

AS "VEF Radiotehnika RRR"

Unified Registration No. 40003286712

Address: Kurzemes prospekts 3, Riga, LV-1067

ANNUAL REPORT

FOR THE PERIOD ENDED 30 September 2017

AS “VEF Radiotehnika RRR”
Annual accounts for the year ended 30 September 2017

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AS "VEF Radiotehnika RRR"
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GENERAL INFORMATION

Full name of the Company	AS "VEF Radiotehnika RRR"			
Legal status of the Company	Public Joint-Stock Company			
Registration No., place and date of issue	40003286712 1998.12.11			
Legal address of the Company	Kurzemes prospekts 3, Riga, LV-1067			
Phone number	67418087			
NACE code	26.40	Manufacture of electronic devices		
	68.32	Real estate management with remuneration or based on agreements		
Council members				
Chairman of the Council	Boriss Livča			
Council Member	Inārs Kļaviņš			
Council Member	Olga Romāņko			
Council Member	Genādijs Hotejevs			
Council Member	Vjačeslavs Mihailovins			
Board members				
Chairman of the Board	Eduards Maļejevs			
Board Member	Ēriks Ertmanis			
Reporting year	from	2017.01.01	till	2017.09.30
Previous reporting year	from	2016.01.01	till	2016.12.31
Chief Accountant	Olga Romāņko			
Phone number	67852054			
Auditor	SIA Grant Thornton Baltic Certified Auditors Company License No. 155 Blaumana Street 22, Riga, LV-1011			
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	Responsible certified auditor: Kaspars Rutkis Certificate No. 171			

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Management report

Principal activities

The main activities of AS "VEF Radiotehnika RRR" in 2017 were:

1. Real estate renting services;
2. Production and sales of acoustic systems and their enclosures.

New types of activities have not been performed. Company has restored acoustic systems development, organization of production and sales.

Operations of the Company during the reporting year

Reporting year results of the Company are the following:

Result before extraordinary items and taxes:	1 290 442 EUR
Net result:	1 290 442 EUR

Net turnover in 2017 was EUR 574 534. As at 30 September 2017 the Company's current assets exceed current liabilities by EUR 27 151.

As at January 5, 2015 Riga Kurzeme District Court announced AS VEF Radiotehnika RRR legal protection process implementation, approved the legal protection process action plan, set the legal protection implementation period till January 5, 2017 and appointed Vigo Krastiņš as an administrator of legal protection.

In order to settle payments to creditors the legal protection process plan provides to sell the Company's owned non-profile assets – real estate, as well as production renewal. In 2016 the Company signed a part of the real estate sale transactions and according to the legal protection process plan partially settled the liabilities to AS SEB bank and State revenue service. In 2016 it is expected to sell a significant portion of the Company's remaining investment property.

The Company's 2016 annual financial report has been prepared under the going concern principle. The Company's ability to continue operations is depends on the ability to successfully realize the intended sale of real estate transactions, as well as restoring production volumes.

At the end of 2016 the Company has resumed production processes and has already produced the first orders that were shipped to customers abroad. For example, as in Austria, Germany, Italy, Estonia, Lithuania, Russia and potentially in other countries.

The Company's management believes that it will be able to stabilize the Company's operations in 2016, to realize the planned sale of real estate, settled with SEB bank and implement the legal protection process plan and to start production in order to restore the Company's revenues, profits and positive cash flow. Consequently, the Company's management believes that the Company's 2016 financial report has been prepared based on the application of the principle of continuation.

Management of the Company believes that it will be able to stabilize operations of the Company, realize the planned sale of real estate in 2016, settle liabilities to SEB bank and implement the actions provided by legal protection process plan, especially to launch the production process thus restoring profits and positive cash flow. Consequently, the Company's management believes that going concern principle is appropriate basis for preparation of the annual accounts of 2015.

Post balance sheet events

As at 12 February 2016 and 31 May 2016 Riga Kurzeme District Court approved amendments to the Company's legal protection process plan versions amended accordingly on 11 January 2016 and 18 April 2016. The amendments mainly specify the legal protection process implementation timetable in relation to sale of real estate.

