

JSC "VEF Radiotehnika RRR"

Unified Registration Nr. 40003286712

Address: Kurzemes prospekts 3, Riga, LV-1067

**Main activities:
production**

Measurement units: Ls (LVL)

2008 Annual Report

Submission date: _____

Date of receipt: _____

Riga, Latvia

INDEPENDENT AUDITORS' REPORT

To the Shareholders "VEF Radiotekhnika RRR" JSC

Report on the Financial Statements

We have audited the accompanying financial statements on pages 7 to 27 of "VEF Radiotekhnika RRR" JSC Ltd., which comprise the balance sheet as of 31 December 2008 and the related calculation of profit or loss, statement of the capital changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Annual Accounts Act of the Republic of Latvia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as mentioned in the paragraph . We conducted our audit in accordance with International Standards on Auditing as adopted by the Latvian Association of certified auditors. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

the basis of the presumption that the Company will continue its business activity.

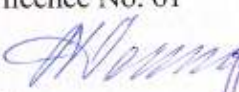
Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of "VEF Radiotekhnika RRR" JSC., on December, 31, 2008, and its operations and its cash flows for the year then ended in accordance with the requirements of the Annual Accounts Act of the Republic of Latvia.

Report on the Management Report

We have read the Management Report set out on page from 4 to 5 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for 2008.

Certified auditors' company SIA "Finansists"
Audit company licence No. 61


Nelli Jerņolicka
Certified auditor
Certificate No. 102
Chairman of the Board



Rīga, Latvija
23.04.2009.

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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 11.12.1998</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>Inga Spruga</i>			
Reporting year	<i>from</i>	<i>01.01.2008</i>	<i>till</i>	<i>31.12.2008</i>
Previous reporting period	<i>from</i>	<i>01.01.2007</i>	<i>till</i>	<i>31.12.2007</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 2008, 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 2007. 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 2007 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:	133363 LVL
Deferred corporate income tax:	4774 LVL
Other taxes:	-121453 LVL
Net result:	16684 LVL

Net turnover for the year 2008 is 22887695Ls and has grown by 10,8 % in comparison with 2007.

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:

Gross profit margin (%)	0.73
Operating profit margin (%)	11.23
Gross profit margin (%)	24.71

Financial profitability (%)

Return on capital	2.45
Return on equity	0.78

A number of major works and activities on improvement of working environment, production technology and competitiveness have been performed in 2008:

- 1) refurbishment works commenced in production block I-2;
- 2) Continued acquiring of the new technological equipment obtained by support of Grant financing.
- 3) computer equipment upgrade has continued in order to replace old computers as well as to create new computerised working areas.

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 2008, 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

Inga Spruga

April 28, 2009

Annual report accepted at the Shareholders' Meeting on April 25, 2008

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, 2008, 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 misrepresentation and unlawful

Management confirms that for the purposes of carrying out the audit the necessary information and explanations have been given.

Chairman of the Board

Eduards Maļejevs

Member of the Board

Jurijs Maļejevs

Member of the Board

Inga Spruga

April 28, 2009

***PROFIT AND LOSS STATEMENT
FOR THE PERIOD ENDED
31.12.2008 (per turnover (period) costs method)***

	Note	2008	2008	2007	2007
	nr.	LVL	EUR	LVL	EUR
Net turnover	1	2 288 769	3 256 625	2 065 215	2 938 536
Cost of sales	2	(1 723 196)	(2 451 887)	(1 983 234)	(2 821 888)
Gross profit or loss		565 573	804 738	81 981	116 648
Selling expenses	3	(61 142)	(86 997)	(57 177)	(81 356)
Administrative expenses	4	(415 370)	(591 018)	(417 882)	(594 593)
Other operating income	5	209 297	297 803	764 377	1 087 610
Other operating expenses	6	(41 643)	(59 253)	(53 551)	(76 196)
Interest income and similar income	7	243	346	274	390
Interest expense and similar expenses	8	(123 595)	(175 860)	(104 627)	(148 871)
Profit or loss before extraordinary items and taxes		133 363	189 759	213 395	303 632
Profit or loss after extraordinary items and before taxes		133 363	189 759	213 395	303 632
Deferred corporate income tax for the reporting period	9	4 774	6 793	(16 856)	(23 984)
Other taxes	10	(121 453)	(172 812)	(181 173)	(257 786)
Profit or loss for the period		16 684	23 740	15 366	21 862
Earnings per share (EPS coefficient)		0.007	0.009	0.006	0.009

