

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

Main activities:
production

Measurement units: Ls (LVL)

2012 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) Nordea bank Finland PLC LV06NDEA00000 AS GE Money Bank LV49BATR0051701822</i>			
Council members of the JSC				
Chairman of the Council	<i>Janis Salenieks</i>			
Council Member	<i>Jurijs Malejevs</i>			
Council Member	<i>Inga Spruga</i>			
Council Member	<i>Ausma Smiltiece</i>			
Council Member	<i>Vjaceslavs Mihailovins</i>			
Boar members of the JSC				
Chairman of the Board	<i>Eduards Malejevs</i>			
Board Member	<i>Boriss Livca</i>			
Board Member	<i>Ēriks Ertmanis</i>			
Reporting year	<i>from</i>	<i>01.01.2012</i>	<i>till</i>	<i>31.12.2012</i>
Previous reporting period	<i>from</i>	<i>01.01.2011</i>	<i>till</i>	<i>31.12.2011</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 Licence no 112.			
	Aivars Putniņš sworn auditor		Valda Zitare sworn auditor	

Management Report

Types of activities

During the 12 months of 2012, 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 2011. 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:	-105874 LVL
Other taxes:	-66830 LVL
Net result:	-172704 LVL

Net turnover for 2012 is 802071 Ls

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 (%)	-17,61
Operating profit margin (%)	-3,89
Gross profit margin (%)	2,52

Financial profitability (%)

Return on capital	-1,07
Return on equity	-2,39

Company's development activities

2012th 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 2012, 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

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Member of the Board

Boriss Livca

Member of the Board

Ēriks Ertmanis

2013.27.02

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, 2012, 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.

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PROFIT AND LOSS STATEMENT
FOR THE PERIOD ENDED
31.12.2012 (per turnover (period) costs method)

	Note	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
	nr.	LVL	EUR	LVL	EUR
Net turnover	1	980 848	1 395 621	1 320 179	1 878 445
Cost of sales	2	(956 141)	(1 360 466)	(1 282 981)	(1 825 517)
Gross profit or loss		24 707	35 155	37 198	52 928
Selling expenses	3	(23 034)	(32 774)	(74 610)	(106 160)
Administrative expenses	4	(101 013)	(143 729)	127 741	181 759
Other operating income	5	123 940	176 351	526 434	749 048
Other operating expenses	6	(63 128)	(89 823)	(179 200)	(254 979)
Interest income and similar income	7	366	521	143	203
The long-term financial investment, and short-term securities write-down.				(520)	(740)
Interest expense and similar expenses	8	(67 712)	(96 345)	(81 114)	(115 415)
Profit or loss before extraordinary items and taxes		(105 874)	(150 644)	100 590	142 126
Profit or loss after extraordinary items and before taxes		(105 874)	(150 644)	100 590	142 126
Deferred corporate income tax for the reporting period	9	-	-	(14 747)	(20 983)
Other taxes	10	(66 830)	(95 091)	(80 896)	(115 105)
Profit or loss for the period		(172 704)	(245 735)	4 947	7 038
Earnings per share (EPS coefficient)		(0,068)	(0,096)	0,002	0,003

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BALANCE SHEET as on 31.12.2012.