On January 31, 2017, Riga Kurzemes Court decided to terminate the legal protection process of JSC "VEF Radiotehnika RRR".

Reducing the remaining uncovered unsecured creditors of the principal claim for 80% of the company increased its profit for 1272 thousands EUR and as a result, the Company has a positive equity and current assets exceed current liabilities.

Apart from the above, from the last date until today there have been no other events that could significantly affect the review the assessment or who should additionally be explained in the financial statements.

Proposals for profit distribution

The Company plans to use profit of 2017 to cover part of the prior years' loss.

Chairman of the Board

Eduards Maļejevs

Member of the Board

Ēriks Ertmanis

30 September, 2017

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Statement of the 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 the preparation of the annual report for the period ended 30 September 2017, appropriate accounting principles were consistently applied and justified and prudent decisions were made.

Management is responsible for application of appropriate accounting principles, safeguarding of the company's assets as well as prevention of fraud and other unlawful activities.

The management of the Company confirms, that is has provided information and explanations required for the audit.

Chairman of the Board

Eduards Maļejevs

Member of the Board

Ēriks Ertmanis

30 November, 2017

AS “VEF Radiotehnika RRR”
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Profit or loss account for the year ended 30 September 2017

	Notes	2017 EUR	2016 EUR
Net sales	1	574 534	979 652
b) other operating activities		574 534	979 652
Cost of sales	2	(546 498)	(1 088 940)
Gross profit / (loss)		28 036	(109 288)
Selling expenses	3	(11 783)	(57 931)
Administrative expenses	4	(44 292)	(108 462)
Other operating income	5	1 339 103	148 840
Other operating expenses	6	(20 622)	(862 220)
Interest expenses and similar expenses	7	-	(15 620)
Profit before taxes		1 290 442	(1 004 681)
Current year's profit / (loss)		1 290 442	(1 004 681)
Profit/ (loss) per share		0.506	(0.394)

Notes on pages from 11 to 18 are integral part of these financial statements.

Chairman of the Board

Eduards Maļejevs

Member of the Board

Ēriks Ertmanis

Chief Accountant

Olga Romanko

30 November, 2017

AS "VEF Radiotehnika RRR"
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Balance sheet as at 30.09.2017

ASSETS	Note	<u>2017</u>	<u>2016</u>
		<u>EUR</u>	<u>EUR</u>
1. Non-current assets			
II. Fixed assets:			
I.Real estate renting services			
Land, buildings and constructions		217 893	120 888
Equipment and vehicles		311 441	276 006
Other fixed assets		22 319	21 946
Total fixed assets:	8	551 653	418 840
V.Long-term financial investments			
Loans to related parties	13	309 160	309 160
Total non-current financial investments:		309 160	309 160
Total long-term financial investments:		860 813	728 000
2. Current assets			
I. Inventory:			
Raw materials	9	20 041	13 471
Work in progress	10	18 260	49 363
Finished goods and goods for sale	10	11 957	31 111
Advance payments for materials	11	18 749	9 157
Total inventory:		69 007	103 102
III. Receivables:			
Trade receivables	12	119 242	67 970
Receivables from related parties	13	-	76 583
Other receivables	14	9 274	218 426
Prepaid expenses	15	141	9
Total receivables:		128 657	362 988
V. Cash	16	1 7141	393
Total current assets:		199 375	466 483
TOTAL ASSETS:		1 060 188	1 194 483

Notes on pages from 11 to 20 are integral part of these financial statements.

