

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

Main activities:
production

Measurement units: Ls (LVL)

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2009 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 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>Janis Salenieks</i>		
Council Member	<i>Jurijs Malejevs</i>		
Council Member	<i>Inga Spruga</i>		
Council Member	<i>Ausma Smiltiece</i>		
Council Member	<i>Vjačeslavs Mihailovins</i>		
Boar members of the JSC			
Chairman of the Board	<i>Eduards Malejevs</i>		
Board Member	<i>Gunars Lacis</i>		
Board Member	<i>Juris Voins</i>		
Reporting year	<i>from</i>	<i>01.01.2009</i>	<i>till</i> <i>31.12.2009</i>
Previous reporting period	<i>from</i>	<i>01.01.2008</i>	<i>till</i> <i>31.12.2008</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 2009, 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 2008. 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 2009 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:	138155 LVL
Deferred corporate income tax:	-13050 LVL
Other taxes:	-102345 LVL
Net result:	22760 LVL

Net turnover for the year 2009 is 1347232Ls and has grown by 41,1 % in comparison with 2008.

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 (%)	1.69
Operating profit margin (%)	17.44
Gross profit margin (%)	15.14

Financial profitability (%)

Return on capital	2.14
Return on equity	1.05

A number of major works and activities on improvement of working environment, production technology and competitiveness have been performed in 2009:

- 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

Gunars Lacis

Member of the Board

Juris Voins

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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, 2009, 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 Malejevs

Member of the Board

Gunars Lacis

Member of the Board

Juris Voins

***PROFIT AND LOSS STATEMENT
 FOR THE PERIOD ENDED
 31.12.2009 (per turnover (period) costs method)***

	Note	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
	nr.	LVL	EUR	LVL	EUR
Net turnover	1	1 347 232	1 916 938	2 288 769	3 256 625
Cost of sales	2	(1 143 198)	(1 626 624)	(1 723 196)	(2 451 887)
Gross profit or loss		<u>204 034</u>	<u>290 314</u>	<u>565 573</u>	<u>804 738</u>
Selling expenses	3	(33 907)	(48 245)	(61 142)	(86 997)
Administrative expenses	4	(264 036)	(375 689)	(415 370)	(591 018)
Other operating income	5	379 930	540 592	209 297	297 803
Other operating expenses	6	(51 089)	(72 693)	(41 643)	(59 253)
Interest income and similar income	7	18	26	243	346
Interest expense and similar expenses	8	(96 795)	(137 727)	(123 595)	(175 860)
Profit or loss before extraordinary items and taxes		<u>138 155</u>	<u>196 578</u>	<u>133 363</u>	<u>189 759</u>
Profit or loss after extraordinary items and before taxes		<u>138 155</u>	<u>196 578</u>	<u>133 363</u>	<u>189 759</u>
Deferred corporate income tax for the reporting period	9	(13 050)	(18 568)	4 774	6 793
Other taxes	10	(102 345)	(145 624)	(121 453)	(172 812)
Profit or loss for the period		<u><u>22 760</u></u>	<u><u>32 386</u></u>	<u><u>16 684</u></u>	<u><u>23 740</u></u>
Earnings per share (EPS coefficient)		<u>0.009</u>	<u>0.013</u>	<u>0.0065</u>	<u>0.0093</u>

Chairman of the Board

Eduards Maļejevs

Member of the Board

Jurijs Maļejevs

Member of the Board

Inga Spruga

BALANCE SHEET as on 31.12.2009.