Chairman of the Board

Eduards Maļejevs

Member of the Board

Jurijs Maļejevs

Member of the Board

Inga Spruga

April 28, 2009

BALANCE SHEET as on 31.12.2008.

ASSETS		Note	2008	2008	2007	2007
		nr.	LVL	EUR	LVL	EUR
1. Non-current assets						
I. Intangible assets:						
Concessions, patents, licenses, trade marks and similar rights	11		1 122	1 596	2 323	3 305
Total intangible assets:			1 122	1 596	2 323	3 305
II. Fixed assets:						
Land, buildings and constructions			1 065 194	1 515 635	1 082 445	1 540 180
Equipment and vehicles			1 752 111	2 493 029	1 817 689	2 586 338
Other fixed assets			130 521	185 715	159 102	226 382
Construction of fixed assets and unfinished construction objects			50 766	72 234	38 052	54 143
Advance payments for fixed assets			-	-	-	-
Total fixed assets:	12		2 998 592	4 266 613	3 097 288	4 407 043
III. Investment properties						
Total investment properties:			-	-	-	-
IV. Biological assets						
Total biological assets			-	-	-	-
V. Long-term financial investments:						
Other loans and other long-term debtors			520	740	520	740
Deferred taxation assets			60 113	85 533	55 339	78 740
Total long-term financial investments:			60 633	86 273	55 859	79 480
Total non-current assets:			3 060 347	4 354 482	3 155 470	4 489 828
2. Current assets						
I. Inventory:						
Raw materials	13		335 096	476 799	320 427	455 927
Work in process	14		5 085	7 235	6 120	8 708
Finished goods	14		324 680	461 978	272 565	387 825
Advance payments for materials	15		63 657	90 576	84 518	120 258
Total inventory:			728 518	1 036 588	683 630	972 718
II. Sales-deferred long-term investments						
Total sales-deferred long-term investments:			-	-	-	-
III. Receivables:						
Trade receivables	16		564 557	803 292	1 048 062	1 491 258
Other receivables	17		103 622	147 441	71 116	101 189
Deferred expenses	18		1 248 918	1 777 050	777 870	1 106 809
Total receivables:			1 917 097	2 727 783	1 897 048	2 699 256
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		3 530	5 023	24 700	35 145
Total currents assets:			2 649 159	3 769 414	2 605 392	3 707 139
TOTAL ASSETS:			5 709 506	8 123 895	5 760 862	8 196 968

BALANCE SHEET as on 31.12.2008.

**LIABILITIES AND
SHAREHOLDERS' EQUITY**

1. Shareholders' equity:

	Note nr.	2008 LVL	2008 EUR	2007 LVL	2007 EUR
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	- 409 633	- 582 855	- 424 999	- 604 719
b) current year profit/(loss)	21	16 684	23 740	23 740	15 366
Total shareholders' equity:		2 156 135	3 067 905	2 147 825	3 037 667

2. Provisions:

Total provisions:		-	-	-	-
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3. Liabilities:

I. Non-current liabilities:

Loans from lending institutions	22	1 629 467	2 318 523	1 203 951	1 713 068
Other loans	23	66 151	94 124	100 338	142 768
Deferred income	24	409 491	582 653	590 838	840 687
Total non-current liabilities:		2 105 109	2 995 300	1 895 127	2 696 523

