 recognized only when, if possibility that the funds will be paid out becomes founded. Possible assets in these Financial Statements are not recognized. 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 2016**

**(1) Net Turnover**

Type of activity	2016	2015
	EUR	EUR
Income from exports of finished goods	73640	-
Income from rent of premises	186 885	105 456
Income from sale of finished goods in the local market	25 094	578
Income from utility services	689 608	682 735
Income from sale of materials	4 425	15 591
<b>Total</b>	<b>979 652</b>	<b>804 360</b>

**Division of net turnover by geographical markets**

Latvia	901 685	804 360
Austria	41 365	
Russia	25 094	
Poland	3 144	
Germany	3 312	
Italy	4 260	
Czech	792	
<b>Total</b>	<b>979 652</b>	<b>804 360</b>

**(2) Cost of goods sold**

Cost type	2016	2015
	EUR	EUR
Personnel costs	48 135	1 591
Provisions for annual leave and social security	-	(755)
Depreciation of fixed assets	132 987	184 999
Depreciation of fixed assets (project 124000075)	126 167	155 225
Write-off of low-value inventory	3 086	3 792
Change in stocks of finished goods	-176 580	-
Change in stock of purchased materials and goods	155 475	5 546
Service production	55 605	
Ongoing maintenance and repair	115 983	77 629
Real estate maintenance, including utilities	617 551	586 011
Other costs	6 053	2 089
<b>Total</b>	<b>1 084 460</b>	<b>1 016 107</b>

**(3) Selling expenses**

Cost type	2016	2015
	EUR	EUR
Commissions paid	56 070	2 810
Other selling expenses (marketing)	1 304	-
Advertising costs	557	288
<b>Total</b>	<b>57 931</b>	<b>3 098</b>

**AS “VEF Radiotehnika RRR”**  
**Annual accounts for the year ended 31 December 2016**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>(4) Administrative expenses</b>		
<b>Cost type</b>		
Personnel costs	45 845	33 234
Provisions for annual leave and social security	-	(1 915)
Representation costs	1 903	1 178
Office expenses	4 695	2 033
Communication expenses	7 575	7 669
Bank expenses	2 888	3 699
Accounting and legal expenses	19 801	23 873
Consulting services	11 936	15 400
Other administrative costs	5 968	9 972
<b>Total</b>	<b>100 611</b>	<b>95 143</b>

	<b>2016</b>	<b>2015</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 *	131 208	<b>827 970</b>
Debt write-off	-	15 492
Amortization of long-term investment revaluation reserve	-	30 389
Other income	6 564	-
<b>Total</b>	<b>137 772</b>	<b>873 851</b>

\*See also Notes 11 and 22.

	<b>2016</b>	<b>2015</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	130	1 216
Penalties	27 376	31 559
Bad debts written off	10 788	-
Provisions for unsecured debts	-	3 974
Provision for impairment of investment properties *	684 320	210 716
Expenditures not related to economic activity	54	339
<b>Total</b>	<b>722 668</b>	<b>247 777</b>

\*See also Note 11.

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>(7) Interest expense and similar expenses</b>		
<b>Type of costs</b>		
Loan interest paid	15 620	78 038
<b>Total</b>	<b>15 620</b>	<b>78 038</b>

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2016**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>(8) Corporate income tax for the reporting year</b>		
Deferred tax (Note No. 32)	-	122 505
Current corporate income tax	-	-
<b>Total</b>	<b>-</b>	<b>122 505</b>
<b>Profit/ (loss) before taxation</b>	<b>238 048</b>	<b>(617 988)</b>
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>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>(9) Other taxes</b>		
Real estate tax, land	5 841	9 246
Real estate tax, buildings and constructions	15 491	63 229
<b>Total</b>	<b>21 332</b>	<b>72 475</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>31.12.2015.</b>	<b>117 436</b>	<b>150 356</b>	<b>3 309 970</b>	<b>66 056</b>	<b>3 643 818</b>
Acquired	-	-	8 041	-	8 041
Disposed	-	-	(692 360)	-	(692 360)
Reclassified to investment properties	-	-	-	-	-
<b>30.09.2016.</b>	<b>117 436</b>	<b>150 356</b>	<b>2 625 651</b>	<b>66 056</b>	<b>2 959 499</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	-	2 753	187 524	2 191	192 468
Disposed	-	-	-	-	-
<b>30.09.2016.</b>	<b>-</b>	<b>54 604</b>	<b>2 349 644</b>	<b>44 110</b>	<b>2 448 358</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>
<b>Net book value</b>					
<b>30.09.2016.</b>	<b>117 436</b>	<b>95 752</b>	<b>276 007</b>	<b>21 946</b>	<b>511 141</b>