ASSETS		Note nr.	2009 LVL	2009 EUR	2008 LVL	2008 EUR
1. Non-current assets						
I. Intangible assets:						
Concessions, patents, licenses, trade marks and similar rights	11	534	760	1 122	1 596	
Total intangible assets:		534	760	1 122	1 596	
II. Fixed assets:						
Land, buildings and constructions		997 499	1 419 313	1 065 194	1 515 635	
Equipment and vehicles		1 616 132	2 299 549	1 752 111	2 493 029	
Other fixed assets		96 142	136 798	130 521	185 715	
Construction of fixed assets and unfinished construction objects		38 052	54 143	50 766	72 234	
Advance payments for fixed assets		-	-	-	-	
Total fixed assets:	12	2 747 825	3 909 803	2 998 592	4 266 613	
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		47 063	66 965	60 113	85 533	
Total long-term financial investments:		47 583	67 705	60 633	86 273	
Total non-current assets:		2 795 942	3 978 268	3 060 347	4 354 482	
2. Current assets						
I. Inventory:						
Raw materials	13	304 668	433 504	335 096	476 799	
Work in process	14	12 246	17 424	5 085	7 235	
Finished goods	14	280 409	398 986	324 680	461 978	
Advance payments for materials	15	75 874	107 959	63 657	90 576	
Total inventory:		673 197	957 873	728 518	1 036 588	
II. Sales-deferred long-term investments						
Total sales-deferred long-term investments:		-	-	-	-	
III. Receivables:						
Trade receivables	16	662 676	942 903	564 557	803 292	
Other receivables	17	125 606	178 721	103 622	147 441	
Deferred expenses	18	1 219 931	1 735 805	1 248 918	1 777 050	
Total receivables:		2 008 213	2 857 429	1 917 097	2 727 783	
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	2 580	3 671	3 530	5 023	
Total currents assets:		2 684 004	3 818 993	2 649 159	3 769 414	
TOTAL ASSETS:		5 479 946	7 797 261	5 709 506	8 123 895	

BALANCE SHEET as on 31.12.2009.

**LIABILITIES AND
 SHAREHOLDERS' EQUITY**

1. Shareholders' equity:

	Note nr.	2009		2008	
		LVL	EUR	LVL	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	- 392 949	- 559 116	- 409 633	- 582 855
b) current year profit/(loss)	21	22 760	32 386	16 684	16 684
Total shareholders' equity:		2 178 895	3 100 290	2 156 135	3 060 849

2. Provisions:

Other provisions:		18 524	26 357	63 790	90 765
Total provisions:		18 524	26 357	63 790	90 765

3. Liabilities:

I. Non-current liabilities:

Loans from lending institutions	22	1 522 208	2 165 907	1 629 467	2 318 523
Other loans	23	36 756	52 299	66 151	94 124
Deferred income	24	228 144	324 620	409 491	582 653
Total non-current liabilities:		1 787 108	2 542 826	2 105 109	2 995 300

II. Current liabilities:

Loans from lending institutions	25	394 822	561 781	375 749	534 643
Other loans	26	63 235	89 975	169 452	241 108
Advances from customers	27	2 393	3 405	88 963	126 583
Trade accounts payable	28	444 241	632 098	296 527	421 920
Taxes and social security liabilities	29	281 883	401 083	130 046	185 039
Other liabilities	30	89 646	127 555	75 990	108 124
Deferred income	31	181 347	258 034	181 347	258 034
Accrued liabilities	32	37 863	53 874	66 398	94 476
Total current liabilities:		1 495 430	2 127 805	1 384 472	1 969 926

Total liabilities:	3 282 538	4 670 631	3 489 581	4 965 226
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY:	5 479 957	7 797 276	5 709 506	8 123 895
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Chairman of the Board

Eduards Malejevs

Member of the Board

Gunars Lacis

Member of the Board

Juris Voins

CASH FLOW STATEMENT FOR THE PERIOD ENDED

31.12.2009 (per indirect method)

I. Cash flow from operating activity

Profit or loss before extraordinary items and taxes

Adjustments for:

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
	138 155	196 577	133 363	189 758
a) depreciation of fixed assets	189 301	269 351	269 974	384 138
b) amortisation of goodwill	588	837	1 201	1 709
c) provisions (except for provisions for bad debts)	(45 266)	(64 408)	9 976	14 195
d) Profit or loss from the exchange rate fluctuations	2 256	3 210	4 397	6 256
e) ieņēmumi no līdzdalības koncerna meitas un asociēto sabiedrību kapitālos			-	-
f) income from subsidies, grants, gifts or donations	(181 347)	(258 034)	(181 347)	(258 034)
g) other income from interest or similar income	(18)	(26)	(243)	(346)
h) profit/loss from sale of fixed assets	(197 080)	(280 420)	(240)	(341)
i) interest payments and similar activities	96 795	137 727	123 595	175 860
k) other taxes	(32 484)	(46 221)	(121 453)	(172 812)

