

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

Main activities:
production

Measurement units: Ls (LVL)

2011 12 Months Report

Submission date: _____

Date of receipt: _____

Riga, Latvia

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INFORMATION about the COMPANY

Full name of the Company	<i>JSC "VEF Radiotehnika RRR"</i>		
Legal status of the Company	<i>Public Joint-Stock Company</i>		
Unified Registration Nr., place and date of issue datums	<i>40003286712 11.12.1998</i>		
Legal address of the Company	<i>Kurzemes prospekts 3, Riga, LV-1067</i>		
Telephone	<i>67418087</i>		
Postal address	<i>Kurzemes prospekts 3, Riga, LV-1067</i>		
Bank name and Company's bank accounts	<i>AS "SEB Latvijas Unibanka" LV57UNLA0050006466330 (LVL) LV55UNLA0050006466366 (EUR) LV32UNLA0050006466392 (USD)</i>		
Council members of the JSC			
Chairman of the Council	<i>Janis Salenieks</i>		
Council Member	<i>Jurijs Malejevs</i>		
Council Member	<i>Inga Spruga</i>		
Council Member	<i>Ausma Smiltniece</i>		
Council Member	<i>Vjaceslavs Mihailovins</i>		
Boar members of the JSC			
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>		
Reporting year	<i>from</i>	<i>till</i>	
	<i>01.01.2011</i>	<i>31.12.2011</i>	
Previous reporting period	<i>from</i>	<i>till</i>	
	<i>01.01.2010</i>	<i>31.12.2010</i>	
Chief Accountant	<i>Olga Romanko</i>		
Telephone:	<i>67418087</i>		
Auditor:	AS BDO Invest Riga Pulkveža Brieža iela 19 k-1, Rīga, LV-1010 Reg. Nr.LV-40003346176 Aivars Putniņš sworn auditor (Latvian Association of Sworn Auditors' Certificate Nr.123)		

Management Report

Types of activities

During the 12 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:	187439 LVL
Other taxes:	-98179 LVL
Net result:	89260 LVL

Net turnover for 2011 is 1314346 Ls and has decrease by 7,97 % 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 (%)	6.79
Operating profit margin (%)	20.43
Gross profit margin (%)	5.69

Financial profitability (%)

Return on capital	2.24
Return on equity	1.86

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, 1-2;
- 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

2012.28.02

Notification of management's responsibility

Company's management is responsible for the preparation of the financial statements for each reporting period on the basis of the accounting principles and which reflect true and fair view of the company's financial situation as well as operating results.

The management confirms that in preparation of the report for the period ended December 31, 2011, 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

Boriss Livca

Member of the Board

Olga Romanko

2012.28.02

***PROFIT AND LOSS STATEMENT
 FOR THE PERIOD ENDED
 31.12.2011 (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	1 314 346	1 870 146	1 217 613	1 732 507
Cost of sales	2	(1 239 568)	#####	#####	(1 615 583)
Gross profit or loss		74 778	106 400	82 175	116 924
Selling expenses	3	(29 575)	(42 081)	(67 456)	(95 981)
Administrative expenses	4	(131 977)	(187 786)	(176 060)	(250 511)
Other operating income	5	475 312	676 308	428 247	609 341
Other operating expenses	6	(120 128)	(170 927)	(58 113)	(82 687)
Interest income and similar income	7	143	203	6	9
Interest expense and similar expenses	8	(81 114)	(115 415)	(77 155)	(109 782)
Profit or loss before extraordinary items and taxes		187 439	266 702	131 644	187 313
Profit or loss after extraordinary items and before taxes		187 439	266 702	131 644	187 313
Deferred corporate income tax for the reporting period	9	-	-	(14 988)	(21 326)
Other taxes	10	(98 179)	(139 696)	(99 821)	(142 032)
Profit or loss for the period		89 260	127 006	16 835	23 955
Earnings per share (EPS coefficient)		0.035	0.050	0.007	0.009

Chairman of the Board

Eduards Maļejevs

Member of the Board

Boriss Livca

Member of the Board

Olga Romanko

2012.28.02

BALANCE SHEET as on 31.12.2011.

