

AS "VEF Radiotehnika RRR"

Unified Registration No. 40003286712

Address: Kurzemes prospekts 3, Riga, LV-1067

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

GENERAL INFORMATION

Full name of the Company	<i>AS "VEF Radiotehnika RRR"</i>
Legal status of the Company	<i>Public Joint-Stock Company</i>
Registration No., place and date of issue	<i>40003286712 1998.12.11</i>
Legal address of the Company	<i>Kurzemes prospekts 3, Riga, LV-1067</i>
Phone number	<i>67418087</i>
NACE code	<i>26.40 Manufacture of electronic devices 68.32 Real estate management with remuneration or based on agreements</i>
Council members	
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>
Board members	
Chairman of the Board	<i>Eduards Maļejevs</i>
Board Member	<i>Ēriks Ertmanis</i>
Administrator of legal protection	<i>Vigo Krastiņš</i>
Reporting year	<i>from 2016.01.01 till 2016.12.31</i>
Previous reporting year	<i>from 2015.01.01 till 2015.12.31</i>
Chief Accountant	<i>Olga Romaņko</i>
Phone number	<i>67852054</i>
Auditor	<i>SIA Grant Thornton Baltic Certified Auditors Company License No. 155 Blaumana Street 22, Riga, LV-1011</i>
	<i>Responsible certified auditor: Kaspars Rutkis Certificate No. 171</i>

AS "VEF Radiotehnika RRR"
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Management report

Principal activities

The main activities of AS "VEF Radiotehnika RRR" in 2016 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, 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:	(1 004 681) EUR
Net result:	(1 004 681) EUR

Net turnover in 2016 was EUR 979 652, and it has increased by 21,79% compared to 2015. As at 31 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 2016 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.

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.

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.

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.

Proposals for profit distribution

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 April, 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 31 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 April., 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
b) other operating activities		979 652	804 360
Cost of sales	2	(1 088 940)	(1 088 582)
Gross loss		(109 288)	(284 222)
Selling expenses	3	(57 931)	(3 098)
Administrative expenses	4	(108 462)	(95 143)
Other operating income	5	148 840	873 851
Other operating expenses	6	(862 220)	(247 777)
Interest expenses and similar expenses	7	(15 620)	(78 038)
Profit before taxes		(1 004 681)	165 573
Deferred corporate income tax for the reporting year	8	-	(122 505)
Current year's profit / (loss)		(1 004 681)	43 068
Profit/ (loss) per share		(0.394)	(0.017)

Notes on pages from 11 to 20 are integral part of these financial statements.

Chairman of the Board Eduards Maļejevs

Member of the Board Ēriks Ertmanis

Chief Accountant Olga Romanko

28 April, 2017

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

Balance sheet as at 31.12.2016

ASSETS	Note	<u>2016</u>	<u>2015</u>
		EUR	EUR
I. Non-current assets			
II. Fixed assets:			
I. Real estate renting services			
Land, buildings and constructions		120 888	215 941
Equipment and vehicles		276 006	1 147 850
Other fixed assets		21 946	24 137
Total fixed assets:	9	418 840	1 387 928
III. Investment properties:			
Total investment properties:	9	-	1 242 038
V. Long-term financial investments			
Loans to related parties	14	309 160	309 160
Total non-current financial investments:		309 160	309 160
Total long-term financial investments:		728 000	2 939 126
2. Current assets			
I. Inventory:			
Raw materials	10	13 471	-
Work in progress	11	49 363	-
Finished goods and goods for sale	11	31 111	-
Advance payments for materials	12	9 157	6 896
Total inventory:		103 102	6 896
III. Receivables:			
Trade receivables	13	67 970	157 869
Receivables from related parties	14	76 583	50 784
Other receivables	15	218 426	52 401
Prepaid expenses	16	9	983
Total receivables:		362 988	262 037
V. Cash	17	393	8 999
Total current assets:		466 483	277 932
TOTAL ASSETS:		1 194 483	3 217 058

Notes on pages from 11 to 20 are integral part of these financial statements.

