

**JSC "VEF Radiotehnika RRR"**  
**Unified Registration No. 40003286712**  
**Address: Kurzemes prospekts 3, Riga, LV-1067**

**Measurement units: Ls (LVL)**

***2013 12 Months Report***

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

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

***Riga, Latvia***

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JSC "VEF Radiotehnika RRR"  
unified Reg.Nr.40003286712  
Financial Statements for the period from 01.01.2013 to 31.12.2013.

**INFORMATION about the COMPANY**

<b>Full name of the Company</b>	<i>JSC "VEF Radiotehnika RRR"</i>			
<b>Legal status of the Company</b>	<i>Public Joint-Stock Company</i>			
<b>Unified Registration Nr., place and date of issue</b>	<i>40003286712 11.12.1998</i>			
<b>Legal address of the Company</b>	<i>Kurzemes prospekts 3, Riga, LV-1067</i>			
<b>Telephone</b>	<i>67418087</i>			
<b>Postal address</b>	<i>Kurzemes prospekts 3, Riga, LV-1067</i>			
<b>Bank name and Company's bank accounts</b>	<i>JSC "SEB Latvijas Unibanka" LV57UNLA0050006466330 (LVL) LV55UNLA0050006466366 (EUR) Nordea bank Finland PLC LV06NDEA0000082922737 JSC GE Money Bank LV49BATR0051701822200</i>			
<b>Council members of the JSC</b>				
Chairman of the Council	<i>Janis Salenieks</i>			
Council Member	<i>Jurijs Malejevs</i>			
Council Member	<i>Inga Spruga</i>			
Council Member	<i>Inars Klavins</i>			
Council Member	<i>Jekaterina Malejeva</i>			
<b>Boar members of the JSC</b>				
Chairman of the Board	<i>Eduards Malejevs</i>			
Board Member	<i>Boriss Livca</i>		till 01.05.2013	
Board Member	<i>Ēriks Ertmanis</i>			
<b>Reporting year</b>	<i>from</i>	<i>01.01.2013</i>	<i>till</i>	<i>31.12.2013</i>
<b>Previous reporting period</b>	<i>from</i>	<i>01.01.2012</i>	<i>till</i>	<i>31.12.2012</i>
<b>Chief Accountant</b>	<i>Olga Romanko</i>			
<b>Telephone:</b>	<i>67852054</i>			
<b>Auditor:</b>	Potapoviča un Andersone Ltd. Reg. No. 40003612562 12-45 Ūdens street, Riga, LV-1007 Licence No 99			

## ***Management Report***

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### **Principal activities**

During the first 12 months of 2013, the main JSC "VEF Radiotehnika RRR" activities were:

1. Purchase and sales of acoustic systems and their enclosures;
2. Purchase and sales of electronic assemblies and nodes;
3. Purchase and sales of printed pallets, galvanization services;
4. Real estate renting services.

All of the above-mentioned activities have been performed also in year 2012. New types of activities have not been acquired.

### **Current year activities of the Company**

The current year results of the Company are the following:

Result before extraordinary items and taxes:	-176620 LVL
Other taxes:	-63863 LVL
Net result:	-240483 LVL

Net turnover in year 2013 was LVL 875079 and it has fallen by 23% in comparison with the year 2012.

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

The company's current liabilities exceeded its current assets.

Total liabilities did not exceed total assets of the Company.

#### ***Company's profitability:***

Gross profit margin (%)	-27,48
Operating profit margin (%)	-13,94
Gross profit margin (%)	-19,97

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

Return on capital	-2,25
Return on equity	-4,11

2013 was a year of significant challenges for JSC "VEF Radiotehnika RRR" when a decision was made to make important adjustments of the results of the previous years to create solid foundations for sustainable growth in future.

Significant losses incurred due to recognizing impairment of Company's assets as loss.

### **Future prospects and going concern**

As mentioned above, the result of the year 2013 is loss in amount of LVL 240483, which is associated with a significant reduction in the sales market sector, as well as recognizing impairment of the Company's assets. At the end of the year current liabilities of the Company exceeded current assets by LVL 1 476 485. The management of the Company considers that the existing situation is temporary and takes actions to restore the income in the previous level. If the current situation becomes permanent and will not be dissolved, the Company may be forced to sell non-profile assets.

To absorb the losses and settle with the creditors, the possibility of selling the company-owned non-profile assets that are engaged in business but the possession of which increases the real estate tax burden, will be considered. Non-profile assets are now considered

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the administrative building, warehouses, land. The sales of non-profile assets would stabilize the Company and will enable further development of the Company in chosen directions.

The repayment of loan from SEB bank with the maturity date of the principal amount on 20 June 2014 is planned to be extended till it will be possible to refinance the loan with another bank. Negotiations with other banks are in process.

In year 2013 it is planned to complete the clearance process - putting into operation - of the fixed assets under construction.

JSC "VEF Radiotehnika RRR" largest creditors are State Revenue Service and JSC "Latvenergo". Taking into account that during the year 2012 the Company has paid LVL 108 867 to the state budget, on 21 December 2012 the Company and the State Revenue Service agreed on a schedule of repayment of the delayed tax payments, and JSC "VEF Radiotehnika RRR" is fulfilling the obligations on timely basis. Repayment plan of debts to JSC "Latvenergo" is at the stage of negotiating.

The Annual Report has been prepared considering the going concern principle because in year 2012 JSC "VEF Radiotehnika RRR" has signed contracts for the sale of the acoustic systems with several companies: Russian electronics trading company "MediaMarkt-Saturn", Byelorussian company "Patio" that serves the electronics shops "5.Elements". Cooperation in production of enclosures with the Italian company RCF Spa has been revolved.

#### **Post balance sheet events**

From the end of the During the period from the last day of the financial year to the date of signing this report there have been no significant events having impact on the year-end results.

