

**JSC "VEF Radiotehnika RRR"**

**Unified Registration Nr. 40003286712**

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

**Main activities:  
production**

**Measurement units: Ls (LVL)**

## ***2010 Q-1 Report***

**Submission date:** \_\_\_\_\_

**Date of receipt:** \_\_\_\_\_

***Riga, Latvia***

## ***TABLE OF CONTENTS***

	<b>Page</b>
<b>Information about the company</b>	<b>3</b>
<b>Management report</b>	<b>4</b>
<b>Notification of management's responsibility</b>	<b>6</b>
<b>Profit and Loss Statement</b>	<b>7</b>
<b>Balance Sheet</b>	
<b>Assets</b>	<b>8</b>
<b>Liabilities</b>	<b>9</b>
<b>Statement of Cash Flows</b>	<b>10</b>
<b>Statement of Changes in Share Capital</b>	<b>11</b>
<b>Addenda to the Annual Report:</b>	
<b>1. Accounting policies and methods of usage</b>	<b>12</b>
<b>2. Notes to Profit and Loss statement entries</b>	<b>18</b>
<b>3. Notes to Balance Sheet entries</b>	<b>21</b>
<b>4. General information</b>	<b>27</b>

## ***INFORMATION about the COMPANY***

<b>Full name of the Company</b>	<i>JSC "VEF Radiotehnika RRR"</i>			
<b>Legal status of the Company</b>	<i>Public Joint-Stock Company</i>			
<b>Unified Registration Nr., place and date of issue datums</b>	<i>40003286712 11.12.1998</i>			
<b>Legal address of the Company</b>	<i>Kurzemes prospekts 3, Riga, LV-1067</i>			
<b>Telephone</b>	<i>67418087</i>			
<b>Postal address</b>	<i>Kurzemes prospekts 3, Riga, LV-1067</i>			
<b>Bank name and Company's bank accounts</b>	<i>AS "SEB Latvijas Unibanka" LV57UNLA0050006466330 (LVL) LV55UNLA0050006466366 (EUR) LV32UNLA0050006466392 (USD)</i>			
<b>Council members of the JSC</b>				
Chairman of the Council	<i>Janis Salenieks</i>			
Council Member	<i>Jurijs Malejevs</i>			
Council Member	<i>Inga Spruga</i>			
Council Member	<i>Ausma Smiltnece</i>			
Council Member	<i>Vjaceslavs Mihailovins</i>			
<b>Boar members of the JSC</b>				
Chairman of the Board	<i>Eduards Malejevs</i>			
Board Member	<i>Gunars Lacis</i>			
Board Member	<i>Juris Voins</i>			
<b>Reporting year</b>	<b><i>from</i></b>	<i>01.01.2010</i>	<b><i>till</i></b>	<i>31.03.2010</i>
<b>Previous reporting period</b>	<b><i>from</i></b>	<i>01.01.2009</i>	<b><i>till</i></b>	<i>31.12.2009</i>
<b>Chief Accountant</b>	<i>Olga Romanenko</i>			
<b>Telephone:</b>	<i>67418087</i>			
<b>Auditor:</b>	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***

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### **Types of activities**

During the 3 months of 2010, 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 block un components;
3. Production and sales of printed circuit boards, galvanization services;
4. Provision of real estate rental services

All of the above-mentioned activities had been performed also in year 2009. New types of activities have not been performed.

### **Operation of the company in the reporting period**

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

Result before extraordinary items and taxes:	43557 LVL
Other taxes:	-26119 LVL
Net result:	17438 LVL

Net turnover for Q-1 2010 is 467172 Ls and has grown by 12,2 % in comparison with 2009.

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

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 (%)	4.36
Operating profit margin (%)	15.95
Gross profit margin (%)	10.67

#### ***Financial profitability (%)***

Return on capital	0.68
Return on equity	0.82

### **Company's development activities**

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

In 2010, 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.

**Chairman of the Board**

**Eduards Malejevs**

**Member of the Board**

**Gunars Lacis**

**Member of the Board**

**Juris Voins**

**31.05.2010**

### ***Notification of management's responsibility***

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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 March 31, 2010, 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 activities.