ASSETS	Note nr.	2012 LVL	2012 EUR	2011 LVL	2011 EUR
1. Non-current assets					
I. Intangible assets:					
Concessions, patents, licenses, trade marks and similar rights	11		-	1	1
Total intangible assets:		-	-	1	1
II. Fixed assets:					
Land, buildings and constructions		5 849 278	8 322 773	5 878 624	8 364 528
Equipment and vehicles		1 181 245	1 680 760	1 316 358	1 873 009
Other fixed assets		21 831	31 063	50 848	72 350
Construction of fixed assets and unfinished construction objects		973 767	1 385 546	973 767	1 385 546
Advance payments for fixed assets		-	-	-	-
Total fixed assets:	12	8 026 121	11 420 142	8 219 597	11 695 433
V. Long-term financial investments:					
Other loans and other long-term debtors		151 828	216 032	151 828	216 032
Other long-term receivables (PR. 12000075)		223 580	318 126	223 580	318 126
Deferred taxation assets		17 328	24 656	17 328	24 656
Total long-term financial investments:		392 736	558 814	392 736	558 814
Total non-current assets:		8 418 857	11 978 956	8 612 334	12 254 248
2. Current assets					
I. Inventory:					
Raw materials	13	311 306	442 949	246 619	350 907
Work in process	14		-	1 031	1 467
Finished goods	14	117 252	166 835	143 361	203 984
Advance payments for materials	15	68 648	97 677	37 137	52 841
Total inventory:		497 206	707 461	428 148	609 199
II. Sales-deferred long-term investments					
Total sales-deferred long-term investments:		-	-	-	-
III. Receivables:					
Trade receivables	16	413 387	588 197	678 354	965 211
Other receivables	17	295 338	420 228	69 588	99 015
Deferred expenses	18	9 040	12 863	27 394	38 978
Total receivables:		717 765	1 021 288	775 336	1 103 204
V. Cash	19	2 182	3 105	97 085	138 140
Total currents assets:		1 217 153	1 731 854	1 300 569	1 850 543
TOTAL ASSETS:		9 636 010	13 710 807	9 912 903	14 104 790

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BALANCE SHEET as on 31.12.2012.

LIABILITIES AND SHAREHOLDERS' EQUITY	Note nr.	2012		2011	
		LVL	EUR	LVL	EUR
1. Shareholders' equity:					
Share capital	20	2 549 084	3 627 020	2 549 084	3 627 020
Reserves:		5 117 910	7 302 003	5 117 910	7 302 003
Total reserves:		5 117 910	7 302 003	5 117 910	7 302 003
Retained earnings:					
a) previous years' retained earnings	21	- 348 407	- 495 738	- 353 354	- 502 777
b) current year profit/(loss)	21	- 172 704	- 245 735	- 4 947	- 245 735
Total shareholders' equity:		7 145 883	10 187 550	7 318 587	10 180 511
2. Provisions:					
Total provisions:		7 963	11 330	7 963	11 330
3. Liabilities:					
I. Non-current liabilities:					
Loans from lending institutions	22		-	1 435 060	2 041 906
Other loans	23	5 647	8 035	5 647	8 035
Deferred income	24	185 840	264 426		-
Total non-current liabilities:		191 487	272 461	1 440 707	2 049 941
II. Current liabilities:					
Loans from lending institutions	26	1 444 086	2 054 749	144 728	205 929
Other loans	27	49 295	70 140	69 200	98 463
Advances from customers	28	14 725	20 952	41 058	58 420
Trade accounts payable	29	552 686	786 401	397 042	564 940
Taxes and social security liabilities	30	162 585	231 338	360 976	513 623
Other liabilities	31	25 453	36 216	44 647	63 527
Deferred income	32		-	46 798	66 588
Accrued liabilities	33	41 847	59 543	41 197	58 618
Atvasinātie finanšu instrumenti			-		-
Total current liabilities:		2 290 677	3 259 339	1 145 646	1 630 108
Total liabilities:		2 482 164	3 531 800	2 586 353	3 680 049
TOTAL LIABILITIES :		9 636 010	13 710 807	9 912 903	14 104 790

Chairman of the Board

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CASH FLOW STATEMENT FOR THE PERIOD ENDED
31.12.2012(per indirect method)

