

AS "VEF Radiotehnika RRR"
Unified Registration No. 40003286712
Adress : Kurzemes prospekts 3D, Riga, LV-1067
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Riga

AS "VEF Radiotekhnika RRR"
Annual accounts for the year ended 31 December 2018

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GENERAL INFORMATION

Full name of the Company	<i>AS "VEF Radiotehnika RRR"</i>
Legal status of the Company	<i>Public Joint-Stock Company</i>
Registration No., place and date of issue	<i>40003286712</i> <i>1998.12.11</i>
Legal address of the Company	<i>Kurzemes prospekts 3D, Riga, LV-1067</i>
Phone number	<i>67418087</i>
NACE code	<i>26.40 Manufacture of electronic devices</i> <i>68.20 Real estate management with remuneration</i> <i> or based on agreements</i>
Council members	
Chairman of the Council	<i>Boriss Līvča (till 07.11.2018)</i>
Council Member	<i>Inārs Kļaviņš</i>
Council Member	<i>Mārtiņš Perts (from 07.11.2018)</i>
Council Member	<i>Genādijs Hotejevs</i>
Council Member	<i>Vjačeslavs Mihailovins</i>
Chairman of the Council	<i>Eduards Maļejevs (from 07.11.2018)</i>
Council Member	<i>Olga Romanko (till 07.11.2018)</i>
Board members	
Chairman of the Board	<i>Ēriks Ertmanis</i>
Chairman of the Board	<i>Eduards Maļejevs (till 07.11.2018)</i>
Board Member	<i>Olga Romanko (from 07.11.2018)</i>
Reporting year	<i>from 2018.01.01 till 2018.12.31</i>
Previous reporting year	<i>from 2017.01.01 till 2017.12.31</i>
Chief Accountant	<i>Olga Romanko</i>
Phone number	<i>67852054</i>
Auditor	<i>SIA Grant Thornton Baltic Audit</i> <i>Certified Auditors Company</i> <i>License No. 183</i> <i>Blaumana Street 22, Riga, LV-1011</i> <i>Responsible certified auditor:</i> <i>Ingrīda Latimira</i> <i>Certificate No. 47</i>

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Management report *****

Types of activity

The main activities of AS "VEF Radiotekhnika RRR" in 2018 were:

1. Real estate renting services;
2. Manufacturing of acoustic systems; purchase and sale of their enclosures.

When compared with the previous reporting period, no new main activities have been included.

In the future, it is planned to restore 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:	(15 516) EUR
Net result:	(15 516) EUR

In 2018, net turnover amounted to 154 291 EUR which is 80 % less when compared to 2017. On January 31, 2017, Riga City Kurzemes Court decided to terminate the legal protection process of AS "VEF Radiotekhnika RRR".

In 2018, the Company delivered its products and services for its customers abroad, incl., Italy, Russia, Lithuania and other countries; the respective markets development activities are implemented by our highly-skilled sales and distribution specialists.

Management of financial risks

In most cases, the company's financial assets consist of debts of its buyers and customers, given in euros. Its financial liabilities mostly consist of debts to the Company's suppliers for goods and services, given in various currencies, thus the Company is subject to the currency risk. Funds of the Company are placed in the Latvian financial institutions. There is no substantial difference between the book value and the fair value of the financial assets and liabilities. The Company did not use any financial derivatives in the reporting period.

Post balance sheet events

Apart from the above information, no other events have occurred since the date of the reporting year which could considerably affect the report assessment or which would require additional explanation in this financial statement.

Further operation of the Company

At the end of the reporting period, the Company's profit amounted to as much as 1,224,950 EUR, which was mainly ensured by write-offs of creditor debts following the legal protection proceedings of AS "VEF Radiotekhnika RRR".

The Company also experienced losses relating to its main activities which were caused by changes in its income structure. In 2018, the Company increased products acoustic (radio/audio) systems.

Proposals for profit distribution

It is planned to cover year 2018 loss with future periods' profit from income generated by renewed production process.

Chairman of the Board

Eriks Ertmanis

Member of the Board

Olga Romanko

26 April, 2019

AS "VEF Radiotehnika RRR"
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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 31 December 2018, 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

Eriks Ertmanis

Member of the Board

Olga Romanko

26 April, 2019

The image shows two handwritten signatures in black ink. The top signature is for Eriks Ertmanis, and the bottom signature is for Olga Romanko. Both signatures are stylized and cursive.