#### **Proposals concerning covering of loss**

The loss for year 2013 will be covered by future profits from the sales of non-profile assets.

Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

2014.28.02.

JSC "VEF Radiotehnika RRR"  
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*Notification of management's responsibility*

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

The management confirms that in preparation of the report for the period ended September 30, 2013, 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 Malejevs

Member of the Board

Ēriks Ertmanis

2014.28.02

JSC "VEF Radiotehnika RRR"  
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Financial Statements for the period from 01.01.2013 to 31.12.2013.

**PROFIT AND LOSS STATEMENT**  
**FOR THE PERIOD ENDED**  
**31.12.2013 (per turnover (period) costs method)**

	Note	2013 LVL	2013 EUR	2012 LVL	2012 EUR
Net turnover	1	875 079	1 245 125	1 017 690	1 448 042
Cost of sales	2	(1 049 861)	(1 493 818)	(1 023 926)	(1 456 915)
<b>Gross profit or loss</b>		<b>(174 782)</b>	<b>(248 693)</b>	<b>(6 236)</b>	<b>(8 873)</b>
Selling expenses	3	(13 835)	(19 685)	(23 132)	(32 914)
Administrative expenses	4	(125 615)	(178 734)	(113 230)	(161 112)
Other operating income	5	204 222	290 582	170 411	242 473
Other operating expenses	6	(12 339)	(17 557)	(386 583)	(550 058)
Interest income and similar income	7	322	458	369	525
The long-term financial investment. and short-term securities write-down.	8	-	-		
Interest expense and similar expenses	9	(54 593)	(77 679)	(66 452)	(94 553)
<b>Profit or loss before extraordinary items and taxes</b>		<b>(176 620)</b>	<b>(251 308)</b>	<b>(424 853)</b>	<b>(604 512)</b>
Deferred corporate income tax for the reporting period	10	-	-		-
Other taxes	11	(63 863)	(90 869)	(66 830)	(95 091)
<b>Profit or loss for the period</b>		<b>(240 483)</b>	<b>(342 177)</b>	<b>(491 683)</b>	<b>(699 603)</b>
Earnings per share (EPS coefficient)		(0,094)	(0,134)	(0,193)	(0,274)

Attachments from 12 to 28 pages are an integral part of these financial statements

Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

2014.28.02

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*BALANCE SHEET as at 31.12.2013.*

ASSETS	Note	2013	2013	2012	2012
	nr.	LVL	EUR	LVL	EUR
<b>1. Non-current assets</b>					
<b>I. Intangible assets:</b>					
Concessions, patents, licenses, trade marks and similar rights	12		-		-
<b>Total intangible assets:</b>		-	-	-	-
<b>II. Fixed assets:</b>					
Land, buildings and constructions		1 525 001	2 169 881	3 179 812	4 524 465
Equipment and vehicles		1 090 935	1 552 261	1 188 124	1 690 548
Other fixed assets		21 630	30 777	43 763	62 269
Construction of fixed assets and unfinished construction objects		973 767	1 385 546	973 767	1 385 546
<b>Total fixed assets:</b>	13	<b>3 611 333</b>	<b>5 138 465</b>	<b>5 385 466</b>	<b>7 662 828</b>
<b>V. Long-term financial investments:</b>					
Other loans and other long-term debtors	14	2 483 100	3 534 920	2 663 596	3 789 956
Other long-term receivables (PR. 12000075)		171 940	244 649	197 760	281 387
Other long-term receivables (PR. 12000075)		118 088	168 024	118 088	168 024
Deferred taxation assets		17 328	24 656	17 328	24 656
<b>Total long-term financial investments:</b>	15	<b>307 356</b>	<b>437 329</b>	<b>333 176</b>	<b>474 067</b>
<b>Total non-current assets:</b>		<b>6 401 789</b>	<b>9 110 714</b>	<b>8 382 238</b>	<b>11 926 851</b>
<b>2. Current assets</b>					
<b>I. Inventory:</b>					
Raw materials	16	183 613	261 258	185 865	264 462
Finished goods	17	96 535	137 357	115 579	164 454
Advance payments for materials	18	7 964	11 332	6 215	8 843
<b>Total inventory:</b>		<b>288 112</b>	<b>409 947</b>	<b>307 659</b>	<b>437 759</b>
<b>III. Receivables:</b>					
Trade receivables	19	176 231	250 754	187 418	266 672
Associate company debts	20	233 801	332 669	254 907	362 700
Other receivables	21	128 359	178 873	125 713	178 873
Deferred expenses	22	28 263	40 215	29 146	41 471
<b>Total receivables:</b>		<b>566 654</b>	<b>802 511</b>	<b>597 184</b>	<b>849 716</b>
<b>V. Cash</b>					
<b>Total currents assets:</b>	23	<b>651</b>	<b>926</b>	<b>429</b>	<b>610</b>
<b>TOTAL ASSETS:</b>					
		<b>7 257 206</b>	<b>10 326 074</b>	<b>9 287 510</b>	<b>13 214 936</b>

Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

2014.28.02



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*BALANCE SHEET as at 31.12.2013.*