Profit or loss before current assets and short-term liabilities corrections

Adjustments for:

a) trade receivables increase (-) or decrease (+)	(92 308)	(131 342)	(633 843)	(901 877)
b) inventory increase (-) or decrease (+)	53 646	76 331	(50 253)	(71 504)
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)	143 249	203 825	(261 899)	(372 649)

Gross cash flow from operating activities

Interest payments (96 907) (137 886) (124 787) (177 556)

Cash flow before extraordinary items (21 420) (30 478) (831 559) (1 183 202)

Net cash flow from operating activity (21 420) (30 478) (831 559) (1 183 202)

II. Cash flow from investing activities

Acquisition of fixed assets (46 512) (66 181) (171 278) (243 707)

Income from fixed assets sale 290 940 413 970 615 240 875 408

Interest received 18 26 243 346

Net cash flow from investing activities 244 446 347 815 444 205 632 047

III. Cash flow from financing activities

Income from emission of shares or bonds, particip. In investments 16 305 23 200 622 042 885 086

Loans received - - - -

Received subsidies, grants, gifts or donations (199 571) (283 964) (214 688) (305 474)

Loans repaid (40 709) (57 924) (41 175) (58 587)

Net cash flow from financing activities (223 975) (318 688) 366 179 521 026

IV. Foreign exchange rate differences

11 16 5 7

V. Net cash flow for the year (938) (1 335) (21 170) (30 122)

VI. Cash and cash equivalents at the beginning of the period 3 530 5 023 24 700 35 145

VII. Cash and cash equivalents at the end of the period 2 592 3 688 3 530 5 023

Chairman of the Board

Eduards Malejevs

Member of the Board

Gunars Lacis

Member of the Board

Juris Voins

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE 2009 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, 2007	2 549 084	-	-	15 366	- 424 999	2 139 451
Profit carried over				- 15 366	15 366	-
Profit for the year				16 684		16 684
Balance as on December 31, 2008	2 549 084	-	-	16 684	- 409 633	2 156 135
Profit carried over				- 16 684	16 684	-
Profit for the year				22 760		22 760
Balance as on December 31, 2009	2 549 084	-	-	22 760	- 392 949	2 178 895

	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, 2007	3 627 020	-	-	56 637	- 904 369	2 779 288
Profit carried over				- 21 864	21 864	-
Profit for the year				23 739		23 739
Balance as on December 31, 2008	3 627 020	-	-	58 512	- 882 505	2 803 027
Profit carried over				- 23 739	23 739	-
Profit for the year				32 385		32 385
Balance as on December 31, 2009	3 627 020	-	-	32 385	- 559 116	3 100 288

Chairman of the Board

Eduards Malejevs

Member of the Board

Gunars Lacis

Member of the Board

Juris Voins

Notes to the Financial Statements

1. Accounting Policies

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

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 01.01.2009. to 31.12.2009.

Financial Statements for the period from 01.01.2006 to 31.12.2006.

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:

	31.12.2009	31.12.2008	31.12.2007
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

JSC "VEF Radiotehnika RRR"
unified Reg.Nr.40003286712

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	2-5	%
* 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, 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

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 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.

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

Financial Statements for the period from 01.01.2006 to 31.12.2006.

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 vacation

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 2009.

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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

	2009		2008	
	LVL	EUR	LVL	EUR
Income from export sale of finished goods	460 894	655 793	850 636	1 210 346
Income from rent of premises	388 213	552 377	665 177	946 462
Income from sale of finished goods in the local market	167 854	238 835	305 163	434 208
Income from utility services	323 158	459 812	443 044	630 395
Income from sale of materials	7 113	10 121	24 749	35 215
Total	1 347 232	1 916 938	2 288 769	3 256 626

