

AS "VEF Radiotehnika RRR"

Unified Registration No. 40003286712

Address: Kurzemes prospekts 3D, Riga, LV-1067

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

AS "VEF Radiotehnika RRR"
Annual accounts for the year ended 31 December 2019

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AS "VEF Radiotehnika RRR"
Annual accounts for the year ended 31 December 2019

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, Rīga, 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	-
Council Member	<i>Inārs Kļaviņš</i>
Council Member	<i>Mārtiņš Perts</i>
Council Member	<i>Genādijs Hotejevs</i>
Council Member	<i>Vjačeslavs Mihailovins</i>
Board members	
Chairman of the Board	<i>Ēriks Ertmanis</i>
Board Member	<i>Olga Romanko</i>
Reporting year	<i>from 2019.01.01 till 2019.12.31</i>
Previous reporting year	<i>from 2018.01.01 till 2018.12.31</i>
Chief Accountant	<i>Olga Romanko</i>
Phone number	<i>67852054</i>
Auditor	<i>SIĀ Audita pakalpojumi V.E.</i> <i>Certified Auditors Company</i> <i>License No. 22</i> <i>Kr.Barona 78-17, Rīga, LV-1001</i> <i>Responsible certified auditor:</i> <i>Vija Endzele-Kasicka</i> <i>Certificate No. 107</i>

Management report

Types of activities

The main activities of AS "VEF Radiotehnika RRR" in 2019 were:

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

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

Operations of the Company during the reporting year

Reporting year results of the Company are the following:

Result before extraordinary items and taxes:	(59 059) EUR
Net result:	(59 059) EUR

In 2019, net turnover amounted to 51 835 EUR which is 66 % less when compared to 2018. The company's current assets exceed its short-term liabilities by 92 310 EUR.

The financial statement of the company for the financial year 2019 is based on the principle of continuing operations.

The 2019 Company produced orders sent to customers to Italy.

Consequently, the management of the company considers that the company's financial statement for 2019 has been reasonably prepared for the purposes of applying the operations the principle of continuation.

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.

Following the end of the financial year, in March 2020, the Republic of Latvia and many other countries have entered into force restrictions related to the spread of coronavirus, which significantly reduces economic development in the country and in the world. It is not foreseeable how the situation is likely to develop in the future, and consequently there is uncertainty about economic development. The management of the company shall continuously assess the situation. Society management believes that the Company will be able to overcome the emergency by means of compensatory measures and be able to generate revenue from the sale of non-profile assets. However, this conclusion is based on information available at the time of signature of this financial statement.

Further operation of the Company

From its core business, the company suffered losses of 59 059 EUR related to the change in revenue. In 2019, the company reduced the production of acoustic systems and their sale. According to company management estimates in 2020 the revenues from production will be 25 500 EUR and revenues from economic activity will exceed expenditure by EUR 5 965, so that the positive cash flow from economic activity will be able to provide funding for resolving liquidity problems.

We have carefully assessed all the information available to us, including the impact of the crisis caused by coronavirus on the functioning of society, and believe that the principle of continuation of activity in the preparation of the financial statement is fully applicable.

Proposals for profit distribution

It is planned to cover year 2019 loss with future periods' profit from income generated by from the sale of non-profile assets .

Chairman of the Board



Eriks Ertmanis

Member of the Board



Olga Romanko

26 June, 2020

AS "VEF Radiotehnika RRR"
Annual accounts for the year ended 31 December 2019

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 2019, 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 Romāņko

26 June, 2020

AS "VEF Radiotehnika RRR"
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Profit or loss account for the year ended 31 December 2019

	Notes	2019 EUR	2018 EUR
Net sales	1	51 835	154 291
b) other operating activities		51 835	154 291
Cost of sales	2	(81 468)	(220 970)
Gross loss		(29 633)	(66 679)
Selling expenses	3	(459)	(4 081)
Administrative expenses	4	(36 460)	(61 368)
Other operating income	5	77 555	170 010
Other operating expenses	6	(61 384)	(52 267)
Interest expenses and similar expenses	7	(8 678)	(1 131)
Profit before taxes		(59 059)	(15 516)
Corporate income Tax for the reporting period			(1 891)
Current year's profit / (loss)		(59 059)	(17 410)
Profit/ (loss) per share		(0,023)	(0,007)