II. Current liabilities:

Loans from lending institutions	25	375 749	534 643	390 253	555 280
Other loans	26	169 452	241 108	180 095	256 252
Advances from customers	27	88 963	126 583	217 589	309 601
Trade accounts payable	28	296 527	421 920	338 586	481 764
Taxes and social security liabilities	29	130 046	185 039	223 127	317 481
Other liabilities	30	75 990	108 124	89 066	126 730
Deferred income	31	181 347	258 034	198 369	282 254
Accrued liabilities	32	130 188	185 241	89 199	126 919
Total current liabilities:		1 448 262	2 060 692	1 726 284	2 456 281

Total liabilities:		3 553 371	5 055 992	3 621 411	5 152 804
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY:		5 709 506	8 123 895	5 769 236	8 208 883
		-	-	8 374	- 11 915

Chairman of the Board **Eduards Malejevs** **0**

Member of the Board **Jurijs Malejevs** **0**

Member of the Board **Inga Spruga** **0**

April 28, 2009

Financial Statements for the period from 01.01.2006 to 31.12.2006.

CASH FLOW STATEMENT FOR THE PERIOD ENDED

31.12.2008 (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

Income from emission of shares or bonds, particip. In investments

Loans received

Received subsidies, grants, gifts or donations

Loans repaid

Rented asset buyout expenses

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

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
<i>Profit or loss before extraordinary items and taxes</i>	133 363	189 758	189 759	270 003
<i>Adjustments for:</i>				
a) depreciation of fixed assets	268 998	382 750	340 130	483 961
b) amortisation of goodwill	1 200	1 707	1 691	2 406
c) provisions (except for provisions for bad debts)	-	-	12 834	18 261
d) Profit or loss from the exchange rate fluctuations	4 295	6 111	5 030	7 157
f) income from subsidies, grants, gifts or donations	(181 347)	(258 034)	(181 347)	(258 034)
g) other income from interest or similar income	(243)	(346)	(166)	(236)
h) profit/loss from sale of fixed assets	(240)	(341)	(533 455)	(759 038)
i) interest payments and similar activities	123 595	175 860	98 826	140 617
k) other taxes	(121 453)	(172 812)	(88 081)	(125 328)
<i>Profit or loss before current assets and short-term liabilities corrections</i>	228 168	324 653	(154 779)	(220 230)
<i>Adjustments for:</i>				
a) trade receivables increase (-) or decrease (+)	(594 103)	(845 332)	(305 640)	(434 887)
b) inventory increase (-) or decrease (+)	(90 803)	(129 201)	(44 044)	(62 669)
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)	(318 732)	(453 515)	255 650	363 757
Gross cash flow from operating activities	(775 470)	(1 103 395)	(248 813)	(354 029)
Interest payments	(123 958)	(176 376)	(98 765)	(140 530)
Cash flow before extraordinary items	(899 428)	(1 279 771)	(347 578)	(494 559)
Net cash flow from operating activity	(899 428)	(1 279 771)	(347 578)	(494 559)
II. Cash flow from investing activities				
Acquisition of fixed assets	(95 570)	(135 984)	(15 735)	(22 389)
Income from fixed assets sale	615 240	875 408	34 889	49 643
Loans issued	-	-	(2 850)	(4 055)
Loans repaid	2 400	3 415	1 537	2 187
Interest received	243	346	166	236
Net cash flow from investing activities	522 313	743 184	18 007	25 622
III. Cash flow from financing activities				
Income from emission of shares or bonds, particip. In investments	-	854	600	854
Loans received	622 339	885 509	340 726	484 809
Received subsidies, grants, gifts or donations	-	-	-	-
Loans repaid	(214 688)	(305 474)	(11 185)	(15 915)
Rented asset buyout expenses	(41 250)	(58 693)	(30 359)	(43 197)
Net cash flow from financing activities	366 401	521 342	299 182	425 698
IV. Foreign exchange rate differences	(26)	(37)	85	121
V. Net cash flow for the year	(17 213)	(39 610)	24 700	35 145
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	3 530	5 023	24 700	35 145
	6 473		(55 004)	