**Chairman of the Board**

**Eduards Maļejevs**

**Member of the Board**

**Jurijs Maļejevs**

**Member of the Board**

**Juris Voins**

**31.05.2010**

***PROFIT AND LOSS STATEMENT  
FOR THE PERIOD ENDED***

***31.03.2010 (per turnover (period) costs method)***

	Note	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
	nr.	LVL	EUR	LVL	EUR
Net turnover	1	399 862	568 952	467 172	664 726
Cost of sales	2	(357 183)	(508 226)	(479 806)	(682 702)
<b>Gross profit or loss</b>		<b>42 679</b>	<b>60 726</b>	<b>(12 634)</b>	<b>(17 976)</b>
Selling expenses	3	(21 484)	(30 569)	(9 394)	(13 366)
Administrative expenses	4	(36 989)	(52 631)	(86 251)	(122 724)
Other operating income	5	82 013	116 694	48 076	68 406
Other operating expenses	6	(2 436)	(3 466)	(9 791)	(13 931)
Interest income and similar income	7	2	3	15	21
Interest expense and similar expenses	8	(20 228)	(28 782)	(28 918)	(41 147)
<b>Profit or loss before extraordinary items and taxes</b>		<b>43 557</b>	<b>61 975</b>	<b>(98 897)</b>	<b>(140 717)</b>
<b>Profit or loss after extraordinary items and before taxes</b>		<b>43 557</b>	<b>61 975</b>	<b>(98 897)</b>	<b>(140 717)</b>
Deferred corporate income tax for the reporting period	9	-	-	-	-
Other taxes	10	(26 119)	(37 164)	(25 586)	(36 406)
<b>Profit or loss for the period</b>		<b>17 438</b>	<b>24 811</b>	<b>(124 483)</b>	<b>(177 123)</b>
Earnings per share (EPS coefficient)		0.007	0.010	(0.049)	(0.069)

**Chairman of the Board**

**Eduards Maļejevs**

**Member of the Board**

**Jurijs Maļejevs**

**Member of the Board**

**Juris Voins**

**31.05.2010**

***BALANCE SHEET as on 31.03.2010.***

ASSETS		Note	2010	2010	2009	2009
		nr.	LVL	EUR	LVL	EUR
<b>1. Non-current assets</b>						
<b>I. Intangible assets:</b>						
Concessions, patents, licenses, trade marks and similar rights	11		492	700	967	1 376
<b>Total intangible assets:</b>			<b>492</b>	<b>700</b>	<b>967</b>	<b>1 376</b>
<b>II. Fixed assets:</b>						
Land, buildings and constructions			966 676	1 375 456	1 060 881	1 509 498
Equipment and vehicles			1 579 097	2 246 853	1 704 097	2 424 712
Other fixed assets			103 966	147 930	120 978	172 136
Construction of fixed assets and unfinished construction objects			38 052	54 143	38 052	54 143
Advance payments for fixed assets				-		-
<b>Total fixed assets:</b>	12		<b>2 687 791</b>	<b>3 824 382</b>	<b>2 924 008</b>	<b>4 160 489</b>
<b>III. Investment properties</b>						
<b>Total investment properties:</b>			-		-	
<b>IV. Biological assets</b>						
<b>Total biological assets</b>			-		-	
<b>V. Long-term financial investments:</b>						
Other loans and other long-term debtors			520	740	520	740
Deferred taxation assets			47 063	66 965	60 113	85 533
<b>Total long-term financial investments:</b>			<b>47 583</b>	<b>67 705</b>	<b>60 633</b>	<b>86 273</b>
<b>Total non-current assets:</b>			<b>2 735 866</b>	<b>3 892 787</b>	<b>2 985 608</b>	<b>4 248 138</b>
<b>2. Current assets</b>						
<b>I. Inventory:</b>						
Raw materials	13		284 784	405 211	324 729	462 048
Work in process	14		12 246	17 424	7 194	10 236
Finished goods	14		268 519	382 068	245 669	349 555
Advance payments for materials	15		77 018	109 587	56 706	80 685
<b>Total inventory:</b>			<b>642 567</b>	<b>914 290</b>	<b>634 298</b>	<b>902 524</b>
<b>II. Sales-deferred long-term investments</b>						
<b>Total sales-deferred long-term investments:</b>			-	-	-	-
<b>III. Receivables:</b>						
Trade receivables	16		782 943	1 114 028	547 415	778 901
Other receivables	17		138 853	197 570	111 028	157 979
Deferred expenses	18		1 215 066	1 728 883	1 240 511	1 765 088
<b>Total receivables:</b>			<b>2 136 862</b>	<b>3 040 481</b>	<b>1 898 954</b>	<b>2 701 968</b>
<b>IV. Short-term financial investments:</b>						
Other securities and capital participation			14	20	14	20
<b>Total short-term financial investments:</b>			<b>14</b>	<b>20</b>	<b>14</b>	<b>20</b>
<b>V. Cash</b>	19		<b>4 758</b>	<b>6 770</b>	<b>871</b>	<b>1 239</b>
<b>Total currents assets:</b>			<b>2 784 201</b>	<b>3 961 561</b>	<b>2 534 137</b>	<b>3 605 751</b>
<b>TOTAL ASSETS:</b>			<b>5 520 067</b>	<b>7 854 348</b>	<b>5 519 745</b>	<b>7 853 890</b>

***BALANCE SHEET as on 31.03.2010.***

**LIABILITIES AND  
SHAREHOLDERS' EQUITY**

**1. Shareholders' equity:**

	Note nr.	2010 LVL	2010 EUR	2009 LVL	2009 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	- 370 189	- 526 731	- 392 949	- 559 116
b) current year profit/(loss)	21	17 438	24 811	124 483	124 483
<b>Total shareholders' equity:</b>		<b>2 196 333</b>	<b>3 125 100</b>	<b>2 031 652</b>	<b>2 943 421</b>