ASSETS		Note nr.	2011	2011	2010	2010
			LVL	EUR	LVL	EUR
1. Non-current assets						
I. Intangible assets:						
Concessions, patents, licenses, trade marks and similar rights	11	1	1	177	252	
Total intangible assets:		1	1	177	252	
II. Fixed assets:						
Land, buildings and constructions		5 877 136	8 362 411	953 830	1 357 178	
Equipment and vehicles		1 317 316	1 874 372	1 465 889	2 085 772	
Other fixed assets		57 683	82 076	82 770	117 771	
Construction of fixed assets and unfinished construction objects		973 766	1 385 544	38 052	54 143	
Total fixed assets:	12	8 225 901	11 704 403	2 540 541	3 614 864	
III. Investment properties						
Total investment properties:		-	-	-	-	
IV. Biological assets						
Total biological assets		-	-	-	-	
V. Long-term financial investments:						
Other loans and other long-term debtors		152 348	216 772	520	740	
Deferred taxation assets		32 075	45 639	32 075	45 639	
Total long-term financial investments:		184 423	262 411	32 595	46 379	
Total non-current assets:		8 410 325	11 966 815	2 573 313	3 661 495	
2. Current assets						
I. Inventory:						
Raw materials	13	270 108	384 329	263 013	374 234	
Work in process	14	2 270	3 230	1 040	1 480	
Finished goods	14	228 120	324 586	265 860	378 285	
Advance payments for materials	15	66 592	94 752	75 724	107 746	
Total inventory:		567 090	806 897	605 637	861 745	
II. Sales-deferred long-term investments						
Total sales-deferred long-term investments:		-	-	-	-	
III. Receivables:						
Trade receivables	16	682 537	971 163	535 180	761 493	
Other receivables	17	124 829	177 616	153 884	218 957	
Deferred expenses	18	253 310	360 428	1 217 236	1 731 971	
Total receivables:		1 060 676	1 509 207	1 906 300	2 712 421	
IV. Short-term financial investments:						
Other securities and capital participation		-	-	14	20	
Total short-term financial investments:		-	-	14	20	
V. Cash	19	96 516	137 330	597	849	
Total currents assets:		1 724 282	2 453 434	2 512 548	3 575 035	
TOTAL ASSETS:			10 134 607	14 420 247	5 085 861	7 236 528

Member of the Board

Eduards Maļejevs

Member of the Board

Boriss Livca

Member of the Board

Olga Romanko

2012.28.02

BALANCE SHEET as on 31.12.2011.

LIABILITIES AND SHAREHOLDERS' EQUITY	Note nr.	2011 LVL	2011 EUR	2010 LVL	2010 EUR
1. Shareholders' equity:					
Share capital	20	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	21	- 353 353	- 502 776	- 370 189	- 526 731
b) current year profit/(loss)	21	89 260	127 006	16 835	16 835
Total shareholders' equity:		7 416 868	10 553 253	2 195 730	3 117 124
2. Provisions:					
Total provisions:		16 489	90 765	16 489	90 765
3. Liabilities:					
I. Non-current liabilities:					
Loans from lending institutions	22	1 480 040	2 105 907	1 480 040	2 105 907
Other loans	23	30 695	43 675	33 116	47 120
Deferred income	24		-	46 798	66 588
Total non-current liabilities:		1 510 735	2 149 582	1 559 954	2 219 615
II. Current liabilities:					
Loans from lending institutions	26	109 615	155 968	170 732	242 930
Other loans	27	56 390	80 236	41 762	59 422
Advances from customers	28	87 956	125 150	17 368	24 712
Trade accounts payable	29	478 226	680 454	494 852	704 111
Taxes and social security liabilities	30	329 999	469 546	322 792	459 292
Other liabilities	31	39 464	56 152	57 280	81 502
Deferred income	32	46 798	66 588	181 347	258 034
Accrued liabilities	33	42 067	59 856	27 555	39 207
Atvasinātie finanšu instrumenti			-		-
Total current liabilities:		1 190 515	1 693 950	1 313 688	1 869 210
Total liabilities:		2 701 250	3 843 532	2 873 642	4 088 825
TOTAL LIABILITIES :		10 134 607	14 420 247	5 085 861	7 236 528