	2012		2011	
	LVL	EUR	LVL	EUR
I. Cash flow from operating activity				
<i>Profit or loss before extraordinary items and taxes</i>	-	105 874	-	150 645
<i>Adjustments for:</i>				
a) depreciation of fixed assets		153 747		218 762
b) depreciation of non material assets.		1		1
c) savings (excluding provisions for unsecured receivables)		-		(8 526)
d) gains or losses from foreign currency exchange rate		286		407
d) Profit or loss from the exchange rate fluctuations				-
f) income from subsidies, grants, gifts or donations		(46 798)		(66 588)
g) other income from interest or similar income				-
h) profit/loss from sale of fixed assets		(53 727)		(76 447)
i) interest payments and similar activities		67 712		96 346
k) proceeds from fixed asset depreciation of revalued				(13 967)
<i>Profit or loss before current assets and short-term liabilities corrections</i>		15 347		21 837
<i>Adjustments for:</i>				
a) trade receivables increase (-) or decrease (+)		(19 071)		(27 136)
b) inventory increase (-) or decrease (+)		(69 058)		(98 261)
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)		129 311		183 993
Gross cash flow from operating activities		56 529		80 434
Interest payments		(72 814)		(103 605)
Expenses in the company's tax payments:		(21 000)		(29 880)
Cash flow before extraordinary items		(37 285)		(53 052)
Net cash flow from operating activity		(37 285)		(53 052)
II. Cash flow from investing activities				
Fixed assets and intangible investments acquisitions		(203)		(289)
Income from fixed assets sale		80 120		114 000
Interest received				-
Net cash flow from investing activities		79 917		113 712
III. Cash flow from financing activities				
Loans received		43 000		61 183
Loans repaid		(155 891)		(221 813)
Rented asset buyout expenses		(24 644)		(35 065)
Interest paid				(18 769)
Net cash flow from financing activities		(137 535)		(195 695)
IV. Foreign exchange rate differences				(10)
V. Net cash flow for the year		(94 903)		(135 035)
VI. Cash and cash equivalents at the beginning of the period		97 085		138 140
VII. Cash and cash equivalents at the end of the period		2 182		3 105
				97 085
				138 140

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STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR 2012 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, 2010	2 549 084			16 835	- 370 189	2 195 730
Profit carried over				- 16 835	16 835	
Profit for the year				4 947		4 947
Fixed assets revaluation reserve		5 117 910				5 117 910
Balance as on December 31, 2011	2 549 084	5 117 910		- 4 947	- 353 354	7 318 587
Profit carried over				- 4 947	4 947	
Profit for the year				- 172 704		- 172 704
Fixed assets revaluation reserve						
Balance as on December 31, 2012	2 549 084	5 117 910		- 172 704	- 348 407	7 145 883

	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, 2010	3 627 020			32 385	- 559 116	3 100 289
Profit carried over				- 23 954	23 954	
Profit for the year				7 038		7 038
Fixed assets revaluation reserve		7 282 130				7 282 130
Balance as on December 31, 2011	3 627 020	7 282 130		- 15 469	535 162	3 107 327
Profit carried over				- 7 038	7 038	
Profit for the year				- 245 737		- 245 737
Company reserves buildup						
Balance as on December 31, 2012	3 627 020	7 282 130		- 245 737	- 495 738	10 167 677

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2013.27.02

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 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 01.01.2012. to 31.12.2012

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Financial Statements for the period from 01.01.2006 to 31.12.2006.

Transactions in foreign currency

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

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

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

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

	31.12.2012	31.12.2011	31.12.2010
USD	0,531	0,544	0,535
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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Financial Statements for the period from 01.01.2006 to 31.12.2006.

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

* Buildings and constructions	1-5	%
* Technological equipment	10-20	%
* Transport vehicles	10-20	%
* Furniture	10-20	%
* Other fixed assets	10-20	%
* Mobile phones	35	%
* Computers and other data storage units	15-35	%
* Depreciation on land plots is not calculated.		

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

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

Rent

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

Hire-purchase (Financial leasing)

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

Long-term financial investments

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

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

Investments in subsidiaries and related Company shareholding.

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

Inventory valuation

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

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

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

Write-off of purchased inventory's values:

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

Inventory balances are checked during annual inventory.

Debtors

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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Financial Statements for the period from 01.01.2006 to 31.12.2006.

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 2012, due to changes in legislation and opinion of management, no changes have been made in classification of items in comparison with 2011.report.

Chairman of the Board	Eduards Malejevs
Member of the Board	Boriss Livca
Member of the Board	Ēriks Ertmanis

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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	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Income from export sale of finished goods	148 724	211 615	422 960	601 818
Income from rent of premises	225 375	320 680	363 997	517 921
Income from sale of finished goods in the local market	49 592	70 563	158 852	226 026
Income from utility services	485 595	690 939	341 774	486 301
Income from sale of materials	71 562	101 824	132 596	188 667
Total	980 848	1 395 621	1 420 179	2 020 733

Devision of neto turn over by geographical markets.