**2. Provisions:**

Citi uzkrājumi		18 524	26 357		
<b>Total provisions:</b>		<b>18 524</b>	<b>26 357</b>	<b>-</b>	<b>-</b>

**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	51 774	73 668	66 151	94 124
Deferred income	24	228 144	324 620	409 491	582 653
Deferred tax liabilities	25		-		-
<b>Total non-current liabilities:</b>		<b>1 802 126</b>	<b>2 564 195</b>	<b>2 105 109</b>	<b>2 995 300</b>

**II. Current liabilities:**

Loans from lending institutions	26	364 051	517 998	383 457	545 610
Other loans	27	59 415	84 540	65 801	93 626
Advances from customers	28	2 542	3 617	89 003	126 640
Trade accounts payable	29	542 425	771 801	355 435	505 738
Taxes and social security liabilities	30	286 696	407 932	205 382	292 232
Other liabilities	31	81 463	115 911	50 934	72 473
Deferred income	32	136 011	193 526	136 011	193 526
Accrued liabilities	33	30 481	43 371	96 961	137 963
<b>Total current liabilities:</b>		<b>1 503 084</b>	<b>2 138 696</b>	<b>1 382 984</b>	<b>1 967 808</b>

<b>Total liabilities:</b>	<b>3 305 210</b>	<b>4 702 891</b>	<b>3 488 093</b>	<b>4 963 108</b>
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<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY:</b>	<b>5 520 067</b>	<b>7 854 348</b>	<b>5 519 745</b>	<b>7 853 890</b>
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**Chairman of the Board**

**Eduards Malejevs**

**Member of the Board**

**Gunars Lacis**

**Member of the Board**

**Juris Voins**

**31.05.2010**

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

Financial Statements for the period from 01.01.2006 to 31.12.2006.

**CASH FLOW STATEMENT FOR THE PERIOD ENDED**

**31.03.2010 (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
- e) ieņēmumi no līdzdalības koncerna meitas un asociēto sabiedrību kapitālos
- 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

Interest received

Saņemtās dividendes

**Net cash flow from investing activities**

**III. Cash flow from financing activities**

Loans received

Received subsidies, grants, gifts or donations

Loans repaid

Rented asset buyout expenses

**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**

2010	2010	2009	2009
LVL	EUR	LVL	EUR
43 557	61 976 -	98 897 -	140 718
45 567	64 836	76 457	108 789
42	60	156	222
-	-	-	-
(8 301)	(11 811)	(3 225)	(4 589)
-	-	-	-
(45 337)	(64 509)	(45 337)	(64 509)
(2)	(3)	(15)	(21)
(28 173)	(40 087)	-	-
20 228	28 782	28 918	41 147
(26 119)	(37 164)	(25 586)	(36 406)
<b>1 462</b>	<b>2 080</b>	<b>(67 529)</b>	<b>(96 085)</b>
(127 638)	(181 613)	18 043	25 673
30 630	43 583	93 020	132 356
129 586	184 384	75 802	107 857
<b>34 040</b>	<b>48 435</b>	<b>119 336</b>	<b>169 800</b>
(28 918)	(41 147)	(28 918)	(41 147)
<b>5 122</b>	<b>7 288</b>	<b>90 418</b>	<b>128 653</b>
<b>5 122</b>	<b>7 288</b>	<b>#REF!</b>	<b>#REF!</b>
(14 359)	(20 431)	(1 874)	(2 666)
57 000	81 104	-	-
2	3	15	21
-	-	-	-
<b>42 643</b>	<b>60 676</b>	<b>(1 859)</b>	<b>(2 645)</b>
43 908	62 475	7 708	10 968
-	-	-	-
(81 207)	(115 547)	(88 698)	(126 206)
(8 300)	(11 810)	(10 202)	(14 516)
<b>(45 599)</b>	<b>(64 882)</b>	<b>(91 192)</b>	<b>(129 755)</b>
-	-	(26)	(37)
<b>2 166</b>	<b>(3 784)</b>	<b>(2 659)</b>	<b>(3 784)</b>
<b>2 592</b>	<b>3 688</b>	<b>3 530</b>	<b>5 023</b>
<b>4 758</b>	<b>6 770</b>	<b>871</b>	<b>1 239</b>