AS "VEF Radiotehnika RRR"
Annual accounts for the year ended 31 December 2018

Profit or loss account for the year ended 31 December 2018

	Notes	2018 EUR	2017 EUR
Net sales	1	154 291	788 941
b) other operating activities		154 291	788 941
Cost of sales	2	(220 970)	(674 186)
Gross loss		(66 679)	114 755
Selling expenses	3	(4 081)	(22 897)
Administrative expenses	4	(61 368)	(64 020)
Other operating income	5	170 010	1 342 987
Other operating expenses	6	(52 267)	(145 761)
Interest expenses and similar expenses	7	(1 131)	(114)
Profit before taxes		(15 516)	1 224 950
Current year's profit / (loss)		(15 516)	1 224 950
Profit/ (loss) per share		(0,006)	0,481

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

Chairman of the Board



Eriks Ertmanis

Member of the Board/Chief Accountant



Olga Romanko

26 April, 2019

AS "VEF Radiotehnika RRR"
Annual accounts for the year ended 31 December 2018

Balance sheet as at 31.12.2018

ASSETS	Note	<u>2018</u>	<u>2017</u>
		EUR	EUR
I. Non-current assets			
II. Fixed assets:			
1. Real estate renting services			
Land, buildings and constructions		258 095	266 902
Equipment and vehicles		105 891	208 368
Other fixed assets		20 604	21 818
Total fixed assets:	8	<u>384 590</u>	<u>497 088</u>
V. Long-term financial investments			
Loans to related parties	13	180 232	-
Total non-current financial investments:		<u>180 232</u>	<u>-</u>
Total long-term financial investments:		<u>564 822</u>	<u>497 088</u>
2. Current assets			
I. Inventory:			
Raw materials	9	15 619	35 708
Work in progress	10	16 452	14 870
Finished goods and goods for sale	10	14 070	14 003
Advance payments for materials	11	525	16 078
Total inventory:		<u>46 666</u>	<u>80 659</u>
III. Receivables:			
Trade receivables	12	103 928	157 476
Receivables from related parties	13	72 184	320 927
Other receivables	14	50 344	7 878
Prepaid expenses	15	449	429
Accrued revenue	15	4 500	-
Total receivables:		<u>231 405</u>	<u>486 710</u>
V. Cash	16	<u>365</u>	<u>5 351</u>
Total current assets:		<u>278 436</u>	<u>572 720</u>
TOTAL ASSETS:		<u>843 258</u>	<u>1 069 808</u>

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

AS "VEF Radiotehnika RRR"
Annual accounts for the year ended 31 December 2018

Balance sheet as at 31.12.2018

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2018	2017
		EUR	EUR
I. Shareholders' equity:			
Share capital	17	254 908	3 568 718
Long term investment revaluation reserve	19	160 202	160 202
Reserves		58 302	58 302
Retained earnings/ (accumulated loss):			
a) accumulated loss of previous years	18	68 326	(4 470 434)
b) current year profit/ (loss)	18	(15 516)	1 224 950
Total shareholders' equity:		526 222	541 738
3. Liabilities:			
I. Non-current liabilities:			
Trade accounts payable	22	-	47 206
Loans from other creditors	20	85 000	-
Taxes and social security liabilities	24	-	18 868
Total non-current liabilities:		85 000	-
II. Current liabilities:			
Loans from other creditors	20	-	6 029
Advances from customers	21	3	1 507
Trade accounts payable	22	149 940	208 008
Payables to related parties	23	3 842	163 931
Taxes and social security liabilities	24	51 389	35 048
Other creditors	25	10 551	20 522
Accrued liabilities	26	16 311	26 951
Total current liabilities:		232 036	461 996
Total liabilities:		317 036	1 977 248
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY:		843 258	1 194 483

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

Chairman of the Board

Eriks Ertmanis

Member of the Board / Chief Accountant

Olga Romanenko

26 April, 2019

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Cash flow statement for the year ended 31 December 2018 (indirect method)

