

**JSC "VEF Radiotehnika RRR"**

**Unified Registration Nr. 40003286712**

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

**Main activities:  
production**

**Measurement units: Ls (LVL)**

## ***2011 9 Months Report***

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

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

***Riga, Latvia***

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### ***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 Smiltniece</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>Olga Romanko(from19,08,2011)</i>		
Board Member	<i>Juris Voins(till 21,01,2011)</i>		
Board Member	<i>Boriss Livca from 10,05,2011)</i>		
<b>Reporting year</b>	<b><i>from</i></b>	<b><i>till</i></b>	<b><i>30.09.2011</i></b>
	<b><i>01.01.2011</i></b>		
<b>Previous reporting period</b>	<b><i>from</i></b>	<b><i>till</i></b>	<b><i>31.12.2010</i></b>
	<b><i>01.01.2010</i></b>		
<b>Chief Accountant</b>	<i>Olga Romanko</i>		
<b>Telephone:</b>	<i>67418087</i>		

## ***Management Report***

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### **Types of activities**

During the 9 months of 2011, 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 2010. 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:	142146 LVL
Other taxes:	-73635 LVL
Net result:	68511 LVL

Net turnover for 2011 is 545075 Ls and has decrease by 13,7 % in comparison with 2010.

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 (%)	7.84
Operating profit margin (%)	23.13
Gross profit margin (%)	3.81

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

Return on capital	1.69
Return on equity	1.43

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

2011th to carry out more serious work and efforts in improving the work environment, as well as production technology improvement and competitiveness:

- 1) These are ongoing reconstruction works continued production of housing, I-2;
- 2) continued to grant aid funding, purchase of new technological equipment acquisition project "Audio production modernization and development within the framework;
- 3) The continued acquisition of obsolete hardware replacement and a new computerized job creation.

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 2011, 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.

**Chairman of the Board**

**Eduards Malejevs**

**Member of the Board**

**Olga Romanko**

**Member of the Board**

**Boriss Livca**

2011,30,11

***PROFIT AND LOSS STATEMENT  
FOR THE PERIOD ENDED  
30.09.2011 (per turnover (period) costs method)***

	Note	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>
	nr.	LVL	EUR	LVL	EUR
Net turnover	1	874 239	1 243 930	1 217 613	1 732 507
Cost of sales	2	(840 967)	(1 196 588)	(1 135 438)	(1 615 583)
<b>Gross profit or loss</b>		<b>33 272</b>	<b>47 342</b>	<b>82 175</b>	<b>116 924</b>
Selling expenses	3	(24 750)	(35 216)	(67 456)	(95 981)
Administrative expenses	4	(99 420)	(141 462)	(176 060)	(250 511)
Other operating income	5	460 841	655 718	428 247	609 341
Other operating expenses	6	(167 723)	(238 648)	(58 113)	(82 687)
Interest income and similar income	7	6	9	6	9
Interest expense and similar expenses	8	(60 080)	(85 486)	(77 155)	(109 782)
<b>Profit or loss before extraordinary items and taxes</b>		<b>142 146</b>	<b>202 257</b>	<b>131 644</b>	<b>187 313</b>
<b>Profit or loss after extraordinary items and before taxes</b>		<b>142 146</b>	<b>202 257</b>	<b>131 644</b>	<b>187 313</b>
Deferred corporate income tax for the reporting period	9	-	-	(14 988)	(21 326)
Other taxes	10	(73 635)	(104 773)	(99 821)	(142 032)
<b>Profit or loss for the period</b>		<b>68 511</b>	<b>97 484</b>	<b>16 835</b>	<b>23 955</b>
Earnings per share (EPS coefficient)		0.027	0.038	0.007	0.009

