

JSC "VEF Radiotehnika RRR"
Unified Registration Nr. 40003286712
Address: Kurzemes prospekts 3, Riga, LV-1067

Main activities:
production

Measurement units: Ls (LVL) and EUR

2007 Annual Report

Submission date: _____

Date of receipt: _____

Riga, Latvia

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INFORMATION about the COMPANY

Full name of the Company	<i>JSC "VEF Radiotehnika RRR"</i>			
Legal status of the Company	<i>Public Joint-Stock Company</i>			
Unified Registration Nr., place and date of issue datums	<i>40003286712 1998.12.11</i>			
Legal address of the Company	<i>Kurzemes prospekts 3, Riga, LV-1067</i>			
Telephone	<i>67418087</i>			
Postal address	<i>Kurzemes prospekts 3, Riga, LV-1067</i>			
Bank name and Company's bank accounts	<i>AS "SEB Latvijas Unibanka" LV57UNLA0050006466330 (LVL) LV55UNLA0050006466366 (EUR) LV32UNLA0050006466392 (USD)</i>			
Council members of the JSC				
Chairman of the Council	<i>Vladimirs Martinsons</i>			
Council Member	<i>Andris Prikass</i>			
Council Member	<i>Janis Salenieks</i>			
Council Member	<i>Ausma Smiltneiece</i>			
Council Member	<i>Juris Voins</i>			
Boar members of the JSC				
Chairman of the Board	<i>Eduards Malejevs</i>			
Board Member	<i>Jurijs Malejevs</i>			
Board Member	<i>Janis Olekss</i>			
Reporting year	<i>from</i>	<i>2007.01.01</i>	<i>till</i>	<i>2007.12.31</i>
Previous reporting period	<i>from</i>	<i>2006.01.01</i>	<i>till</i>	<i>2006.12.31</i>
Chief Accountant	<i>Gunars Lacis</i>			
Telephone:				
Auditor:	Auditing Company "Finansists" Ltd. Talavas gatve 11-4, Riga, LV- 1029 Reg. Nr.LV-40002046180 Nelli Jermolicka sworn auditor (Latvian Association of Sworn Auditors' Certificate Nr.102)			

Management Report

Types of activities

During the 12 months of 2007, the main types of JSC "VEF Radiotehnika RRR" activities were:

1. Development of acoustic systems and casings, organisation of production, production and sales;
2. Production and sales of electronic blocks and Elektronisko bloku un components;
3. Production and sales of pressed circuit boards, galvanization services;
4. Provision of real estate rental services

All of the above-mentioned activities had been performed also in year 2006. New types of activities have not been performed.

Operation of the company in the reporting year

When analysing performance indicators of JSC "VEF Radiotehnika RRR" for the year 2006, it can be concluded that the year has been successful and stable, with certain economical development. During the reporting year, the number of prospective customers (buyers) has grown both in the Baltic region as well as across European Union states, which is due to the audio equipment upgrade and development project implemented by the Company.

The Company has finished the financial year with the following results:

Result for the year before extraordinary items and taxes:	216045 LVL
Other taxes:	-181005 LVL
Net result:	35040 LVL

Net turnover for the year 2006 is 1 889 399 Ls and has grown by 6.3 % in comparison with 2005.

There were no other significant events which could directly influence performance for the reporting year.

Current liabilities of the Company do not exceed current assets.

Total liabilities did not exceed total assets of the Company.

Company's profitability:

Commercial profit margin (%)	1,7
Operating profit margin (%)	15,51
Gross profit margin (%)	3,08

Financial profitability (%)

Return on capital	2,53
Return on equity	1,64

Company's development activities

Further development of the Company lies in research of both local and export markets, offering new products to customers with aims to retain existing customers and to attract new ones.

In 2007, the Company is planning to retain the current rate of sales growth, which shall be done by using the features of the new equipment to its full potential.

Conditions and events after Balance Sheet completion

From the end of the reporting year to this date there have been no events which could directly influence the value of this report.

Proposals for distribution of profits

During the reporting year, JSC "VEF Radiotehnika RRR" has ensured incomes which allowed to perform significant development activities, timely payment of all taxes as well as receipt of significant profits. The profit of the Company shall be used to cover losses from previous years.

Chairman of the Board

Eduards Malejevs

Member of the Board

Jurijs Malejevs

Member of the Board

Janis Olekss

February 28, 2008

2008,28,02

Notification of 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 preparation of the report for the period ended December 31, 2007, the corresponding accounting principles have been applied, their use was consistent and the protective and logical decisions had been made.

Management is responsible for application of the necessary accounting principles, safeguarding company's assets as well as protection from fraud misrepresentation and

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Member of the Board

Janis Olekss

February 28, 2008

***PROFIT AND LOSS STATEMENT
 FOR THE PERIOD ENDED
 31.12.2007 (per turnover (period) costs method)***

	Note	<u>2007</u>	<u>2007</u>	<u>2006</u>	#	<u>2005</u>
	nr.	LVL	EUR	LVL		EUR
Net turnover	1	2 065 215	2 938 536	1 889 399		2 688 373
Cost of sales	2	(2 001 544)	(2 847 941)	(1 631 968)		(2 322 081)
Gross profit or loss		63 671	90 595	257 431		366 292
Selling expenses	3	(57 308)	(81 542)	(57 994)		(82 518)
Administrative expenses	4	(401 367)	(571 094)	(184 926)		(263 126)
Other operating income	5	748 394	1 064 869	125 680		178 827
Other operating expenses	6	(33 141)	(47 155)	(102 308)		(145 571)
Interest income and similar income	7	166	236	5 783		8 228
Interest expense and similar expenses	8	(104 370)	(148 505)	(19 286)		(27 442)
Profit or loss before extraordinary items and taxes		216 045	307 404	24 380		34 690
Profit or loss after extraordinary items and before taxes		216 045	307 404	24 380		34 690
Deferred corporate income tax for the reporting period	9		-	142 733		203 091
Other taxes	10	(181 005)	(257 547)	(19 079)		(27 147)
Profit or loss for the period		35 040	49 857	148 034		210 634
Earnings per share (EPS coefficient)		0,014	0,020	0,058		0,083

Chairman of the Board

Eduards Maļejevs

Member of the Board

Jurijs Maļejevs

Member of the Board

Janis Olekss

February 28, 2008

BALANCE SHEET as on 31.12.2007.