I. Cash flow from operating activities	Note	<u>2018</u>	<u>2017</u>
		<u>EUR</u>	<u>EUR</u>
<i>Loss before extraordinary items and taxes</i>		<u>(15 516)</u>	<u>1 224 950</u>
<i>Adjustments for:</i>			
a) depreciation of fixed assets and investment properties		69 615	80 725
h) profit/loss from sale of fixed assets		32 242	(3 352)
i) interest payments and similar activities		1 131	114
<i>Loss before working capital and current liabilities adjustments</i>		<u>(24 293)</u>	<u>1 302 437</u>
<i>Adjustments for:</i>			
a) debtors increase (-) or decrease (+)		(85 622)	(89 506)
b) inventory increase (-) or decrease (+)		16 657	22 423
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)		(135 496)	(1 132 470)
<i>Gross cash flow from operating activities</i>		<u>(228 754)</u>	<u>102 884</u>
Interest payments		(1 131)	(114)
Real estate tax payments		(802)	(34 176)
<i>Cash flow before extraordinary items</i>		<u>(230 687)</u>	<u>68 594</u>
<i>Net cash flow from operating activity</i>		<u>68 594</u>	<u>68 594</u>
 II. Cash flow from investing activities			
Acquisition of fixed assets and intangibles		-	(71 818)
Proceeds from disposal of fixed assets and intangibles		146 000	15 750
<i>Net cash flow from investing activities</i>		<u>146 000</u>	<u>(56 068)</u>
 III. Cash flow from financing activities			
Loans received		85 000	-
Loans repaid		(6 029)	(7 568)
<i>Net cash flow from financing activities</i>		<u>78 971</u>	<u>(7 568)</u>
 V. Net cash flow for the year		<u>(5716)</u>	<u>4 958</u>
VI. Cash and cash equivalents at the beginning of the period		<u>5 351</u>	<u>393</u>
VII. Cash and cash equivalents at the end of the period	16	<u>365</u>	<u>5 351</u>

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

Chairman of the Board

Eriks Ertmanis

Member of the Board/Chief Accountant

Olga Romanko

26 April, 2019

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Statement of changes in equity for the year ended 31 December 2018

	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	EUR
Balance as on December 31, 2016	3 568 718	58 302	60 649	(1 004 681)	(3 465 753)	(782 765)
Profit/ loss carried over	-	-	-	1 004 681	(1 004 681)	-
Profit for the year	-	-	-	1 224 950	-	1 224 950
Change in revaluation reserve	-	-	99 553	-	-	99 553
Balance as on December 31, 2017	3 568 718	58 302	160 202	1 224 950	(4 470 434)	541 738
Loss carried over	-	-	-	(1 224 950)	1 224 950	-
Profit/ loss for the year	-	-	-	(15 516)	-	(15 516)
Share issues or reductions in share capital	(3 313 810)	-	-	-	3 313 810	-
Balance as on December 31, 2018	254 908	58 302	160 202	(15 516)	68 326	526 222

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

Chairman of the Board



Ēriks Ertmanis

Member of the Board/Chief Accountant



Olga Romāņko

26 April, 2019

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 Financial Statements and Consolidates Financial Statements", the Cabinet Regulation No 775 "Application of Law on Annual Financial Statements and Consolidates Financial Statements" and other L.R legislative acts governing accounting.

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 2018 there have been no changes in classification of items in comparison with the 2017.

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:

	2017.12.31	2018.12.31
RUB	69.392	79.715
USD	1.1993	1.145

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.

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Inventory balances are checked during annual inventory.

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

In the reporting year, the corporate income tax is calculated pursuant to the requirements under the Law "On Corporate Income Tax" in relation to the taxable income; thus, the applicable tax rate is 15%.

Starting from 2018, the corporate income tax will be calculated for distributed profit by applying a tax rate of 20%. The corporate income tax will be accepted at the time when the shareholders of the Company adopt their decision on profit distribution or when such expenses are further development of the Company (deemed profit distribution).

Tax liabilities are compared with State Revenue Service data.

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.

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.