LV	831 780	1 183 516	880 153	1 252 345
EE	1 599	2 275	4 328	6 158
DE		-	2 055	2 924
RU	19 009	27 047	28 500	40 552
PL		-	600	854
FI	5 620	7 997		-
IT	63 741	90 695	354 213	504 000
BY	8 153	11 601	10 965	15 602
CZ	49 679	70 687	37 985	54 048
GB	1 267	1 803		-
LT		-	1 380	1 964
	980 848	1 395 622	1 320 179	1 878 448

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

Cost type	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Personnel costs	21 592	30 723	33 624	47 843
Provisions for leave and social security		-	992	1 411
Depreciation of fixed assets	62 837	89 409	85 112	121 103
Depreciation of fixed assets (project 124000075)	90 911	129 355	109 093	155 225
Write-off of cost of turnaround means	10 418	14 823	46 076	65 560
Changes in finished goods inventory	126 859	180 504	409 347	582 448
Changes in purchased materials and goods inventory	113 124	160 961	122 363	174 107
Services for productions	9 863	14 034	49 505	70 439
Ongoing maintenance and repair	9 021	12 836	24 374	34 681
Real estate property maintenance	509 831	725 424	384 908	547 675
Other costs	1 685	2 398	19 571	27 847
Total	956 141	1 360 467	1 282 981	1 825 517

Notes to the Profit and Loss statement entries (continued)

Note Nr. 3

Sales costs

Cost type

Cost type	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Commissions paid			9921	33918
Goods' transport costs	13 939	19 833	28 838	41 033
Sales costs	7 328	10 427	25 490	36 269
Advertising costs	1 767	2 514	10 361	14 742

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	Total	23 034	32 774	74 610	125 962
Note Nr. 4					
Administrative costs					
Cost type					
Personnel costs		57 529	81 856	108 008	153 682
Provisions for leave and social security			- -	1 634 -	2 325
Representation costs		615	875	2 490	3 543
Office expenses		1 886	2 684	3 373	4 799
Communication expenses		7 652	10 888	9 383	13 351
Bank expenses		11 949	17 002	7 947	11 308
Transport costs		9 365	13 325	15 764	22 430
Accounting and legal expenses		1 245	1 771	17 009	24 202
Other administrative costs		10 772	15 327	13 720	19 522
Total		101 013	143 728	176 060	250 512

Note Nr. 5					
Other incomes from operating activity					
Type on income					
		2012	2012	2011	2011
		LVL	EUR	LVL	EUR
Receivables from grant financing (project 124000075)		46 798	66 588	181 347	258 034
Sale of fixed assets (neto income0)		53 727	76 447	266 773	379 584
Other income		23 415	33 317	16 493	23 467
Debt write-off				61 821	87 963
Total		123 940	176 352	526 434	749 048

Note Nr. 6					
Other incomes/expenses from operating activity					
Type of income/expense					
		2012	2012	2011	2011
		LVL	EUR	LVL	EUR
Net profits from Exchange rate fluctuations on net		699	28 146	1 873	2 665
Net profit from the net of the exchange rate of purchase/sales		56 055	290	67 334	95 808
Net interest		2 051	28 534	27 317	38 869
Fines		150	213	4 647	6 612
Illiquid		4 173	5 938		
Other expenses *				78 029	111 025
Total		63 128	63 121	179 200	254 979

Note Nr. 7					
Other interest and similar income					
Type of income					
		2012	2012	2011	2011
		LVL	EUR	LVL	EUR
Interest received on account balances		366	521	143	203
Total		366	521	143	203

Notes to the Profit and Loss statement entries (continued)

Note Nr. 8					
Other interest and similar expenses					
Type of expense					
		2012	2012	2011	2011
		LVL	EUR	LVL	EUR
The rest of the securities				520	740
Total				520	740

Note Nr. 9					
Deferred Corporate Income Tax					
		2012	2012	2011	2011
		LVL	EUR	LVL	EUR