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

	2009		2008	
	LVL	EUR	LVL	EUR
Personnel costs	236 474	336 472	530 830	755 303
Provisions for vacations and Social Security	- 20 169	- 28 698	5 597	7 964
Depreciation of fixed assets	80 796	114 962	89 828	127 814
Depreciation of fixed assets (project 124000075)	109 093	155 225	181 347	258 034
Write-off of current assets	33 765	48 043	16 691	23 749
Changes in finished goods inventory	65 574	93 303	- 72 340	- 102 931
Changes in purchased materials and goods inventory	145 179	206 571	371 007	527 895
Services for productions	38 908	55 361	41 659	59 275
Ongoing maintenance and repair	16 372	23 295	16 502	23 480
Real estate property maintenance	412 444	586 855	488 296	694 783
Other costs	24 762	35 233	53 769	76 506
Total	1 143 198	1 626 622	1 723 186	2 451 872

Notes to the Profit and Loss statement entries (continued)

Note Nr. 3

Sales costs

Cost type

	2009		2008	
	LVL	EUR	LVL	EUR
Goods' transport costs	26 947	38 342	43 470	61 852
Sales costs	6 233	8 869	11 803	16 794
Advertising costs	727	1 034	5 869	8 351
Total	33 907	48 245	61 142	86 997

Note Nr. 4

Administrative costs

Cost type

	2009		2008		2007	
	LVL	EUR	LVL	EUR	LVL	EUR
Personnel costs	208 321	296 414	302 401	430 278		
Provisions for vacations and Social Security	- 25 097	- 35 710	4 379	6 231		
Representation costs	3 836	5 458	7 586	10 794		
Office expenses	5 447	7 750	15 311	21 786		
Communication expenses	13 793	19 626	19 997	28 453		
Bank expenses	4 349	6 188	7 097	10 098		
Transport costs	17 446	24 823	49 024	69 755		

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Accounting and legal expenses	5 773	8 214	5 083	7 232
Other administrative costs	30 168	42 925	4 492	6 392
Total	264 036	375 688	415 370	591 019

Note Nr. 5

Other incomes from operating activity

Type on income	2009 LVL	2009 EUR	2008 LVL	2008 EUR
Income from privatisation certificates	-	-	17 023	24 222
Income from grant financing (project 124000075)	181 347	258 034	181 347	258 033
Income from sale of fixed assets	197 080	280 420	240	341
Other income	794	1 130	10 687	15 206
	709	1 009	-	-
Total	379 930	540 593	209 297	297 802

Note Nr. 6

Other incomes/expenses from operating activity

Type of income/expense	2009 LVL	2009 EUR	2008 LVL	2008 EUR
Difference in currency rates	2 256	3 210	4 397	6 256
Sale of fixed assets	33 623	47 841	4 313	6 137
Fines / penalties	8 478	12 063	23 900	34 007
Written off hopeless debts	6 732	9 579	1 090	1 551
Other expenses	-	-	7 943	11 302
Total	51 089	72 693	41 643	59 253

Note Nr. 7

Other interest and similar income

Type of income	2009 LVL	2009 EUR	2008 LVL	2008 EUR
Interest received on account balances				
Received penalties / fines	18	26	243	346
Net profit from foreign currency rate fluctuations	-	-		
Total	18	26	243	346

Notes to the Profit and Loss statement entries (continued)

Note Nr. 8

Other interest and similar expenses

Type of expense	2009 LVL	2009 EUR	2008 LVL	2008 EUR
Interest paid on loans	96 795	137 727	123 595	175 860
Total	96 795	137 727	123 595	175 860

Note Nr. 9

Deferred Corporate Income Tax

	2009 LVL	2009 EUR	2008 LVL	2008 EUR
Total:	13 050	18 568	4 774	6 793
	13 050	18 568	4 774	6 793

Until the end of report years remaining UIN active of 60113 Ls has been created

Increase of remaining ytax amount in the year of report 47063 Ls.