Chairman of the Board

Eduards Maļejevs

Member of the Board

Boriss Livca

Member of the Board

Olga Romanko

2012.28.02

CASH FLOW STATEMENT FOR THE PERIOD ENDED

31.12.2011(per indirect method)

I. Cash flow from operating activity

Profit or loss before extraordinary items and taxes

Adjustments for:

a) depreciation of fixed assets	196 806	280 030	185 956	264 592
b)deprication of non material assets.	176	250	357	508
c) amortisation of goodwill	-	-	(2 035)	(2 896)
d) gains or losses from foreign currency exchange rate	(593)	(844)	(10 180)	(14 485)
d) Profit or loss from the exchange rate fluctuations	(181 347)	(258 034)	(181 347)	(258 034)
f) income from subsidies, grants, gifts or donations	(143)	(203)	(6)	(9)
g) other income from interest or similar income	(275 853)	(392 503)	(230 743)	(328 318)
h) profit/loss from sale of fixed assets	81 114	115 415	77 155	109 782
i) interest payments and similar activities	(98 179)	(139 696)	(99 821)	(142 032)
k) other taxes				

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

Adjustments for:

a) trade receivables increase (-) or decrease (+)	(147 357)	(209 670)	110 567	157 323
b) inventory increase (-) or decrease (+)	38 547	54 847	70 497	100 308
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)	(30 235)	(43 021)	69 266	98 557

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
	187 440	266 703	131 644	187 313
	196 806	280 030	185 956	264 592
	176	250	357	508
	-	-	(2 035)	(2 896)
	(593)	(844)	(10 180)	(14 485)
	(181 347)	(258 034)	(181 347)	(258 034)
	(143)	(203)	(6)	(9)
	(275 853)	(392 503)	(230 743)	(328 318)
	81 114	115 415	77 155	109 782
	(98 179)	(139 696)	(99 821)	(142 032)
	(90 579)	(128 882)	(129 020)	(183 578)
	(147 357)	(209 670)	110 567	157 323
	38 547	54 847	70 497	100 308
	(30 235)	(43 021)	69 266	98 557
	(229 624)	(326 726)	121 310	172 609
	(81 114)	(115 415)	(77 110)	(109 718)
	(310 738)	(442 140)	44 200	62 891
	(310 738)	(442 140)	44 200	62 891
	461 279	656 341	266 429	379 094
	143	203	6	9
	461 422	656 544	266 435	379 103
	37 665	53 592	35 219	50 112
	(70 983)	(101 000)	(319 928)	(455 217)
	(21 191)	(30 152)	(138 976)	(197 745)
	(54 509)	(77 559)	(312 549)	(444 717)
	(256)	(290)	(81)	(115)
	(5 919)	(8 422)	(1 995)	(2 839)
	597	849	2 592	3 688
	96 516	137 330	597	849

Chairman of the Board

Member of the Board

Member of the Board

2012.28.02

Eduards Maļejevs

Boriss Livca

Olga Romanko

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR 2011 12 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
Balance as on December 31, 2009	2 549 084			22 760	- 392 949	2 178 895
Profit carried over				- 22 760	22 760	
Profit for the year				16 835		16 835
Balance as on December 31, 2010	2 549 084	-	-	16 835	- 370 189	2 195 730
Profit carried over				- 16 835	16 835	
Profit for the year				89 260		89 260
Company reserves buildup		5 131 877				5 131 877
Balance as on December 31, 2011	2 549 084	5 131 877	-	89 260	- 353 354	7 416 868