Chairman of the Board

Eduards Malejevs

0

Member of the Board

Jurijs Malejevs

0

Member of the Board

Inga Spruga

0

April 28, 2009

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE 2008 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, 2006	2 549 084	-	-	148 034	- 573 033	2 124 085
Profit carried over				- 148 034	148 034	-
Profit for the year				15 366		15 366
Balance as on December 31, 2007	2 549 084	-	-	15 366	- 424 999	2 139 451
Profit carried over				- 15 366	15 366	-
Profit for the year				5 437		5 437
Balance as on December 31, 2008	2 549 084	-	-	5 437	- 409 633	2 144 888

	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, 2006	3 627 020	-	-	56 637	- 904 369	2 779 288
Profit carried over				- 210 633	210 633	-
Profit for the year				21 864		21 864
Balance as on December 31, 2007	3 627 020	-	-	- 132 132	- 693 736	2 801 152
Profit carried over				- 21 864	21 864	-
Profit for the year				7 736		7 736
Balance as on December 31, 2008	3 627 020	-	-	7 736	- 582 855	3 051 900

Chairman of the Board

Eduards Malejevs

Member of the Board

Jurijs Malejevs

Member of the Board

Inga Spruga

April 28, 2009

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". 6. LAS "Incomes" 7. LAS "Fixed Assts" 8. LAS "Savings" 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:

	31.12.2007	31.12.2006	31.12.2005
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

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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	39849.00	%
* 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, from 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 "IC". 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

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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 discounts granted 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.

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.

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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.

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

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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.

Entry re-classification

In 2008, in accordance with changes in legislation and Management's view, no re-classifications has been done, when compared to the Financial Statements for the year 2007.

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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.

Type of activity

	2008	2008	2007
	LVL	EUR	LVL
Income from export sale of finished goods	850 636	1 210 346	771 409
Income from rent of premises	665 177	946 462	552 448
Income from sale of finished goods in the local market	305 163	434 208	305 583
Income from utility services	443 044	630 395	410 479
Income from galvanization services	24 749	35 215	25 296
Income from sale of materials			
Total	2 288 769	3 256 626	2 065 215

Net turnover by geographical markets

Latvia	1 438 133	2 046 279	1 293 791
Estonia	13 213	18 800	50 077
Germany	32 742	46 588	8 647
Russian Federation	63 921	90 951	9 012
Finland	5 499	7 824	6 912
Italy	666 019	947 660	610 179
Belarus	41 298	58 762	26 623
Sweden	726	1 033	1 511
Lithuania	10 439	14 853	47 266
USA	429	610	125
United Kingdom	16 350	23 264	11 072
Total	2 288 769	3 256 624	2 065 215

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

	2008	2008	2007
	LVL	EUR	LVL
Personnel costs	530 830	755 303	616 411
Provisions for vacations and Social Security	5 597	7 964	3 152
Depreciation of fixed assets	89 828	127 814	160 474
Depreciation of fixed assets (project 124000075)	181 347	258 034	181 347
Write-off of current assets	16 691	23 749	7 931
Changes in finished goods inventory	- 72 340	- 102 931	- 19 131
Changes in purchased materials and goods inventory	371 007	527 895	515 119
Services for productions	41 659	59 275	31 698
Ongoing maintenance and repair	16 502	23 480	26 555
Real estate property maintenance	488 296	694 783	399 469
Other costs	53 769	76 506	60 209
Total	1 723 186	2 451 872	1 983 234

Notes to the Profit and Loss statement entries (continued)

Note Nr. 3

Sales costs

Cost type

2008	2008	2007
LVL	EUR	LVL

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Goods' transport costs	43 470	61 852	46 241
Sales costs	11 803	16 794	2 782
Advertising costs	5 869	8 351	8 154
Total	61 142	86 997	57 177