ASSETS		Note nr.	2007 LVL	2007 EUR	2006 LVL	2006 EUR
1. Non-current assets						
I. Intangible assets:						
Concessions, patents, licenses, trade marks and similar rights	11	2 323	3 305	2 005	2 853	
Total intangible assets:		2 323	3 305	2 005	2 853	
II. Fixed assets:						
Land, buildings and constructions		1 082 445	1 540 180	1 239 649	1 763 862	
Equipment and vehicles		1 817 674	2 586 317	2 048 277	2 914 436	
Other fixed assets		159 847	227 442	191 104	271 916	
Construction of fixed assets and unfinished construction objects		38 636	54 974	38 052	54 143	
Advance payments for fixed assets		576	820	576	820	
Total fixed assets:	12	3 099 178	4 409 733	3 517 658	5 005 177	
III. Investment properties						
Total investment properties:		-		-		
IV. Biological assets						
Total biological assets		-		-		
V. Long-term financial investments:						
Other loans and other long-term debtors		1 120	1 594	1 120	1 594	
Deferred taxation assets		72 195	102 724	72 195	102 724	
Total long-term financial investments:		73 315	104 318	73 315	104 318	
Total non-current assets:		3 174 816	4 517 356	3 592 978	5 112 348	
2. Current assets						
I. Inventory:						
Raw materials	13	391 970	557 723	288 587	410 622	
Work in process	14	24 356	34 655	9 261	13 177	
Finished goods	14	274 992	391 278	157 601	224 246	
Advance payments for materials	15	97 867	139 252	185 165	263 466	
Total inventory:		789 185	1 122 908	640 614	911 511	
II. Sales-deferred long-term investments						
Total sales-deferred long-term investments:		-		-		
III. Receivables:						
Trade receivables	16	1 050 079	1 494 128	404 829	576 020	
Other receivables	17	89 812	127 791	93 076	132 435	
Deferred expenses	18	652 071	927 813	481 753	685 473	
Total receivables:		1 791 962	2 549 732	979 658	1 393 928	
IV. Short-term financial investments:						
Other securities and capital participation		14	20	14	20	
Total short-term financial investments:		14	20	14	20	
V. Cash						
	19	4 998	7 112	31 368	44 633	
Total currents assets:		2 586 159	3 679 772	1 651 654	2 350 092	
TOTAL ASSETS:		5 760 975	8 197 129	5 244 632	7 462 439	

BALANCE SHEET as on 31.12.2007.

LIABILITIES AND SHAREHOLDERS' EQUITY	Note nr.	2007		2006	
		LVL	EUR	LVL	EUR
1. Shareholders' equity:					
Share capital	20	2 549 084	3 627 020	2 549 084	3 627 020
Reserves:					
Total reserves:		-	-	-	-
Retained earnings:					
a) previous years' retained earnings	21	- 424 999	- 604 719	- 573 033	- 815 353
b) current year profit/(loss)	21	35 040	49 857	148 034	148 034
Total shareholders' equity:		2 159 125	3 072 158	2 124 085	2 959 701
2. Provisions:					
Total provisions:		-	-	-	-
3. Liabilities:					
I. Non-current liabilities:					
Loans from lending institutions	22	1 203 951	1 713 068	1 124 360	1 599 820
Other loans	23	100 338	142 768	122 806	174 737
Deferred income	24	772 185	1 098 720	772 185	1 098 720
Deferred tax liabilities	25		-		-
Total non-current liabilities:		2 076 474	2 954 556	2 019 351	2 873 277
II. Current liabilities:					
Loans from lending institutions	26	390 253	555 280	115 975	165 018
Other loans	27	175 546	249 779	106 084	150 944
Advances from customers	28	227 336	323 470	240 090	341 617
Trade accounts payable	29	345 574	491 708	191 797	272 903
Taxes and social security liabilities	30	209 904	298 666	69 401	98 749
Other liabilities	31	86 456	123 016	74 663	106 236
Deferred income	32	17 023	24 222	231 556	329 475
Accrued liabilities	33	73 284	104 274	71 630	101 920
Total current liabilities:		1 525 376	2 170 415	1 101 196	1 566 862
Total liabilities:		3 601 850	5 124 971	3 120 547	4 440 139
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY:					
		5 760 975	8 197 129	5 244 632	7 462 439
		-	-	-	-

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Chairman of the Board	Eduards Malejevs	0
Member of the Board	Jurijs Malejevs	0
Member of the Board	Janis Olekss	0

February 28, 2008

CASH FLOW STATEMENT FOR THE PERIOD ENDED

31.12.2006 (per indirect method)

I. Cash flow from operating activity

Profit or loss before extraordinary items and taxes

Adjustments for:

a) depreciation of fixed assets

b) amortisation of goodwill

c) provisions (except for provisions for bad debts)

d) Profit or loss from the exchange rate fluctuations

f) income from subsidies, grants, gifts or donations

g) other income from interest or similar income

h) profit/loss from sale of fixed assets

i) interest payments and similar activities

k) other taxes

Profit or loss before current assets and

short-term liabilities corrections

Adjustments for:

a) trade receivables increase (-) or decrease (+)

b) inventory increase (-) or decrease (+)

c) accounts payable to suppliers and other creditors
increase (+) or decrease (-)