	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
Balance as on December 31, 2009	3 627 020			56 637	- 559 116	3 100 288
Profit carried over				- 32 385	32 385	
Profit for the year				23 954	-	23 954
Balance as on December 31, 2010	3 627 020	-	-	48 206	- 526 731	3 124 242
Profit carried over				- 23 954	23 954	
Profit for the year				127 006		127 006
Company reserves buildup		7 302 003				7 302 003
Balance as on December 31, 2011	3 627 020	7 302 003	-	127 006	- 502 777	10 553 253

Chairman of the Board

Eduards Maļejevs

Member of the Board

Boriss Livca

Member of the Board

Olga Romanko

2012.28.02

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 principle:

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

Transactions in foreign currency

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

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

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

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

	31.12.2011	31.12.2010	31.12.2009
USD	0.544	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.

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

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	<u>2-5</u>	%
* Technological equipment	<u>10-20</u>	%
* Transport vehicles	<u>10-20</u>	%
* Furniture	<u>10-20</u>	%
* Other fixed assets	<u>10-20</u>	%
* Mobile phones	<u>35</u>	%
* Computers and other data storage units	<u>15-35</u>	%
* 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 investment

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 "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.

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 valu

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 vacation

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

Loans received and loans issued

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

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

Deferred Liabilities

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

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

Taxes

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

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

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

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

Calculations

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

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

Possible liabilities and assets

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

Events after the end of the reporting year

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

Related parties

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

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.

JSC "VEF Radiotehnika RRR"
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Financial Statements for the period from 01.01.2006 to 31.12.2006.

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	418 742	595 816	423 662	602 817
Income from rent of premises	267 186	380 171	269 694	383 740
Income from sale of finished goods in the local market	156 347	222 462	127 009	180 718
Income from utility services	339 716	483 372	325 820	463 600
Income from sale of materials	132 345	188 310	71 428	101 633
Total	1 314 336	1 870 131	1 217 613	1 732 508

Devision of neto turn over by geographical markets.

LV	887 273	1 262 476	793 951	1 129 690
EE	4 328	6 158	2 441	3 473
DE	2 873	4 088	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	336 161	478 314	365 929	520 670
BY	11 036	15 703	10 311	14 671
CZ	37 985	54 048	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		
	1 314 343	1 870 144	1 217 613	1 732 508

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	33 624	47 843	67 317	95 783
Provisions for leave and social security			- 401	- 571
Depreciation of fixed assets	87 713	124 804	77 220	109 874
Depreciation of fixed assets (project 124000075)	109 093	155 225	109 093	155 225
Write-off of cost of turnaround means	12 187	17 341	2 611	3 715
Changes in finished goods inventory	- 47 315	- 67 323	400 290	569 561
Changes in purchased materials and goods inventory	572 021	813 913	91 979	130 874
Services for productions	38 951	55 422	33 848	48 161
Ongoing maintenance and repair	39 896	56 767	12 806	18 221
Real estate property maintenance	357 572	508 779	318 954	453 831
Other costs	35 826	50 976	21 721	30 906
Total	1 239 568	1 763 747	1 135 438	1 615 580

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Financial Statements for the period from 01.01.2006 to 31.12.2006.