**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 Q 2010**

	Share capital (capital)	Long-term investment revaluation reserve	Legal reserve	Net profit for the year	Prior year retained earnings	Equity together
	LVL	LVL	LVL	LVL	LVL	LVL
<b>Balance 2007 31 December</b>	<b>2 549 084</b>	<b>-</b>	<b>-</b>	<b>16 684</b>	<b>- 409 633</b>	<b>2 156 135</b>
Profits				- 16 684	16 684	-
Net profit for the year				22 760		22 760
<b>Balance 2008 31 December</b>	<b>2 549 084</b>	<b>-</b>	<b>-</b>	<b>22 760</b>	<b>- 392 949</b>	<b>2 178 895</b>
Profits				- 22 760	22 760	-
Net profit for the year				17 438		17 438
<b>Balance 2010 31 Martch</b>	<b>2 549 084</b>	<b>-</b>	<b>-</b>	<b>17 438</b>	<b>- 370 189</b>	<b>2 196 333</b>
	Share capital (capital)	Long-term investment revaluation reserve	Legal reserve	Net profit for the year	Prior year retained earnings	Equity together
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Balance 2008 31 December</b>	<b>3 627 020</b>	<b>-</b>	<b>-</b>	<b>56 637</b>	<b>- 904 369</b>	<b>2 779 288</b>
Profits				- 23 739	23 739	-
Net profit for the year				32 385		32 385
<b>Balance 2009 31 December</b>	<b>3 627 020</b>	<b>-</b>	<b>-</b>	<b>65 283</b>	<b>- 880 630</b>	<b>2 811 673</b>
Profits				- 32 385	32 385	-
Net profit for the year				24 812		24 812
<b>Balance 2010 31 Martch</b>	<b>3 627 020</b>	<b>-</b>	<b>-</b>	<b>24 812</b>	<b>- 526 731</b>	<b>3 125 100</b>

Chairman of the Board

Eduards Malejevs

Member of the Board

Gunars Lacis

Member of the Board

Juris Voins

31.05.2010

## ***Notes to the Financial Statements***

### **1. Accounting Policies**

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

#### **General Principles**

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

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

Cash Flow Statement is prepared using indirect method.

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

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

1. Acceptable to Financial Statements' users for making decisions;

2. Is valid in the way that it:

\* correctly reflects Company's results and financial standing - not only the legal form but also the economic nature, is neutral, i.e. non-biased nor deliberate;

\* fully represents all real aspects.

#### **Changes to the accounting policies**

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

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

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

#### **Error correction**

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

1) by correcting comparable indicators for the periods in which the error has occurred; or

2) should the error get discovered prior the latter financial reporting period, by amending the asset, liability and share capital starting figures for the latter reporting period's.

#### **Adapted accounting principles**

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

a) it is assumed that the Company continues operations;

b) the same valuation methods as for the previous reporting year shall be used;

c) item valuation is performed with due attention, taking into account the following provisions:

- only profit received prior to the Balance Sheet date is used;

- all foreseen risk amounts and losses which have arisen in the reporting year or in the previous years, are included, even when they became known between the Balance Sheet date and the Annual Report preparation date;

- all value depreciations and reductions are considered and calculated regardless of whether the reporting year had profits or losses;

d) all incomes and expenses related to the reporting year are included in the Profit and Loss Statement regardless of payment date, invoice receipt or issuance dates. Expenses are compared with incomes in the corresponding reporting period;

e) assets and liabilities items are valued separately;

f) reporting year's beginning balance is matching the previous year's ending balance;

g) all items which may influence Annual Report's users decision making or valuation, are included;

h) operating activities for the reporting period are reflected taking into account their economic meaning and contents, not legal form.

**Reporting period: from 01.01.2010 to 31.03.2010.**

### 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:

	2009.31.03	2009.31.12	2008.31.12
USD	0.528	0.528	0.536
EUR	0.702804	0.703	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

the straight-line method, reducing the net book value of the asset at the end of useful life using the following rates:

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

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

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

### **Rent**

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

### **Hire-purchase (Financial leasing)**

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

### **Long-term financial investments**

Long-term financial investments are purchase of a company (or shares of it), long-term loans, long-term investments.

Long-term investments are investments with pay-off date of over one year and are outside the reporting year.

### **Investments in subsidiaries and related Company shareholding.**

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

### **Inventory valuation**

Paragraph 40 of the Provisions of the Latvian Republic Cabinet of Ministers Nr.312 "Regulations on organisation of wholesale and retail" dated 31.08.1999 shall serve as the basis for goods inventory movement. Received and issued goods management is performed with help of computer software "DAIS". Uninterrupted inventory method is applied in monitoring wholesale movement of goods. During the reporting year, warehouse management software reflected every movement of inventory- sale, internal movement, return of goods to the supplier, return of goods from buyers. The goal of annual inventory is to check the correctness of inventory movement management system. Inventories are valued using FIFO method.

In case of necessity, outdated, slow turnover or damaged inventories' values decrease is written-off, or provisions are made.

Unused material values and stocks at the end of reporting period are valued on historic cost basis, with addition of additional costs (Customs' duties, transport costs, delivery services etc) proportion which is related to the stocks valued.

### **Write-off of purchased inventory's values:**

Inventory items are recorded in the actual volumes at historical cost in the sub account specially dedicated for these purposes.

Inventory balances are checked during annual inventory.

### **Debtors**

Financial Statements for the period from 01.01.2006 to 31.12.2006.