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 Romāņko

26 June, 2020

AS "VEF Radiotehnika RRR"
Annual accounts for the year ended 31 December 2019

Balance sheet as at 31.12.2019

ASSETS	Note	2019	2018
		EUR	EUR
I. Non-current assets			
II. Fixed assets:			
I. Real estate renting services			
Land, buildings and constructions		257 694	258 095
Equipment and vehicles		19 194	105 891
Other fixed assets		1 023	20 604
Total fixed assets:	8	277 911	384 590
V. Long-term financial investments			
Loans to related parties	13	180 232	180 232
Total non-current financial investments:		180 232	180 232
Total long-term financial investments:		458 143	564 822
2. Current assets			
I. Inventory:			
Raw materials	9	11 829	15 619
Work in progress	10	13 115	16 452
Finished goods and goods for sale	10	33 218	14 070
Advance payments for materials	11	234	525
Total inventory:		58 396	46 666
III. Receivables:			
Trade receivables	12	98 423	103 928
Receivables from related parties	13	73 427	72 184
Other receivables	14	39 361	50 344
Prepaid expenses	15	657	449
Accrued revenue	15	-	4 500
Total receivables:		211 868	231 405
V. Cash	16	1 380	365
Total current assets:		271 644	278 436
TOTAL ASSETS:		729 787	843 258

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 2019

Balance sheet as at 31.12.2019

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	<u>2019</u>	<u>2018</u>
		<u>EUR</u>	<u>EUR</u>
I. Shareholders' equity:			
Share capital	17	254 908	254 908
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	50 916	68 326
b) current year profit/ (loss)	18	(59 059)	(17 410)
Total shareholders' equity:		<u>465 269</u>	<u>524 328</u>
3. Liabilities:			
I. Non-current liabilities:			
Loans from other creditors	20	85 000	85 000
Total non-current liabilities:		<u>85 000</u>	<u>85 000</u>
II. Current liabilities:			
Advances from customers	21	-	3
Trade accounts payable	22	66 664	149 940
Payables to related parties	23	-	3 842
Taxes and social security liabilities	24	96 315	53 283
Other creditors	25	9 895	10 551
Accrued liabilities	26	6 644	16 311
Total current liabilities:		<u>179 518</u>	<u>232 036</u>
Total liabilities:		<u>264 518</u>	<u>318 930</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY:		<u>729 787</u>	<u>843 258</u>

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Chairman of the Board

Ēriks Ertmanis

Member of the Board / Chief Accountant

Olga Romāņko

26 June, 2020


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Cash flow statement for the year ended 31 December 2019 (indirect method)

I. Cash flow from operating activities	Note	<u>2019</u>	<u>2018</u>
		<u>EUR</u>	<u>EUR</u>
<i>Loss before extraordinary items and taxes</i>		<u>(59 059)</u>	<u>(17 410)</u>
<i>Adjustments for:</i>			
a) depreciation of fixed assets and investment properties		30 181	69 615
b) provisions(excluding provisions for doubtful receivables)		-	32 242
d) profit/loss from sale of fixed assets		(1 189)	(111 765)
e) interest payments and similar activities		8 678	1 131
l) Corporate income Tax for the reporting period		-	1 894
<i>Loss before working capital and current liabilities adjustments</i>		<u>(21 389)</u>	<u>(24 293)</u>
<i>Adjustments for:</i>			
a) debtors increase (-) or decrease (+)		5 474	(84 892)
b) inventory increase (-) or decrease (+)		(7 127)	16 657
c) accounts payable to suppliers and other creditors increase (+) or decrease (-)		<u>(43 909)</u>	<u>(135 496)</u>
<i>Gross cash flow from operating activities</i>		<u>(66 951)</u>	<u>(228 024)</u>
Interest payments		(8 678)	(1 131)
Real estate tax payments		(3 413)	(802)
<i>Cash flow before extraordinary items</i>		<u>(79 042)</u>	<u>(229 957)</u>
<i>Net cash flow from operating activity</i>		<u>(79 042)</u>	<u>(229 957)</u>
II. Cash flow from investing activities			
Proceeds from disposal of fixed assets and intangibles		80 057	146 000
<i>Net cash flow from investing activities</i>		<u>80 057</u>	<u>146 000</u>
III. Cash flow from financing activities			
Loans received		-	85 000
Loans repaid		-	(6 029)
<i>Net cash flow from financing activities</i>		<u>-</u>	<u>(78 971)</u>
V. Net cash flow for the year		<u>1 015</u>	<u>(4 986)</u>
VI. Cash and cash equivalents at the beginning of the period		<u>365</u>	<u>5 351</u>
VII. Cash and cash equivalents at the end of the period	16	<u>1 380</u>	<u>365</u>

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Chairman of the Board


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Olga Romāņko

26 June, 2020

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Statement of changes in equity for the year ended 31 December 2019

	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, 2017	3 568 718	58 302	160 202	1 224 950	(4 470 434)	541 738
Profit/ loss carried over	-	-	-	(1 224 950)	1 224 950	-
Profit for the year	-	-	-	(15 516)	-	(15 516)
Correction of previous years	-	-	-	(1 894)	-	(1 894)
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	(17 410)	68 326	524 328
Loss carried over	-	-	-	17 410	(17 410)	-
Profit/ loss for the year	-	-	-	(59 059)	-	(59 059)
Balance as on December 31, 2019	254 908	58 302	160 202	(59 059)	50 916	465 269

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 Romāņko

26 June, 2020

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 LR 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 2019 there have been no changes in classification of items in comparison with the 2018.