Note Nr. 4

Administrative costs

Cost type	2008	2008	2007
	LVL	EUR	LVL
Personnel costs	302 401	430 278	336 739
Provisions for vacations and Social Security	4 379	6 231	9 682
Representation costs	7 586	10 794	4 530
Office expenses	15 311	21 786	10 481
Communication expenses	19 997	28 453	17 319
Bank expenses	7 097	10 098	5 806
Transport costs	49 024	69 755	27 061
Accounting and legal expenses	5 083	7 232	6 264
Other administrative costs	4 492	6 392	
Total	415 370	591 019	417 882

Note Nr. 5

Other incomes from operating activity

Type on income	2008	2008	2007
	LVL	EUR	LVL
Income from privatisation certificates	17 023	44 549	31 309
Income from grant financing (project 124000075)	181 347	258 033	181 347
Income from sale of fixed assets	240	759 038	533 455
Other income	10 687	25 990	18 266
Total	209 297	1 087 610	764 377

Note Nr. 6

Other incomes/expenses from operating activity

Type of income/expense	2008	2008	2007
	LVL	EUR	LVL
Difference in currency rates	4 397	6 256	7 258
Sale of fixed assets	4 313	6 137	
Fines / penalties	23 900	34 007	15 720
Written off hopeless debts	1 089		18 732
Expenses not related to business activities	7 943		11 841
Other expenses			
Total	41 642	46 400	53 551

Note Nr. 7

Other interest and similar income

Type of income	2008	2008	2007
	LVL	EUR	LVL
Interest received on account balances	243	346	166
Received penalties / fines	-	-	108
Net profit from foreign currency rate fluctuations		-	
Total	243	346	274

Notes to the Profit and Loss statement entries (continued)

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Note Nr. 8

Other interest and similar expenses

Type of expense

Total

2008	2008	2007
LVL	EUR	LVL
123595	175 860	98826
0	-	5801
123 595	175 860	104 627

Note Nr. 9

Deferred Corporate Income Tax

Total:

2008	2008	2007
LVL	EUR	LVL
- 4 774	- 6 793	16 856
- 4 774	- 6 793	16 856

Note Nr. 10

**Until the end of report years remaining UIN active
of 55339 Ls has been created**

Increase of remaining ytax amount in the year of report 4745 Ls.

The remaining UIN active on December 31.,2008 is 60084Ls

	2008	2008	2008	2007
	LVL	LVL	EUR	LVL
Remaining value of PL and non material assets in the fin. accounts.		2 519 000	3 584 214	2 631 115
Remaining value of PL and non material assets for taxes.		- 1 159 033	- 1 649 155	- 1 546 306
		1 359 967	1 935 059	1 084 809
Savings for vacations		- 63 790	- 90 765	- 53 814
Loss for taxes		- 1 696 932	- 2 414 517	- 1 399 923
Provisional difference		- 400 755	- 570 223	- 368 928
		x 15%		x 15%
		-600 113	-85533	-55 339
Difference to the previous year		-4774	-6793	16856

Note Nr. 10

Other taxes

Natural resources tax (over the limit)

Real estate tax for land

Real estate tax for buildings and constructions

Total:

2008	2008	2007
LVL	EUR	LVL
0	0	168
7 936	11 292	7 526
113 517	161 520	173 479
121 453	172 812	181 173

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2007
EUR
1 097 616
786 063
434 805
584 059
35 993
2 938 536

1 840 899
71 253
12 304
12 823
9 835
868 206
37 881
2 150
67 253
178
15 754
2 938 536

2007
EUR

877 074
4 485
228 334
258 034
11 285
- 27 221
732 948
45 102
37 784
568 393
85 670
2 821 888

2007
EUR

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65 795
3 958
11 602
81 355

2007
EUR

479 136
13 776
6 446
14 913
24 643
8 261
38 504
8 913
-
594 592

2007
EUR
44 549
258 033
759 038
25 990
1 087 610

2007
EUR
10 327
-
22 368

32 695

2007
EUR
236
154
-
390

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2007
EUR

140 617
8 254
148 871

2007
EUR
23 984
23 984

2007
EUR
3 743 739
- 2 200 195
1 543 544
- 76 570
- 1 991 911
- 524 937

-78741
23984

2007
EUR
239
10 709
246 838
257 786

Notes to the Financial Statements

Notes to the Balance Sheet as on December 31, 2008.