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(1) Net Turnover

Type of activity	2018 EUR	2017 EUR
Income from exports of finished goods	13 407	78 095
Income from rent of premises	2 260	995
Income from sale of finished goods in the local market	33 721	82 361
Income from utilities service provided to third parties	99 868	586 682
Income from sale of materials	5 035	40 808
Total	154 291	788 941

(2) Cost of goods sold

Cost type	2018 EUR	2017 EUR
Personnel costs	2 727	30 657
Depreciation of fixed assets	69 615	80 725
Write-off of low-value inventory	977	226
Change in stocks of finished goods	(40290)	(82 679)
Change in stock of purchased materials and goods	42 635	219 638
Ongoing maintenance and repair	22 334	26 701
Real estate maintenance, including utilities	116 939	392 343
Other taxes	4 928	4 928
Other costs	1 105	1 647
Total	220 970	674 186

(3) Selling expenses

Cost type	2018 EUR	2017 EUR
Goods' transportation costs	640	8 459
Commissions paid	1 562	12 588
Other selling expenses (marketing)	1 879	1 459
Advertising costs	-	391
Total	4 081	22 897

(4) Administrative expenses

Cost type	2018 EUR	2017 EUR
Personnel costs	40 545	39 850
Provisions for annual leave and social security	(2 586)	(809)
Representation costs	1 834	3 035
Office expenses	1 794	2 843
Communication expenses	2 063	2 293
Bank expenses	4 076	1 785
Accounting and legal expenses	5 648	7 223
Other administrative costs	7 994	7 800
Total	61 368	64 020

(5) Other operating income

Type on income	2018 EUR	2017 EUR
Net income from sale of real estate	111 766	3 352
Debt write-off	-	1 327 788
Other income	58 244	11 847
Total	170 010	1 342 987

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(6) Other operating expenses

Type of income/expense	2018 EUR	2017 EUR
Net loss from foreign exchange rate fluctuations	2 076	1 929
Penalties	7 060	28 274
Bad debts written off	-	109 719
Provision for unsecured debts	9 371	4 808
Provision for inventory loss	2 125	-
Provision for decrease in value	31 219	-
Previous year expenses	-	773
Health insurance	166	-
Expenditures not related to economic activity	-	258
Funeral allowance	250	-
Total	52 267	145 761

(7) Interest expense and similar expenses

Type of costs	2018 EUR	2017 EUR
Loan interest paid	1 131	114
Total	1 131	114

(8) Fixed Assets

	Real estate	Technological equipment	Other fixed assets	Total EUR
Historical cost				
01.01.2018	325 089	2 263 692	67 942	2 656 723
Disposed	(33 219)	(1 111 406)	(24 254)	(1 168 879)
31.12.2018.	291 870	1 152 286	43 688	1 487 844
Depreciation				
01.01.2018	58 187	2 055 324	46 124	2 159 635
Depreciation charge	4 439	63 969	1 207	69 615
Disposed	(28 851)	(1 072 898)	(24 247)	(1 125 996)
31.12.2018.	33 775	1 072 898	23 084	2 229 250
Net book value				
01.01.2018	266 902	208 368	21 818	497 088
31.12.2018.	258 095	105 891	20 604	384 590

(9) Raw materials

	2018 EUR	2017 EUR
Raw materials	17 744	35 708
Provision for inventory loss	(2 125)	-
Total	15 619	35 708

(10) Work in progress and finished goods

	2018 EUR	2017 EUR
Work in progress	16 452	14 870
Total	16 452	14 870
Finished goods and in warehouse	85 922	56 435
Provision for decrease in value	(71 852)	(40 632)
Total	14 070	14 003

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(11) Advance payments for goods

	2018	2017
	EUR	EUR
Advance (non-residents)	7 440	13 187
Advance (residents)	2 456	2 891
Provision for unsecured debts	(9 371)	-
Total	525	16 078

(12) Trade receivables

	2018	2017
	EUR	EUR
Receivables(non-residents)	48 107	60 819
Receivables (residents)	60 629	101 465
Provisions for doubtful debtors	(4 808)	(4 808)
Total	103 928	157 476

(13) Receivables from related parties

	2018	2017
	EUR	EUR
Loans (non-current)*	180 232	-
Payments for goods	72 184	11 767
Short-term loans	-	309 160
Total current receivables:	72 184	320 927
Total	252 416	320 927

*On 02 November 2018 the Company issued non-interest bearing unsecured loan of EUR 180 232 to the related company SIA "Imanta Retail Park" with maturity on 25 November 2028, because SIA "Imanta Retail Park" was subordinated loan in relation to its loan from AS LPB Bank. According to SIA "Imanta Retail Park" audited 2018 annual accounts, the Company's net cash flow is negative and its short-term liabilities significantly exceed its current assets. Although SIA "Imanta Retail Park" net result of 2018 is positive, it is not from the main operations, but from sale of real estate.