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

Balance sheet as at 31.12.2016

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2016	2015
		EUR	EUR
1. Shareholders' equity:			
Share capital	18	3 568 718	3 627 020
Long term investment revaluation reserve	20	60 649	153 845
Reserves		58 302	
Retained earnings/ (accumulated loss):			
a) accumulated loss of previous years	19	(3 465 753)	(3 508 848)
b) current year profit/ (loss)	19	(1 004 681)	43 068
Total shareholders' equity:		(782 765)	315 085
3. Liabilities:			
I. Non-current liabilities:			
Trade creditors	24	-	538 371
Payables to related parties	25	-	183 132
Deferred income	29	-	301 226
Total non-current liabilities:		-	1 022 729
II. Current liabilities:			
Loans from credit institutions	21	-	679 845
Loans from other creditors	22	13 597	-
Advances from customers	23	7 201	25 000
Trade accounts payable	24	1 191 550	821 667
Payables to related parties	25	165 098	-
Taxes and social security liabilities	26	243 902	283 339
Other creditors	27	17 849	30 127
Accrued liabilities	28	40 375	39 266
Deferred income	29	297 676	
Total current liabilities:		1 977 248	1 879 244
Total liabilities:		1 977 248	2 901 973
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY:		1 194 483	3 217 058

Notes on pages from 11 to 20 are integral part of these financial statements.

Chairman of the Board

Eduards Maļejevs

Member of the Board

Ēriks Ertmanis

Chief Accountant

Olga Romanko

28 April, 2016

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

Cash flow statement for the year ended 31 December 2014 (indirect method)

I. Cash flow from operating activities	Note	<u>2016</u>	<u>2015</u>
		<u>EUR</u>	<u>EUR</u>
<i>Loss before extraordinary items and taxes</i>		<u>(1 004 681)</u>	<u>238 048</u>
<i>Adjustments for:</i>			
a) depreciation of fixed assets and investment properties		259 152	340 224
c) provisions (excluding provisions for doubtful receivables)		-	208 027
h) profit/loss from sale of fixed assets		(131 208)	(827 957)
i) interest payments and similar activities		15 620	78 038
k) depreciation of revalued fixed assets		(896)	(30 389)
<i>Loss before working capital and current liabilities adjustments</i>		<u>(862 013)</u>	<u>(5 991)</u>
<i>Adjustments for:</i>			
a) debtors increase (-) or decrease (+)		89 899	(53 650)
b) inventory increase (-) or decrease (+)		(93 945)	(4 880)
c) accounts payable to suppliers and other creditors			
increase (+) or decrease (-)		341 285	(113 344)
<i>Gross cash flow from operating activities</i>		<u>(524 774)</u>	<u>(165 883)</u>
Interest payments		(15 620)	(78 038)
Real estate tax payments		(88 367)	(98 601)
<i>Cash flow before extraordinary items</i>		<u>(628 761)</u>	<u>(342 522)</u>
<i>Net cash flow from operating activity</i>		<u>(628 761)</u>	<u>(342 522)</u>
II. Cash flow from investing activities			
Acquisition of fixed assets and intangibles		-	(1 641)
Proceeds from disposal of fixed assets and intangibles		1 300 000	1 159 100
Net cash flow from investing activities		1 300 000	1 157 459
III. Cash flow from financing activities			
Loans repaid		(679 845)	(807 000)
Net cash flow from financing activities		(679 845)	(807 000)
V. Net cash flow for the year		(8 606)	7 937
VI. Cash and cash equivalents at the beginning of the period		<u>8 999</u>	<u>1062</u>
VII. Cash and cash equivalents at the end of the period	17	<u>393</u>	<u>8999</u>

Notes on pages from 11 to 20 are integral part of these financial statements.

Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

Chief Accountant

Olga Romanko

28 April, 2017

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Statement of changes in equity for the year ended 31 December 2016

	Share capital	Reserve	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
Balance as on December 31, 2014	3 627 020		3063860	(621071)	(2887 773)	3 182 036
Loss carried over	-		-	621071	(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)
Balance as on December 31, 2015	3 627 020		153 845	43068	(3 508 848)	315 085
Loss carried over	-		-	(43 068)	43 068	-
Profit for the year	-		-	(1 004 681)	-	(1 004 681)
Rounding effect	-		-	-	27	27
Change in revaluation reserve	-58302	58302	(93 196)	-	-	(93 196)
Balance as on December 31, 2016	3 568 718	58302	60 649	(1 004 681)	(3 465 753)	(782 765)

Notes on pages from 11 to 20 are integral part of these financial statements.