Notes to the Profit and Loss statement entries (continued)

Note Nr. 3

Sales costs

Cost type

Commissions paid

Goods' transport costs

Sales costs

Advertising costs

Total

2011	2011	2010	2010
LVL	EUR	LVL	EUR
		23838	33918
28 383	40 385	29 384	41 810
757	1 077	11 646	16 571
435	619	2 588	3 682
29 575	42 081	67 456	95 981

Note Nr. 4

Administrative costs

Cost type

Personnel costs

Provisions for leave and social security

Representation costs

Office expenses

Communication expenses

Bank expenses

Transport costs

Accounting and legal expenses

Other administrative costs

Total

2011	2011	2010	2010
LVL	EUR	LVL	EUR
83 736	119 146	108 008	153 682
	-	1 634	2 325
2 389	3 399	2 490	3 543
3 623	5 155	3 373	4 799
7 179	10 215	9 383	13 351
6 659	9 475	7 947	11 308
15 270	21 727	15 764	22 430
5 204	7 405	17 009	24 202
7 917	11 265	13 720	19 522
131 977	187 787	176 060	250 512

Note Nr. 5

Other incomes from operating activity

Type on income

Receivables from grant financing (project 124000075)

Sale of fixed assets (neto income0)

Other income

Net profits from Exchange rate fluctuations on net

Net profit from the net of the exchange rate of purchase/sales

Total

2011	2011	2010	2010
LVL	EUR	LVL	EUR
181 347	258 034	181 347	258 034
277 866	395 368	230 743	328 318
18 099	25 753	5 470	7 783
		10 180	14 485
		507	721
477 312	679 155	428 247	609 341

Note Nr. 6

Other incomes/expenses from operating activity

Type of income/expense

Net profits from Exchange rate fluctuations on net

Net profit from the net of the exchange rate of purchase/sales

Net interest

Fines

Other expenses *

Total

2011	2011	2010	2010
LVL	EUR	LVL	EUR
16 770	28 146		-
204	290		-
21 413	28 534	54 480	77 518
80 006	113 838	60	85
1 735	2 469	3 573	5 084
120 128	173 277	58 113	82 687

Note Nr. 7

Other interest and similar income

Type of income

Interest received on account balances

Total

2011	2011	2010	2010
LVL	EUR	LVL	EUR
143	203	6	9
143	203	6	9

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Financial Statements for the period from 01.01.2006 to 31.12.2006.

Notes to the Profit and Loss statement entries (continued)

Note Nr. 8

Other interest and similar expenses

Type of expense

	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Interest paid on loans	60080	85 486	77155	109 782
Total	60 080	85 486	77 155	109 782

Note Nr. 9

Deferred Corporate Income Tax

	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
		-		-
Total:	-	-	-	-

Note Nr. 10

Other taxes

Real estate tax for land

Real estate tax for buildings and constructions

	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
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
Total:	73 665	104 816	99 821	142 032

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Notes to the Financial Statements

Notes to the Balance Sheet as on December 31, 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
Historical cost						
31.12.2010.	7 363	-	-	-	7 363	10 477
Purchased	-	-	-	-	-	-
Relocated	-	-	-	-	-	-
Written-off	-	-	-	-	-	-
30.09.2011.	7 363	-	-	-	7 363	10 477
Depreciation						
31.12.2010.	7 186	-	-	-	7 186	10 225
Calculated	176	-	-	-	176	250
Written-off	-	-	-	-	-	-
30.09.2011.	7 362	-	-	-	7 362	10 475
Net book value						
31.12.2010.	177	-	-	-	177	252
Net book value						
30.09.2011.	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
Historical cost						
31.12.2010.	392 348	1 002 296	641 893	312 208	2 348 745	3 341 963
Purchased					-	-
Overrated		5 131 877			5 131 877	7 302 003
Written-off	- 124 756	- 106 276	-	-	- 231 032	- 328 729
30.09.2011.	267 592	6 027 897	641 893	312 208	7 249 590	10 315 237
Depreciation						
31.12.2010.	-	440 814	376 029	229 438	1 046 281	1 488 724
Calculated		23 146	39 480	25 087	87 713	124 804
Written-off		- 45 607	-	-	- 45 607	- 64 893
30.09.2011.		418 353	415 509	254 525	1 088 387	1 548 635
Net book value						
31.12.2010.	392 348	561 482	265 865	82 770	1 302 465	1 853 241
Net book value						
30.09.2011.	267 592	5 609 544	226 384	57 683	6 161 203	8 766 602