LIABILITIES AND SHAREHOLDERS' EQUITY	Note nr.	2013		2012	
		LVL	EUR	LVL	EUR
<b>1. Shareholders' equity:</b>					
Share capital	24	2 549 084	3 627 020	2 549 084	3 627 020
Reserves:	26	3 444 366	4 900 891	5 089 982	7 242 392
Retained earnings:					
a) previous years' retained earnings	25	- 840 090	- 1 195 340	- 348 407	- 495 738
b) current year profit/(loss)	25	- 240 483	- 342 177	- 491 683	- 699 602
<b>Total shareholders' equity:</b>		<b>4 912 877</b>	<b>6 990 394</b>	<b>6 798 976</b>	<b>9 674 072</b>
<b>2. Provisions:</b>					
Other provisions		12 427	17 682	12 427	17 682
<b>Total provisions:</b>		<b>12 427</b>	<b>17 682</b>	<b>12 427</b>	<b>17 682</b>
<b>3. Liabilities:</b>					
<b>I. Non-current liabilities:</b>					
Loans from lending institutions	27	-	-	-	-
Other loans	28	-	-	-	-
Deferred income	29	160 728	228 695	160 728	228 695
<b>Total non-current liabilities:</b>		<b>160 728</b>	<b>228 695</b>	<b>160 728</b>	<b>228 695</b>
<b>II. Current liabilities:</b>					
Loans from lending institutions	30	1 066 507	1 517 503	1 441 377	2 050 895
Other loans	31	18 720	26 636	9 665	13 752
Advances from customers	32	112 373	159 892	866	1 232
Trade accounts payable	33	677 552	964 070	455 239	647 747
Debt to associated companies	34	45 085	64 150	94 390	134 305
Taxes and social security liabilities	35	182 972	260 346	243 408	346 338
Other liabilities	36	28 932	41 167	26 323	37 454
Deferred income	37	-	-	-	-
Accrued liabilities	38	39 033	55 539	44 111	62 764
<b>Total current liabilities:</b>		<b>2 171 174</b>	<b>3 089 303</b>	<b>2 315 379</b>	<b>3 294 487</b>
<b>Total liabilities:</b>		<b>2 331 902</b>	<b>3 317 998</b>	<b>2 476 107</b>	<b>3 523 182</b>
<b>TOTAL LIABILITIES :</b>		<b>7 257 206</b>	<b>10 326 074</b>	<b>9 287 510</b>	<b>13 214 936</b>

Attachments from 12 to 28 pages are an integral part of these financial statements

Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

2014.28.02

JSC "VEF Radiotehnika RRR"  
unified Reg.Nr.40003286712  
Financial Statements for the period from 01.01.2013 to 31.12.2013.

**CASH FLOW STATEMENT FOR THE PERIOD ENDED**  
**31.12.2013 (indirect method)**

**I. Cash flow from operating activities**

*Profit or loss before extraordinary items and taxes*

*Adjustments for:*

- a) depreciation of fixed assets
- b) depreciation current assets.
- c) savings (excluding provisions for unsecured receivables)
- d) gains or losses from foreign currency exchange rate
- d) profit or loss from the exchange rate fluctuations
- f) income from subsidies, grants, gifts or donations
- g) other income from interest or similar income
- h) profit/loss from sale of fixed assets
- i) interest payments and similar activities
- k) proceeds from fixed asset depreciation of revalued

*Profit or loss before current assets and*

*short-term liabilities corrections*

*Adjustments for:*

- a) trade receivables increase (-) or decrease (+)
- b) inventory increase (-) or decrease (+)
- c) accounts payable to suppliers and other creditors  
increase (+) or decrease (-)

**Gross cash flow from operating activities**

Interest payments

Expenses in the company's tax payments:

**Cash flow before extraordinary items**

**Net cash flow from operating activity**

**II. Cash flow from investing activities**

Fixed assets and intangible investments acquisitions

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 buy-out expenses

**Net cash flow from financing activities**

**IV. Foreign exchange rate differences**

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

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

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

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
-	176 620	-	251 308	36 781
-				52 335
a) depreciation of fixed assets	183 147	260 595	185 048	263 300
b) depreciation current assets.	-	-	1	1
c) savings (excluding provisions for unsecured receivables)	-	-	4 463	6 350
d) gains or losses from foreign currency exchange rate	430	612	1 586	2 257
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	(322)	(458)	(369)	(525)
h) profit/loss from sale of fixed assets	(199 764)	(284 239)	(80 541)	(114 600)
i) interest payments and similar activities	54 593	77 679	66 452	94 553
k) proceeds from fixed asset depreciation of revalued	-	-	(27 928)	(39 738)
<b>Profit or loss before current assets and short-term liabilities corrections</b>	<b>(138 536)</b>	<b>(197 119)</b>	<b>138 695</b>	<b>197 346</b>
<b>Adjustments for:</b>				
a) trade receivables increase (-) or decrease (+)	19 547	27 813	240 852	342 702
b) inventory increase (-) or decrease (+)	2 308	3 284	60 565	86 176
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)	309 406	440 245	103 511	147 283
<b>Gross cash flow from operating activities</b>	<b>192 725</b>	<b>274 223</b>	<b>543 623</b>	<b>773 506</b>
Interest payments	(54 593)	(77 679)	(72 814)	(103 605)
Expenses in the company's tax payments:	(78 344)	(111 473)	(21 000)	(29 880)
<b>Cash flow before extraordinary items</b>	<b>59 788</b>	<b>85 070</b>	<b>449 809</b>	<b>640 021</b>
<b>Net cash flow from operating activity</b>	<b>59 788</b>	<b>85 070</b>	<b>449 809</b>	<b>640 021</b>
<b>II. Cash flow from investing activities</b>				
Fixed assets and intangible investments acquisitions	(47 148)	(67 086)	(49 129)	(69 904)
Income from fixed assets sale	364 565	518 729	99 677	141 828
Interest received	322	458	366	521
<b>Net cash flow from investing activities</b>	<b>317 739</b>	<b>452 102</b>	<b>50 914</b>	<b>72 444</b>
<b>III. Cash flow from financing activities</b>				
Loans received	14 140	20 119	38 800	55 207
Loans repaid	(374 878)	(533 403)	(149 901)	(213 290)
Rented asset buy-out expenses	(17 011)	(24 204)	(2 466)	(3 509)
<b>Net cash flow from financing activities</b>	<b>(377 749)</b>	<b>(537 488)</b>	<b>(135 745)</b>	<b>(193 148)</b>
<b>IV. Foreign exchange rate differences</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>V. Net cash flow for the year</b>	<b>222</b>	<b>316</b>	<b>(96 656)</b>	<b>(137 528)</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>	<b>429</b>	<b>610</b>	<b>97 085</b>	<b>138 140</b>
<b>VII. Cash and cash equivalents at the end of the period</b>	<b>651</b>	<b>926</b>	<b>429</b>	<b>610</b>

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Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

2014.28.02

JSC "VEF Radiotehnika RRR"  
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Financial Statements for the period from 01.01.2013 to 31.12.2013.

*STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR 2013 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
<b>Balance as on December 31, 2011</b>	<b>2 549 084</b>	<b>5 117 910</b>		<b>4 947</b>	<b>- 353 354</b>	<b>7 318 587</b>
Profit carried over				- 4 947	4 947	
Profit for the year				- 491 683		- 491 683
Fixed assets revaluation reserve		27 928				27 928
<b>Balance as on December 31, 2012</b>	<b>2 549 084</b>	<b>5 089 982</b>	<b>- -</b>	<b>491 683</b>	<b>- 348 407</b>	<b>6 798 976</b>
Profit carried over						
Profit for the year				- 240 483		- 240 483
Fixed assets revaluation reserve		- 1 645 616				- 1 645 616
<b>Balance as on December 31, 2013</b>	<b>2 549 084</b>	<b>3 444 366</b>	<b>- -</b>	<b>732 166</b>	<b>- 348 407</b>	<b>4 912 877</b>

	Subscribed share capital	Investment revaluation reserve	Statutory reserves	Profit for the year	Previous year's retained earnings	Total share capital and reserves
	EUR	EUR	EUR	EUR	EUR	EUR
<b>Balance as on December 31, 2011</b>	<b>3 627 020</b>	<b>7 282 130</b>		<b>7 039</b>	<b>- 502 777</b>	<b>10 413 411</b>
Profit carried over				- 7 039	7 039	
Profit for the year				- 699 602	-	- 699 602
Fixed assets revaluation reserve		39 738				39 738
<b>Balance as on December 31, 2012</b>	<b>3 627 020</b>	<b>7 242 392</b>	<b>- -</b>	<b>699 602</b>	<b>- 495 738</b>	<b>9 674 071</b>
Profit carried over				-	-	
Profit for the year				- 342 177		- 342 177
Company reserves buildup		- 2 341 501				- 2 341 501
<b>Balance as on December 31, 2013</b>	<b>3 627 020</b>	<b>4 900 891</b>	<b>- -</b>	<b>1 041 778</b>	<b>- 495 738</b>	<b>6 990 394</b>

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Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

2013.28.11

JSC "VEF Radiotekhnika RRR"  
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Financial Statements for the period from 01.01.2013 to 31.12.2013

*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", the Cabinet Regulation No 488 "Application of Law on Annual Reports" the Cabinet Regulation No 481 "Contents and procedure for the preparation of the cash flow report and report of changes in shareholders' equity"

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 01.01.2013. to 31.12.2013**

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**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:

	31.12.2013	31.12.2012	31.12.2011
USD	0,515	0,531	0,544
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 the straight-line method, reducing the net book value of the asset at the end of useful life using the following rates:

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* 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, 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**

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.

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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 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.

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**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 2012 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.



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**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 2013, due to changes in legislation and opinion of management, no changes have been made in classification of items in comparison with 2012.report.

Chairman of the Board	Eduards Malejevs
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Member of the Board	Ēriks Ertmanis
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2014.28.02

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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 and other taxes directly related to sales.

Type of activity	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Income from exports of finished goods	19 930	28 358	151 703	215 854
Income from rent of premises	127 525	181 452	262 015	372 814
Income from sale of finished goods in the local market	212 780	302 759	52 315	74 438
Income from utility services	471 821	671 341	476 394	677 848
Income from sale of materials	43 023	61 216	75 263	107 090
<b>Total</b>	<b>875 079</b>	<b>1 245 124</b>	<b>1 017 690</b>	<b>1 448 044</b>

**Division of net turnover by geographical markets**

LV	855 149	1 216 766	865 987	1 232 188
EE	-	-	1 599	2 275
DE	-	-	38	54
RU	19 930	28 358	21 990	31 289
PL	-	-	-	-
FI	-	-	5 620	7 997
IT	-	-	63 355	90 146
BY	-	-	8 153	11 601
CZ	-	-	49 679	70 687
GB	-	-	1 269	1 806
LT	-	-	-	-
	<b>875 079</b>	<b>1 245 123</b>	<b>1 017 690</b>	<b>1 448 042</b>

**Note Nr. 2**

**Cost of goods sold**

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

**Cost type**

Personnel costs	22 639	32 212	21 592	30 723
Provisions for leave and social security	-	-	938	1 335
Depreciation of fixed assets	74 054	105 369	75 955	108 074
Depreciation of fixed assets (project 124000075)	109 093	155 225	109 093	155 225
Write-off of cost of turnaround means	21 613	30 753	40 697	57 907
Changes in finished goods inventory	204 092	290 397	194 458	276 689
Changes in purchased materials and goods inventory	32 911	46 828	75	107
Services for productions	4 006	5 700	2 854	4 061
Ongoing maintenance and repair	27 063	38 507	31 164	44 342
Real estate property maintenance	547 436	778 931	531 389	756 098
Other costs	6 954	9 895	15 711	22 355
<b>Total</b>	<b>1 049 861</b>	<b>1 493 816</b>	<b>1 023 926</b>	<b>1 456 915</b>

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

Note Nr. 3		2013	2013	2012	2012
Sales costs		LVL	EUR	LVL	EUR
<b>Cost type</b>					
Goods' transport costs		6 962	9 906	13 939	19 833
Sales costs		4 197	5 972	7 421	10 559
Bonuses, discounts		2 118	3 014		
Advertising costs		558	794	1 772	2 521
<b>Total</b>		<b>13 835</b>	<b>19 685</b>	<b>23 132</b>	<b>32 914</b>