**Chairman of the Board**

**Eduards Malejevs**

**Member of the Board**

**Boriss Livca**

**Member of the Board**

**Olga Romanko**

2011,30,11

***BALANCE SHEET as on 30.09.2011.***

<b>ASSETS</b>		Note nr.	<b>2011 LVL</b>	<b>2011 EUR</b>	<b>2010 LVL</b>	<b>2010 EUR</b>
<b>1. Non-current assets</b>						
<b>I. Intangible assets:</b>						
Concessions, patents, licenses, trade marks and similar rights		<b>11</b>	1	1	177	252
<b>Total intangible assets:</b>			<b>1</b>	<b>1</b>	<b>177</b>	<b>252</b>
<b>II. Fixed assets:</b>						
Land, buildings and constructions			5 886 684	8 375 997	953 830	1 357 178
Equipment and vehicles			1 354 077	1 926 678	1 465 889	2 085 772
Other fixed assets			63 035	89 691	82 770	117 771
Construction of fixed assets and unfinished construction objects			973 766	1 385 544	38 052	54 143
Advance payments for fixed assets			-	-	-	-
<b>Total fixed assets:</b>		<b>12</b>	<b>8 277 562</b>	<b>11 777 910</b>	<b>2 540 541</b>	<b>3 614 864</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			152 348	216 772	520	740
Deferred taxation assets			32 075	45 639	32 075	45 639
<b>Total long-term financial investments:</b>			<b>184 423</b>	<b>262 411</b>	<b>32 595</b>	<b>46 379</b>
<b>Total non-current assets:</b>			<b>8 461 986</b>	<b>12 040 322</b>	<b>2 573 313</b>	<b>3 661 495</b>
<b>2. Current assets</b>						
<b>I. Inventory:</b>						
Raw materials		<b>13</b>	262 413	373 380	263 013	374 234
Work in process		<b>14</b>	3 198	4 550	1 040	1 480
Finished goods		<b>14</b>	243 547	346 536	265 860	378 285
Advance payments for materials		<b>15</b>	72 815	103 606	75 724	107 746
<b>Total inventory:</b>			<b>581 973</b>	<b>828 072</b>	<b>605 637</b>	<b>861 745</b>
<b>II. Sales-deferred long-term investments</b>						
<b>Total sales-deferred long-term investments:</b>			-	-	-	-
<b>III. Receivables:</b>						
Trade receivables		<b>16</b>	644 408	916 910	535 180	761 493
Other receivables		<b>17</b>	152 736	217 324	153 884	218 957
Deferred expenses		<b>18</b>	259 221	368 838	1 217 236	1 731 971
<b>Total receivables:</b>			<b>1 056 365</b>	<b>1 503 072</b>	<b>1 906 300</b>	<b>2 712 421</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>		<b>19</b>	<b>68 257</b>	<b>97 121</b>	<b>597</b>	<b>849</b>
<b>Total currents assets:</b>			<b>1 706 609</b>	<b>2 428 285</b>	<b>2 512 548</b>	<b>3 575 035</b>
<b>TOTAL ASSETS:</b>			<b>10 168 595</b>	<b>14 468 607</b>	<b>5 085 861</b>	<b>7 236 528</b>

**BALANCE SHEET as on 30.09.2011.**

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>Note nr.</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
		<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
<b>1. Shareholders' equity:</b>					
Share capital	<b>20</b>	2 549 084	3 627 020	2 549 084	3 627 020
Reserves:		5 131 877	7 302 003		
Total reserves:		5 131 877	7 302 003	-	-
Retained earnings:					
a) previous years' retained earnings	<b>21</b>	- 353 353	- 502 776	- 370 189	- 526 731
b) current year profit/(loss)	<b>21</b>	68 511	97 484	16 835	16 835
<b>Total shareholders' equity:</b>		<b>7 396 119</b>	<b>10 523 731</b>	<b>2 195 730</b>	<b>3 117 124</b>
<b>2. Provisions:</b>					
<b>Total provisions:</b>		16 489	90 765	16 489	90 765
<b>3. Liabilities:</b>					
<b>I. Non-current liabilities:</b>					
Loans from lending institutions	<b>22</b>	1 480 040	2 105 907	1 480 040	2 105 907
Other loans	<b>23</b>	30 695	43 675	33 116	47 120
Deferred income	<b>24</b>		-	46 798	66 588
<b>Total non-current liabilities:</b>		<b>1 510 735</b>	<b>2 149 582</b>	<b>1 559 954</b>	<b>2 219 615</b>
<b>II. Current liabilities:</b>					
Loans from lending institutions	<b>26</b>	123 370	175 540	170 732	242 930
Other loans	<b>27</b>	34 109	48 533	41 762	59 422
Advances from customers	<b>28</b>	59 399	84 517	17 368	24 712
Trade accounts payable	<b>29</b>	571 170	812 702	494 852	704 111
Taxes and social security liabilities	<b>30</b>	329 031	468 169	322 792	459 292
Other liabilities	<b>31</b>	51 476	73 244	57 280	81 502
Deferred income	<b>32</b>	46 798	66 588	181 347	258 034
Accrued liabilities	<b>33</b>	29 899	42 542	27 555	39 207
Atvasinātie finanšu instrumenti			-		-
<b>Total current liabilities:</b>		<b>1 245 252</b>	<b>1 771 835</b>	<b>1 313 688</b>	<b>1 869 210</b>
<b>Total liabilities:</b>		<b>2 755 987</b>	<b>3 921 417</b>	<b>2 873 642</b>	<b>4 088 825</b>
<b>TOTAL LIABILITIES :</b>		<b>10 168 595</b>	<b>14 468 607</b>	<b>5 085 861</b>	<b>7 236 528</b>