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

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

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

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

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

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

### **Net turnover**

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

### **Income and expenses acknowledgement**

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

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

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

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

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

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

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

Incomes are recognised, using the following methods:

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

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

All significant cost items are processed per accumulation principle.

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

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

### **Cash and cash equivalents**

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

### **Financial Asset's or Liability's real value**

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

### **Accounts Payable**

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

Financial Statements for the period from 01.01.2006 to 31.12.2006.

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

### **Reserves**

Reserves are formed in order to cover certain liabilities, which are related to the reporting period or previous periods, can be foreseen at the time of preparation of the Annual Report or known not to exceed these amounts. The level of the reserves is set in accordance with the methods, adopted by the Company.

### **Provisions for unused vacations**

Amount of the provisions is calculated by dividing the total salaries for 2006 by 12 months.

### **Loans received and loans issued**

Loans received and loans issued are initially shown in their original amount, which is stated in corresponding Loan Agreement at the transaction date.

Amounts of loans issued from the lending institutions are to be compared with the written statements with acceptance from lending institutions at the end of the reporting year. For loans received in foreign currency, the remaining principal amount is calculated per Bank of Latvia exchange rate on the last day of the reporting year.

### **Deferred Liabilities**

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

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

### **Taxes**

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

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

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

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

### **Calculations**

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

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

### **Possible liabilities and assets**

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

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

### **Events after the end of the reporting year**

Certain events which give additional information about Company's financial standing at the Balance Sheet date (correcting factors) have been considered during the preparation of the Financial Statements. If post Balance Sheet date events are not correcting factors, they are included in the Financial Statements only if they are substantial.

### **Related parties**

The following sides are treated as "related parties": shareholders of the Company, Board Members, their close family members and companies which are under control or significant influence to the aforementioned related parties.

## 2. Notes to the Profit and Loss statement entries

### Note Nr.1

#### Net Turnover

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

Type of activity	2010	2010	2009	2009
	LVL	EUR	LVL	EUR
Income from export sale of finished goods	139 101	197 923	154 162	219 353
Income from rent of premises	85 138	121 140	125 551	178 643
Income from sale of finished goods in the local market	18 991	27 022	49 798	70 856
Income from utility services	116 856	166 271	136 622	194 396
Income from sale of materials	39 776	56 596	1 039	1 478
<b>Total</b>	<b>399 862</b>	<b>568 952</b>	<b>467 172</b>	<b>664 726</b>

### Note Nr. 2

#### Cost of goods sold

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

<b>Cost type</b>	-	-	-	-
Personnel costs	19 707	28 041	98 872	140 682
Depreciation of fixed assets	18 336	26 090	26 299	37 420
Depreciation of fixed assets (project 124000075)	27 273	38 806	50 313	71 589
Changes in finished goods inventory	54 391	77 391	72 823	103 618
Changes in purchased materials and goods inventory	111 357	158 447	41 179	58 592
Services for productions	8 335	11 860	14 650	20 845
Ongoing maintenance and repair	1 950	2 775	2 276	3 238
Real estate property maintenance	113 032	160 830	171 320	243 766
Other costs	2 802	3 987	2 074	2 951
<b>Total</b>	<b>357 183</b>	<b>508 227</b>	<b>479 806</b>	<b>682 701</b>

### Notes to the Profit and Loss statement entries (continued)

### Note Nr. 3

#### Sales costs

<b>Cost type</b>	9 512	13 534	8 715	12 400
Goods' transport costs	11 419	16 248	358	509
Bonuses, discounts	553	787	321	457
Advertising costs	<b>21 484</b>	<b>30 569</b>	<b>9 394</b>	<b>13 366</b>
<b>Total</b>	-	-	-	-

### Note Nr. 4

#### Administrative costs

<b>Cost type</b>	2010	2010	2009	2009
	LVL	EUR	LVL	EUR
Personnel costs	26 783	38 109	67 216	95 640
Representation costs	109	155	592	842
Office expenses	819	1 165	1 959	2 787
Communication expenses	2 694	3 833	4 602	6 548
Bank expenses	2 489	3 542	687	978
Transport costs	1 909	2 716	5 119	7 284
Accounting and legal expenses	788	1 121	833	1 185
Other administrative costs	1 398	1 989	5 243	7 460

JSC "VEF Radiotehnika RRR"  
unified Reg.Nr.40003286712  
Financial Statements for the period from 01.01.2006 to 31.12.2006.