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						
31.12.2007.	7 363	-	-	-	7 363	10 477
Purchased	2 009	-	-	-	2 009	2 859
Relocated	-	-	-	-	-	-
Written-off	-	-	-	-	-	-
31.12.2008.	7 363	-	-	-	7 363	10 477
Depreciation						
31.12.2007.	5 040	-	-	-	5 040	7 171
Calculated	1 201	-	-	-	1 201	1 709
Written-off	-	-	-	-	-	-
31.12.2008.	6 241	-	-	-	6 241	8 880
Net book value						
31.12.2007.	2 323	-	-	-	2 323	3 305
Net book value						
31.12.2008.	1 122	-	-	-	1 122	1 596

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

12. Fixed Assets

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	Land	Buildings and constructions	Technological equipment	Other fixed assets	Total LVL	Total EUR
Historical cost						
31.12.2007.	428 034	1 141 632	497 711	308 360	2 375 737	3 380 369
Purchased			134 729	9 923	144 652	205 821
Written-off			- 100		- 100	- 142
31.12.2008.	428 034	1 141 632	632 340	318 283	2 520 289	3 586 048
Depreciation						
31.12.2007.	-	487 221	265 668	149 258	902 147	1 283 640
Calculated		17 251	32 872	38 504	88 627	126 105
Written-off			- 100		- 100	- 142
31.12.2008.	-	504 472	298 440	187 762	990 674	1 409 602
Net book value						
31.12.2007.	428 034	654 411	232 043	159 102	1 473 590	2 096 730
31.12.2008.	428 034	637 160	333 900	130 521	1 529 615	2 176 446

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						
31.12.2007.	1 813 461	-	-	38 052	1 851 513	2 634 466
Purchased	13 912	-	-	-	26 626	37 885
Written-off		-	-	-	-	-
31.12.2008.	1 827 373	-	-	38 052	1 878 139	2 672 351
Depreciation						
31.12.2007.	227 815	-	-	-	227 815	227 815
Calculated	181 347	-	-	-	181 347	258 034

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Written-off	-	-	-	-	-
31.12.2008.	409 162	-	-	409 162	582 185
Net book value					
31.12.2007.	1 585 646	-	-	38 052	1 623 698
Net book value					
31.12.2008.	1 418 211	-	-	38 052	1 468 977
					2 090 166

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

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

Fixed asses on financial lease:

Name of fixed asset	Lease company	Historical cost	Net book value	Unpaid lease as per lease agreement	Lease term
Tech.equip. HASL 204S	Hansa Līzings	25 984	14 291	3 225	15.06.2009
Auto vehicle Toyota RAV4	Unilīzings	15 486	5 162	5 837	15.07.2008
Equipment Weeke Venture 3	DnB Nord Līz.	59 422	40 605	24 599	15.10.2010
Auto vehicle Jaguar Daimler Super Eight	Parex Līzings	67 898	38 887	54 425	30.06.2013
Toyota Corola	Unilīzings	13 411	10 282	11 073	25.09.2012
Haulotte C12	Unilīzings	12 194	8 942	7 516	25.08.2010

Result of written-off, disposed and sold fixed and intangible assets:

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Historical cost	100	142	183 840	261 581
Accumulated depreciation	100	142	67 406	95 910
Net book value	-	-	116 434	165 671
Income from sale	240	341	649 889	924 709

13. Raw materials

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Raw materials	221 047	314 522	202 581	288 247
Inventory in use	101 488	144 404	117 846	167 680
Total	322 535	458 926	320 427	455 927

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Notes to the Balance Sheet (continued)