Note Nr. 4		2013	2013	2012	2012
Administrative costs		LVL	EUR	LVL	EUR
<b>Cost type</b>					
Personnel costs		57 324	81 565	57 529	81 856
Provisions for leave and social security			-	3 525	5 016
Representation costs		968	1 377	1 284	1 827
Office expenses		1 518	2 160	3 496	4 974
Communication expenses		8 059	11 467	7 679	10 926
Bank expenses		7 960	11 326	12 066	17 168
Transport costs		4 208	5 987	13 055	18 576
Accounting and legal expenses		29 707	42 269	3 557	5 061
Consulting services		8 500	12 094	3 340	4 752
Other administrative costs		7 371	10 488	7 699	10 955
<b>Total</b>		<b>125 615</b>	<b>178 734</b>	<b>113 230</b>	<b>161 112</b>

Note Nr. 5		2013	2013	2012	2012
Other incomes from operating activity		LVL	EUR	LVL	EUR
<b>Type on income</b>					
Receivables from grant financing (project 124000075)		-	-	46 798	66 588
Sale of fixed assets (net income)		199 764	284 239	80 541	114 600
Other income		4 458	6 343	29 754	42 336
Revenue from goods are posted to		-	-	13 318	18 950
<b>Total</b>		<b>204 222</b>	<b>290 582</b>	<b>170 411</b>	<b>242 473</b>

Note Nr. 6		2013	2013	2012	2012
Other incomes/expenses from operating activity		LVL	EUR	LVL	EUR
<b>Type of income/expense</b>					
Net profits from Exchange rate fluctuations on net		430	612	2 716	3 865
Net profit from the net of the exchange rate of purchase/sales		11 150	15 865	109 753	156 164
Net interest		759	1 080	145 040	206 373
Provisions for unsecured debts		-	-	16 827	23 943
Previous years ' expenditure		-	-	16 277	23 160
With economic activity related expenditure		-	-	684	973
With economic activity in the associated costs (losses)		-	-	95 286	135 580
Not depreciated fixed asset value				-	
<b>Total</b>		<b>12 339</b>	<b>17 557</b>	<b>386 583</b>	<b>550 058</b>

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

<b>Note Nr. 7</b>					
<b>Other interest and similar income</b>					
	<b>Type of income</b>		<b>2013</b>	<b>2013</b>	<b>2012</b>
			<b>LVL</b>	<b>EUR</b>	<b>LVL</b>
					<b>EUR</b>
	Interest received on account balances		322	458	369
					525
	<b>Total</b>		<b>322</b>	<b>458</b>	<b>369</b>
					<b>525</b>
<b>Note Nr. 8</b>					
<b>Other interest and similar expenses</b>					
	<b>Type of expense</b>		<b>2013</b>	<b>2013</b>	<b>2012</b>
			<b>LVL</b>	<b>EUR</b>	<b>LVL</b>
					<b>EUR</b>
	The rest of the securities		-	-	0
					-
	<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Note Nr. 9</b>					
<b>Deferred Corporate Income Tax</b>					
	<b>Type of expense</b>		<b>2013</b>	<b>2013</b>	<b>2012</b>
			<b>LVL</b>	<b>EUR</b>	<b>LVL</b>
					<b>EUR</b>
	Loan interest paid		54 593	77 679	66 452
					94 553
	<b>Total:</b>		<b>54 593</b>	<b>77 679</b>	<b>66 452</b>
					<b>94 553</b>
<b>Note Nr. 10</b>					
<b>Other taxes</b>					
	<b>Type of expense</b>		<b>2013</b>	<b>2013</b>	<b>2012</b>
			<b>LVL</b>	<b>EUR</b>	<b>LVL</b>
					<b>EUR</b>
	Deferred corporate income tax		-	-	-
					-
	<b>Total:</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Note Nr. 11</b>					
<b>Other taxes</b>					
	<b>Type of expense</b>		<b>2013</b>	<b>2013</b>	<b>2012</b>
			<b>LVL</b>	<b>EUR</b>	<b>LVL</b>
					<b>EUR</b>
	FA and intangible assets net book value financial accounting		1 703 753	2 424 222	1 721 782
					2 449 875
	FA and intangible assets net book value for tax purposes		-323 955	-460 946	-355 239
					-505 460
			<b>1 379 798</b>	<b>1 963 276</b>	<b>1 366 543</b>
					<b>1 944 415</b>
	Vacation accruals		-12 427	-17 682	-7 963
					-11 330
	Tax deductible losses		-1 468 035	-2 088 826	-1 474 102
					-2 097 458
	Temporary difference		<b>-100 664</b>	<b>-143 232</b>	<b>-115 522</b>
					<b>-164 373</b>
			x 15%	x 15%	x 15%
			<b>-15100</b>	<b>-21485</b>	<b>-17328</b>
					<b>-24656</b>
	The difference from last year		<b>0</b>	<b>0</b>	<b>14747</b>
					<b>20983</b>
<b>Note Nr. 11</b>					
<b>Other taxes</b>					
	<b>Type of expense</b>		<b>2013</b>	<b>2013</b>	<b>2012</b>
			<b>LVL</b>	<b>EUR</b>	<b>LVL</b>
					<b>EUR</b>
	Real estate tax, land		8 817	12 545	11 815
					16 811
	Real estate tax for buildings and structures		55 046	78 323	55 015
					78 279
	<b>Total:</b>		<b>63 863</b>	<b>90 869</b>	<b>66 830</b>
					<b>95 090</b>

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Notes to the Financial Statements

Notes to the Balance Sheet as on December 31, 2013.