Chairman of the Board

Eduards Maļejevs

Member of the Board

Ēriks Ertmanis

Chief Accountant

Olga Romanko

28 April, 2017

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Notes

Accounting policies and methods

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.

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.

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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.).

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.

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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.

Below given balance sheet items affected by correction:

	As presented in 2015 annual report EUR	Adjustments EUR	Adjusted 31.12.2016 EUR
<u>Liabilities</u>			
<i>Other provisions</i>	10 016	(10 016)	-
<i>Accrued liabilities</i>	29 250	10 016	39 266
<i>Total current liabilities:</i>	1 869 228	10 016	1 879 244
<i>Total liabilities:</i>	2 891 957	10 016	2 901 973

Below given profit or loss account items affected by correction:

<i>Cost of sales</i>	1 016 107	72 475	1 088 582
<i>Gross loss</i>	-211 747	-72 475	- 284 222
<i>Profit before taxes</i>	238 048	-72 475	165 573
<i>Other taxes</i>	72 475	-72 475	0

(1) Net Turnover

Type of activity	2016 EUR	2015 EUR
Income from exports of finished goods	73 640	-
Income from rent of premises	186 885	105 456
Income from sale of finished goods in the local market	25 361	578
Income from utility services	689 341	682 735
Income from sale of materials	4 425	15 591
Total	979 652	804 360

(2) Cost of goods sold

Cost type	2016 EUR	2015 EUR
Personnel costs	48 135	1 591
Provisions for annual leave and social security	(1 620)	(755)
Depreciation of fixed assets	132 986	184 999
Depreciation of fixed assets (project 124000075)	126 166	155 225
Write-off of low-value inventory	7 431	3 792
Change in stocks of finished goods	(176 580)	-
Change in stock of purchased materials and goods	173 066	5 546
Ongoing maintenance and repair	130 952	77 629
Real estate maintenance, including utilities	616 028	586 011
Other taxes	21 332	72 475
Other costs	7 805	2 089
Total	1 088 940	1 088 582

(3) Selling expenses

Cost type	2016 EUR	2015 EUR
Goods' transportation costs	6	-
Commissions paid	56 070	2 810
Other selling expenses (marketing)	1 305	-
Advertising costs	550	288
Total	57 931	3 098

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	2016	2015
	EUR	EUR
(4) Administrative expenses		
Cost type		
Personnel costs	45 845	33 234
Provisions for annual leave and social security	2 802	(1 915)
Representation costs	2 067	1 178
Office expenses	4 836	2 033
Communication expenses	7 815	7 669
Bank expenses	2 600	3 699
Accounting and legal expenses	21 801	23 873
Consulting services	10 925	15 400
Other administrative costs	9 771	9 972
Total	108 462	95 143

	2016	2015
	EUR	EUR
(5) Other operating income		
Type on income		
Net income from sale of real estate *	131 208	827 970
Debt write-off	17 632	15 492
Amortization of long-term investment revaluation reserve	-	30 389
Total	148 840	873 851

*See also Notes 11 and 22.

	2016	2015
	EUR	EUR
(6) Other operating expenses		
Type of income/expense		
Net loss from foreign exchange rate fluctuations	129	1 216
Penalties	32 574	31 559
Bad debts written off	8 870	-
Provisions for unsecured debts	133 120	3 974
Provision for impairment of investment properties *	-	210 716
Technological equipment	684 320	-
Expenditures not related to economic activity	2 052	339
Expenditure related to economic activity	1 155	-
Total	862 220	247 777

*See also Note 11.

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

	2016	2015
	EUR	EUR
(8) Corporate income tax for the reporting year		
Deferred tax (Note No. 32)	-	122 505
Current corporate income tax	-	(122 505)
Total	-	-

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(9) Fixed Assets

	Real estate	Technological equipment	Investment properties	Other fixed assets	Total EUR
Historical cost					
01.01.2016	267 792	3 309 970	4 880 637	66 056	8 524 455
Disposed	-		(1 999 039)		(1 999 039)
Reclassified	(92 300)	(684 321)		-	(776 621)
31.12.2016.	267 792	2 625 649	2 881 598	66 056	5 748 795
Depreciation					
01.01.2016	51 851	2 162 120	3 638 599	41 919	5 894 489
Depreciation charge	2 753	187 523	66 685	2 191	259 152
Disposals	-	-	(823 686)		(823 686)
31.12.2016.	54 604	2 349 643	2 881 598	44 110	5 329 955
Net book value					
31.12.2015.	215 941	1 147 850	1 242 038	24 137	2 629 966
Net book value					
31.12.2016.	120 888	276 006	-	21 946	418 840