Cadastral value of real estate (including investment property) is EUR 312 053 as at 31.12.2015 (31.12.2015: 1 526 182 EUR). Buildings, constructions, technological equipment and cars are insured. See Note No. 26 for information on the pledged assets.



**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2016**

**(11) Investment properties**

	<b>EUR</b>
<b>Historical value</b>	
31.12.2015	4 880 637
Reclassified	
Disposed	(1 999 039)
30.09.2016	<b>2 881 598</b>
<b>Depreciation</b>	
31.12.2015	3 638 599
Calculated	66 686
Disposed	
Impairment of long-term investment revaluation reserves (Note 22)	
Impairment recognized in the income statement (Note 11)	(823 686)
30.09.2016	<b>2 881 598</b>
<b>Carrying value 31.12.2015</b>	<b>1 242 038</b>
<b>Carrying value 30.09.2016</b>	<b>-</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.

The Company's income from the rent of investment properties in 2016 was EUR 109 102 (in 2015: 105 456 EUR).

The Company's maintenance costs of investment properties in 2016 was EUR 69 127 (in 2015: 19 862 EUR), net of utilities and depreciation.

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

**(12) Raw materials**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Raw materials	17 495	
Inventory in use	7 161	7 161
Provision for inventory loss	(7 161)	(7 161)
<b>Total</b>	<b>17 495</b>	<b>-</b>

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

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Works in progress	49 363	
Finished goods and goods in warehouse	75 328	44 609
Provision for decrease in value	(44 244)	(44 609)
<b>Total</b>	<b>80 447</b>	<b>-</b>

**(14) Advance payments for goods**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Advances(residents)	3 994	6 896
Advances (non-residents)	6 758	
<b>Total</b>	<b>119 736</b>	<b>6 896</b>

**(15) Trade receivables**

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Receivables (non-residents)	6 456	-
Receivables (residents)	343 718	285 488
Provisions for doubtful debtors	(127 619)	(127 619)
<b>Total</b>	<b>222 555</b>	<b>157 869</b>

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2016**

<b>(16) Receivables from related parties</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>Loans (non-current)*</b>	<b>309 160</b>	<b>309 160</b>
Payments for goods	57 725	50 784
Advance payments for services	-	-
Provisions for receivables from related parties	-	-
<b>Total current receivables:</b>	<b>57 725</b>	<b>50 784</b>
<b>Total</b>	<b>366 885</b>	<b>359 944</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>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Settlements with employees	14 059	1 008
Other debtors	107 130	1 203
Settlements with management	596	42
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	122 580	50 148
<b>Total</b>	<b>244 365</b>	<b>52 401</b>

<b>(18) Deferred expenses</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Insurance costs	124	983
<b>Total</b>	<b>124</b>	<b>983</b>

<b>(19) Cash and cash equivalents</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Cash in bank accounts	3 347	8 999
<b>Total</b>	<b>3 347</b>	<b>8 999</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 1.40 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. Denomination of share capital from lats to euro was registered on August 08, 2016  
AS "VEF Radiotehnika RRR" major shareholders are:

Shareholders	Number of shares		Value			
			LVL		EUR	
	2016.09.30	2015.12.31	2016.09.30	2015.12.31	2016.09.30	2015.12.31
Eduards Maļejevs	741 880	741 880	741 880	741 880	1 038 632	1 055 600
Jurijs Maļejevs	864 512	864 512	864 512	864 512	1 210 317	1 230 090
Armands Maļejevs	264 519	264 519	264 519	264 519	370 327	376 378
Inga Sprūga	65 567	65 567	65 567	65 567	91 794	93 293
Jekaterina Maļejeva	270 000	270 000	270 000	270 000	378 000	384 175
Ēriks Ertmanis	200 000	200 000	200 000	200 000	280 000	284 574
Others (<5%)	142 606	142 606	142 606	142 606	199 648	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>3 568 718</b>	<b>3 627 020</b>

AS "VEF Radiotehnika RRR" shares are listed on the list of shares are quoted on the AS Nasdag Riga second list.