**Chairman of the Board**

**Eduards Maļejevs**

**Member of the Board**

**Boriss Livca**

**Member of the Board**

**Olga Romanko**

2011,30,11



Financial Statements for the period from 01.01.2006 to 31.12.2006.

**CASH FLOW STATEMENT FOR THE PERIOD ENDED**

**30.09.2011(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) depreciation of non material assets.

c) amortisation of goodwill

d) gains or losses from foreign currency exchange rate

d) Profit or loss from the exchange rate fluctuations

f) income from subsidies, grants, gifts or donations

g) other income from interest or similar income

h) profit/loss from sale of fixed assets

i) interest payments and similar activities

k) other taxes

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

*Adjustments for:*

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

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

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

**Gross cash flow from operating activities**

Interest payments

**Cash flow before extraordinary items**

**Net cash flow from operating activity**

**II. Cash flow from investing activities**

Income from fixed assets sale

Interest received

**Net cash flow from investing activities**

**III. Cash flow from financing activities**

Loans received

Loans repaid

Rented asset buyout expenses

Interest paid

**Net cash flow from financing activities**

**IV. Foreign exchange rate differences**

**V. Net cash flow for the year**

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

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

	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
	142 146	202 256	131 644	187 313
	145 144	206 521	185 956	264 592
	176	250	357	508
	-	-	(2 035)	(2 896)
	19 781	28 146	(10 180)	(14 485)
	(181 347)	(258 034)	(181 347)	(258 034)
	(6)	(9)	(6)	(9)
	(275 853)	(392 503)	(230 743)	(328 318)
	60 080	85 486	77 155	109 782
	(73 635)	(104 773)	(99 821)	(142 032)
	<b>(163 514)</b>	<b>(232 659)</b>	<b>(129 020)</b>	<b>(183 578)</b>
	(184 961)	(263 176)	110 567	157 323
	1 558	2 217	70 497	100 308
	76 318	108 591	69 266	98 557
	<b>(270 599)</b>	<b>(385 027)</b>	<b>121 310</b>	<b>172 609</b>
	(60 080)	(85 486)	(77 110)	(109 718)
	<b>(330 679)</b>	<b>(470 513)</b>	<b>44 200</b>	<b>62 891</b>
	<b>(330 679)</b>	<b>(470 513)</b>	<b>44 200</b>	<b>62 891</b>
	461 279	656 341	266 429	379 094
	6	9	6	9
	<b>461 285</b>	<b>656 349</b>	<b>266 435</b>	<b>379 103</b>
	24 500	34 860	35 219	50 112
	(70 349)	(100 098)	(319 928)	(455 217)
	(16 893)	(24 037)	(138 976)	(197 745)
	(62 742)	(89 274)	(312 549)	(444 717)
	<b>(204)</b>	<b>(290)</b>	<b>(81)</b>	<b>(115)</b>
	<b>67 660</b>	<b>96 272</b>	<b>(1 995)</b>	<b>(2 839)</b>
	<b>597</b>	<b>849</b>	<b>2 592</b>	<b>3 688</b>
	<b>68 257</b>	<b>97 121</b>	<b>597</b>	<b>849</b>