Gross cash flow from operating activities

Interest payments

Cash flow before extraordinary items

Net cash flow from operating activity

II. Cash flow from investing activities

Acquisition of fixed assets

Income from fixed assets sale

Loans issued

Loans repaid

Interest received

Net cash flow from investing activities

III. Cash flow from financing activities

Loans received

Received subsidies, grants, gifts or donations

Loans repaid

Rented asset buyout expenses

Interest paid

Net cash flow from financing activities

IV. Foreign exchange rate differences

V. Net cash flow for the year

VI. Cash and cash equivalents at the beginning of the period

VII. Cash and cash equivalents at the end of the period

	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
<i>Profit or loss before extraordinary items and taxes</i>	216 045	307 404	307 404	437 396
<i>Adjustments for:</i>				
a) depreciation of fixed assets	339 386	482 903	197 283	280 708
b) amortisation of goodwill	1 691	2 406	947	1 347
c) provisions (except for provisions for bad debts)		-	17 981	25 585
d) Profit or loss from the exchange rate fluctuations	7 258	10 327	7 142	10 162
f) income from subsidies, grants, gifts or donations	(181 347)	(258 034)	(46 468)	(66 118)
g) other income from interest or similar income	(166)	(236)	(4 130)	(5 876)
h) profit/loss from sale of fixed assets	(524 070)	(745 684)	8 800	12 521
i) interest payments and similar activities	98 569	140 251	11 482	16 337
k) other taxes	(181 005)	(257 547)	(19 079)	(27 147)
<i>Profit or loss before current assets and short-term liabilities corrections</i>	(223 639)	(318 210)	481 362	684 916
<i>Adjustments for:</i>				
a) trade receivables increase (-) or decrease (+)	(612 305)	(871 232)	(336 512)	(478 813)
b) inventory increase (-) or decrease (+)	(144 571)	(205 706)	(53 592)	(76 255)
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)	80 440	114 456	(53 111)	(75 570)
Gross cash flow from operating activities	(900 075)	(1 280 692)	38 147	54 278
Interest payments	(97 911)	(139 315)	(11 779)	(16 760)
Cash flow before extraordinary items	(997 986)	(1 420 006)	26 368	37 518
Net cash flow from operating activity	(997 986)	(1 420 006)	26 368	37 518
II. Cash flow from investing activities				
Acquisition of fixed assets	(38 287)	(54 477)	(1 942 246)	(2 763 567)
Income from fixed assets sale	640 519	911 376	32 447	46 168
Loans issued	(2 850)	(4 055)	(7 466)	(10 623)
Loans repaid		-	18 808	26 761
Interest received	166	236	4 130	5 876
Net cash flow from investing activities	599 548	853 080	(1 894 327)	(2 695 384)
III. Cash flow from financing activities				
Loans received	425 072	604 823	2 355 422	3 351 464
Received subsidies, grants, gifts or donations		-	1 000 000	1 422 872
Loans repaid	(11 185)	(15 915)	(1 487 735)	(2 116 856)
Rented asset buyout expenses	(36 019)	(51 250)	(24 037)	(34 202)
Interest paid		-	-	-
Net cash flow from financing activities	377 868	537 658	1 843 650	2 623 278
IV. Foreign exchange rate differences	(5 801)	(8 254)	(431)	(613)
V. Net cash flow for the year	(26 370)	(37 521)	31 368	44 633
VI. Cash and cash equivalents at the beginning of the period	31 368	44 633	-	-
VII. Cash and cash equivalents at the end of the period	4 998	7 112	31 368	44 633

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Chairman of the Board

Eduards Malejevs

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Member of the Board

Jurijs Malejevs

0

Member of the Board

Janis Olekss

0

February 28, 2008

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE 2007 YEAR

	Subscribed share capital	Ilgtermiņa ieguldījumu pārvērtēšanas rezerve	Statutory reserves	Profit for the year	Previous year's retained earnings	Total share capital and reserves
	LVL	LVL	LVL	LVL	LVL	LVL
Balance as on December 31, 2005	2 549 084	-	-	22 757	595 789	1 976 052
Profit carried over				- 22 757	22 757	-
Profit for the year				148 034		148 034
Balance as on December 31, 2006	2 549 084	-	-	148 034	- 573 033	2 124 086
Profit carried over				- 148 034	148 034	-
Profit for the year				35 040		35 040
Balance as on December 31, 2007	2 549 084	-	-	35 040	- 424 999	2 159 126

	Subscribed share capital	Ilgtermiņa ieguldījumu pārvērtēšanas rezerve	Statutory reserves	Profit for the year	Previous year's retained earnings	Total share capital and reserves
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as on December 31, 2004	3 627 020	-	-	56 637	- 904 369	2 779 288
Profit carried over				- 32 380	32 380	-
Profit for the year				210 633		210 633
Balance as on December 31, 2006	3 627 020	-	-	234 890	- 871 989	2 989 921
Profit carried over				- 210 633	210 633	-
Profit for the year				49 857		49 857
Balance as on December 31, 2007	3 627 020	-	-	49 857	- 604 719	3 072 159

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Chairman of the Board

Eduards Malejevs

Member of the Board

Jurijs Malejevs

Member of the Board

Janis Olekss

February 28, 2008

Notes to the Financial Statements

1. Accounting Policies

Data in the Financial Statements is in the national currency of Latvian Republic - Lats (LVL), shortened - Ls.

General Principles

The Annual Report is prepared in accordance with the Republic of Latvia "Law On Accounting" and "Law on Annual Reports" and in accordance with Latvian accounting standards. In preparation of this Annual Report the following Latvian accounting standards were applied: (LAS): 1. LAS "Financial Report base preparation approach", 2. LAS "Cash Flow Statement", 3. LAS "Events after Balance Sheet date", 4. LAS "Change of accounting policy, change of accounting calculations and errors of previous periods", 5. LAS "Long-term Agreements".

Profit and Loss Statement is prepared using turnover (period) costs method.

Cash Flow Statement is prepared using indirect method.

Financial Statements provides true and fair view of the Company's assets, liabilities, financial standing and profits or losses.

Accounting policies ensure that the Financial Statements provide information, which is:

1. Acceptable to Financial Statements' users for making decisions;
2. Is valid in the way that it:
 - * correctly reflects Company's results and financial standing - not only the legal form but also the economic nature, is neutral, i.e. non-biased nor deliberate;
 - * fully represents all real aspects.

Changes to the accounting policies

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

Should the application of the new external legislation and the Latvian Accounting Standard requirements' or voluntary accounting policy affect the reporting period or any previous periods, the LAS Nr.4 shall be applied.

Changes to the accounting policy are to be applied with reversed date effect, thus the Company shall change every balance entry of affected share capital item for all previous periods shown in the Financial Statements, as well as in other comparative tables for all shown periods in a way, as if the new accounting policy had always been used, except when it is not practically possible to evaluate the influence of the change in the accounting policy for the previous period or its overall influence.