12. Intangible assets

	Computer software	Patents and trade marks	Other licenses	Pre-payments for intangible assets	Intangible assets total, LVL	Intangible assets total, EUR
<b>Historical cost</b>						
<b>31.12.2012.</b>	7 363	-	-	-	7 363	10 477
Purchased	-	-	-	-	-	-
Relocated	-	-	-	-	-	-
Written-off	-	-	-	-	-	-
<b>31.12.2013.</b>	7 363	-	-	-	7 363	10 477
<b>Depreciation</b>						
<b>31.12.2012</b>	7 363	-	-	-	7 363	10 477
Calculated	-	-	-	-	-	-
Written-off	-	-	-	-	-	-
<b>31.12.2013</b>	7 363	-	-	-	7 363	10 477
<b>Net book value</b>						
<b>31.12.2012.</b>		-	-	-		-
<b>Net book value</b>						
<b>31.12.2013.</b>		-	-	-		

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

13. Fixed Assets

	Land	Buildings and constructions	Technological equipment	Other fixed assets	Total LVL	Total EUR
<b>Historical cost</b>						
<b>31.12.2012.</b>	3 052 811	175 161	470 851	217 650	3 916 473	5 572 639
Reclassified					-	-
Purchased			47 148		47 148	67 086
Written-off	1 586 994	89 762	-	68 797	1 745 553	2 483 698
<b>31.12.2013</b>	1 465 817	85 399	517 999	148 853	2 218 068	3 156 026
<b>Depreciation</b>						
<b>31.12.2012.</b>	-	48 160	264 565	173 888	486 613	692 388
Calculated		31 846	35 244	5 707	72 797	103 581
Purchased		-				
Written-off		53 791		52 371	106 162	151 055
<b>31.12.2013</b>		26 215	299 809	127 224	453 248	644 914
<b>Net book value</b>						
<b>31.12.2012.</b>	3 052 811	37 239	206 286	43 762	3 340 098	4 880 254
<b>Net book value</b>						
<b>31.12.2013</b>	1 465 817	59 184	218 190	21 630	1 764 821	2 511 115

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Notes to the Balance Sheet (continued)

	Technological equipment (project 124000075)		Pre-payments for fixed assets	construction of fixed assets	Total LVL	Total EUR
<b>Historical cost</b>						
<b>31.12.2012</b>	<b>1 827 372</b>	<b>-</b>	<b>-</b>	<b>973 767</b>	<b>2 801 139</b>	<b>3 985 662</b>
Purchased	-	-	-	-	-	-
Written-off	-	-	-	-	-	-
<b>31.12.2013</b>	<b>1 827 372</b>	<b>-</b>	<b>-</b>	<b>973 767</b>	<b>2 801 139</b>	<b>3 985 662</b>
<b>Depreciation</b>						
<b>31.12.2012</b>	<b>845 534</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>845 534</b>	<b>1 047 861</b>
Calculated	109 093	-	-	-	109 093	155 225
Written-off	-	-	-	-	-	-
<b>31.12.2013</b>	<b>954 627</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>954 627</b>	<b>1 358 312</b>
<b>Net book value</b>						
<b>31.12.2012.</b>	<b>981 838</b>	<b>-</b>	<b>-</b>	<b>973 767</b>	<b>1 955 605</b>	<b>2 782 575</b>
<b>Net book value</b>						
<b>31.12.2013</b>	<b>872 745</b>	<b>-</b>	<b>-</b>	<b>973 767</b>	<b>1 846 512</b>	<b>2 627 350</b>

Assets in the balance sheet are presented in the remainder of the value of the real estate cadastre value 4 517871 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

*Residue of fixed assets on December 31, 2013 were checked during inventory January 14, 2014.*

*Buildings, constructions, technological equipment and cars are insured.*

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

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Original value	538 762	766 589	168 457	239 693
Accumulated depreciation	53 791	76 538	134 218	190 975
Net book value	<b>484 971</b>	<b>690 052</b>	<b>34 239</b>	<b>48 718</b>
Sales income	<b>199 764</b>	<b>284 239</b>	<b>80 541</b>	<b>114 600</b>

**14. Investment properties:**

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Original value	3 067 516	4 364 682	3 067 516	4 364 682
Writte-off	173 182	246 416		
31.12.2013	2 894 334	4 118 266	3 067 516	4 364 682
Depreciation	403 920	574 726	403 920	574 726
Calculated	33 003	46 959		
Written-off	25 689	36 552	-	-
31.12.2013	411 234	585 133	403 920	574 726
Balance sheet value 31.12.2012	2 663 596	3 789 956	2 663 596	3 789 956
Balance sheet value 31.12.2013				
<b>Total</b>	<b>2 483 100</b>	<b>3 533 133</b>	<b>-</b>	<b>-</b>

Investment properties 31.12.2013.g. reclassified from fixed assets (land, buildings), since these assets are transferred to hiring a manufacturing firm, which by VEF Radiotehnika RRR order is producing.

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Notes to the Balance Sheet (continued)