<b>Total</b>	<b>36 989</b>	<b>52 630</b>	<b>86 251</b>	<b>122 724</b>
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**Note Nr. 5**

**Other incomes from operating activity**

Type on income	Income	Expenses	Income	Expenses
	LVL	EUR	LVL	EUR
Income from privatisation certificates			-	-
Incoms from Grant.fin.(124000075)	45 337	64 509	45 337	64 509
Other income	8 503	12 099	2 739	3 897
<b>Total</b>	<b>28 173</b>	<b>40 087</b>		
	<b>82 013</b>	<b>116 694</b>	<b>48 076</b>	<b>68 406</b>

**Note Nr. 6**

**Other incomes/expenses from operating activity**

Type of income/expense	Income	Expenses	Income	Expenses
	LVL	EUR	LVL	EUR
Difference in currency rates			64	10 117
Sale of fixed assets	2 323	3 305	1 874	1 363
Other expenses *	113	161	7 853	3 694
<b>Total</b>	<b>2 436</b>	<b>3 466</b>	<b>9 791</b>	<b>15 174</b>

**Note Nr. 7**

**Other interest and similar income**

Type of income	LVL	EUR	LVL	EUR
Received penalties / fines	2	3	15	21
Net profit from foreign currency rate fluctuations	<b>2</b>	<b>3</b>	<b>15</b>	<b>21</b>
<b>Total</b>				

*Notes to the Profit and Loss statement entries (continued)*

**Note Nr. 8**

**Other interest and similar expenses**

Type of expense	2010	2010	2009	2009
	LVL	EUR	LVL	EUR
Interest paid on loans	20228	28 782	28918	41 147
<b>Total</b>	<b>20 228</b>	<b>28 782</b>	<b>28 918</b>	<b>41 147</b>

**Note Nr. 10**

**Other taxes**

	2010	2010	2009	2009
	LVL	EUR	LVL	EUR
Real estate tax for land	3 100	4 411	2 480	3 529
Real estate tax for buildings and constructions	23 019	32 753	23 106	32 877
<b>Total:</b>	<b>26 119</b>	<b>37 164</b>	<b>25 586</b>	<b>36 406</b>

## Notes to the Financial Statements

### Notes to the Balance Sheet as on March 31, 2010.

#### 11. Intangible assets

	Computer software	Patents and trade marks	Other licenses	Pre-payments for intangible assets	Intangible assets total, LVL	Intangible assets total, EUR
<b>Historical cost</b>						
<b>31.12.2009.</b>	7 363	-	-	-	7 363	10 477
Purchased		-	-	-	-	-
Relocated	-	-	-	-	-	-
Written-off	-	-	-	-	-	-
<b>31.03.2010.</b>	7 363	-	-	-	7 363	10 477
<b>Depreciation</b>						
<b>31.12.2009.</b>	6 829	-	-	-	6 829	9 717
Calculated	42	-	-	-	42	60
Written-off	-	-	-	-	-	-
<b>31.03.2010.</b>	6 871	-	-	-	6 871	9 777
<b>Net book value</b>						
<b>31.12.2009.</b>	534	-	-	-	534	760
<b>Net book value</b>						
<b>31.03.2010.</b>	492	-	-	-	492	700

#### 12. Fixed Assets

	Land	Buildings and constructions	Technological equipment	Other fixed assets	Total LVL	Total EUR
<b>Historical cost</b>						
<b>31.12.2009.</b>	428 034	1 002 296	641 893	297 848	2 370 071	3 372 307
Purchased			-	14 360	14 360	20 432
Written-off	- 28 827		-		- 28 827	- 41 017
<b>31.03.2010.</b>	399 207	1 002 296	641 893	312 208	2 355 604	3 351 723
<b>Depreciation</b>						
<b>31.12.2009</b>	-	432 831	334 878	201 707	969 416	1 379 355
Calculated		1 996	9 762	6 535	18 293	26 029
Written-off			-		-	-
<b>31.03.2010.</b>	-	434 827	344 640	208 242	987 709	1 405 383
<b>Net book value</b>						
<b>31.12.2009.</b>	428 034	569 465	307 015	96 141	1 400 655	1 992 953
<b>Net book value</b>						
<b>31.03.2010.</b>	399 207	567 469	297 253	103 966	1 367 895	1 946 339

JSC "VEF Radiotehnika RRR"  
unified Reg.Nr.40003286712  
Financial Statements for the period from 01.01.2006 to 31.12.2006.

**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
<b>Historical cost</b>						
<b>31.12.2009.</b>	<b>1 827 372</b>	<b>-</b>	<b>-</b>	<b>38 052</b>	<b>1 865 424</b>	<b>2 654 259</b>
Purchased	-	-	-	-	-	-
Written-off	-	-	-	-	-	-
<b>31.03.2010.</b>	<b>1 827 372</b>	<b>-</b>	<b>-</b>	<b>38 052</b>	<b>1 865 424</b>	<b>2 654 259</b>
<b>Depreciation</b>						
<b>31.12.2009.</b>	<b>518 255</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>518 255</b>	<b>518 255</b>
Calculated	27 273	-	-	-	27 273	38 806
Written-off	-	-	-	-	-	-
<b>31.03.2010.</b>	<b>545 528</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>545 528</b>	<b>776 216</b>
<b>Net book value</b>						
<b>31.12.2009.</b>	<b>1 309 117</b>	<b>-</b>	<b>-</b>	<b>38 052</b>	<b>1 347 169</b>	<b>1 916 849</b>
<b>Net book value</b>						
<b>31.03.2010.</b>	<b>1 281 844</b>	<b>-</b>	<b>-</b>	<b>38 052</b>	<b>1 319 896</b>	<b>1 878 043</b>