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Notes to the Balance Sheet (continued)

	Technological equipment (project 124000075)	Pre-payments for fixed assets (project 124000075)	Pre-payments for fixed assets	construction of fixed assets	Total LVL	Total EUR
Historical cost						
31.12.2010.	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		-	-	-	-	-
30.09.2011.	1 827 372	-	-	973 766	2 801 138	3 985 660
Depreciation						
31.12.2010.	627 348	-	-	-	627 348	627 348
Calculated	109 092	-	-	-	109 092	155 224
Written-off	-	-	-	-	-	-
30.09.2011.	736 440	-	-	-	736 440	1 047 860
Net book value						
31.12.2010.	1 200 024	-	-	38 052	1 238 076	1 761 623
Net book value						
30.09.2011.	1 090 932	-	-	973 766	2 064 698	2 937 801

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 līzīngā:

PL nosaukums	Līzīnga devējs	PL sākotnējā vērtība	PL atlikusī vērtība	Līzīnga līguma neizmaksātā summa	Līzīnga termiņš
A/m Jaguar Daimler Super Eight	Citadele Līzīngs	67 898	23 332	20 011	30.06.2013
A/m VOLVO	DnB Nord Līzīngs	14 359	9 509	14 299	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	185 426	263 837	35 686	50 777
Pārdošanas ienākumi	461 279	656 341	266 429	379 094
13. Raw materials	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Raw materials	188 235	267 834	170 611	242 758
Inventory in use	81 873	116 495	92 402	131 476
	270 108	384 329	263 013	374 234
14. Stock	2011 LVL	2011 EUR	2010 LVL	2010 EUR
Unfinished goods	2 270	3 230	1 040	1 480
finished goods and goods in warehouse	228 120	324 586	265 860	378 285
Total	230 390	327 816	266 900	379 765

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15. Advance payments for goods	2011	2011	2009	2009
	LVL	EUR	LVL	EUR
Advance payments for materials	27 652	39 345	25 770	36 667
Advance payments to non-residents	38 940	55 407	49 954	71 078
Goods in bonded storage		-		-
Total	66 592	94 752	75 724	107 745
16. Trade receivables	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Receivables (non-residents)	75 809	107 866	226 917	322 874
Receivables (residents)	601 217	855 455	308 263	438 619
Book value of purchases and customers, total	677 026	963 321	535 180	761 493
Provisions for doubtful debts	-	-	-	-
Net trade receivables, total	677 026	963 321	535 180	761 493
17. Other receivables	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
VAT confirmed (unpaid invoices)		-		-
Settlements with employees	71 958	102 387	100 643	143 202
Tax pre-payments for customs procedures	3 066	4 363	86	122
Loans to employees	5 094	7 248	5 094	7 248
Other loans	44 471	63 277	47 821	68 043
Others	240	341	240	341
Total	124 829	177 616	153 884	218 956
18. Deferred expenses	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Insurance expenses	2 549	3 627	3 666	5 216
Expenses for repairs of buildings and premises		-	2 374	3 378
Expenses for implementation of project Nr.124000075	249 400	354 864	275 220	391 603
Expenses for reconstruction of block I-2		-	935 714	1 331 401
Other expenses	1 361	1 937	262	373
Total	253 310	360 428	1 217 236	1 731 971
19. Cash and cash equivalents	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Cash on hand	24 290	34 562	60	85
Cash in bank accounts	72 226	102 768	537	764
Total	96 516	137 330	597	849

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Financial Statements for the period from 01.01.2006 to 31.12.2006.