<b>15. Long-term financial investments</b>		<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
		<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Expenses for disposal of project No. 124000075		171 940	244 649	197 760	281 387
Other loans		118 088	168 024	118 088	168 024
Deferred tax assets		17 328	24 656	17 328	24 656
<b>Total</b>		<b>307 356</b>	<b>437 329</b>	<b>333 176</b>	474 067
<b>16. Raw materials</b>		<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
		<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Raw materials		64 550	91 846	72 296	102 868
Inventory in use		119 063	169 411	113 569	161 594
		<b>183 613</b>	<b>261 257</b>	<b>185 865</b>	<b>264 462</b>
<b>17. Stock</b>		<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
		<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Finished goods and goods in warehouse		96 535	137 357	115 579	164 454
<b>Total</b>		<b>96 535</b>	<b>137 357</b>	<b>115 579</b>	<b>164 454</b>
<b>18. Advance payments for goods</b>		<b>2013</b>	<b>2013</b>	<b>2011</b>	<b>2011</b>
		<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Advance payments for materials		4 128	5 874	1 946	2 769
Advance payments to non-residents		3 836	5 458	4 269	6 074
Goods in bonded storage		-	-	-	-
<b>Total</b>		<b>7 964</b>	<b>11 332</b>	<b>6 215</b>	<b>8 843</b>
<b>19. Trade receivables</b>		<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
		<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Receivables (non-residents)		31 921	45 419	16 013	22 784
Receivables (residents)		194 347	276 531	221 442	315 084
The savings are not safe for customers	-	50 037 -	71 196 -	50 037 -	71 196
<b>Book value of purchases and customers, total</b>	<b>Total</b>	<b>176 231</b>	<b>250 754</b>	<b>187 418</b>	<b>266 672</b>
Provisions for doubtful debts		-	-	-	-
<b>Net trade receivables, total</b>		<b>176 231</b>	<b>250 754</b>	<b>187 418</b>	<b>266 672</b>
<b>20. Associated companies debts</b>		<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
		<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Trade accounts payable		-	-	9 556	13 597
Loans		217 278	309 159	229 307	326 274
Advance payments for services		16 523	23 511	16 044	22 829
<b>Total</b>		<b>233 801</b>	<b>332 670</b>	<b>254 907</b>	<b>362 700</b>
<b>21. Other receivables</b>		<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2012</b>
		<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Settlements with employees		13 061	18 584	11 915	16 954
Loans to employees		6 594	9 382	5 094	7 248
Provisions for loan officers	-	5 094 -	7 248 -	5 094 -	7 248
Other loans		113 081	160 900	113 798	161 920
Others		717	1 020	-	-
<b>Total</b>		<b>128 359</b>	<b>182 637</b>	<b>125 713</b>	<b>178 873</b>

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Notes to the Balance Sheet (continued)

**22. Deferred expenses**

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Insurance expenses	512	729	3 326	4 732
Expenses for implementation of project Nr.124000075	24 674	35 108	25 820	36 739
Other expenses	3 077	4 378		-
<b>Total</b>	<b>28 263</b>	<b>40 215</b>	<b>29 146</b>	<b>41 471</b>

**23. Cash and cash equivalents**

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Cash on hand		-	16	23
Cash in bank accounts	651	927	413	588
<b>Total</b>	<b>651</b>	<b>927</b>	<b>429</b>	<b>610</b>

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

On 31.12.2013 company's share capital consisted of 2549084 registered and fully paid shares with nominal value of 1 Ls.

Larges shareholders of JSC "VEF Radiotehnika RRR" are:

Shareholders	Number of shares		Value			
			LVL		EUR	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Jekaterina Malejeva	270000	270000	270000	270000	384175	384175
Eduards Malejevs	941880	941880	941880	941880	1340175	1340175
Jurijs Malejevs	864512	864512	864512	864512	1230090	1230090
Inga Sprūga	330086	330086	330086	330086	469670	469670
Others (<5%)	142606	142606	142606	142606	202910	202910
<b>Total:</b>	<b>2549084</b>	<b>2549084</b>	<b>2549084</b>	<b>2549084</b>	<b>3627020</b>	<b>3627020</b>

**25. 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.

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Previous years' retained earnings/losses	-840 090 -	1 195 340	-348 407 -	495 738
Current year profit/loss	-240 483 -	342 176	-491 683 -	699 602
<b>Total</b>	<b>- 1 080 573 -</b>	<b>1 537 516 -</b>	<b>840 090 -</b>	<b>1 195 340</b>

  

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Preliminary value	5 117 910	7 282 130	5 117 910	7 282 130
Writte-off	-1 654 925	-2 354 747		
proceeds of the revalued asset depreciation	-18 619	-26 492	-27 928	-39 738
<b>Total</b>	<b>3 444 366</b>	<b>4 900 891</b>	<b>5 089 982</b>	<b>7 242 392</b>

**26. Long term investment revaluation reserve**

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Preliminary value	5 117 910	7 282 130	5 117 910	7 282 130
Writte-off	-1 654 925	-2 354 747		
proceeds of the revalued asset depreciation	-18 619	-26 492	-27 928	-39 738
<b>Total</b>	<b>3 444 366</b>	<b>4 900 891</b>	<b>5 089 982</b>	<b>7 242 392</b>



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Notes to the Balance Sheet (continued)

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

Loan from JSC SEB Banka (EUR)

**Total**

2013	2013	2012	2012
LVL	EUR	LVL	EUR
-	-	-	-
-	-	-	-

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 maturity date of the loan is June 20, 2014

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

Individual income tax

State social security payments

Real estate tax

Natural resources tax

**Total**

2013	2013	2012	2012
LVL	EUR	LVL	EUR
45 000	64029	45 000	64029
55 572	79072	55 572	79072
58 682	83497	58 682	83497
1 474	2 097	1 474	2 097
<b>160 728</b>	<b>228 695</b>	<b>160 728</b>	<b>228 695</b>

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

Credit line from JSC SEB Banka (LVL)

Loan from JSC SEB Banka (EUR)

**Total**

2013	2013	2012	2012
LVL	EUR	LVL	EUR
-	-	7 346	10 452
1 066 507	1 517 503	1 434 031	2 040 442
<b>1 066 507</b>	<b>1 517 503</b>	<b>1 441 377</b>	<b>2 050 894</b>

In accordance with Loan Agreement Nr.KD04277AND 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.