**Chairman of the Board**

**Member of the Board**

**Member of the Board**

2011,30,11

**Eduards Maļejevs**

**Boriss Livca**

**Olga Romanko**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR 2011 9 months Report**

	Subscribed share capital	Investment revaluation reserve	Statutory reserves	Profit for the year	Previous year's retained earnings	Total share capital and reserves
	LVL	LVL	LVL	LVL	LVL	LVL
<b>Balance as on December 31, 2009</b>	<b>2 549 084</b>			<b>22 760</b>	<b>- 392 949</b>	<b>2 178 895</b>
Profit carried over				- 16 684	22 760	
Profit for the year				16 835		16 835
<b>Balance as on December 31, 2010</b>	<b>2 549 084</b>	<b>-</b>	<b>-</b>	<b>16 835</b>	<b>- 370 189</b>	<b>2 195 730</b>
Profit carried over				- 16 835	16 835	
Profit for the year				68 511		68 511
Company reserves buildup		5 131 877				5 131 877
<b>Balance as on December 31, 2011</b>	<b>2 549 084</b>	<b>-</b>	<b>-</b>	<b>68 511</b>	<b>- 353 354</b>	<b>7 396 119</b>

	Subscribed share capital	Investment revaluation reserve	Statutory reserves	Profit for the year	Previous year's retained earnings	Total share capital and reserves
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Balance as on December 31, 2009</b>	<b>3 627 020</b>			<b>56 637</b>	<b>- 559 116</b>	<b>3 100 288</b>
Profit carried over				- 32 385	32 385	
Profit for the year				23 954	-	23 954
<b>Balance as on December 31, 2010</b>	<b>3 627 020</b>	<b>-</b>	<b>-</b>	<b>48 206</b>	<b>- 526 731</b>	<b>3 124 242</b>
Profit carried over				- 23 954	23 954	
Profit for the year				97 482		97 482
Company reserves buildup		7 302 003				7 302 003
<b>Balance as on December 31, 2011</b>	<b>3 627 020</b>	<b>7 302 003</b>		<b>97 482</b>	<b>- 502 777</b>	<b>10 523 730</b>

Chairman of the Board

Eduards Maļejevs

Member of the Board

Boriss Livca

Member of the Board

Olga Romanko

2011,30,11

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

### **1. Accounting Policies**

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

#### **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 01.01.2011. to 30.09.2011**

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:

	30.09.2011	30.09.2010	31.12.2009
USD	0.516	0.535	0.489
EUR	0.702804	0.702804	0.702804

### Long-term and short-term items

The following amount are shown in the current assets:

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

Other assets are classified as long-term.

The following current liabilities are shown:

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

Other liabilities are classified as long-term.

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

- \* original liability term was longer than one year;

### Intangible assets and fixed assets depreciation

Intangible asset is an asset that:

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

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

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

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

#### Intangible assets

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

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

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

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

#### Fixed Assets:

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

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

All fixed assets are valued by their acquisition value.

Fixed assets are shown using their acquisition or revaluations value, less depreciation. Depreciation is calculated using

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

* Buildings and constructions	40579.00	%
* Technological equipment	10-20	%
* Transport vehicles	10-20	%
* Furniture	10-20	%
* Other fixed assets	10-20	%
* Mobile phones	35	%
* Computers and other data storage units	15-35	%
* Depreciation on land plots is not calculated.		

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

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

### **Rent**

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

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

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

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

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

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

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

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

### **Inventory valuation**

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

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

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

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

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

Inventory balances are checked during annual inventory.

### **Debtors**

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.

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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.

### **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**

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,

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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.

### **Reclassification of subjects (items)**

In 2011, due to changes in legislation and opinion of management, no changes have been made in classification of items in comparison with 2010. report.

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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	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Income from export sale of finished goods	339 128	482 536	423 662	602 817
Income from rent of premises	151 308	215 292	269 694	383 740
Income from sale of finished goods in the local market	39 144	55 697	127 009	180 718
Income from utility services	225 947	321 494	325 820	463 600
Income from sale of materials	118 712	168 912	71 428	101 633
<b>Total</b>	<b>874 239</b>	<b>1 243 931</b>	<b>1 217 613</b>	<b>1 732 508</b>

**Devision of neto turn over by geographical markets.**

LV	514 953	732 712	793 951	1 129 690
EE	4 328	6 158	2 441	3 473
DE	2 019	2 873	2 505	3 564
RU	31 687	45 087	14 695	20 909
PL	422	600	1 513	2 153
FI	-	-	2 735	3 892
IT	284 210	404 394	365 929	520 670
BY	7 547	10 738	10 311	14 671
CZ	26 495	37 699	17 551	24 973
KZ	-	-	3 968	5 646
LT	1 380	1 964	2 014	2 866
UA	785	1 117	-	-
USA	413	588	-	-
<b>Total</b>	<b>874 239</b>	<b>1 243 931</b>	<b>1 217 613</b>	<b>1 732 508</b>