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Paid% for loans		Total:	67 712	65 971	81 114	115 415
Note Nr. 10			2012	2012	2011	2011
Other taxes			LVL	EUR	LVL	EUR
	Deferred corporate income tax				-	14 747
					-	20 983
		Total:	-	-	14 747	20 983
			2012	2012	2011	2011
			LVL	EUR	LVL	EUR
	FIXED ASSETS and intangible investments residual value financial accounting		0		1 721 782	2 449 875
	FIXED ASSETS and intangible investments net book value tax		0		-355 239	-505 460
			0	0	1 366 543	1 944 415
	Vacation accruals		0		-7 963	-11 330
	Provisions for bad debts		0		0	0
	Provisions for bad debts		0		0	0
	Tax losses		0		-1 474 102	-2 097 458
	Temporary difference		0	0	-115 522	-164 373
			x 15%	x 15%	x 15%	x 15%
			0	0	-17328	-24656

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Notes to the Financial Statements

Notes to the Balance Sheet as on December 31, 2012.

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						
31.12.2011.	7 363	-	-	-	7 363	10 477
Purchased	-	-	-	-	-	-
Relocated	-	-	-	-	-	-
Written-off	-	-	-	-	-	-
31.12.2012.	7 363	-	-	-	7 363	10 477
Depreciation						
31.12.2011.	7 362	-	-	-	7 362	10 475
Calculated	1	-	-	-	1	1
Written-off	-	-	-	-	-	-
31.12.2012.	7 363	-	-	-	7 363	10 477
Net book value						
31.12.2011.	1	-	-	-	1	1
Net book value						
31.12.2012.		-	-	-		

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						
31.12.2011.	3 135 687	3 159 801	582 655	225 552	7 103 695	10 107 647
Purchased				203	203	289
Overrated						272 154
Written-off			140 811	25 354	166 165	-
31.12.2012.	3 135 687	3 159 801	441 844	200 401	6 937 733	9 871 505
Depreciation						
31.12.2011.	-	416 865	357 229	174 703	948 797	1 350 017
Calculated		29 345	23 685	9 806	62 836	80 827
Written-off			120 295	5 939	126 234	179 615
31.12.2012.		446 210	260 619	178 570	885 399	1 259 809
Net book value						
31.12.2011.	3 135 687	2 742 936	225 426	50 849	6 154 898	8 757 631
Net book value						
31.12.2012.	3 135 687	2 713 591	181 225	21 831	6 052 334	8 611 695

Notes to the Balance Sheet (continued)

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	Technological equipment (project 124000075)		Pre-payments for fixed assets	construction of fixed assets	Total LVL	Total EUR
Historical cost						
31.12.2011.	1 827 372	-	-	973 767	2 801 139	3 985 662
Purchased	-	-	-			-
Written-off		-	-			-
31.12.2012.	1 827 372	-	-	973 767	2 801 139	3 985 662
Depreciation						
31.12.2011.	736 441	-	-	-	736 441	892 636
Calculated	90 911	-	-	-	90 911	129 355
Written-off	-	-	-	-	-	-
31.12.2012.	827 352	-	-	-	827 352	1 177 216
Net book value						
31.12.2011.	1 090 931	-	-	973 767	2 064 698	2 937 801
Net book value						
31.12.2012.	1 000 020	-	-	973 767	1 973 787	2 808 446

Assets in the balance sheet are presented in the remainder of the value of the real estate cadastre value 4 419 600 LVL.

According to 30.06.2011 g. Ober Haus Real State Company report on real estate market values were revalued fixed .

assets: land and buildings

Fixed asset balances to 31.12.2012. g. tested in inventory 2013 14 January.

Buildings, constructions, technological equipment and cars are insured.

Financial leasing: the fixed assets

PL nosaukums	Līzings devējs	PL sākotnējā vērtība	PL atlikusī vērtība	Līzings līguma neizmaksātā summa	Līzings termiņš
A/m Jaguar Daimler Super Eight	Citadele Līzings	67 898	19 444	9 666	2013.06.30

Dismantled and scrapped, sold, fixed assets and intangible investments result:

	2012 LVL	2012 EUR	2011 LVL	2011 EUR
Original value	80 120	114 000	376 927	50 777
Accumulated depreciation	53 716	76 431	182 421	
Net book value	26 404	37 570	194 506	276 757
Sales income	80 120	114 000	266 773	379 584