AS "VEF Radiotehnika RRR"
Annual accounts for the year ended 30 September 2017

Balance sheet as at 30.09.2017

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2017	2016
		EUR	EUR
1. Shareholders' equity:			
Share capital	17	3 568 718	3 568 718
Long term investment revaluation reserve	19	286 435	60 649
Reserves		58 302	58 302
Retained earnings/ (accumulated loss):			
a) accumulated loss of previous years	18	(4 470 433)	(3 465 753)
b) current year profit/ (loss)	18	1 290 442	(1 004 681)
Total shareholders' equity:		733 464	(782 765)
3. Liabilities:			
I. Non-current liabilities:			
Trade accounts payable	22	47 206	-
Loans from other creditors	20	76 025	
Taxes and social security liabilities	24	31 269	-
Total non-current liabilities:		154 500	-
II. Current liabilities:			
Loans from other creditors	20	23 511	13 597
Advances from customers	21	-	7 201
Trade accounts payable	22	87 741	1 191 550
Payables to related parties	23	-	165 098
Taxes and social security liabilities	24	17 791	243 902
Other creditors	25	19 250	17 849
Accrued liabilities	26	23 931	40 375
Deferred income	27	-	297 676
Total current liabilities:		172 224	1 977 248
Total liabilities:		326 724	1 977 248
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY:		1 060 188	1 194 483

Notes on pages from 11 to 18 are integral part of these financial statements.

Chairman of the Board

Eduards Maļejevs

Member of the Board

Ēriks Ertmanis

Chief Accountant

Olga Romanko

30 November, 2017

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Cash flow statement for the year ended 30 September 2017 (indirect method)

I. Cash flow from operating activities	Note	2017	2016
		EUR	EUR
Loss before extraordinary items and taxes		1 290 442	(1 004 681)
Adjustments for:			
a) depreciation of fixed assets and investment properties		82 469	259 152
b) profit/loss from sale of fixed assets		(3 352)	(131 208)
c) interest payments and similar activities		-	15 620
d) depreciation of revalued fixed assets			(896)
e) profit from penalties		(297 676)	-
Loss before working capital and current liabilities adjustments		1 071 883	(862 013)
Adjustments for:			
a) debtors increase (-) or decrease (+)		(51 272)	89 899
b) inventory increase (-) or decrease (+)		34 095	(93 945)
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)		(992 288)	341 285
Gross cash flow from operating activities		62 418	(524 774)
Interest payments		-	(15 620)
Real estate loss		(176 386)	
Real estate tax payments		-	(88 367)
Cash flow before extraordinary items		(113 968)	(628 761)
Net cash flow from operating activity		(113 968)	(628 761)
 II. Cash flow from investing activities			
Proceeds from disposal of fixed assets and intangibles		15 750	1 300 000
Net cash flow from investing activities		15 750	1 300 000
 III. Cash flow from financing activities			
Loans repaid		-	(679 845)
Loans received		99 536	
Net cash flow from financing activities		99 536	(679 845)
 V. Net cash flow for the year		1 318	(8 606)
VI. Cash and cash equivalents at the beginning of the period		393	8 999
VII. Cash and cash equivalents at the end of the period	16	1 711	393

Notes on pages from 11 to 18 are integral part of these financial statements.

Chairman of the Board

Eduards Malejevs

Member of the Board

Ēriks Ertmanis

Chief Accountant

Olga Romanko

30 November, 2017

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Statement of changes in equity for the year ended 30 September 2017

	Share capital	Reserve	Long term investment revaluation reserve	Result of the reporting year	Previous year's retained earnings/ (accumulated loss)	Total shareholders' equity
	EUR		EUR	EUR	EUR	EUR
Balance as on December 31, 2015	3 627 020		153 845	43 068	(3 508 848)	315 085
Loss carried over	-		-	(43 068)	43 068	-
Loss for the year	-		-	(1 004 681)	-	(1 004 681)
Correction of previous years	-		-	-	27	27
Change in revaluation reserve	(58 302)	58 302	(93 196)	-	-	(93 196)
Balance as on December 31, 2016	3 568 718	58 302	60 649	(1 004 681)	(3 508 848)	(782 765)
Loss carried over	-		-	1 004 681	(1 004 681)	-
Profit for the year	-		-	1 290 442	-	1 290 442
Rounding effect	-		-	-	-	-
Change in revaluation reserve		225 786			-	225 786
Balance as on September 30, 2017	3 568 718	284 088	60 649	1 290 442	(4 470 434)	733 464

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Chairman of the Board

Eduards Maļejevs

Member of the Board

Ēriks Ertmanis

Chief Accountant

Olga Romanko

30 November, 2017

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Notes

Accounting policies and methods

General Principles

The Annual Report is prepared in accordance with the corresponding laws of 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.