**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	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Personnel costs	25 610	36 440	67 317	95 783
Provisions for leave and social security	-	-	401	571
Depreciation of fixed assets	63 324	90 102	77 220	109 874
Depreciation of fixed assets (project 124000075)	81 820	116 419	109 093	155 225
Write-off of cost of turnaround means	11 075	15 758	2 611	3 715
Changes in finished goods inventory	328 639	467 611	400 290	569 561
Changes in purchased materials and goods inventory	62 987	89 622	91 979	130 874
Services for productions	12 305	17 508	33 848	48 161
Ongoing maintenance and repair	12 585	17 907	12 806	18 221
Real estate property maintenance	227 060	323 077	318 954	453 831
Other costs	15 562	22 143	21 721	30 906
<b>Total</b>	<b>840 967</b>	<b>1 196 587</b>	<b>1 135 438</b>	<b>1 615 580</b>

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

**Note Nr. 3**

**Sales costs**

2011	2011	2010	2010
LVL	EUR	LVL	EUR



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**Cost type**

Commissions paid			23838	33918
Goods' transport costs	23 767	33 817	29 384	41 810
Sales costs	548	780	11 646	16 571
Advertising costs	435	619	2 588	3 682
<b>Total</b>	<b>24 750</b>	<b>35 216</b>	<b>67 456</b>	<b>95 981</b>

**Note Nr. 4**

**Administrative costs**

**Cost type**

Personnel costs	67 890	96 599	108 008	153 682
Provisions for leave and social security		- -	1 634 -	2 325
Representation costs	1 037	1 476	2 490	3 543
Office expenses	1 692	2 407	3 373	4 799
Communication expenses	5 160	7 342	9 383	13 351
Bank expenses	5 732	8 156	7 947	11 308
Transport costs	8 784	12 499	15 764	22 430
Accounting and legal expenses	3 060	4 354	17 009	24 202
Other administrative costs	6 065	8 630	13 720	19 522
<b>Total</b>	<b>99 420</b>	<b>141 463</b>	<b>176 060</b>	<b>250 512</b>

**Note Nr. 5**

**Other incomes from operating activity**

**Type on income**

	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Receivables from grant financing (project 124000075)	181 347	258 034	181 347	258 034
Sale of fixed assets (neto income0)	277 314	394 582	230 743	328 318
Other income	2 180	3 102	5 470	7 783
Net profits from Exchange rate fluctuations on net			10 180	14 485
Net profit from the net of the exchange rate of purchase/sales			507	721
<b>Total</b>	<b>460 841</b>	<b>655 718</b>	<b>428 247</b>	<b>609 341</b>

**Note Nr. 6**

**Other incomes/expenses from operating activity**

**Type of income/expense**

	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Net profits from Exchange rate fluctuations on net	19 781	28 146		-
Net profit from the net of the exchange rate of purchase/sales	204	290		-
Net interest	20 054	28 534	54 480	
Fines	126 804	180 426	60	85
Other expenses *	880	1 252	3 573	5 084
<b>Total</b>	<b>167 723</b>	<b>238 648</b>	<b>58 113</b>	<b>5 169</b>

**Note Nr. 7**

**Other interest and similar income**

**Type of income**

	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Interest received on account balances	5	7	16	23
<b>Total</b>	<b>5</b>	<b>7</b>	<b>16</b>	<b>23</b>

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

**Note Nr. 8**

**Other interest and similar expenses**

<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
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Type of expense		LVL	EUR	LVL	EUR
Interest paid on loans		60080	85 486	77155	109 782
<b>Total</b>		<b>60 080</b>	<b>85 486</b>	<b>77 155</b>	<b>109 782</b>
<b>Note Nr. 9</b>		<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
<b>Deferred Corporate Income Tax</b>		<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
			-		-
<b>Total:</b>		-	-	-	-
<b>Note Nr. 10</b>		<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
<b>Other taxes</b>		<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Real estate tax for land		10 390	14 784	11 874	16 895
Real estate tax for buildings and constructions		63 275	90 032	87 947	125 137
<b>Total:</b>		<b>73 665</b>	<b>104 816</b>	<b>99 821</b>	<b>142 032</b>