Notes to the Balance Sheet (continued)

20. Information about company's share capital

On 31.12.2011 company's share capital consisted of 2549084 registered and fully paid shares with nominal value of 1 Ls. Large shareholders of JSC "VEF Radiotehnika RRR" are:

Shareholders	Number of shares		Value			
			LVL		EUR	
	2011.12.31.	2010.12.31.	2011,12,31	2010,12,31	2011,12,31	2010,12,31
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		381119	0
Others (<5%)	142606	240348	142606	240348	202910	341984
Total:	2549084	2549084	2549084	2549084	3627020	3627020

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	89 260	127 006	16 835	23 954
Total	- 264 093 -	375 770 -	353 354 -	502 777

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
Total	1 480 040	2 105 907	1 480 040	2 105 907

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 Faktoringis	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
Total	30 695	43 675	33 116	47 120

24. Deferred income (long-term)

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

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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)	109 615	155 968	196 033	278 930
Total	109 615	155 968	196 033	278 930

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.

27. Other loans (short-term)	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Financial lease from SIA CITADELE Līzins un Faktoringis	1 082	1 540	13 248	18 850
Financial lease from SIA DnB Nord Līzings (EUR)	2 533	3 604	5 827	8 291
Financial lease from SIA SEB līzings (EUR)		-	3 308	4 707
Other loans	52 775	75 092	19 379	27 574
Total	56 390	80 236	41 762	59 422

28. Advances from customers	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Advances from non-residents	49 577	70 542	13 326	18 961
Advances from residents	38 379	54 608	4 042	5 751
Total	87 956	125 150	17 368	24 712

29. Due to suppliers and providers (short-term)	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Trade accounts payable to non-residents	102 157	145 356	64 360	91 576
Trade accounts payable to residents	376 069	535 098	430 492	612 535
Total	478 226	680 454	494 852	704 111

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Notes to the Balance Sheet (continued)

30. Taxes and social insurance payments	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Personal Income Tax	53 798	76 548	58 552	83 312
State Social Insurance payments	97 097	138 157	121 998	173 588
Value Added Tax	40 123	57 090	44 334	63 082
Real estate tax for building and constructions	137 928	196 254	97 037	138 071
Nature resources tax	1 029	1 464	854	-
Corporate risk tax	24	34	17	24
Total	329 999	469 547	322 792	458 077

31. Other liabilities	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Salaries	25 599	36 424	37 133	52 835
Advance settlement amounts			2 764	
Security	13 865	19 728	15 055	21 421
Other creditors		-	2 328	3 312
Total	39 464	56 152	57 280	77 568

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

33. Accumulated obligated	2011	2011	2010	2010
	LVL	EUR	LVL	EUR
Current expense	42 067	59 856	27 555	39 207
Total	42 067	59 856	27 555	39 207

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Notes to the Financial Statements

General Notes

1. Average number of employees during the year

Average number of employees during the year

Year 2011	Year 2019
34	50

2. Total personnel costs

- salaries
- Social security payments
- Corporate risk tax

2011	2011	2010	2010
LVL	EUR	LVL	EUR
117 360	166 988	175 507	249 724
95 027	135 211	141 061	200 712
22 232	31 633	34 115	48 541
101	144	331	471

- including:

Management salaries

- salaries
- Social security payments
- Corporate risk tax

25 167	35 809	28 324	40 301
8 487	12 076	6 020	8 566
10	14	9	13
33 664	47 899	34 353	48 880

- total:

Taxes and social security payments

Type of tax	31,12,2010	Calculated	Paidff	Off	31,12,2011
SALES TAX	44334	27997	32208		40 123
(-) underpayment, (+) overpayment					
Personal income tax	58552	18768	23522		53 798
State social security obligatory payments	121998	32383	57284		97 097
Value added tax	17	101	94		24
Real estate tax	854	175			1029
Nature resources tax	97037	98179	57288		137 928
	322792	177603	170396	0	329999
Tax Debt	322 792				329 999

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

2012.28.02