Changes to the accounting policies

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

Reclassifications

In 2017 there have been no changes in classification of items in comparison with the 2016.

Transactions in foreign currency

At the end of the reporting year foreign currency cash balance and balances of advances and loans denominated in foreign currencies as well as other debtors' or creditors' debts payable in foreign currencies are translated from the foreign currency to the euro in accordance with the foreign exchange rates in force on the last date of the reporting year. The resulting profit or loss is charged to the profit and loss account.

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

	2017.09.30	2016.12.31
USD	1.1806	1.0541

Long-term and short-term items

The following amount are shown in the current assets:

- * that shall be used or realized during the usual working cycle of the Company;
- * that are mainly for trading purposes or are of short-term nature and can be realized 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.

Fixed Assets

Fixed assets are physical objects with useful life over 12 calendar months and acquisition value of 70 EUR and more. All fixed assets are valued by their acquisition value.

Fixed assets are shown using their acquisition or revaluations value, less depreciation. Depreciation is calculated using the straight-line method, reducing the net book value of the asset at the end of useful life using the following rates:

* Buildings and constructions	1-5	%
* Technological equipment	5-20	%
* 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.

Fixed assets depreciation are calculated from acquisition costs less residual value. If the residual value is immaterial, it is not considered. Repairs and maintenance are charged to the profit and loss account during the period in which they are incurred. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognized.

Interest costs on borrowing to finance the fixed assets under construction and other direct charges related to the particular fixed asset under construction are capitalized, during the period of time that is required to complete and prepare the asset for its intended use, as part of the cost of the asset. Capitalization of the borrowing costs is suspended during extended periods in which active developments are interrupted.

Investment property

Investment property is land, buildings, parts of buildings and constructions that the Company (as an owner or lessee in finance lease agreement) holds with the intention to gain rental (lease) income or gain increase in value of the investment by means of market value increase of the asset. The property is not utilized for production purposes. Service provision, administrative needs or other ordinary business activities of the company. Investment properties are initially recognized at acquisition cost, including transaction costs. After initial recognition investment properties are valued at revalued amounts (please see fixed assets recognition and depreciation accounting policy). Investment property is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognized. Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Inventory valuation

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.

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.

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Debtors

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 analyzing each debtor and by performing debt comparison. Bad debts are written off when the likelihood of recovering the debt becomes unrealistic and impossible.

Net turnover

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

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue from sale of goods outside Latvia is recognized based on the terms of delivery.

Income and expenses acknowledgement

1. Income from sale of goods is recognized 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 recognized 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;

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

All significant cost items are processed per accumulation principle.

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 multiplying the average wage of employees in the last six months per day by the amount of accrued but unused annual leave at the end of the reporting year.

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 European Central bank 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.

Estimates and assumptions

The preparation of annual accounts requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Thus actual results may differ from these calculations. Legislation of the Republic of Latvia states that when preparing annual accounts, 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 income and expenses for the reporting period. Actual results may differ from these estimates (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 recognized only when, if possibility that the funds will be paid out becomes founded. Possible assets in these Financial Statements are not recognized. Possible assets are shown in the Financial Statements only when there is enough proof that the economic 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.

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(1) Net Turnover

	2017	2016
Type of activity	EUR	EUR
Income from exports of finished goods	54 502	73 640
Income from rent of premises	896	186 885
Income from sale of finished goods in the local market	31 633	25 361
Income from utility services	477 746	689 341
Income from sale of materials	9 757	4 425
Total	574 534	979 652

	2017	2016
(2) Cost of goods sold	EUR	EUR
Cost type		
Personnel costs	28 005	48 135
Provisions for annual leave and social security	-	(1 620)
Depreciation of fixed assets	45 895	132 986
Depreciation of fixed assets (project 124000075)	36 574	126 166
Write-off of low-value inventory	-	7 431
Change in stocks of finished goods	(38 625)	(176 580)
Change in stock of purchased materials and goods	113 378	173 066
Ongoing maintenance and repair	4 750	130 952
Real estate maintenance, including utilities	340 526	616 028
Other taxes	3 696	21 332
Other costs	12 299	7 805
Total	546 498	1 088 940