(10) Raw materials

	2016	2015
	EUR	EUR
Raw materials	13 471	-
Inventory in use	-	7 161
Provision for inventory loss	-	(7161)
Total	13 471	-

(11) Work in progress and finished goods

	2016	2015
	EUR	EUR
Work in progress	49 363	-
Total	49363	-
Finished goods and in warehouse	75 355	44 982
Provision for decrease in value	(44 244)	(44 982)
Total	31 111	-

(12) Advance payments for goods

	2016	2015
	EUR	EUR
Advances (non-residents)	2 433	-
Advances (residents)-	6 896	6 896
Total	9 157	6 896

(13) Trade receivables

	2016	2015
	EUR	EUR
Receivables(non-residents)	15 071	-
Receivables (residents)	240 456	285 488
Provisions for doubtful debtors	(187 557)	(127 619)
Total	67 970	157 869

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(14) Receivables from related parties	2016	2015
	EUR	EUR
Loans (non-current)*	309 160	309 160
Payments for goods	76 583	50 784
Total current receivables:	76 583	50 784
Total	385 743	359 944

*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, because SIA "Imanta Retail Park" was subordinated loan in relation to its loan from AS ABLV Bank. 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.

(15) Other receivables	2016	2015
	EUR	EUR
Settlements with employees	12 292	1 008
Other debtors	380	1 203
Settlements with management	11 378	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	227 012	50 148
Provision for loan SIA LAS-RT	(32 636)	-
Total	218 426	52 401

(16) Deferred expenses	2016	2015
	EUR	EUR
Insurance costs	9	983
Total	9	983

(17) Cash and cash equivalents	2016	2015
	EUR	EUR
Cash in bank accounts	393	8 999
Total	393	8 999

(18) Information on the Company's share capital

As at 31 December 2016 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	
			2016.12.31	2015.12.31	2016.12.31	2015.12.31
Eduards Malejevs	741 880	941 880	741 880	941 880	1 038 632	1 340 175
Jurijs Malejevs	864 512	864 512	864 512	864 512	1 210 317	1 230 090
Armands Malejevs	264 519	-	264 519	-	370 327	-
Inga Sprūga	65 567	330 086	65 567	330 086	91 794	469 670
Jekaterina Malejeva	270 000	270 000	270 000	270 000	378 000	384 175
Ēriks Ertmanis	200 000	-	200 000	-	280 000	-
Others (<5%)	142 606	142 606	142 606	142 606	199 648	202 910
Total:	2 549 084	2 549 084	2 549 084	2 549 084	3 568 718	3 627 020

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

Chairman of Board Eduards Malejevs own 741 880 shares;
Member of the Board Eriks Ertmanis owns 200 00 shares;
Members of the Council Genadijs Hotejevs owns 1 624 shares;
Member of the Council Vjacheslavs Mihailovins owns 695 shares.

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(19) 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.

	2016	2015
	EUR	EUR
Previous years' accumulated loss	(3 465 780)	(3 508 844)
Correction	27	(4)
Current year's profit/(loss)	(1 004 681)	43 068
Total	(4 470 434)	(3 465 780)

(20) Long-term investment revaluation reserve

	2016	2015
	EUR	EUR
Opening balance	153 845	3 063 863
Disposed non-current assets	-	(806 739)
Depreciation charge for the reporting year	(896)	(30 389)
Impairment of non-current assets	(92 300)	(2 586 422)
Deferred corporate income tax part	-	513 532
Closing balance	60 649	153 845

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 29.08.2016.

(21) Loans from credit institutions

	2016	2015
	EUR	EUR
Loan from AS SEB Banka – short-term part	-	679 845
Total	-	679 845

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 the remaining amount of 679 845 EUR in 2016 EUR.