Error correction

Literal errors for the previous periods are to be corrected by the Company with reversed date effect in the first financial statement after the error has been discovered:

- 1) by correcting comparable indicators for the periods in which the error has occurred; or
- 2) should the error get discovered prior the latter financial reporting period, by amending the asset, liability and share capital starting figures for the latter reporting period's.

Adapted accounting principles

Items of the Annual Report are valued in accordance with the following accounting principles:

- a) it is assumed that the Company continues operations;
- b) the same valuation methods as for the previous reporting year shall be used;
- c) item valuation is performed with due attention, taking into account the following provisions:
 - only profit received prior to the Balance Sheet date is used;
 - all foreseen risk amounts and losses which have arisen in the reporting year or in the previous years, are included, even when they became known between the Balance Sheet date and the Annual Report preparation date;
 - all value depreciations and reductions are considered and calculated regardless of whether the reporting year had profits or losses;
- d) all incomes and expenses related to the reporting year are included in the Profit and Loss Statement regardless of payment date, invoice receipt or issuance dates. Expenses are compared with incomes in the corresponding reporting period;
- e) assets and liabilities items are valued separately;
- f) reporting year's beginning balance is matching the previous year's ending balance;
- g) all items which may influence Annual Report's users decision making or valuation, are included;
- h) operating activities for the reporting period are reflected taking into account their economic meaning and contents, not legal form.

Reporting period: from 01.01.2007. to 31.12.2007.

Transactions in foreign currency

Data in the Financial Statements is in the national currency of Latvian Republic - Lats (LVL).

All monetary assets and liabilities are translated at the Bank of Latvia rate of exchange on last day of the reporting year.

Differences in exchange rates, arising from foreign currency transactions or when representing asset and liability items, between the exchange rate originally recorded, are to be reflected by their starting net value in the Profit and Loss Statement. Profit or loss, resulted due to the fluctuation of the foreign currency rate, is reflected in the Profit and Loss Statement for the corresponding period.

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

	2007.12.31	2006.12.31	2005.12.31
USD	0,484	0,536	0,593
EUR	0,702804	0,702804	0,702804

Long-term and short-term items

The following amount are shown in the current assets:

- * that shall be used or realised during the usual working cycle of the Company;
- * that are mainly for trading purposes or are of short-term nature and can be realised within 12 months after the Balance Sheet date;
- * that are cash or cash equivalents, possessing unlimited usage options.

Other assets are classified as long-term.

The following current liabilities are shown:

- * that will be paid off during the usual working cycle of the Company;
- * that will be paid off within 12 months after the Balance Sheet date;

Other liabilities are classified as long-term.

Company's non-current liabilities (long-term liabilities) are also those which pay-off term is less than one year but:

- * original liability term was longer than one year;

Intangible assets and fixed assets depreciation

Intangible asset is an asset that:

is believed to bring operating benefits to the Company, related to this asset; which costs can be evaluated.

Only acquired for reward/compensation "concessions, patents, licenses, trade marks and similar rights" can be shown.

In the Balance Sheet all intangible assets are shown at the historical cost less depreciation.

Depreciation is calculated by straight-line method, using the following depreciation rates:

Intangible assets

Software	20-35	%
Licenses	20	%
Trade Marks	20	%
Non-material value	20	%

Intangible asset with specified useful life is systematically depreciated during the rounded up useful life period.

Intangible asset with unlimited useful life is checked for value decrease every year.

Computer software and licenses, commercial licenses, trade marks, patents, certificates and advance payments for the non-material investments are considered as intangible assets. Intangible assets are shown using their net value, computer software used together with licenses and ownership rights.

Fixed Assets:

Fixed assets are physical objects with useful life over 12 calendar months and acquisition value of 50,- LVL and more.

Work tools, production accessories and obligatory work clothes, shoes and other items are not classified as fixed assets, regardless of their acquisition value or useful life.

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

Financial Statements for the period from 01.01.2006 to 31.12.2006.

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	5	%
* Technological equipment	10-20	%
* Transport vehicles	10-20	%
* Furniture	10-20	%
* Other fixed assets	10-20	%
* Mobile phones	35	%
* Computers and other data storage units	15-35	%
* Depreciation on land plots is not calculated.		

Unfinished construction object's historic cost is increased by the interest paid on the loan taken for construction of the fixed asset and on other costs arising in relation to the given object until it is completed and accepted for usage.

Unfinished construction object's historic cost is, however, not increased by the interest paid on the loan taken for construction of the fixed asset should the construction work during the periods when the construction is not taking place.

Rent

In cases when fixed assets are rented, repair and improvement costs are reflected in the account "Long-term investments in rented fixed assets" and are gradually written off during the rental period.

Hire-purchase (Financial leasing)

In cases when fixed asset are taken on financial lease basis along with risks and returns, these fixed assets are recorded in immediate purchase cost basis. Leasing interest payment and related costs are included in the Profit and Loss Statement for the corresponding period, when they occurred.

Long-term financial investments

Long-term financial investments are purchase of a company (or shares of it), long-term loans, long-term investments. Long-term investments are investments with pay-off date of over one year and are outside the reporting year.

Investments in subsidiaries and related Company shareholding.

Investments in subsidiaries and in capital of the related companies are treated as costs. Company recognises incomes only when they are received from the related company as distribution of its profits. Should the investment exceed the profit received, then it is reflected as investment expenditure reduction. Should there be sufficient ground to believe that the capital value of the company has decreased, then losses from the decrease are calculated as the difference between the original investment and the ending value of the investment. The ending value is calculated as the larger of the following indicators: investment's true value, form which the sales costs are deducted and company's usage value. Losses resulting from investment value's decrease can be reversed, if after the last time the losses from value decrease were recognised they have changed which was used for determining the decreased value.

Inventory valuation

Paragraph 40 of the Provisions of the Latvian Republic Cabinet of Ministers Nr.312 "Regulations on organisation of wholesale and retail" dated 31.08.1999 shall serve as the basis for goods inventory movement. Received and issued goods management is performed with help of computer software "DAIS". Uninterrupted inventory method is applied in monitoring wholesale movement of goods. During the reporting year, warehouse management software reflected every movement of inventory- sale, internal movement, return of goods to the supplier, return of goods from buyers. The goal of annual inventory is to check the correctness of inventory movement management system. 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 (Customs' duties, transport costs, delivery services etc) proportion which is related to the stocks valued.