	2017	2016
(3) Selling expenses	EUR	EUR
Cost type		
Goods' transportation costs	4 593	6
Commissions paid	6 351	56 070
Other selling expenses (marketing)	448	1 305
Advertising costs	391	550
Total	11 783	57 931

	2017	2016
(4) Administrative expenses	EUR	EUR
Cost type		
Personnel costs	27 688	45 845
Provisions for annual leave and social security	-	2 802
Representation costs	1 851	2067
Office expenses	1 251	4 836
Communication expenses	2 933	7 815
Bank expenses	1 388	2 600
Accounting and legal expenses	2 563	21 801
Consulting services	-	10 925
Other administrative costs	6 618	9 771
Total	44 292	108 462

(5) Other operating income

	2017	2016
Type on income	EUR	EUR
Net income from sale of real estate	3 352	131 208
Debt write-off	1 327 789	17 632
Other operating income	7 962	-

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Total	1 339 103	148 840
(6) Other operating expenses		
	2017	2016
Type of income/expense	EUR	EUR
Net loss from foreign exchange rate fluctuations	1 457	129
Penalties	17 983	32 574
Bad debts written off	924	8 870
Provisions for unsecured debts	-	133 120
Technological equipment	-	684 320
Expenditures not related to economic activity	258	2 052
Expenditure related to economic activity	-	1 155
Total	20 622	862 220

(7) Interest expense and similar expenses	2017	2016
Type of costs	EUR	EUR
Loan interest paid	-	15 620
Total	-	15 620

(8) Fixed Assets

	Real estate	Technological equipment	Investment properties	Other fixed assets	Total EUR
Historical cost					
01.01.2017	175 492	2 625 649	2 881 598	66 056	5 748 795
Disposed	99 553	126 233	-	-	225 786
Purchased	79			1 894	1 973
Reclassified		(354 743)		-	(354 743)
30.09.2017.	275 124	2 397 139	2 881 598	67 950	5 621 811
Depreciation					
01.01.2017	54 604	2 349 643	2 881 598	44 110	5 329 955
Depreciation charge	2 547	78 401	-	1 521	82 469
Disposals	79	(342 345)	-	-	(342 266)
30.09.2017.	57 230	2 085 699	2 881 598	45 631	5 070 158
Net book value					
31.12.2016.	120 888	276 006	-	21 946	418 840
Net book value					
30.09.2017.	217 893	311 441	-	22 319	551 653

(9) Raw materials	2017	2016
	EUR	EUR
Raw materials	19 865	13 471
Inventory in use	176	-
Provision for inventory loss	-	-
Total	20 041	13 471

(10) Work in progress and finished goods	2016	2017
	EUR	EUR
Work in progress	18 260	49 363
	38 301	49 363
Finished goods and in warehouse	56 201	75 355
Provision for decrease in value	(44 244)	(44 982)
Total	11 957	31 111

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(11) Advance payments for goods	2017	2016
	EUR	EUR
Advances (residents)	5 459	2 433
Advances (non-residents)	13 290	6 724
Total	18 749	9 157

(12) Trade receivables	2017	2016
	EUR	EUR
Receivables(non-residents)	45 395	15 071
Receivables (residents)	261 404	240 456
Provisions for doubtful debtors	(187 557)	(187 557)
Total	119 242	67 970

(13) Receivables from related parties	2017	2016
	EUR	EUR
Loans (non-current)*	309 160	309 160
Payments for goods	-	76 583
Total current receivables:	-	76 583
Total	309 160	385 743

*On 12 November 2012 the Company issued non-interest bearing unsecured loan of EUR 309 160 to the related company SIA "Imanta Retail Park" with maturity on 10 November 2013. On 11 November 2013 the maturity date was changed to 12 November 2018, because SIA "Imanta Retail Park" was subordinated loan in relation to its loan from AS ABLV Bank.