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(22) Other loans	2016	2015
	EUR	EUR
Other loans	13 597	-
Total	13 597	-

(23) Advances from customers	2016	2015
	EUR	EUR
Advances from residents	7 202	25 000
Total	7 202	25 000

(24) Trade accounts payable	2016	2015
	EUR	EUR
Long-term part:		
Trade accounts payable to non-residents	-	150 000
Trade accounts payable to residents	-	388 371
Long-term part total	-	538 371
Short-term part:		
Trade accounts payable to non-residents	190	232
Trade accounts payable to residents	1 191 360	821 435
Legal protection process	852 950	
Short-term part total	1 191 550	821 667
Trade accounts payable total	1 191 550	1 360 038

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".

(25) Payables to related parties	2016	2015
	EUR	EUR
Long-term part:		
Loans	-	142 099
Payment for services	-	41 033
Long-term part total	-	183 132
Short-term part:		
Loans	125 970	
Payment for services	39 128	-
Legal protection process	146 506	
Short-term part total	165 098	-
Payables to related parties total	165 098	183 132

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

(26) Taxes and social insurance payments	2016	2015
	EUR	EUR
Personal Income Tax	15 224	1 572
State Social Insurance payments	13 593	1 783
Value Added Tax	3 055	922
Real estate tax for land, building and constructions	212 022	279 056
Legal protection process	176 386	-
Corporate risk tax	8	6
Total	243 902	283 339

(27) Other creditors	2016	2015
	EUR	EUR
Salaries	12 444	6 684
Advance settlement amounts	146	126
Security	5 259	23 317
Total	17 849	30 127

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(28) Accrued liabilities	2016	2015
	EUR	EUR
Current expense	25 937	29 250
Provision for unused vacation leave	14 438	10 016
Total	40 375	39 266

(29) Deferred income	2016	2015
	EUR	EUR
Legal protection plan fine		
Long-term part:		
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
Long-term part total	297 676	301 226

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

(30) Average number of employees during the year	2016	2015
Average number of employees during the year	17	15

(31) Transactions with related parties

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

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 2016..

Related party		Sales to related parties	Purchases from related parties	Loans received	Amounts owed by related Parties as at 31 December	Amounts owed to related parties as at 31 December
SIA Imanta Retail Park"	2015	459 148	23 833	-	338 568	5 207
	2016	563 656	339 543	-	385 743	6 152
"Albatross" Tukuma rajonā	2015	36 329	9 558	-	19 331	177 925
	2016	-	-	-	-	158 946
TOTAL	2015	495 477	33 391	--	357 899	183 132
TOTAL	2016	563 656	339 553	-	385 743	165 098

(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

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(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 Vīgo 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 loss of EUR 1 004 681, 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

Chief Accountant

Olga Romanko

28 April, 2017



INDEPENDENT AUDITORS' REPORT

Grant Thornton Baltic SIA
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Our Opinion on the Financial Statements

We have audited the accompanying financial statements of AS VEF RADIOTEHNIKA RRR ("the Company") set out on pages 6 to 20 of the accompanying annual report, which comprise:

- the income statement for the year ended 31 December 2016,
- the balance sheet as at 31 December 2016,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements give a true and fair view of the financial position of AS VEF RADIOTEHNIKA RRR as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention the financial statements, which indicates that the Company incurred a net loss of 1 mil EUR during the year ended 31 December 2016 and, as of that date, the Company's current liabilities exceeded its total assets by 1.5 mil EUR. Along with other matters as set forth in Note 38, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to Note 37 to the financial statements, were effect on the Company's financial position of the legal protection process ending at 31 January 2017 is disclosed. Our opinion is not modified in respect of this matter.



Key audit matters

In addition to the matters described in the *Material Uncertainty Related to Going Concern* section and *Emphasis of Matter* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Other Matter

The financial statements of the Company for the year ended 31 December 2015, were audited by another auditor who expressed a negative opinion on those statements on 17 June 2016.

Reporting on Other Information

The Company management is responsible for the other information. The other information comprises:

- the Management Report, as set out on page 4 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 5 of the accompanying Annual Report,
- the Statement of Corporate Governance, as published on homepage of Nasdaq Baltic market www.nasdaqbaltic.com and is publicly available.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the Other reporting responsibilities in accordance with the legislation of the Republic of Latvia section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6,, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and if it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6,, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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The responsible certified auditor on the audit resulting in this independent auditors' report is Kaspars Rutkis.

SIA „Grant Thornton Baltic”
License No. 155

Kaspars Rutkis
Sworn auditor
Certificate No. 171
Chairman of the Board

Riga, 28 April 2017