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The remaining UIN active on December 31,2009 is 13050Ls

	2009		2008	
	LVL	EUR	LVL	EUR
Remaining value of PL and non material assets in the fin. accounts.				
Remaining value of PL and non material assets for taxes.	2 280 856		2 519 000	3 584 214
	- 798 175		- 1 159 033	- 1 649 155
	1 482 681		1 359 967	1 935 059
Savings for vacations	- 18 524		- 63 790	- 90 765
Loss for taxes	- 1 777 913		- 1 696 932	- 2 414 517
Provisional difference	- 313 756		- 400 755	- 570 223
	x 15%	x 15%	x 15%	x 15%
Difference to the previous year	-47 063	-66965	-60 113	-85533
	13050	18568	-4774	-6793

Note Nr. 10

Other taxes

	2009		2008	
	LVL	EUR	LVL	EUR
Real estate tax for land	9 920	14 115	7 936	11 292
Real estate tax for buildings and constructions	92 425	131 509	113 517	161 520
Total:	102 345	145 624	121 453	172 812

Notes to the Financial Statements

Notes to the Balance Sheet as on December 31, 2009.

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						
31.12.2008.	7 363	-	-	-	7 363	10 477
Purchased		-	-	-	-	-
Relocated	-	-	-	-	-	-
Written-off	-	-	-	-	-	-
31.12.2009.	7 363	-	-	-	7 363	10 477
Depreciation						
31.12.2008.	6 240	-	-	-	6 240	8 879
Calculated	589	-	-	-	589	838
Written-off	-	-	-	-	-	-
31.12.2009.	6 829	-	-	-	6 829	9 717
Net book value						
31.12.2008.	1 123	-	-	-	1 123	1 598
Net book value						
31.12.2009.	534	-	-	-	534	760

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						
31.12.2008.	428 034	1 141 632	632 341	318 284	2 520 291	3 586 051
Purchased		31 925	14 364	224	46 513	66 182
Written-off		- 171 261	- 4 812	- 20 659	- 196 732	- 279 924
31.12.2009.	428 034	1 002 296	641 893	297 849	2 370 072	3 372 309
Depreciation						
31.12.2008.	-	504 472	294 440	187 763	990 675	1 409 604
Calculated		8 566	41 249	30 393	80 208	114 126
Written-off		- 80 207	- 4 811	- 16 448	- 101 466	- 144 373
31.12.2009.	-	432 831	334 878	201 708	969 417	1 379 356
Net book value					1 529 616	
31.12.2008.	428 034	637 160	337 901	130 521	1 533 616	2 182 139
Net book value					1 400 655	
31.12.2009.	428 034	569 465	307 015	96 141	1 400 655	1 992 953

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						
31.12.2008.	1 827 372	-	-	50 766	1 878 138	2 672 350
Purchased	-	-	-	1 650	1 650	2 348
Written-off				- 14 364	- 14 364	- 20 438
31.12.2009.	1 827 372	-	-	38 052	1 865 424	2 654 259
Depreciation						
31.12.2008.	409 162	-	-	-	409 162	409 162
Calculated	109 093	-	-	-	109 093	155 225

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Written-off	-	-	-	-	-	-
31.12.2009.	518 255	-	-	-	518 255	737 410
Net book value						
31.12.2008.	1 418 210	-	-	50 766	1 468 976	2 090 165
Net book value						
31.12.2009.	1 309 117	-	-	38 052	1 347 169	1 916 849

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	Lease term
Equipment Weeke Venture 3	DnB Nord Līz.	59 422	37 221	11 403	15.10.2010
Auto vehicle Jaguar Daimler Super Eight	Parex Līzings	67 898	33 702	42 676	30.06.2013
Toyota Corola	Unilīzings	13 411	9 118	8 363	25.09.2012
Haulotte C12	Unilīzings	12 194	7 910	3 098	25.08.2010

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

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Historical cost	196 732	279 924	100	142
Accumulated depreciation	101 467	144 375	100	142
Net book value	95 265	135 550	-	-
Income from sale	292 346	415 971	240	341

13. Raw materials

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Rawe materials	184 996	263 226	207 655	295 466
Inventory in use	118 554	168 687	127 441	181 332
Total	303 550	431 913	335 096	476 798

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Notes to the Balance Sheet (continued)

14. Work in progress

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Unfinished goods	12 246	17 424	5 085	7 235
finished goods and goods in warehouse	280 409	398 986	324 680	461 978
Total	292 655	416 410	329 765	469 213