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

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

**13. Raw material**

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Materials	191 319	272 222	199 827	284 328
Equipment in service	93 465	132 989	124 902	177 720
<b>Total</b>	<b>284 784</b>	<b>405 211</b>	<b>324 729</b>	<b>462 048</b>

Attachments balance sheet (continued)

**14. Raw materials**

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Unfinished goods	12 246	17 424	7 194	10 236
finished goods and goods in warehouse	268 519	382 068	245 669	349 555
<b>Total</b>	<b>280 765</b>	<b>399 492</b>	<b>252 863</b>	<b>359 791</b>

**15. Advance payments for goods**

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Advance payments for materials	26 363	37 511	13 167	18 735
Advance payments to non-residents	50 655	72 076	43 539	61 950
Goods in bonded storage	-	-	-	-
<b>Total</b>	<b>77 018</b>	<b>109 587</b>	<b>56 706</b>	<b>80 685</b>

**16. Trade receivables**

	2010 LVL	2010 EUR	2009 LVL	2009 EUR
Receivables (non-residents)	580 257	825 631	271 344	386 088
Receivables (residents)	202 686	288 396	276 071	392 814
<b>Book value of purchases and customers, total</b>	<b>782 943</b>	<b>1 114 027</b>	<b>547 415</b>	<b>778 902</b>
Provisions for doubtful debts	-	-	-	-

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

Financial Statements for the period from 01.01.2006 to 31.12.2006.

<b>Net trade receivables, total</b>	<b>782 943</b>	<b>1 114 027</b>	<b>547 415</b>	<b>778 902</b>
<b>17. Other receivables</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
VAT confirmed (unpaid invoices)	212	302	1 917	2 728
Tax pre-payments for customs procedures	86 388	122 919	49 775	70 823
Loans to employees	83	118	3 683	5 240
Other loans	5 094	7 248	5 394	7 675
Others	46 836	66 642	50 019	71 171
<b>Total</b>	<b>240</b>	<b>341</b>	<b>240</b>	<b>341</b>
	<b>138 853</b>	<b>197 570</b>	<b>111 028</b>	<b>157 978</b>
<b>18. Deferred expenses</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Insurance expenses	4 729	6 729	4 875	6 937
Expenses for repairs of buildings and premises	5 756	8 190	11 017	15 676
Expenses for implementation of project Nr.124000075	294 586	419 158	316 372	450 157
Expenses for reconstruction of block I-2	909 478	1 294 071	904 821	1 287 444
Other expenses	517	736	3 426	4 875
<b>Total</b>	<b>1 215 066</b>	<b>1 728 884</b>	<b>1 240 511</b>	<b>1 765 089</b>
<b>19. Cash and cash equivalents</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Cash on hand	3 311	4 711	857	1 219
Cash in bank accounts	1 447	2 059	31 768	45 202
<b>Total</b>	<b>4 758</b>	<b>6 770</b>	<b>32 625</b>	<b>46 421</b>

**Notes to the Balance Sheet (continued)**

**20. Information about company's share capital**

On 31.03.2010 company's share capital consisted of 2549084 registered and fully paid shares with nominal value of 1 Ls.  
Larges shareholders of JSC "VEF Radiotehnika RRR" are:

Shareholders	Number of shares		Value			
			LVL		EUR	
	31.03.2009	31.03.2009	09.01.1900	08.01.1900	09.01.1900	08.01.1900
Baltlains Intern SIA	1270612	1270612	1270612	1270612	1807918	1807918
VSAA	192694	192694	192694	192694	274179	274179
Eduards Maļejevs	423559	423559	423559	423559	602670	602670
Jurijs Maļejevs	421871	421871	421871	421871	600268	600268
Pārējie (<5%)	240348	240348	240348	240348	341984	341984
<b>Kopā:</b>	<b>2549084</b>	<b>2549084</b>	<b>2549084</b>	<b>2549084</b>	<b>3627020</b>	<b>3627020</b>

**21. Retained earnings/losses**

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

<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>

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

Financial Statements for the period from 01.01.2006 to 31.12.2006.