14. Work in progress

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Unfinished goods	5 085	7 235	6 120	8 708
finished goods and goods in warehouse	324 680	461 978	272 565	387 825
Total	329 765	469 213	278 685	396 533

15. Advance payments

	2008	2007	2007	2007
	LVL	EUR	LVL	EUR
Advance payments for materials	14 469	20 588	55 389	78 811
Advance payments to non-residents	49 188	69 988	29 129	41 447
Goods in bonded storage		-		-
Total	63 657	90 576	84 518	120 258

16. Trade receivables

	2008	2007	2007	2007
	LVL	EUR	LVL	EUR
Receivables (non-residents)	321 797	457 876	752 658	1 070 936
Receivables (residents)	242 760	345 416	295 404	420 322
Book value of purchases and customers, total	564 557	803 292	1 048 062	1 491 258
Provisions for doubtful debts	-	-	-	-
Net trade receivables, total	564 557	803 292	1 048 062	1 491 258

17. Other receivables

	2008	2007	2007	2007
	LVL	EUR	LVL	EUR
VAT confirmed (unpaid invoices)	1 917	2 728	1 917	2 728
Nature Resource tax overpaid to the state budget	43 580	85 065	13 927	19 816
Tax pre-payments for customs procedures	3 095	6 178	1 902	2 706
Loans to employees	7 114	10 122	4 074	5 797
Other loans	47 676	67 837	49 056	69 800
Others	240	341	240	341

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Total	163 406	234 280	71 116	101 188
18. Deferred expenses	2008	2007	2007	2007
	LVL	EUR	LVL	EUR
Insurance expenses	4 575	-	5 530	7 868
Expenses for repairs of buildings and premises	11 393	6 510	15 902	22 627
Expenses for implementation of project Nr.124000075	326 861	16 211	326 861	465 081
Expenses for reconstruction of block I-2	904 821	465 081	428 183	609 250
Other expenses	1 268	1 287 444	1 394	1 983
Total	1 248 918	1 775 246	777 870	1 106 809
19. Cash and cash equivalents	2008	2007	2007	2007
	LVL	EUR	LVL	EUR
Cash on hand	18	26	20 593	29 301
Cash in bank accounts	3 512	20 115	4 107	5 844
Total	3 530	20 141	24 700	35 145

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.
Larges shareholders of JSC "VEF Radiotekhnika RRR" are:

Largest shareholders of JSC "VIA Radiotehnika RRS" are:						
Shareholders	Number of shares		Value			
			LVL			
	31.12.2008	2007,12,31	EUR			
	31.12.2008	31.12.2007	1270612	31.12.2005	31.12.2006	31.12.2005
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
Others (<5%)	240348	240348	240348	240348	341984	341984
Total:	2549084	2549084	2549084	2549084	3627020	3627020

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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.

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
previous years' retained earnings/losses	-409 633 -	582 855	-424 999 -	604 719
current year profit/loss Total	16 684	23 739	15 366	21 864
	- 392 949 -	559 116 -	409 633 -	582 855

22. Long-term loans from lending institutions

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Loan from JSC SEB Latvijas Unibanka Total	1 629 467	2 318 523	1 203 951	1 713 068
	1 629 467	2 318 523	1 203 951	1 713 068

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)

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Financial lease from SIA Parex Līzins un Faktoringa	43 287	61 592	54 425	77 440
Financial lease from SIA DnB Nord Līzings (EUR)	11 403	16 225	24 099	34 290
	-	-	-	-
Financial lease from SIA Hansa Līzings (USD)	-	-	3 225	4 589
Financial lease from SIA Hansa Līzings (EUR)	11 461	16 308	18 589	26 450
Financial lease from SIA Unilīzings (EU Total)	66 151	94 125	100 338	142 769

24. Deferred income (long-term)

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Income from grant financing (project Nr Total)	409 491	582 653	590 838	840 687
	409 491	582 653	590 838	840 687

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	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
26. Short-term loans from lending institutions				
	190 274	270 736	194 677	277 000
Credit line from JSC SEB Latvijas Unibanka (LVL)	185 475	263 907	195 576	278 280
Loan from JSC SEB Latvijas Unibanka Total	375 749	534 643	390 253	555 280

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.