15,Advance payments

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Advance payments for materials	29 642	42 177	14 469	20 588
Advance payments to non-residents	46 232	65 782	49 188	69 988
Goods in bonded storage		-		-
Total	75 874	107 959	63 657	90 576

16. Trade receivables

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Receivables (non-residents)	210 958	300 166	321 797	457 876
Receivables (residents)	451 718	642 737	242 760	345 416
Book value of purchases and customers, total	662 676	942 903	564 557	803 292
Provisions for doubtful debts	-	-	-	-
Net trade receivables, total	662 676	942 903	564 557	803 292

17. Other receivables

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
VAT confirmed (unpaid invoices)	212	302	1 917	2 728
VAT overpaid to the state budget	-	-	-	-
Nature Resource tax overpaid to the state budget	-	-	43 580	62 009
Settlements with employees	319	454		-
Tax pre-payments for customs procedures	75 424	107 319	3 095	4 404
Loans to employees	83	118	7 114	10 122

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Other loans	5 094	7 248	47 676	67 837
Others	44 234	62 939	240	341
Total	240	341	103 622	147 441
	125 606	178 721		
18. Deferred expenses	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Insurance expenses	2 376	3 381	4 575	6 510
Expenses for repairs of buildings and premises	6 884	9 795	11 393	16 211
Expenses for implementation of project Nr.124000075	301 041	428 343	326 861	465 081
Expenses for reconstruction of block I-2	909 478	1 294 071	904 821	1 287 444
Other expenses	152	216	1 268	1 804
Total	1 219 931	1 735 806	1 248 918	1 777 050
19. Cash and cash equivalents	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Cash on hand	197	280	18	26
Cash in bank accounts	2 395	3 408	3 512	4 997
Total	2 592	3 688	3 530	5 023

Notes to the Balance Sheet (continued)

20. Information about company's share capital

On 31.12.2009 company's share capital consisted of 2549084 registered and fully paid shares with nominal value of 1 Ls.

Largest shareholders of JSC "VEF Radiotehnika RRR" are:

Shareholders	Number of shares		Value			
			LVL		EUR	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008
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

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Others (<5%)	240348	240348	240348	240348	341984	341984
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.

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
previous years' retained earnings/losses	-392 949 -	559 116	-409 633 -	582 855
current year profit/loss	22 760	32 385	16 684	23 739
Total	- 370 189 -	526 731 -	392 949 -	559 116

22. Long-term loans from lending institutions

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Loan from JSC SEB Latvijas Unibanka (Total)	1 522 208	2 165 907	1 629 467	2 318 523
	1 522 208	2 165 907	1 629 467	2 318 523

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)

	2009	2009	2008	2008
	0	EUR	LVL	EUR
Financial lease from SIA Parex Līzins un Faktoring	31 273	44 497	43 287	61 592
Financial lease from SIA DnB Nord Līzings (EUR)		-	11 403	16 225
Financial lease from SIA līzings (EUR)	5 483	7 802	11 461	16 308
Total	36 756	52 299	66 151	94 125

24. Deferred income (long-term)

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR

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	228 144	324 620	409 491	582 653
Income from grant financing (project Nr Total)	228 144	324 620	409 491	582 653

	2009	2009	2008	2008
26. Short-term loans from lending institutions	LVL	EUR	LVL	EUR
Credit line from JSC SEB Latvijas Unibanka (LVL)	198 789	282 851	190 274	270 736
Loan from JSC SEB Latvijas Unibanka (Total)	196 033	278 930	185 475	263 907
	394 822	561 781	375 749	534 643

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.

	2009	2009	2008	2008
27. Other loans (short-term)	LVL	EUR	LVL	EUR
Financial lease from SIA Parex Līzins un Faktoringis	11 828	16 830	11 137	15 847
Financial lease from SIA DnB Nord Līzings (EUR)	11 403	16 225	13 196	18 776
Financial lease from SIA Hansa Līzings (EUR)		-	3 225	4 589
Financial lease from SIA SEB līzings (EUR)	5 979	8 507	12 965	18 448
Faktoringis SIA Unilīzings (EUR)	14 937	21 253	124 178	176 689
Other loans	19 088	27 160	4 751	6 760
Total	63 235	89 975	169 452	241 109