(14) Other receivables

	2018	2017
	EUR	EUR
Settlements with employees	9 758	362
Other debtors	19 250	7 516
Settlements with management	26 021	-
Loans to employees	7 248	7 248
Provision for loans to employees	(7 248)	(7 248)
Total	50 344	7 878

(15) Deferred expenses

	2018	2017
	EUR	EUR
Insurance costs	-	7
Other expenses	449	422
Total	449	429

(15) Accrued revenue

	2018	2017
	EUR	EUR
Current revenue	4 500	-
Total	4 500	-

(16) Cash and cash equivalents

	2017	2016
	EUR	EUR
Cash in bank accounts	5 351	393
Total	5 351	393

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(17) Information on the Company's share capital

As at 31 December 2018 the subscribed and fully paid share capital consists of 2 549 084 ordinary shares with a nominal value of 0.10 EUR each.

On 9 January 2018, the extraordinary meeting of shareholders of AS "VEF Radiotekhnika RRR" decided to reduce the equity capital of the Company. The meeting also approved the rules for equity capital reduction and the amendments to the Articles of Association of the Company by specifying reduced equity capital. The equity capital of the Company is reduced by EUR 3,313,809.20. The equity capital is reduced in accordance with Section 149, paragraph one, Clause 3 of Commercial Law by reducing the nominal value of stock of the Company. Following the reduction, the Company's equity capital is EUR 254,908.40.

AS "VEF Radiotekhnika RRR" major shareholders are:

Shareholders	Number of shares		Value	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Eduards Malejevs	741 880	741 880	74 188	1 038 632
Jurijs Malejevs	864 512	864 512	86 451	1 210 317
Armands Malejevs	264 519	264 519	26 452	370 327
Inga Sprūga	65 567	65 567	6 557	91 794
Jekaterina Malejeva	270 000	270 000	27 000	378 000
Eriks Ertmanis	200 000	200 000	20 000	280 000
Others (<5%)	142 606	142 606	14 261	199 648
Total:	2 549 084	2 549 084	254 908	3 568 718

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

Chairman of Board Eduards Malejevs own 741 880 shares;
Member of the Board Eriks 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.

	2018	2017
	EUR	EUR
Previous years' accumulated loss	(3 245 484)	(4 470 434)
Correction	3 313 810	-
Current year's profit/(loss)	(15 516)	1 224 950
Total	52 810	(3 245 484)

(19) Long-term investment revaluation reserve

	2018	2017
	EUR	EUR
Opening balance	160 202	60 679
Deferred corporate income tax part	-	99 523
Closing balance	160 202	160 202

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.

The Company's fixed assets (land and buildings) were revalued according to VCG ekspertu group Company report on the real estate market value dated with 17.05.2017

(20) Other loans	%	Repayment deadline	2018	2017
			EUR	EUR
Loan from EstateGuru tagatisagent	11,00%	2020.07.01	85 000	-
Total long-term loans			85 000	
Short-term loan				
Lizing			-	1 029
Other loans			-	5 000
Total short-term loans			-	6 029

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(21) Advances from customers	2018	2017
	EUR	EUR
Advances from non-residents	-	1 507
Advances from residents	3	-
Total	3	1 507
(22) Trade accounts payable	2018	2017
	EUR	EUR
Long-term part:		
Trade accounts payable to non-residents	-	47 206
Long-term part total	-	47 206
Short-term part:		
Trade accounts payable to residents	149 940	208 009
Short-term part total	149 940	1 191 550
Trade accounts payable total	149 940	1 191 550
(23) Payables to related parties	2018	2017
	EUR	EUR
Short-term part:		
Loans	-	163 931
Payment for services	3 842	-
Short-term part total	3 842	163 931
Payables to related parties total	3 842	163 931
Within the legal protection plan it was agreed to transfer the creditor claims to long-term.		
(24) Taxes and social insurance payments	2018	2017
	EUR	EUR
Long-term part	18 868	
Taxes and social insurance payments	(18 868)	18 868
Total long-term part	-	18 868
Short-term part:		
01.01.2018	35 048	243 902
Changes in the reference year	16 341	(208 854)
31.12.2018	51 389	35 048
Total	51 389	53 916
(25) Other creditors	2018	2017
	EUR	EUR
Salaries	7 202	14 899
Advance settlement amounts	29	364
Security	3 320	5 259
Total	10 551	20 522
(26) Accrued liabilities	2018	2017
	EUR	EUR
Current expense	5 459	13 513
Provision for unused vacation leave	10 852	13 438
Total	16 331	26 951

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(27) Average number of employees during the year
 Average number of employees during the year

2018	2017
13	17

(28) Transactions with related parties

The Company's shareholders have significant impact on SIA "Imanta Retail Park".