14. Long-term financial investments

	2012 LVL	2012 EUR	2011 LVL	2011 EUR
Izdevumi projekta Nr.124000075 realizācijai	223 580	318 126	223 580	318 126
Other loans	151 828	216 032	151 828	740
Deferred tax assets	17 328	24 656	17 328	24 656
Kopā	392 736	558 814	392 736	343 522

15. Raw materials

	2012 LVL	2012 EUR	2011 LVL	2011 EUR
Raw materials	174 387	248 130	156 661	222 909
Inventory in use	136 919	194 818	89 958	127 999
	311 306	442 948	246 619	350 908

16. Stock

	2012 LVL	2012 EUR	2011 LVL	2011 EUR
Unfinished goods			-	1 031
finished goods and goods in warehouse	117 252	166 835	143 361	203 984
Total	117 252	166 835	144 392	205 451

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17. Advance payments for goods	2012	2012	2009	2009
	LVL	EUR	LVL	EUR
Advance payments for materials	44 405	63 183	13 818	19 661
Advance payments to non-residents	24 243	34 495	23 319	33 180
Goods in bonded storage		-		-
Total	68 648	97 678	37 137	52 841

18. Trade receivables	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Receivables (non-residents)	86 683	123 339	81 306	115 688
Receivables (residents)	326 704	464 858	597 048	849 523
Book value of purchases and customers, total	413 387	588 197	678 354	965 211
Provisions for doubtful debts	-	-	-	-
Net trade receivables, total	413 387	588 197	678 354	965 211

19. Other receivables	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
VAT confirmed (unpaid invoices)		-		-
Settlements with employees	27 926	39 735	19 007	27 045
Tax pre-payments for customs procedures	523	744	735	1 046
Loans to employees	5 094	7 248	5 094	7 248
Other loans	261 795	372 501	44 437	63 228
Others		-	315	448
Total	295 338	420 228	69 588	99 015

20. Deferred expenses	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Insurance expenses	2 827	4 022	1 190	1 693
Expenses for repairs of buildings and premises		-		-
Expenses for implementation of project Nr.124000075	4 303	6 123	25 820	36 739
Expenses for reconstruction of block I-2		-		-
Other expenses	1 910	2 718	384	546
Total	9 040	12 863	27 394	38 978

21. Cash and cash equivalents	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Cash on hand	16	23	25 035	35 622
Cash in bank accounts	2 166	3 082	72 050	102 518
Total	2 182	3 105	97 085	138 140

Notes to the Balance Sheet (continued)

22. Information about company's share capital

On 31.12.2010 company's share capital consisted of 2549084 registered and fully paid shares with nominal value of 1 Ls.

Larges shareholders of JSC "VEF Radiotehnika RRR" are:

Shareholders	Number of shares		Value			
			LVL		EUR	
	2012.12.31.	2011.12.31.	2012,09,30	2011,12,31	2012,09,30	2011,12,31
Baltlains Intern Ltd.	0	622338	0	622338	0	885507
Jekaterina Malejeva	270000	270000	270000	270000	384175	384175
Eduards Malejevs	941880	715282	941880	715282	1340175	1017755

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Jurijs Malejevs	864512	531006	864512	531006	1230090	755553
Inga Sprūga	330086	267852	330086	267852	469670	381119
Others (<5%)	142606	142606	142606	142606	202910	202910
Total:	2549084	2549084	2549084	2549084	3627020	3627020

23. 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.

	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Previous years' retained earnings/losses	-348 407 -	495 738	-353 353 -	502 776
Current year profit/loss	-172 704 -	245 736	4 947	7 039
Total	- 521 111 -	741 474 -	348 406 -	495 737

24. Long term investment revaluation reserve

	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Preliminary value	5 117 910	7 282 130	5 131 877	7 302 003
proceeds of the revalued asset depreciation			-13 967	-19 873
Total	5 117 910	7 282 130	5 117 910	7 282 130

25. Long-term loans from lending institutions

	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Loan from JSC SEB Banka (EUR)		-	1 435 060	2 041 906
Total	-	-	1 435 060	2 041 906

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. The loan agreement due date is June 20, 2013.