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2016**

Chairman of the Board Eduards Maļejevs owns 741 880 shares;  
 Member of the Board Ēriks Ertmanis owns 200 000 shares;  
 Member of the Council Genādijs Hotejevs owns 1 624 shares;  
 Member of the Council Vjačeslavs Mihailovins owns 695 shares.

**(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>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Previous years' accumulated loss	(3 465 780)	(3 508 844)
Correction	-	(4)
Current year's profit/(loss)	(885 198)	43 068
<b>Total</b>	<b>(4 350 978)</b>	<b>(3 465 780)</b>

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

	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>Opening balance</b>	<b>153 845</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		(2 586 422)
Deferred corporate income tax part		513 532
<b>Closing balance</b>	<b>153 845</b>	<b>153 845</b>

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</b>
	<b>EUR</b>
<b>As at 31 December 2015</b>	<b>10 016</b>
Decrease	-
<b>As at 30 September 2016</b>	<b>10 016</b>

**(24) Loans from credit institutions**

	<b>2016</b>	<b>2015</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	-	796 360
<b>Total</b>	<b>-</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 to repay the remaining amount of 690 485 EUR.

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2016**

<b>(24) Other loans (short-term)</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>Other loans</b>	14 242	-
	<b>14 242</b>	
<b>(25) Advances from customers</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Advances from residents	7 202	25 000
<b>Total</b>	<b>7 202</b>	<b>25 000</b>
<b>(26) 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	134 000	150 000
Trade accounts payable to residents	357 769	388 371
<b>Long-term part total</b>	<b>491 769</b>	<b>538 371</b>
<b>Short-term part:</b>		
Trade accounts payable to non-residents		232
Trade accounts payable to residents	735 908	821 435
<b>Short-term part total</b>	<b>735 908</b>	<b>821 667</b>
<b>Trade accounts payable total</b>	<b>1 227 677</b>	<b>1 360 038</b>
<p>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.</p> <p>In 2014 trade payables (who agreed on delay of payments) was reclassified to long-term creditors and included in position "Trade accounts payable".</p>		
<b>(27) Payables to related parties</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>Long-term part:</b>		
Loans	126 942	142 099
Payment for services	36 656	41 033
<b>Long-term part total</b>	<b>163 598</b>	<b>183 132</b>
<b>Short-term part:</b>		
<b>Short-term part total</b>	-	-
<b>Payables to related parties total</b>	<b>163 598</b>	<b>183 132</b>
<p>Within the legal protection plan it was agreed to transfer the creditor claims to long-term.</p>		
<b>(28) Taxes and social insurance payments</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Personal Income Tax	15 240	1 572
State Social Insurance payments	16 047	1 783
Value Added Tax	5 559	922
Real estate tax for land, building and constructions	221 228	279 056
Corporate risk tax	5	6
<b>Total</b>	<b>246 961</b>	<b>283 339</b>
<b>(29) Other creditors</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Salaries	12 444	6 884
Advance settlement amounts	-	126
Security	5 259	23 317
<b>Total</b>	<b>17 703</b>	<b>30 127</b>
<b>(30) Accrued liabilities</b>	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
Current expense	42 149	29 250
	<b>42 149</b>	<b>29 250</b>