## Notes to the Financial Statements

### Notes to the Balance Sheet as on September 30, 2011.

#### 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>31.12.2010.</b>	7 363	-	-	-	7 363	10 477
Purchased	-	-	-	-	-	-
Relocated	-	-	-	-	-	-
Written-off	-	-	-	-	-	-
<b>30.09.2011.</b>	7 363	-	-	-	7 363	10 477
<b>Depreciation</b>						
<b>31.12.2010.</b>	7 186	-	-	-	7 186	10 225
Calculated	176	-	-	-	176	250
Written-off	-	-	-	-	-	-
<b>30.09.2011.</b>	7 362	-	-	-	7 362	10 475
<b>Net book value</b>						
<b>31.12.2010.</b>	177	-	-	-	177	252
<b>Net book value</b>						
<b>30.09.2011.</b>	1	-	-	-	1	1

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

#### 12. Fixed Assets

	Land	Buildings and constructions	Technological equipment	Other fixed assets	Total LVL	Total EUR
<b>Historical cost</b>						
<b>31.12.2010.</b>	392 348	1 002 296	641 893	312 208	2 348 745	3 341 963
Purchased					-	-
Overrated		5 131 877			5 131 877	
Written-off	- 124 756	- 106 276	-	-	- 231 032	-
<b>30.09.2011.</b>	267 592	6 027 897	641 893	312 208	7 249 590	10 315 237
<b>Depreciation</b>						
<b>31.12.2010.</b>	-	440 814	376 029	229 438	1 046 281	1 488 724
Calculated		13 598	29 992	19 735	63 325	90 103
Written-off		- 45 607	-	-	- 45 607	- 64 893
<b>30.09.2011.</b>		408 805	406 021	249 173	1 063 999	1 513 934
<b>Net book value</b>						
<b>31.12.2010.</b>	392 348	561 482	265 865	82 770	1 302 465	1 853 241
<b>Net book value</b>						
<b>30.09.2011.</b>	267 592	5 619 092	235 872	63 035	6 185 591	8 801 303

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Notes to the Balance Sheet (continued)

	Technological equipment (project 124000075)	Pre-payments for fixed assets (project 124000075)	Pre-payments for fixed assets	construction of fixed assets	Total LVL	Total EUR
<b>Historical cost</b>						
<b>31.12.2010.</b>	1 827 372	-	-	38 052	1 865 424	2 654 259
Purchased	-	-	-			-
Transferred from the next expenditure for the period				935 714	935 714	1 331 401
Written-off		-	-	-	-	-
<b>30.09.2011.</b>	1 827 372	-	-	973 766	2 801 138	3 985 660
<b>Depreciation</b>						
<b>31.12.2010.</b>	627 348	-	-	-	627 348	627 348
Calculated	81 819	-	-	-	81 819	116 418
Written-off	-	-	-	-	-	-
<b>30.09.2011.</b>	709 167	-	-	-	709 167	1 009 054
<b>Net book value</b>						
<b>31.12.2010.</b>	1 200 024	-	-	38 052	1 238 076	1 761 623
<b>Net book value</b>						
<b>30.09.2011.</b>	1 118 205	-	-	973 766	2 091 971	2 976 607

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

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

Pamatlīdzekļi finanšu līzingā:

PL nosaukums	Līzinga devējs	PL sākotnējā vērtība	PL atlikusī vērtība	Līzinga līguma neizmaksātā summa	Līzinga termiņš
A/m Jaguar Daimler Super Eight	Citadele Līzings	67 898	24 628	23 150	30.06.2013
A/m VOLVO	DnB Nord Līzing	14 359	10 202	13 153	15.03.2015

**Norakstīto, likvidēto un pārdoto pamatlīdzekļu un nemateriālo ieguldījumu rezultāts:**

	9.mēn.2011 LVL	9.mēn.2011 EUR	2010 LVL	2010 EUR
Sākotnējā vērtība	231 033	328 730	35 686	50 777
Uzkrātais nolietojums		-		
Atlikusī vērtība	185 483	263 919	35 686	50 777
Pārdošanas ienākumi	456 823	650 001	266 429	379 094
<b>13. Raw materials</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Raw materials	180 054	256 194	170 611	242 758
Inventory in use	82 359	117 186	92 402	131 476
	<b>262 413</b>	<b>373 380</b>	<b>263 013</b>	<b>374 234</b>
<b>14. Stock</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Unfinished goods	3 198	4 550	1 040	1 480
finished goods and goods in warehouse	243 547	346 536	265 860	378 285
<b>Total</b>	<b>246 745</b>	<b>351 086</b>	<b>266 900</b>	<b>379 765</b>