26. Other loans (long-term)

	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Financial lease from SIA CITADELE Līzins un Faktoringis	5 647	8 035	5 647	8 035
Total	5 647	8 035	5 647	8 035

31. Deferred income (long-term)

	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Individual income tax	45000	64029,23		
State social security payments	55572	79071,83		
Real estate tax	83794	119228,12		
Natural resources tax	1 474	2 097		-
Total	185 840	264 426	-	-

27. Short-term loans from lending institutions

	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Credit line from JSC SEB Banka (LVL)	9 867	14 039		-
Loan from JSC SEB Banka (EUR)	1 434 219	2 040 710	144 728	205 929
Total	1 444 086	2 054 749	144 728	205 929

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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28. Other loans (short-term)	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Financial lease from SIA CITADELE Līzins un Faktoringi	4 019	5 719	14 364	20 438
Financial lease from SIA DnB Nord Līzings (EUR)		-	11 995	17 067
Financial lease from SIA SEB līzings (EUR)		-	2 305	3 280
Settlement of debts to personnel		-	24 484	34 838
Other loans	45 276	64 422	16 052	22 840
Total	49 295	70 141	69 200	98 463

29. Advances from customers	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Advances from non-residents	2 755	3 920	39 956	56 852
Advances from residents	11 970	17 032	1 102	1 568
Total	14 725	20 952	41 058	58 420

30. Due to suppliers and providers (short-term)	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Trade accounts payable to non-residents	14 957	21 282	25 822	36 741
Trade accounts payable to residents	537 729	765 119	371 220	528 198
Total	552 686	786 401	397 042	564 939

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Notes to the Balance Sheet (continued)

31. Taxes and social insurance payments	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Personal Income Tax	100	142	60 220	85 685
State Social Insurance payments		-	110 998	157 936
Value Added Tax	63 376	90 176	50 538	71 909
Real estate tax for building and constructions	99 109	141 019	137 074	195 039
Nature resources tax		-	2 121	-
Corporate risk tax		-	25	36
Total	162 585	231 337	360 976	510 605

32. Other liabilities	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Salaries	12 607	17 938	27 272	38 805
Advance settlement amounts			3 224	
Security	12 846	18 278	11 823	16 823
Other creditors		-	2 328	3 312
Total	25 453	36 216	44 647	58 940

33. Deferred income (short-term)	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Income from grant financing (project Nr.124000075)		-	46 798	66 588
Total	-	-	46 798	66 588

34. Accumulated obligated	2012	2012	2011	2011
	LVL	EUR	LVL	EUR
Current expense	41 847	59 543	41 197	58 618
Total	41 847	59 543	41 197	58 618

Chairman of the Board	Eduards Malejevs
Member of the Board	Boriss Livca
Member of the Board	Ēriks Ertmanis

2013.27.02

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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 2012	Year 2011
24	33

2. Total personnel costs

- salaries
- Social security payments
- Corporate risk tax

2012	2012	2011	2011
LVL	EUR	LVL	EUR
79 121	112 579	117 361	166 988
64 291	91 478	95 027	135 211
14 759	21 000	22 232	31 633
71	101	101	144

- including:

Management salaries

- salaries
- Social security payments
- Corporate risk tax

16 989	24 173	15 810	22 496
5 686	8 090	3 573	5 084
9	13	9	13
22 684	32 276	19 392	27 593

- total:

Taxes and social security payments

Type of tax	2011	Calculated	Paidff	Off
SALES TAX	41799	130583	109006	
delay's money	8739		8739	
(-) underpayment, (+) overpayment				
Personal income tax	60219	13267	28386	45000
State social security obligatory payments	110999	23552	78979	55572
Business risk duty	25	71	96	
Real estate tax	137074	66829	21000	83794
Nature resources tax	2121		647	1474
Corporate risk tax				
delay's money				
	360976	234302	246853	185840
Tax overpayment	315	315		
Tax debt	360 660			185 840

Information on the reimbursement of certified auditors commercial company total in the reference year

AS BDO

For annual year 2011- 2 100 LVL

Together 2 100 LVL

Annual report is accepted and signed from page 1 till 27

Chairman of the Board

Eduards Malejev

Member of the Board

Boriss Livca

Member of the Board

Ēriks Ertmanis