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2016**

	<b>2016</b>	<b>2015</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
Latvenergo AS	73 489	73 489
Riga City Council Finance Department	108 100	108 100
The State Revenue Service	107 389	107 389
AS Rīgas siltums	8 698	8 698
<b>Long-term part total</b>	<b>297 676</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>2 016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>(32) Deferred tax</b>		
Deferred tax liability opening balance	-	391 027
Deferred tax change during the reporting year <i>(refer to Note 9) charged to the income statement</i>	-	122 505
Deferred tax change during the reporting year <i>charged to the revaluation reserve</i>	-	(513 532)
<b>Deferred tax liability closing balance</b>	<b>-</b>	<b>-</b>

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

	<b>2 016</b>	<b>2 015</b>
	<b>EUR</b>	<b>EUR</b>
Temporary difference on fixed assets depreciation	-	180 569
Land revaluation effect	-	15 994
Provision for slow moving inventory	-	(7 766)
Provision for unused annual leave	-	(1 502)
Tax loss carried forward	-	(288 817)
Unrecognized changes in deferred tax asset	-	41 522
<b>Deferred tax liability</b>	<b>-</b>	<b>-</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>2016</b>	<b>2015</b>
<b>(33.1.) Average number of employees during the year</b>		
Average number of employees during the year	16	15
	<b>2016</b>	<b>2015</b>
	<b>EUR</b>	<b>EUR</b>
<b>(33.2.) Total personnel costs</b>	<b>93 980</b>	<b>34 825</b>
- Salaries	76 388	28 587
- Social security payments	17 520	6 192
- Corporate risk duty	72	46
<b>Including:</b>		
<i>Management salaries</i>		
- Salaries	8 640	10 046
- Social security payments	2 714	2 183
- Corporate risk duty	9	9
<b>Total:</b>	<b>11 363</b>	<b>12 238</b>

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2016**

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

<b>Type of tax</b>	<b>31.12.2015.</b>	<b>Moved to other taxes</b>	<b>Calculated</b>	<b>Paid</b>	<b>30.06.2016.</b>
Value added tax	921	4 054	(9 581)	(953)	(5 559)
Personal income tax	1 572	-	13 668		15 240
State social security obligatory payments	1 784	(4 054)	25 317	(6 999)	16 047
Business risk duty	6	-	72	(73)	5
Natural resource tax	-	-	-	-	-
Real estate tax	266 875	-	21 333	(66 980)	221 228
-delay payment	12 181	-		(12 181)	-
	<b>283 339</b>		<b>50 809</b>	<b>(87 186)</b>	<b>246 961</b>
<b>Tax overpayment</b>	-				-
<b>Tax debt</b>	<b>283 339</b>				<b>246 961</b>
Including delay payment	12 181				-

**(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 2015 nor in 2016.

<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"	2015	459 148	23 833	-	338 568	5 207
	2016	405 062	99 292	-	366 885	4 652
"Albatross" Tukuma rajonā	2015	36 329	9 558	-	19 331	177 925
	2016	-	-	-		158 946
<b>TOTAL</b>	<b>2015</b>	<b>495 477</b>	<b>33 391</b>	-	<b>357 899</b>	<b>183 132</b>
<b>TOTAL</b>	<b>2016</b>	<b>405 062</b>	<b>99 292</b>	-	<b>366 885</b>	<b>163 598</b>

Balance sheet item "other receivables" includes a claim against the Company's management in amount of 596 EUR.

**(36) Remuneration to certified auditors**

Certified auditors fee in respect of year 2016 financial statements audit is 5 445 euro.

**AS "VEF Radiotehnika RRR"**  
**Annual accounts for the year ended 31 December 2016**

**(37) Post balance sheet events**

The Riga City Kurzeme District Court has approved amendments to JSC "VEF Radiotehnika RRR" legal protection process action plan (September 30, 2016 version) on November 03, 2016.

Amendments to the legal protection plan states that this the remaining until now uncovered unsecured creditors' claims will reduced on the principal debt of 80% and will be covered by 20% during the legal protection plan.

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 bru

**(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 current year s lost of EUR 885 198, however it is not operating result, but effect from sale of real estate. The Company's revenue from lease increased to decrease and the Company has been able to resume production. As at the end of the reporting year current liabilities of the Company exceed its current assets by 427 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

28 February 2017