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15. Advance payments for goods	2011	2011	2009	2009
	LVL	EUR	LVL	EUR
Advance payments for materials	29 733	42 306	25 770	36 667
Advance payments to non-residents	43 082	61 300	49 954	71 078
Goods in bonded storage		-		-
<b>Total</b>	<b>72 815</b>	<b>103 606</b>	<b>75 724</b>	<b>107 745</b>
16. Trade receivables	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Receivables (non-residents)	10 711	15 240	226 917	322 874
Receivables (residents)	633 697	901 670	308 263	438 619
<b>Book value of purchases and customers, total</b>	<b>644 408</b>	<b>916 910</b>	<b>535 180</b>	<b>761 493</b>
Provisions for doubtful debts	-	-	-	-
<b>Net trade receivables, total</b>	<b>644 408</b>	<b>916 910</b>	<b>535 180</b>	<b>761 493</b>
17. Other receivables	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
VAT confirmed (unpaid invoices)		-		-
Settlements with employees	102 698	146 126	100 643	143 202
Tax pre-payments for customs procedures	2 284	3 250	86	122
Loans to employees	5 094	7 248	5 094	7 248
Other loans	42 420	60 358	47 821	68 043
Others	240	341	240	341
<b>Total</b>	<b>152 736</b>	<b>217 323</b>	<b>153 884</b>	<b>218 956</b>
18. Deferred expenses	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Insurance expenses	2 167	3 083	3 666	5 216
Expenses for repairs of buildings and premises	53	75	2 374	3 378
Expenses for implementation of project Nr.124000075	255 855	364 049	275 220	391 603
Expenses for reconstruction of block I-2		-	935 714	1 331 401
Other expenses	1 146	1 631	262	373
<b>Total</b>	<b>259 221</b>	<b>368 838</b>	<b>1 217 236</b>	<b>1 731 971</b>
19. Cash and cash equivalents	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Cash on hand	133	189	60	85
Cash in bank accounts	68 124	96 932	537	764
<b>Total</b>	<b>68 257</b>	<b>97 121</b>	<b>597</b>	<b>849</b>

Notes to the Balance Sheet (continued)

20. Information about company's share capital

On 30.09.2010 company's share capital consisted of 2549084 registered and fully paid shares with nominal value of 1 Ls.  
Largest shareholders of JSC "VEF Radiotekhnika RRR" are:

Shareholders	Number of shares		Value			
			LVL		EUR	
	2011.09.30.	2010.12.31.	2011,06,30	2010,12,31	2011,06,30	2010,12,31

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Baltlains Intern Ltd.	622338	1270612	622338	1270612	885507	1807918
State Social Security Agency		192694		192694	0	274179
Eduards Malejevs	715282	423559	715282	423559	1017755	602670
Jurijs Malejevs	801006	421871	801006	421871	1139729	600268
Inga Sprūga	267852		267852			
Others (<5%)	142606	240348	142606	240348	202910	341984
<b>Total:</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.

	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Previous years' retained earnings/losses	-353 353 -	502 776	-370 189 -	526 731
Current year profit/loss	68 511	97 482	16 835	23 954
<b>Total</b>	<b>- 284 842 -</b>	<b>405 294 -</b>	<b>353 354 -</b>	<b>502 777</b>

## 22. Long-term loans from lending institutions

	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Loan from JSC SEB Banka (EUR)	1 480 040	2 105 907	1 480 040	2 105 907
<b>Total</b>	<b>1 480 040</b>	<b>2 105 907</b>	<b>1 480 040</b>	<b>2 105 907</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)

	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Financial lease from SIA CITADELE Līzins un Faktoring	18 928	26 932	18 928	26 932
Financial lease from SIA DnB Nord Līzings (EUR)	11 767	16 743	11 767	16 743
Financial lease from SIA SEB līzings (EUR)		-	2 421	3 445
<b>Total</b>	<b>30 695</b>	<b>43 675</b>	<b>33 116</b>	<b>47 120</b>

## 24. Deferred income (long-term)

	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Income from grant financing (project Nr.124000075)		-	46 798	66 588
<b>Total</b>	<b>-</b>	<b>-</b>	<b>46 798</b>	<b>66 588</b>

## 26. Short-term loans from lending institutions

	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Credit line from JSC SEB Banka (LVL)		-		-
Loan from JSC SEB Banka (EUR)	123 370	175 540	196 033	278 930
<b>Total</b>	<b>123 370</b>	<b>175 540</b>	<b>196 033</b>	<b>278 930</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.