Write-off of purchased inventory's values:

Inventory items are recorded in the actual volumes at historical cost in the sub account specially dedicated for these purposes. Inventory balances are checked during annual inventory.

Debtors

Financial Statements for the period from 01.01.2006 to 31.12.2006.

Accounts receivable are valued on precautionary basis in the balance sheet, showing only real debtors. Actual accounts receivable amounts comply with the contracts and other documents presented. The accounts receivable comparison is performed and bad debts are written off as well as provisions for doubtful debts have been made, based on evaluation of individual client's financial standing and operating activity analysis.

Accounts receivables are shown in the Balance Sheet on a net (purchase) value, with special provisions for doubtful debts subtracted. The necessary amount of provisions has been set by analysing each debtor and by performing debt comparison.

Bad debts are written off when the likelihood of recovering the debt becomes unrealistic and impossible.

Debtor and creditor liabilities are checked in the 4th quarter of every reporting year, and reconciliation statement is issued.

The debtor and creditor mutual reconciliation has been performed with mutual reconciliation acts.

Differences, discovered during comparison of accounting data are to be resolved in the annual report for the reporting year.

Net turnover

Turnover is the total of goods sold during the year less Value Added Tax.

Income and expenses acknowledgement

1. Income from sale of goods is recognised when the transaction complies with the following requirements:

- a) The Company has handed over to the buyer distinctive risks and rewards together with ownership rights of the goods;
- b) The Company no longer executes holding rights or control related to the ownership rights over the goods sold;
- c) can credibly evaluate the income amount;
- d) it is believed that as a result of the transaction, the Company will receive commercial benefits;
- e) can credibly evaluate costs arisen or arising related to the transaction.

Sale of goods is reflected, considering transaction's economic nature, not only legal form.

2. Result of the service supply transaction can credibly calculate, if the following conditions are met:

- a) can credibly evaluate the income amount;
- b) it is believed that as a result of the transaction, the Company will receive commercial benefits;
- c) can credibly evaluate, what is service supply volume in percentage at the Balance Sheet date;
- d) can credibly evaluate costs arisen or arising related to the transaction.

3. Incomes which arise if other parties use Company's assets and thus receive interest, royalties or dividends, can be recognised using the following methods, if:

- a) it is believed that as a result of the transaction, the Company will receive commercial benefits;
- b) can credibly evaluate the income amount;

Incomes are recognised, using the following methods:

- * interest, based on the proportional division of time, taking into account actual profitability;
- * royalties are recognised in accordance with accumulation principle in connection with the corresponding agreement;
- * dividends are recognised when the Company has legal grounds to receive them.

4. Incomes from rent - at the moment of coming into existence;

All significant cost items are processed per accumulation principle.

Incomes are recognised as such (LR standard Nr.1):

- *income from goods' sale or handover;
- * income after supply of services or handover;
- * incomes from rent - at the moment of it coming into existence;
- * income from fines and penalties - at the time of receipt;
- * dividends - when the are legal grounds to receive them.

Cash and cash equivalents

Cash and cash equivalents consist from cash on hand and current balances in the bank accounts.

Financial Asset's or Liability's real value

The real value of financial assets and liabilities reflect the cash quantity, for which the asset can be sold or liabilities can be paid off between two independent parties. Should in Management's view, financial asset and liability real value is different from the Balance Sheet values, then that real value of assets and liabilities can be separately reflected in the Notes to the Financial Statements.

Accounts Payable

Accounts payable are shown in the Balance Sheet on the basis of corresponding documents and entries in the accounting registers, which are compared with creditors' own data.

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These liabilities are correspondingly separated into long-term debts (liabilities) and short-term liabilities. Short-term liabilities - liabilities which arise during the usual operating of the company and which should be settled not later than 12 months after the Balance Sheet date. Long-term liabilities - liabilities, settlement of which should start not earlier than one year after end of the reporting year. Loan or leasing liabilities are divided accordingly into short-term and long-term parts.

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 dividing the total salaries for 2006 by 12 months.

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 Bank of Latvia exchange rate on the last day of the reporting year.

Deferred Liabilities

All invoices, received or issues after the reporting year yet related to the expenses which have arisen during the reporting year, the costs of which are known at the end of the reporting year, are treated as deferred liabilities.

Deferred liabilities are shown in the Balance Sheet in a separate row.

Taxes

Corporate Income Tax for the reporting year is included in the Financial Statements, based on the known tax rates at the date of the Balance Sheet, in accordance with calculations performed in compliance with the tax legislation of the Republic of Latvia.

Deferred tax is calculated in accordance with the liabilities method in relation to all temporary discrepancies between assets and liability amounts in the Financial Statements and their values for the purpose of tax calculations. Tax rate used for calculation of deferred tax, is a rate which is expected to be during the period in which the temporary discrepancies are resolved based on the tax rates effective on the date of the Balance Sheet. Temporary discrepancies mainly arise due to usage of different fixed asset depreciation rates, as well as from tax losses, which are transferred to the future taxation periods.

The total deferred tax result is shown in the Asset part of the Balance Sheet and is to be entered in the Financial Statements only in cases when the return of the tax is definite.

The reconciliation of tax liability data with State Revenue Service is performed.

Calculations

Preparation of the Financial Statements Management is basing on the known calculations and approaches, which affect certain definitions and amounts in the Financial Statements. Thus actual results may differ from these calculations.

Legislation of the Republic of Latvia states that when preparing Financial Statements, Company's management has to evaluate and to draft assumptions, which affect both Balance Sheet and off-Balance Sheet assets and liabilities on the Balance Sheet date, as well as shown incomes and expenses for the reporting period. Actual results may differ from these assumptions (for example, deferred Corporate Income Tax liabilities, vacation provisions etc).

Possible liabilities and assets

In these Financial Statements possible liabilities are not displayed but are reflected in the Notes to Financial Statements.

As liabilities are recognised only when, if possibility that the funds will be paid out becomes founded. Possible assets in these Financial Statements are not recognised. Possible assets are shown in the Financial Statements only when there is enough proof that the economical 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.