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:

	2019.12.31	2018.12.31
RUB	69.956	79.715
USD	1.123	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 de recognition 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.

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 acknowledgment

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

AS "VEF Radiotehnika RRR"
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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.

(1) Net Turnover

Type of activity	2019 EUR	2018 EUR
Income from exports of finished goods	3 534	13 407
Income from rent of premises	2 929	2 260
Income from sale of finished goods in the local market	33 625	33 721
Income from utilities service provided to third parties	3 177	99 868
Income from sale of materials	8 570	5 035
Total	51 835	154 291

(2) Cost of goods sold

Cost type	2019 EUR	2018 EUR
Personnel costs	-	-
Depreciation of fixed assets	30 181	69 615
Write-off of low-value inventory	149	977
Change in stocks of finished goods	(22 813)	(40 290)
Change in stock of purchased materials and goods	43 419	42 635
Rent of premises	15 446	-
Ongoing maintenance and repair	4 297	22 334
Real estate maintenance, including utilities	5 020	116 939
Other taxes	4 928	4 928
Other costs	841	1 105
Total	81 468	220 970

(3) Selling expenses

Cost type	2019 EUR	2018 EUR
Goods' transportation costs	-	640
Commissions paid	459	1 562
Other selling expenses (marketing)	-	1 879
Total	459	4 081

(4) Administrative expenses

Cost type	2019 EUR	2018 EUR
Personnel costs	26 858	40 545
Provisions for annual leave and social security	(6 974)	(2 586)
Representation costs	690	1 834
Office expenses	490	1 794
Communication expenses	1 987	2 063
Bank expenses	888	4 076
Accounting and legal expenses	4 600	5 648
Other administrative costs	7 921	7 994
Total	36 460	61 368

(5) Other operating income

Type on income	2019 EUR	2018 EUR
Net income from sale of real estate	28 752	111 766
Compensation for repairs	44 649	-
Other income	4 154	58 244
Total	77 555	170 010

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(6) Other operating expenses

Type of income/expense	2019 EUR	2018 EUR
Net loss from foreign exchange rate fluctuations	-	2 076
Penalties	16 481	7 060
Bad debts written off	43 666	-
Provision for unsecured debts	-	9 371
Provision for inventory loss	-	2 125
Provision for decrease in value	-	31 219
Previous year expenses	-	-
Health insurance	-	166
Scrap, damaged production	1 237	-
Funeral allowance	-	250
Total	61 384	52 267

(7) Interest expense and similar expenses

Type of costs	2019 EUR	2018 EUR
Loan interest paid	8 678	1 131
Total	8 678	1 131

(8) Fixed Assets

	Real estate	Technological equipment	Other fixed assets	Total EUR
Historical cost				
01.01.2019	291 870	1 152 286	43 688	1 487 844
Reclassified	2 400	-	-	2 400
Disposed	-	(809 972)	(19 813)	(829 785)
31.12.2019.	2 94 270	342 314	23 875	660 459
Depreciation				
01.01.2019	33 775	1 072 898	23 084	1 103 254
Depreciation charge	2 801	26 748	632	30 181
Disposed	-	(750 023)	(864)	(750 887)
31.12.2019.	36 576	323 120	22 852	1 133 435
Net book value				
01.01.2019	258 095	105 891	20 604	384 590
31.12.2019.	257 694	19 194	1 023	277 911