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27. Other loans (short-term)	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Financial lease from SIA CITADELE Līzins un Faktoringas	4 222	6 007	13 248	18 850
Financial lease from SIA DnB Nord Līzings (EUR)	3 690	5 250	5 827	8 291
Financial lease from SIA SEB līzings (EUR)		-	3 308	4 707
Other loans	26 197	37 275	19 379	27 574
<b>Total</b>	<b>34 109</b>	<b>48 532</b>	<b>41 762</b>	<b>59 422</b>
28. Advances from customers	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Advances from non-residents	10 955	15 588	13 326	18 961
Advances from residents	48 444	68 930	4 042	5 751
<b>Total</b>	<b>59 399</b>	<b>84 518</b>	<b>17 368</b>	<b>24 712</b>
29. Due to suppliers and providers (short-term)	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Trade accounts payable to non-residents	96 631	137 494	64 360	91 576
Trade accounts payable to residents	474 539	675 208	430 492	612 535
<b>Total</b>	<b>571 170</b>	<b>812 702</b>	<b>494 852</b>	<b>704 111</b>

JSC "VEF Radiotehnika RRR"  
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**Notes to the Balance Sheet (continued)**

<b>30. Taxes and social insurance payments</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Personal Income Tax	55 812	79 413	58 552	83 312
State Social Insurance payments	109 477	155 772	121 998	173 588
Value Added Tax	39 315	55 940	44 334	63 082
Real estate tax for building and constructions	123 383	175 558	97 037	138 071
Nature resources tax	1 030	1 466	854	-
Corporate risk tax	14	20	17	24
<b>Total</b>	<b>329 031</b>	<b>468 169</b>	<b>322 792</b>	<b>458 077</b>

  

<b>31. Other liabilities</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Salaries	37 194	52 922	37 133	52 835
Advance settlement amounts			2 764	
Security	14 282	20 321	15 055	21 421
Other creditores		-	2 328	3 312
<b>Total</b>	<b>51 476</b>	<b>73 243</b>	<b>57 280</b>	<b>77 568</b>

  

<b>32. Deferred income (short-term)</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Income from grant financing (project Nr.124000075)	46 798	66 588	181 347	258 034
<b>Total</b>	<b>46 798</b>	<b>66 588</b>	<b>181 347</b>	<b>258 034</b>

  

<b>33. Accumulated obligated</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Current expense	29 899	42 542	27 555	39 207
	<b>29 899</b>	<b>42 542</b>	<b>27 555</b>	<b>39 207</b>

2011,30,11



## Notes to the Financial Statements

### General Notes

	<u>Year 2011</u>		<u>Year 2019</u>	
<b>1. Average number of employees during the year</b>				
Average number of employees during the year	<u>36</u>		<u>50</u>	
	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
<b>2. Total personnel costs</b>	<b>93 617</b>	<b>133 204</b>	<b>175 507</b>	<b>249 724</b>
- salaries	75 704	107 717	141 061	200 712
- Social security payments	17 796	25 321	34 115	48 541
- Corporate risk tax	117	166	331	471
- including:				
Management salaries				
- salaries	21 476	30 558	28 324	40 301
- Social security payments	7 278	10 356	6 020	8 566
- Corporate risk tax	8	11	6	9
- total:	<b>28 762</b>	<b>40 925</b>	<b>34 350</b>	<b>48 876</b>

### Taxes and social security payments

Type of tax	<b>31,12,2010 Calculated</b>		<b>Paidff</b>	<b>Off</b>	<b>30,09,2011</b>
SALES TAX	44334	159474	164493		39 315
(-) underpayment, (+) overpayment					
Personal income tax	58552	14857	17594		55 812
State social security obligatory payments	121998	25922	38443		109 477
Value added tax	17	80	83		14
Real estate tax	97037	73634	47288		123383
Nature resources tax	854	176			1 030
	<b>322792</b>	<b>274143</b>	<b>267901</b>	<b>0</b>	<b>329031</b>

<b>Tax Debt</b>	<b>322 792</b>	<b>329 031</b>
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*Annual report is accepted and signed from page 1 till 27*

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

**Member of the Board** **Boriss Livca**

**Member of the Board** **Olga Romanko**

2011,30,11