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
27. Other loans (short-term)				
Financial lease from SIA Parex Līzins un Faktoring	11 137	15 847	10 635	15 132
Financial lease from SIA DnB Nord Līzings (EUR)	13 196	18 776	12 685	18 049
Financial lease from SIA Hansa Līzings (USD)	-	-	2 396	3 409
Financial lease from SIA Hansa Līzings (EUR)	3 225	4 589	6 182	8 796
Financial lease from SIA Unilīzings (EUR)	12 965	18 448	15 609	22 210
		-		-
Faktoring SIA Unilīzings (EUR)	124 178	176 689	123 539	175 780
		-		-
Credit cards	4 751	6 760	9 049	12 876
Total	169 452	241 109	180 095	256 252

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
28. Advances from customers				
Advances from non-residents	10	14	10	14
Advances from residents	88 953	126 569	217 579	309 587
Total	88 963	126 583	217 589	309 601

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
29. Due to suppliers and providers (short-term)				

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	LVL	EUR	LVL	EUR
Trade accounts payable to non-residents	74 623	106 179	26 454	37 641
Trade accounts payable to residents	221 904	315 741	165 343	235 262
Total	296 527	421 920	191 797	272 903

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Notes to the Balance Sheet (continued)

30. Taxes and social insurance payments

	2007	2007	2007	2007
	LVL	EUR	LVL	EUR
Personal Income Tax	34 620	49 260	50 230	71 471
State Social Insurance payments	56 564	80 483	59 719	84 972
Value Added Tax	8 245	11 732	16 885	24 025
Real estate tax for building and constructions	30 363	43 203	93 092	132 458
Real estate tax for land	-	-	-	-
Nature resources tax	220	313	3 110	4 425
Corporate risk tax	34	48	91	129
Total	130 046	185 039	223 127	317 480

31. Other liabilities

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Salaries	40 145	57 121	43 792	62 310
Advance settlement amounts	4 139	5 889	1 920	2 732
Deposits	31 664	45 054	39 041	55 550
Other creditores	42	60	4 313	6 137
Total	75 990	108 124	89 066	126 729

32. Deferred income (short-term)

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Next year's rent for premises	-	-	-	-
Income from privatisation certificates	0	-	17023	24 222
Income from grant financing (project Nr.124000075)	181 347	258 034	181 346	258 032
Total	181 347	258 034	198 369	282 254

33. Accrued liabilities

	2008	2008	2007	2007
	LVL	EUR	LVL	EUR
Current expenses	66 398	94 476	35 385	50 348

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Provisions for vacations	51 406	73 144	43 367	61 706
Provisions for vacations (Social Security Payments)	12 384	17 621	10 447	14 865
Total	130 188	185 241	89 199	126 919

Notes to the Financial Statements

General Notes

1. Average number of employees during the year

Average number of employees during the year

<u>year 2008</u>	<u>year 2007</u>
<u>183</u>	<u>209</u>

2. Total personnel costs

- salaries
- Social security payments
- Corporate risk tax
- **including:**

Management salaries

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

2008	2008	2007	2007
LVL	EUR	LVL	EUR
883 999	1 257 818	952 523	1 356 210
716 656	1 019 710	772 696	1 099 447
166 795	237 328	179 827	255 871
548	780	627	892
59 999	85 371	54 000	76 835
13 151	18 712	11 569	16 461
9	13	9	13
73 159	104 096	65 578	93 309

Information on total amount of reward to sworn auditor company " Auditoru firma "Finansists"" for year 2007.

1. For checking of 2008 annual report.

3000 LVL

Total:

3000 LVL

Annual report is accepted and signed from page 1 till 27

Chairman of the Board

Eduards Malejevs

Member of the Board

Jurijs Malejevs

Member of the Board

Inga Sprūga