2. Notes to the Profit and Loss statement entries

Note Nr.1

Net Turnover

Net turnover is income from main activity of the Company, sale of goods and supply of services from which trade discounts and other assigned discounts are subtracted, as well as Value Added Tax, Excise Tax and other taxes, directly related to sales.

7 Type of activity	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Income from export sale of finished goods	771 409	1 097 616	631 652	898 760
Income from rent of premises	552 448	786 063	440 744	627 122
Income from sale of finished goods in the local market	271 098	385 738	247 273	351 838
Income from utility services	410 479	584 059	371 779	528 994
Income from galvanization services	34 485	49 068	81 831	116 435
Income from sale of materials	25 296	35 993	116 120	165 224
Total	2 065 215	2 938 537	1 889 399	2 688 373

Note Nr. 2

Cost of goods sold

Costs of production or purchasing in order to perform sale of goods or supply of services

Cost type

	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Personnel costs	616 425	877 094	399 587	568 561
Depreciation of fixed assets	159 730	227 275	150 814	214 589
Depreciation of fixed assets (project 124000075)	181 347	258 034	46 468	66 118
Write-off of current assets	4 856	6 909	4 583	6 521
Changes in finished goods inventory	- 40 796	- 58 047	- 38 119	- 54 238
Changes in purchased materials and goods inventory	515 494	733 482	695 201	989 182
Services for productions	26 754	38 068	30 744	43 745
Ongoing maintenance and repair	9 863	14 034	12 060	17 160
Real estate property maintenance	395 801	563 174	309 177	439 919
Other costs	132 070	187 919	4 690	6 673
total	2 001 544	2 847 942	1 631 968	2 322 082

Notes to the Profit and Loss statement entries (continued)

Note Nr. 3

Sales costs

Cost type

	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Goods' transport costs	46 352	65 953	41 450	58 978
Sales costs	2 802	3 987	2 392	3 404
Bonuses, discounts		-	293	417
Advertising costs	8 154	11 602	13 859	19 720
total	57 308	81 542	57 994	82 519

Note Nr. 4

Administrative costs

Cost type

	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Personnel costs	336 655	479 017	97 505	138 737
Provisions for vacations and Social Security		-	1 218	1 733
Representation costs	4 501	6 404	5 012	7 131
Office expenses	6 643	9 452	9 601	13 661
Communication expenses	17 266	24 567	24 033	34 196

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Bank expenses	5 760	8 196	7 460	10 615
Transport costs	27 016	38 440	31 839	45 303
Accounting and legal expenses	3 463	4 927	4 851	6 902
Annual report and auditing expenses		-	2 460	3 500
Other administrative costs	63	90	947	1 347
total	401 367	571 093	184 926	263 125

Note Nr. 5

Other incomes from operating activity

Type on income	2007 LVL	2007 EUR	2006 LVL	2006 EUR
Income from privatisation certificates	31 309	44 549	31 805	45 254
Income from grant financing (project 124000075)	181 347	258 033	46 468	66 118
sale of fixed assets	524 070	745 684		
Other income	11 668	16 602	47 407	67 454
Total	748 394	1 064 868	125 680	178 826

Note Nr. 6

Other incomes/expenses from operating activity

Type of income/expense	2007 LVL	2007 EUR	2006 LVL	2006 EUR
Difference in currency rates	7 258	10 327	8 313	11 828
Sale of fixed assets			8 800	12 521
Received penalties / fines	3 859	5 494		
Other expenses *	22 024	31 337	85 195	121 222
Total	33 141	47 158	102 308	145 571

* Sub-total of other expenses contains expenses not related with operating activity in the amount of 15840 LVL as well as bad debts in the amount of 18715 LVL.

Note Nr. 7

Other interest and similar income

Type of income	2007 LVL	2007 EUR	2006 LVL	2006 EUR
Interest received on account balances	166	236	4 130	5 876
Received penalties / fines		-	482	686
Net profit from foreign currency rate fluctuations		-	1 171	1 666
Total	166	236	5 783	8 228

Notes to the Profit and Loss statement entries (continued)

Note Nr. 8

Other interest and similar expenses

Type of expense	2007 LVL	2007 EUR	2006 LVL	2006 EUR
Interest paid on loans	98826	140 617	11482	16 337
Fines/penalties paid	5801	8 254	7804	11 104
Total	104 627	148 871	19 286	27 441

Note Nr. 9

Deferred Corporate Income Tax

	2007 LVL	2007 EUR	2006 LVL	2006 EUR
		-	-	142 733
Total:	-	-	142 733	-

Note Nr. 10

Other taxes

	2007 LVL	2007 EUR	2006 LVL	2006 EUR

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Real estate tax for land	7 526	10 709	7 042	10 020
Real estate tax for building and constructions	173 479	246 838	12 037	17 127
Total:	181 005	257 547	19 079	27 147

Notes to the Financial Statements

76.

11. Intangible assets

	Computer software	Patents and trade marks	Other licenses	Pre-payments for intangible assets	Intangible assets total, LVL	Intangible assets total, EUR
Historical cost						
31.12.2006.	5 354	-	-	-	5 354	7 618
Purchased	2 009	-	-	-	2 009	2 859
Relocated	-	-	-	-	-	-
Written-off	-	-	-	-	-	-
31.12.2007.	7 363	-	-	-	7 363	10 477
Depreciation						
31.12.2006.	3 349	-	-	-	3 349	4 765
Calculated	1 691	-	-	-	1 691	2 406
Written-off	-	-	-	-	-	-
31.12.2007.	5 040	-	-	-	5 040	7 171
Net book value						
31.12.2006.	2 005	-	-	-	2 005	2 853
Net book value						
31.12.2007.	2 323	-	-	-	2 323	3 305

Intangible assets are shown in the Balances Sheet as per their net book value.