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 2018..

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	375 323	398 428	-	320 927	156 963
	2018	40 486	1 690	-	252 416	3 842
E. Maļejevs	2017	-	-	6 968	-	6 968
	2018	-	-	-	-	-
TOTAL	2017	375 323	398 428	6 968	320 927	163 931
TOTAL	2018	40 486	1 690	-	252 416	3 842

Post balance sheet events

Apart from the above information, no other events have occurred since the date of the reporting year which could considerably affect the report assessment or which would require additional explanation in this financial statement.

Further operation of the Company

At the end of the reporting period, the Company's profit amounted to as much as 1,224,950 EUR, which was mainly ensured by write-offs of creditor debts following the legal protection proceedings of AS "VEF Radiotekhnika RRR".

The Company also experienced losses relating to its main activities which were caused by changes in its income structure. In 2018, the Company increased products acoustic (radio/audio) systems. According to the estimates of Company's management, in 2018, income from sales of its products will amount to 100 500 EUR and income from its economic operations will exceed the respective expenses by 37 145 EUR, and the positive operation-related cashflow will ensure funds for addressing liquidity problems.

Proposals for profit distribution

It is planned to cover year 2018 loss with future periods' profit from income generated by renewed production process

Chairman of the Board

Eriks Ertmanis

Member of the Board/Chief Accountant

Olga Romanko

26 April, 2019



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of VEF Radiotehnika RRR AS

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of AS "VEF Radiotehnika RRR" ("the Company") set out on pages 6 to 21 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2018,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements give a true and fair view of the financial position of AS VEF RADIOTEHNIKA RRR as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements section of our report*.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention that the financial statement is prepared on the basis that the Company will continue to be going concern. We pay attention to the profit and loss statement, which shows that in the year ended December 31, 2018 net turnover decreased significantly and gross operating was 66 679 EUR. The continuation of the Company depends on its ability to carry out the production plan for 2019. The Company management is negotiating with potential partners about new orders. These events or conditions, along with other matters as described in Note 31, indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. These circumstances were in effect also in previous year and our opinion issued on the financial statement as of 31 December 2017 was included with material uncertainty related to going concern note. Our opinion is not modified in respect of this matter.



Key audit matters

The key audit matters are matters that were most relevant to our review of our financial statements based on our professional judgment. These matters were generally dealt with in the context of the audit of the financial statements and in the preparation of the opinion on these financial statements, so we do not express a separate opinion on these matters.

Main audit issues

In addition to the matters described in the *Material Uncertainty Related to Going Concern* section regarding the Company's ability to continue as a going concern, there are no other key audit issues that we should report in our report.

Reporting on Other Information

The Company management is responsible for the other information. The other information comprises:

- the Management Report, as set out on page 4 of the accompanying Annual Report,
- the information about Company as set out on page 3 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 5 of the accompanying Annual Report,
- the Statement of Corporate Governance, as published on homepage of Nasdaq Baltic market www.nasdaqbaltic.com and is publicly available.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia – other information

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Furthermore, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Non-financial Statement our responsibility is to report whether the Company has prepared the Non-financial Statement and whether the Non-financial Statement is included in the management Report or prepared as a separate element of the Annual Report or is included in the consolidated non-financial statement of the Company's parent company.

In our opinion, the accompanying management report includes the non-financial information statement provided in page 4 of the accompanying annual report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

We were appointed by those charged with governance on 6th March 2019 to audit the financial statements of AS "VEF Radiotehnika RRR" for the year ended 31 December 2018. Our total uninterrupted period of engagement is 3 years, covering the periods ending 31 December 2016 to 31 December 2018.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company;
- as referred to in the paragraph 37.6 of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia we have not provided to the Company the prohibited non-audit services (NASS) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.

The responsible certified auditor on the audit resulting in this independent auditors' report is Ingrīda Latimira.

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License No. 183

Silvija Gulbe
Member of the Board

Riga, 26 April 2019

Ingrīda Latimira
Sworn auditor
Certificate No. 47