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

Financial lease from SIA CITADELE Lizins un Faktoringis

Other loans

**Total**

2013	2013	2012	2012
LVL	EUR	LVL	EUR
-	-	9 665	13 752
18 720	26 636	-	-
<b>18 720</b>	<b>26 636</b>	<b>9 665</b>	<b>13 752</b>

**32. Advances from customers**

Advances from non-residents

Advances from residents

**Total**

2013	2013	2012	2012
LVL	EUR	LVL	EUR
45	64	45	64
112 328	159 828	821	1 168
<b>112 373</b>	<b>159 892</b>	<b>866</b>	<b>1 232</b>

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Notes to the Balance Sheet (continued)

**33. Due to suppliers and providers (short-term)**

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Trade accounts payable to non-residents	32 025	45 567	14 286	20 327
Trade accounts payable to residents	645 527	918 502	440 953	627 420
<b>Total</b>	<b>677 552</b>	<b>964 069</b>	<b>455 239</b>	<b>647 747</b>

**34. the Debt to associated companies**

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Advance payments received from customers		-	8 314	11 830
Loans	45 085	64 150	38 800	55 207
Payment for services		-	47 276	67 268
<b>Kopā</b>	<b>45 085</b>	<b>64 150</b>	<b>94 390</b>	<b>134 305</b>

Notes to the Balance Sheet (continued)

**35. Taxes and social insurance payments**

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Personal Income Tax	4 850	6 901	9 085	12 927
State Social Insurance payments	8 504	12 100	11 027	15 690
Value Added Tax	44 572	63 420	83 023	118 131
Real estate tax for building and constructions	125 042	177 919	139 523	198 523
Nature resources tax	-	-	746	1 061
Corporate risk tax	4	6	4	6
<b>Total</b>	<b>182 972</b>	<b>260 346</b>	<b>243 408</b>	<b>346 338</b>

**36. Other liabilities**

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Salaries	12 716	18 093	11 745	16 712
Advance settlement amounts	-	-	795	1 131
Security	16 207	23 060	11 507	16 373
Other creditors	-	-	2 276	3 238
<b>Total</b>	<b>28 923</b>	<b>41 153</b>	<b>26 323</b>	<b>37 454</b>

**37. Deferred income (short-term)**

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Income from grant financing (project Nr.124000075)	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**38. Accumulated obligated**

	2013	2013	2012	2012
	LVL	EUR	LVL	EUR
Current expense	39 033	55 539	44 111	62 764
	<b>39 033</b>	<b>55 539</b>	<b>44 111</b>	<b>62 764</b>

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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 2013		Year 2012	
24		24	
2013	2013	2012	2012
LVL	EUR	LVL	EUR
<b>79 964</b>	<b>113 779</b>	<b>79 121</b>	<b>112 579</b>
- salaries	64 950	64 291	91 478
- Social security payments	14 940	14 759	21 000
- Corporate risk tax	74	105	71
<b>- including:</b>			
Management salaries			
- salaries	12 817	16 989	24 173
- Social security payments	4 225	5 686	8 090
- Corporate risk tax	7	9	13
<b>- total:</b>	<b>17 049</b>	<b>22 684</b>	<b>32 276</b>

**3. taxes, duties and compulsory social insurance contributions in motion**

Type of tax	(-) underpayment, (+) overpayment		(-) underpayment, (+) overpayment	
	31.12.2012.	Correction	Calculated	31.12.2013
Value added tax	58290		19 614	29 164
delay's money	24733		9 325	15 408
Personal income tax	5238		12 140	1 003
delay's money	3847			3 847
State social security obligatory payments	9426		21 764	6 903
delay's money	1601			1 601
Business risk duty	4		74	4
delay's money	-			-
Nature resources tax	488		488	-
delay's money	258		258	
<b>Real estate tax</b>	123076		63 863	108 595
delay's money	16447			16 447
	<b>243 408</b>		<b>117 455</b>	<b>182 972</b>
<b>Tax overpayment</b>		-	-	-
<b>Tax debt</b>	<b>243 408 -</b>	-	-	<b>182 972</b>
<b>The penalty is calculated</b>	<b>46 886</b>	-	<b>258</b>	<b>46 629</b>

**4. transactions with related parties**

Related persons are society's subsidiary and associated companies, as well as its members/shareholders, who can control the company or which have significant impact on society, with core business decisions, the company or its parent the company's senior management officials and any of the aforementioned individuals a close family member, as well as the company, which is controlled by that person, or which have a significant impact on them.

The company's shareholders is significant impact on the, SIA "Baltlain" ID.No 40003173740, SIA "Imanta Retail Park" TRK. No 40103265172, SIA "albatross" and "reg. No. 40003761361.

The goods are sold to related parties and bought from associated person of normal market based prices. Outstanding commitments at the end of the year is no way of ensuring, and settlement is made in cash. For any related party receivables is delivered or received any of the warranty in 2012

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Related party		Sales to related parties	Purchases from related parties	Loans provided	Loans received	Amounts owed by related parties	Amounts owed to related parties
The company, which have a significant impact of the company:							
SIA Imanta Retail Park"	2012	201 720	41 700	217 279	-	242 879	-
	2013	125 467	70 032	217 279	-	217 279	-
SIA "Baltlains"	2012	-	442	12 028	-	12 028	-
	2013			17 073	-	16 522	-
SIA "Albatross un parteri"	2012	52 764	-	-	12 943	3 479	46 180
	2013	14 516	53 497	-	38 800	-	45 085
<b>TOTAL</b>	<b>2012</b>	<b>254 484</b>	<b>41 700</b>	<b>2 553</b>	<b>12 943</b>	<b>246 358</b>	<b>46 180</b>
<b>TOTAL</b>	<b>2013</b>	<b>139 983</b>	<b>123 529</b>	<b>234 352</b>	<b>38 800</b>	<b>233 801</b>	<b>45 085</b>

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

AS BDO

For annual year 2012- 2 100 LVL

Together 2 100 LVL

*Annual report is accepted and signed from page 1 till 28*

Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

2013.28.11