12. Fixed Assets

	Land	Buildings and constructions	Technological equipment	Other fixed assets	Total LVL	Total EUR
Historical cost						
31.12.2006.	468 191	1 241 630	498 343	314 643	2 522 807	3 589 631
Purchased			2 722	34 048	36 770	52 319
Written-off	- 40 157	- 99 998	- 3 354	- 40 331	- 183 840	- 261 581
31.12.2007.	428 034	1 141 632	497 711	308 360	2 375 737	3 380 369
Depreciation						
31.12.2006.	-	470 172	217 059	123 539	810 770	1 153 622
Calculated		62 048	51 760	44 230	158 038	224 868
Written-off	-	- 44 999	- 3 136	- 19 256	- 67 391	- 95 889
31.12.2007.	-	487 221	265 683	148 513	901 417	1 282 601
Net book value						
31.12.2006.	468 191	771 458	281 284	191 104	1 712 037	2 436 009
Net book value						
31.12.2007.	428 034	654 411	232 028	159 847	1 474 320	2 097 768

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Notes to the Balance Sheet (continued)

	Technological equipment (project 124000075)	Pre-payments for fixed assets (project 124000075)	Pre-payments for fixed assets	construction of fixed assets	Total LVL	Total EUR
Historical cost						
31.12.2006.	1 813 461	-	576	38 052	1 852 089	2 635 285
Purchased				584	584	831
Written-off					-	-
31.12.2007.	1 813 461	-	576	38 636	1 852 673	2 636 116
Depreciation						
31.12.2006.	46 468	-	-	-	46 468	46 468
Calculated	181 347	-	-	-	181 347	258 034
Written-off	-	-	-	-	-	-
31.12.2007.	227 815	-	-	-	227 815	324 152
Net book value						
31.12.2006.	1 766 993	-	576	38 052	1 805 621	2 569 167
Net book value						
31.12.2007.	1 585 646	-	576	38 636	1 624 858	2 311 965

Fixed assets are shown in the Balances Sheet as per their net book value.

Balances of fixed assets as on 31.12.2007 have been checked during the inventory performed on January 3, 2008.

Buildings, constructions, technological equipments and auto vehicles are insured.

13. Raw materials

	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Raw materials	267 142	380 109	187 070	266 177
Inventory in use	124 828	177 614	101 517	144 446
Total	391 970	557 723	288 587	410 623

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Notes to the Balance Sheet (continued)

14. Work in progress

	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Unfinished goods	24 356	34 655	9 261	13 177
finished goods and goods in warehouse	250 636	356 623	157 601	224 246
Total	274 992	391 278	166 862	237 423

15. Avansa maksājumi par precēm

	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Advance payments for materials	68 738	97 805	26 662	37 937
Advance payments to non-residents	29 129	41 447	32 288	45 942
Goods in bonded storage		-	126 215	179 588
Total	97 867	139 252	185 165	263 467

16. Trade receivables

	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Receivables (non-residents)	754 675	1 073 806	244 131	347 367
Receivables (residents)	295 404	420 322	160 698	228 653
Book value of purchases and customers, total	1 050 079	1 494 128	404 829	576 020
Provisions for doubtful debts	-	-	-	-
Net trade receivables, total	1 050 079	1 494 128	404 829	576 020

17. Other receivables

	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
VAT confirmed (unpaid invoices)	1 934	2 752	2 619	3 727
Nature Resource tax overpaid to the state budget		-	338	481
Settlements with employees	32 606	46 394	29 596	42 111
Tax pre-payments for customs procedures	1 902	2 706	3 011	4 284
Loans to employees	4 074	5 797	3 987	5 673
Other loans	49 056	69 800	45 379	64 568
Others	240	341	8 146	11 591
Total	89 812	127 790	93 076	132 435

18. Deferred expenses

	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Insurance expenses	5 859	8 337	7 760	11 041
Expenses for repairs of buildings and premises	15 902	22 627	20 411	29 042
Expenses for implementation of project Nr.124000075	261 489	372 065	276 861	393 938
Expenses for reconstruction of block I-2	367 126	522 373	157 813	224 548
Other expenses	1 695	2 412	18 908	26 904
Total	652 071	927 814	481 753	685 473

19. Cash and cash equivalents

	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Cash on hand	848	1 207	11 315	16 100
Cash in bank accounts	4 150	5 905	9 053	12 881
Total	4 998	7 112	20 368	28 981

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Notes to the Balance Sheet (continued)

20. Information about company's share capital

On 31.12.2007 company's share capital consisted of 2549084 registered and fully paid shares with nominal value of 1 Ls. Large shareholders of JSC "VEF Radiotehnika RRR" are:

Shareholders	Number of shares		Value			
			LVL		EUR	
	2007.12.31	2006.12.31	2007.12.31	2006.12.31	2007.12.31	2006.12.31
Baltlains Intern Ltd.	1270612	1270612	1270612	1270612	1807918	1807918
State Social Security A	192694	192694	192694	192694	274179	274179
Eduards Malejevs	423559	423559	423559	423559	602670	602670
Jurijs Malejevs	421871	421871	421871	421871	600268	600268
Inga Spruga	97042	97042	97042	97042	138078	138078
Others (<5%)	143306	143306	143306	143306	203906	203906
Total:	2549084	2549084	2549084	2549084	3627020	3627020

21. Retained earnings/losses

In accordance with decisions of Shareholders' meetings, losses of previous years remain uncovered, those shall be covered from the next years' profits.

	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
previous years' retained earnings/losses	-424 999 -	604 719 -	573 033 -	815 353
current year profit/loss	35 040	49 857	148 034	210 633
Total	- 389 959 -	554 862 -	424 999 -	604 720

22. Long-term loans from lending institutions

	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Loan from JSC SEB Latvijas Unibanka (EUR)	1 203 951	1 713 068	1 124 360	1 599 820
Total	1 203 951	1 713 068	1 124 360	1 599 820

In accordance with Loan Agreement Nr.KD04277 from 24.11.2005, obligations are secured with primary pledge of the real estate property located in Riga at the address Kurzemes prospekts 3 (Landbook section Nr.18732) and primary commercial pledge on fixed assets, purchased under Project Nr.124000075 for the amount of 1813461 LVL.