Previous years' retained earnings/losses	-370 189 -	526 731	-392 949 -	559 116
Current year profit/loss	17 438	24 812	-124 483 -	177 123
<b>Total</b>	<b>- 352 751 -</b>	<b>501 919 -</b>	<b>517 432 -</b>	<b>736 239</b>

**22. Long-term loans from lending institutions**

	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Loan from JSC SEB Latvijas Unibanka (EUR)	1 522 208	2 165 907	1 629 467	2 318 523
<b>Total</b>	<b>1 522 208</b>	<b>2 165 907</b>	<b>1 629 467</b>	<b>2 318 523</b>

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)**

	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Financial lease from SIA Parex Līzins un Faktoring	31 273	44 497	43 287	61 592
Financial lease from SIA Nord/LB Līzings (EUR)	15 019	21 370	11 409	16 234
Financial lease from SIA Unilīzings (EUR)	5 482	7 800	11 461	16 308
<b>Total</b>	<b>51 774</b>	<b>73 667</b>	<b>66 157</b>	<b>94 134</b>

**24. Deferred income (long-term)**

	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Income from grant financing (project Nr.124000075)	228 144	324 620	409 491	582 653
<b>Total</b>	<b>228 144</b>	<b>324 620</b>	<b>409 491</b>	<b>582 653</b>

**26. Short-term loans from lending institutions**

	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Credit line from JSC SEB Latvijas Unibanka (LVL)	184 885	263 068	197 982	281 703
Loan from JSC SEB Latvijas Unibanka (EUR)	179 166	254 930	185 475	263 907
<b>Total</b>	<b>364 051</b>	<b>517 998</b>	<b>383 457</b>	<b>545 610</b>

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

**27. Other loans (short-term)**

	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Financial lease from SIA Parex Līzins un Faktoring	8 873	12 625	8 401	11 954
Financial lease from SIA Nord/LB Līzings (EUR)	10 267	14 609	9 946	14 152
Financial lease from SIA Hansa Līzings (EUR)		-	1 624	2 311
Financial lease from SIA Unilīzings (EUR)	4 126	5 871	10 351	14 728
Faktoring SIA Unilīzings (EUR)		-	35 479	50 482
Other loans	36 149	51 435	-	-
<b>Total</b>	<b>59 415</b>	<b>84 540</b>	<b>65 801</b>	<b>93 627</b>

**28. Advances from customers**

	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Advances from non-residents	2 119	3 015	11	16

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

Financial Statements for the period from 01.01.2006 to 31.12.2006.

Advances from residents	423	602	88 992	126 624
<b>Total</b>	<b>2 542</b>	<b>3 617</b>	<b>89 003</b>	<b>126 640</b>
<b>29. Due to suppliers and providers (short-term)</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Trade accounts payable to non-residents	47 461	67 531	78 294	111 402
Trade accounts payable to residents	494 964	704 270	277 141	394 336
<b>Total</b>	<b>542 425</b>	<b>771 801</b>	<b>355 435</b>	<b>505 738</b>

JSC "VEF Radiotehnika RRR"  
unified Reg.Nr.40003286712  
Financial Statements for the period from 01.01.2006 to 31.12.2006.

**Notes to the Balance Sheet (continued)**

<b>30. Taxes and social insurance payments</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Personal Income Tax	51 673	73 524	54 557	77 628
State Social Insurance payments	101 236	144 046	97 597	138 868
Value Added Tax	25 721	36 598	3 977	5 659
Real estate tax for building and constructions	108 043	153 731	49 049	69 790
Nature resources tax		-	85	121
Corporate risk tax	23	33	117	166
<b>Total</b>	<b>286 696</b>	<b>407 932</b>	<b>205 382</b>	<b>292 232</b>

  

<b>31. Other liabilities</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Salaries	55 088	78 383	22 585	32 136
Deposits	24 534	34 909	28 307	40 277
Other creditores	1 841	2 620		-
<b>Total</b>	<b>81 463</b>	<b>115 912</b>	<b>50 892</b>	<b>72 413</b>

  

<b>32. Deferred income (short-term)</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Income from grant financing (project Nr.124000075)	136 011	193 526	136 011	193 526
<b>Total</b>	<b>136 011</b>	<b>193 526</b>	<b>136 011</b>	<b>193 526</b>

  

<b>33. Accrued liabilities</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Current expenditure	30481	43 371	33171	47 198
Provision for leave		-	51406	73 144
Provision for leave VSAOI		-	12 384	17 621
<b>Total</b>	<b>30 481</b>	<b>43 371</b>	<b>96 961</b>	<b>137 963</b>

## Notes to the Financial Statements

### General Notes

#### 1. Average number of employees during the year

Average number of employees during the year

<u>2 010</u>	<u>2 009</u>
<u>55</u>	<u>171</u>

#### 2. Total personnel costs

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

Management salaries

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

<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
<u>LVL</u>	<u>EUR</u>	<u>LVL</u>	<u>EUR</u>
<b>46 490</b>	<b>66 149</b>	<b>166 089</b>	<b>236 324</b>
37 371	53 174	134 508	191 388
9 078	12 917	31 453	44 754
41	58	128	182
<hr/>			
5 024	7 149	7 500	10 672
1 104	1 571	1 632	2 322
2	3	2	3
<b>6 130</b>	<b>8 723</b>	<b>9 134</b>	<b>12 997</b>

*Annual report is accepted and signed from page 1 till 25*

Chairman of the Board

**Eduards Malejevs**

Member of the Board

**Gunars Lacis**

Member of the Board

**Juris Voins**