(14) Other receivables	2017	2016
	EUR	EUR
Settlements with employees	8 338	12 292
Other debtors	63	380
Settlements with management	873	11 378
Loans to employees	7 248	7 248
Provision for loans to employees	(7 248)	(7 248)
Short-term loan SIA LAS-RT for launch of production	20 018	227 012
Provision for loan SIA LAS-RT	-	(32 636)
Total	9 274	218 426

(15) Deferred expenses	2017	2016
	EUR	EUR
Insurance costs	141	9
Total	141	9

(16) Cash and cash equivalents	2017	2016
	EUR	EUR
Cash in bank accounts	1 711	393
Total	1 711	393

(17) Information on the Company's share capital

As at 31 December 2016 the subscribed and fully paid share capital consists of 2 549 084 ordinary shares with a nominal value of 1.40 EUR each. Share capital is presented according to the official exchange rate, converting from lats to euro, therefore value of one share is not expressed in full euro. Denomination of share capital from lats to euro was registered on August 08, 2016

AS "VEF Radiotehnika RRR" major shareholders are:

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Shareholders	Number of shares		Value			
			LVL		EUR	
	2016.12.31	2017.09.30	2016.12.31	2017.09.30	2016.12.31 1	2017.09.30
Eduards Malejevs	741 880	741 880	741 880	941 880	1 038 632	1 038 632
Jurijs Malejevs	864 512	864 512	864 512	864 512	1 210 317	1 210 317
Armands Malejevs	264 519	264 519	264 519	-	370 327	370 327
Inga Sprūga	65 567	65 567	65 567	330 086	91 794	91 794
Jekaterina Malejeva	270 000	270 000	270 000	270 000	378 000	378 000
Ēriks Ertmanis	200 000	200 000	200 000	-	280 000	280 000
Others (<5%)	142 606	142 606	142 606	142 606	199 648	199 648
Total:	2 549 084	2 549 084	2 549 084	2 549 084	3 568 718	3 568 718

AS "VEF Radiotekhnika RRR" shares are listed on the list of shares are quoted on the AS Nasdag Riga second list.

Chairman of Board Eduards Malejevs own 741 880 shares;
Member of the Board Ēriks Ertmanis owns 200 00 shares;
Members of the Council Genadijs Hotejevs owns 1 624 shares;
Member of the Council Vjacheslavs Mihailovins owns 695 shares.

(18) Retained earnings/(accumulated loss)

In accordance with decisions of Shareholders' meetings, the accumulated loss of previous years to be covered with the next years' profits.

	2017	2016
	EUR	EUR
Previous years' accumulated loss	(4 470 433)	(3 465 780)
Correction	-	27
Current year's profit/(loss)	1 290 442	(1 004 681)
Total	(3 179 991)	(4 470 434)

(19) Long-term investment revaluation reserve

	2017	2016
	EUR	EUR
Opening balance	60 649	153 845
Depreciation charge for the reporting year	-	(896)
Impairment of current/ (non-current) assets	225 786	(92 300)
Closing balance	286 435	60 649

The Company's fixed assets (land and buildings) were revalued according to Ober Haus Real Estate Company report on the real estate market value dated with 29.08.2016.

(20) Other loans

	2017	2016
	EUR	EUR
Other loans long-term part	76 025	-
Other loans short-term part:	23 511	13 597
Total	99 536	13 597

(21) Advances from customers

	2017	2016
	EUR	EUR
Advances from residents	-	7 201
Total	3 563	7 201

(22) Trade accounts payable

	2017	2016
	EUR	EUR
Long-term part:		
Trade accounts payable to non-residents	47 206	-
Long-term part total	47 206	-

Short-term part:

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Trade accounts payable to non-residents	-	190
Trade accounts payable to residents	87 741	1 191 360
Legal protection process(t.sk.)	-	852 950
Short-term part total	87 741	1 191 550
Trade accounts payable total	134 947	1 191 550

Within the framework of the legal protection plan it was agreed with suppliers on delay of payments, setting the repayment term on 5 January 2017, which is after the implementation of the legal protection plan.