23. Other loans (long-term)

	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Financial lease from SIA Parex Līzins un Faktoringas	54 425	77 440	65 059	92 571
Financial lease from SIA Nord/LB Līzings (EUR)	24 099	34 290	36 784	52 339
Financial lease from SIA Hansa Līzings (USD)		-	2 649	3 769
Financial lease from SIA Hansa Līzings (EUR)	3 225	4 589	9 407	13 385
Financial lease from SIA Unilīzings (EUR)	18 589	26 450	8 907	12 674
Total	100 338	142 769	122 806	174 738

24. Deferred income (long-term)

	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Income from grant financing (project Nr.124000075)	772 185	1 098 720	772 185	1 098 720
Total	772 185	1 098 720	772 185	1 098 720

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26. Short-term loans from lending institutions	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Credit line from JSC SEB Latvijas Unibanka (LVL)	194 677	277 000	109 790	156 217
Loan from JSC SEB Latvijas Unibanka (EUR)	195 576	278 280	6 185	8 800
Total	390 253	555 280	115 975	165 017

In accordance with Loan Agreement Nr.KD04277 from 24.11.2005, obligations are secured with primary pledge of the real estate property located in Riga at the address Kurzemes prospekts 3 (Landbook section Nr.18732) and primary commercial pledge on fixed assets, purchased under Project Nr.124000075 for the amount of 1813461 LVL.

In accordance with Credit Lina Agreement Nr.KD06369 from 17.11.2006, obligations are secured with Commercial Pledge on reserves and claim rights as a whole. Maximum amount of claim is 260000 LVL.

27. Other loans (short-term)	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Financial lease from SIA Parex Līzins un Faktoringis	10 635	15 132	10 155	14 449
Financial lease from SIA Nord/LB Līzings (EUR)	12 685	18 049	12 193	17 349
Financial lease from SIA Hansa Līzings (USD)	2 396	3 409	3 037	4 321
Financial lease from SIA Hansa Līzings (EUR)	6 182	8 796	5 843	8 314
Financial lease from SIA Unilīzings (EUR)	15 609	22 210	2 827	4 022
Faktoringis SIA Unilīzings (EUR)	123 539	175 780	68 021	96 785
Credit cards	4 500	6 403	4 008	5 703
Total	175 546	249 779	106 084	150 943

28. Advances from customers	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Advances from non-residents	4 705	6 695	5 205	7 406
Advances from residents	222 631	316 775	234 885	334 211
Total	227 336	323 470	240 090	341 617

29. Due to suppliers and providers (short-term)	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Trade accounts payable to non-residents	60 742	86 428	26 454	37 641
Trade accounts payable to residents	284 832	405 279	165 343	235 262
Total	345 574	491 707	191 797	272 903

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Notes to the Balance Sheet (continued)

30. Taxes and social insurance payments	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Personal Income Tax	45 967	65 405	28 239	40 180
State Social Insurance payments	57 017	81 128	32 526	46 280
Value Added Tax	17 738	25 239	8 182	11 642
Real estate tax for building and constructions	88 977	126 603	-	-
Nature resources tax	120	171	441	627
Corporate risk tax	85	121	13	18
Total	209 904	298 667	69 401	98 747

31. Other liabilities	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Salaries	43 721	62 209	39 810	56 645
Advance settlement amounts		-	1 031	1 467
Deposits	39 041	55 550	29 045	41 327
Other creditors	3 694	5 256	4 777	6 797
Total	86 456	123 015	74 663	106 236

32. Deferred income (short-term)	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Next year's rent for premises		-	1 878	2 672
Income from privatisation certificates	17 023	24 222	48 331	68 769
income from grant financing (project Nr.124000075)		-	181 347	258 034
Total	17 023	24 222	231 556	329 475

33. Accrued liabilities	2007	2007	2006	2006
	LVL	EUR	LVL	EUR
Others	32 305	45 966	30 651	43 612
Provisions for vacations	33 024	46 989	33 024	46 989
Provisions for vacations (Social Security Payments)	7 955	11 319	7 955	11 319
Total	73 284	104 274	71 630	101 920

Notes to the Financial Statements

General Notes

1. Average number of employees during the year

Average number of employees during the year

year 2007	year 2006
209	131

2. Total personnel costs

- salaries
- Social security payments
- Corporate risk tax

2007	2007	2006	2006
LVL	EUR	LVL	EUR
953 080	1 356 111	496 660	706 684
772 626	1 099 348	403 041	573 476
179 827	255 871	93 619	133 208
6 327	9 003	432	615

- including:

Management salaries

- salaries
- Social security payments
- Corporate risk tax
- total:

54 000	76 835	30 000	42 686
11 569	16 461	6 395	9 099
9	13	9	13
65 578	93 309	36 404	51 798

Taxes and social security payments

Type of tax	2007		2006	
	LVL	EUR	LVL	EUR
(-) underpayment, (+) overpayment				
Personal income tax	-45967	-65405	-28239	-40180
State social security obligatory payments	-57017	-81128	-32526	-46280
Value added tax	-17738	-25239	-8182	-11642
Real estate tax for building and constructions	-88977	-126603	0	0
Real estate tax for land	0	0	0	0
Nature resources tax	-120	-171	102	145
Corporate risk tax	-85	-121	-13	-18
	-209904	-298667	-68858	-97975

Annual report is accepted and signed from page 1 till 28

Chairman of the Board

Eduards Malejevs

Member of the Board

Jurijs Malejevs

Member of the Board

Janis Olekss

JSC "VEF Radiotehnika RRR" LV40003286712

Registration Nr 40003286712

**SUMMARY OF FIXED ASSET AND INTANGIBLE ASSET
 VALUE DEPRECIATION AND WRITE-OFF**

2007 taxation year

Category	Adjusted value	Total value from which the taxation year's depreciation is calculated	Depreciation for the taxation year	Accumulated depreciation	Remaining value after taxation year's depreciation deduction
1.	2.	3.	4.	5.	6.
First	1141632	495728	39993	685897	455735
Second	0	0	0	0	0
Third	45779	7648	5354	43485	2294
Fourth	3512731	1798149	719260	2433842	1078889
Fifth	13411	13411	4023	4023	9388
SUB-TOTAL	4713553	2314936	768629	3167247	1546306
Intangible assets	X	X	0	0	0
TOTAL	4713553	2314936	768629	3167247	1546306

fields marked with "X" are not to be filled out

Chairman of the Board

Eduards Malejevs