	2009	2009	2008	2008
28. Advances from customers	LVL	EUR	LVL	EUR
Advances from non-residents	2 118	3 014	10	14
Advances from residents	275	391	88 953	126 569
Total	2 393	3 405	88 963	126 583

	2009	2009	2008	2008
29. Due to suppliers and providers (short-term)	LVL	EUR	LVL	EUR

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Trade accounts payable to non-residents	54 585	77 667	74 623	106 179
Trade accounts payable to residents	389 656	554 431	221 904	315 741
Total	444 241	632 098	296 527	421 920

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Notes to the Balance Sheet (continued)

30. Taxes and social insurance payments

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Personal Income Tax	51 716	73 585	34 620	49 260
State Social Insurance payments	95 418	135 768	56 564	80 483
Value Added Tax	34 493	49 079	8 245	11 732
Real estate tax for building and constructions	100 224	142 606	30 363	43 203
Nature resources tax	-	-	220	313
Corporate risk tax	32	46	34	48
Total	281 883	401 084	130 046	185 039

31. Other liabilities

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Salaries	62 242	88 562	40 145	57 121
Advance settlement amounts	1 547	2 201	4 139	5 889
Deposits	24 015	34 170	31 664	45 054
Other creditors	1 842	2 621	42	60
Total	89 646	127 554	75 990	108 124

32. Deferred income (short-term)

	2009	2009	2008	2008
	LVL	EUR	LVL	EUR
Next year's rent for premises		-		-
Income from privatisation certificates	0	-	0	-
Income from grant financing (project Nr.124000075)	181 347	258 034	181 347	258 034
Total	181 347	258 034	181 347	258 034

33. Accrued liabilities

	2009	2009	2008	2008
	LVL	EUR	2007	2007
			LVL	EUR
Current expenses	37 863	53 874	66 398	94 476
Total	37 863	53 874	66 398	94 476

Notes to the Financial Statements

General Notes

1. Average number of employees during the year

Average number of employees during the year

	<u>Year 2009</u>		<u>Year 2008</u>	
	<u>110</u>		<u>183</u>	
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	<u>LVL</u>	<u>EUR</u>	<u>LVL</u>	<u>EUR</u>
2. Total personnel costs	444 795	632 886	883 999	1 257 818
- salaries	359 760	511 892	716 656	1 019 710
- Social security payments	84 704	120 523	166 795	237 328
- Corporate risk tax	331	471	548	780
- including:				
Management salaries				
- salaries	28 324	40 301	59 999	85 371
- Social security payments	6 020	8 566	13 151	18 712
- Corporate risk tax	9	13	9	13
- total:	34 353	48 880	73 159	104 096

Taxes and social security payments

Type of tax	31,12,2008	paid	include
Value added tax	8248	34048	7803
Outdated amount		997	997
Personal income tax	34620	63239	46143
Outdated amount		2964	2964
State social security obligatory payments	56564	116354	77500
Outdated amount		5232	5232
Corporate risk tax	34	331	333
Outdated amount		7	7
Nature resources tax	220	96	335
Outdated amount		-300	
Real estate tax for land	30363	102345	32484
Outdated amount		11265	11265
	<u>130049</u>	<u>336578</u>	<u>185063</u>
			<u>0</u>
Taxes overpaid	0		
Tax debt	130049		
Calculated fine for outdated payments		20465	20465

Information on the total amount of remuneration in the reporting year a company of certified auditors"Accountancy firm the reference for 2009,Report the reference check - 3 000 LVL
Total 3 000 LVL

Annual report is accepted and signed from page 1 till 27

Chairman of the Board

Eduards Malejevs

Member of the Board

Gunars Lacis

Member of the Board

Juris Voins

INDEPENDENT AUDITORS' REPORT

To the Shareholders "VEF Radiotehnika RRR" JSC

Report on the Financial Statements

We have audited the accompanying financial statements on pages 7 to 27 of "VEF Radiotehnika RRR" JSC, which comprise the balance sheet as of 31 December 2009 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 Radiotehnika RRR" JSC, on December, 31, 2009, 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 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 2009.

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



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



Rīga, Latvija
28.04.2010.