(23) Payables to related parties

	2017	2016
	EUR	EUR
Short-term part:		
Loans	-	125 970
Payment for services	-	39 128
Legal protection process	-	146 506
Short-term part total	-	165 098
Payables to related parties total	-	165 098

Within the legal protection plan it was agreed to transfer the creditor claims to long-term.

(24) Taxes and social insurance payments

	2017	2016
	EUR	EUR
Long-term part:		
Taxes and social insurance payments	31 269	-
Long-term part total	31 269	-
Short-term part:		
Taxes and social insurance payments	243 902	283 339
+/-	(49 725)	(13 593)
Legal protection process	(176 386)	-
Short-term part total:	17 791	283 339

(25) Other creditors

	2017	2016
	EUR	EUR
Salaries	13 991	12 444
Advance settlement amounts	-	146
Security	5 259	5 259
Total	19 250	17 849

(26) Accrued liabilities

	2017	2016
	EUR	EUR
Current expense	9 493	25 937
Provision for unused vacation leave	14 438	14 438
Total	23 931	40 375

(27) Deferred income

	2017	2016
	EUR	EUR
Legal protection plan fine		
Short-term part:		
Latvenergo AS	-	73 489
Riga City Council Finance Department	-	108 100
The State Revenue Service	-	107 389
AS Rīgas siltums	-	8 698
Short-term part total	-	297 676

In case of successful implementation of legal protection plan, the Company will be extinguished from fine and penalty payments.

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(28) Average number of employees during the year

Average number of employees during the year

16

17

(29) Transactions with related parties

The Company's shareholders have significant impact on SIA "Imanta Retail Park" and company "Albatross" Tukuma rajonā.

The goods are sold to related parties and bought from related parties on market based prices. Outstanding commitments at the end of the year not secured and settlement is made in cash. No guaranties have been received or issued in respect of related party transactions neither in 2017..

Related party		Sales to related parties	Purchases from related parties	Loans received	Amounts owed by related Parties as at 31 December	Amounts owed to related parties as at 31 December
SIA Imanta Retail Park"	2017	299 415	-	-	309 160	-
	2016	563 656	339 543	-	385 743	6 152
"Albatross" Tukuma rajonā	2017	-	-	-	-	-
	2016	-	-	-	-	158 946
TOTAL	2017	299 415	-	--	309 160	-
TOTAL	2016	563 656	339 553	-	385 743	165 098

(30) Post balance sheet events

Except as disclosed above, from the last day of the financial year to the date of signing this report there have been no other significant events.

(31) Going concern of the Company

As at September 19, 2014 Riga Kurzeme District Court decided to initiate AS VEF Radiotekhnika RRR legal protection proceedings. As at January 5, 2015 Riga Kurzeme District Court announced AS VEF Radiotekhnika RRR legal protection process implementation, approved the legal protection process action plan, set the legal protection implementation period till January 5, 2017 and appointed Vīgo Krastiņš as an administrator of legal protection.

In order to obtain funds the legal protection process plan provides to sell the Company's owned non-profile assets – real estate. In October 2015 the Company realized a part of the planned real estate sales. Sales price was EUR 945 000. As a result the Company settled liabilities to State revenue service and partially settled liabilities to AS SEB bank. The deal was part of the legal protection process plan.

On January 31, 2017, Riga Kurzemes Court decided to terminate the legal protection process of JSC "VEF Radiotekhnika RRR".

Reducing the remaining uncovered unsecured creditors of the principal claim for 80% of the company increased its profit for 1272 thousands EUR and as a result, the Company has a positive equity and current assets exceed current liabilities.

Apart from the above, from the last date until today there have been no other events that could significantly affect the review the assessment or who should additionally be explained in the financial statements.

Despite the above, the Company's management believes that it will be able to stabilize the Company's operations by selling real estate, settling liabilities with SEB bank and implementing measures provided in the legal protection process action plan- especially launching production process thereby restoring the Company's revenues, profits and positive cash flow. Consequently, the Company's management believes that the Company's annual accounts have been correctly prepared applying the going concern principle.

Chairman of the Board

Eduards Maļejevs

Member of the Board

Ēriks Ertmanis

Chief Accountant

Olga Romanko

30 November, 2017