(9) Raw materials

	2019 EUR	2018 EUR
Raw materials	13 954	17 744
Provision for inventory loss	(2 125)	(2 125)
Total	11 829	15 619

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(10) Work in progress and finished goods	2019	2018
	EUR	EUR
Work in progress	13 115	16 452
Total	13 115	16 452
Finished goods and in warehouse	105 070	85 922
Provision for decrease in value	(71 852)	(71 852)
Total	33 218	14 070
(11) Advance payments for goods	2019	2018
	EUR	EUR
Advance (non-residents)	234	7 440
Advance (residents)	-	2 456
Provision for unsecured debts	-	(9 371)
Total	234	525
(12) Trade receivables	2019	2018
	EUR	EUR
Receivables(non-residents)	48 443	48 107
Receivables (residents)	98 423	60 629
Provisions for doubtful debtors	(48 443)	(4 808)
Total	98 423	103 928
(13) Receivables from related parties	2019	2018
	EUR	EUR
Loans (non-current)*	180 232	180 232
Payments for goods	73 427	72 184
Total current receivables:	73 427	72 184
Total	253 659	252 416
*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 2019 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 2019 is positive, it is not from the main operations, but from sale of real estate.		
(14) Other receivables	2019	2018
	EUR	EUR
Settlements with employees	525	9 758
Settlements of guarantee amounts	2 563	2 563
Other debtors	22 400	19 250
Settlements with management	13 873	26 021
Loans to employees	-	7 248
Provision for loans to employees	-	(7 248)
Total	39 361	50 344
(15) Deferred expenses	2019	2018
	EUR	EUR
Insurance costs	305	-
Other expenses	352	449
Total	657	449
(15) Accrued revenue	2019	2018
	EUR	EUR
Current revenue	-	4 500
Total	-	4 500
(16) Cash and cash equivalents	2019	2018

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	EUR	EUR
Cash on hand	87	87
Cash in bank accounts	1 293	278
Total	1 380	365

(17) Information on the Company's share capital

As at 31 December 2019 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 Radiotehnika 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 the 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 262, Paragraph one, Clause 3 of Commercial Law-by reducing the nominal value of stock of the Company. Following the reduction, the Company's equity is EUR 254,908.40.

AS "VEF Radiotehnika RRR" major shareholders are:

Shareholders	Number of shares		Value	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Eduards Majejevs	741 880	741 880	74 188	1 038 632
Jurijs Majejevs	864 512	864 512	86 451	1 210 317
Armands Majejevs	264 519	264 519	26 452	370 327
Inga Sprūga	65 567	65 567	6 557	91 794
Jekaterina Majejeva	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 Radiotehnika RRR" shares are listed on the list of shares are quoted on the AS Nasdaq Riga second list.

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.

	2019	2018
	EUR	EUR
Previous years' accumulated loss	50 916	(3 245 484)
Correction	-	3 313 810
Current year's profit/(loss)	(59 059)	(17 410)
Total	(8 143)	50 916

(19) Long-term investment revaluation reserve

	2019	2018
	EUR	EUR
Opening balance	160 202	160 202
Closing balance	160 202	160 202

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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	2019	2018
			EUR	EUR
Loan from EstateGuru tagatisagent	11,00%	2021.07.06	85 000	85 000
Total long-term loans			85 000	85 000
(21) Advances from customers			2019	2018
			EUR	EUR
Advances from residents			-	3
Total			-	3
(22) Trade accounts payable			2019	2018
			EUR	EUR
Short-term part:				
Trade accounts payable to residents			66 664	149 940
Short-term part total			66 664	149 940
Trade accounts payable total			66 664	149 940
(23) Payables to related parties			2019	2018
			EUR	EUR
Short-term part:				
Payment for services			-	3 842
Short-term part total			-	3 842
Payables to related parties total			-	3 842
(24) Taxes and social insurance payments			2019	2018
			EUR	EUR
Long-term part			-	18 868
Taxes and social insurance payments			-	(18 868)
Total long-term part			-	-
Short-term part:				
01.01.2019			53 283	35 048
Changes in the reference year			43 032	18 235
31.12.2019			96 315	53 283
Total			96 315	53 283
(25) Other creditors			2019	2018
			EUR	EUR
Salaries			6 575	7 202
Advance settlement amounts			-	29
Security			3 320	3 320
Total			9 895	10 551
(26) Accrued liabilities			2019	2018
			EUR	EUR
Current expense			2 765	5 459
Provision for unused vacation leave			3 879	10 852
Total			6 644	16 311

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	2019	2018
(27) Average number of employees during the year		
Average number of employees during the year	8	13

(28) Transactions with related parties

Related party		Sales to related parties	Purchases from related parties	Amounts owed by related Parties as at 31 December	Amounts owed to related parties as at 31 December
SIA "Imanta Retail Park"	2019	61 760	5 831	253 659	-
	2018	40 486	1 690	252 416	3 842
TOTAL	2019	61 760	5 831	253 659	-
TOTAL	2018	40 486	1 690	252 416	3 842

(29) Remuneration to certified auditors

Certified auditors fees in respect of year 2019 financial statements audit is EUR 3 000.

(30) 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.

Following the end of the financial year, in March 2020, the Republic of Latvia and many other countries have entered into force restrictions related to the spread of coronavirus, which significantly reduces economic development in the country and in the world. It is not foreseeable how the situation is likely to develop in the future, and consequently there is uncertainty about economic development. The management of the company shall continuously assess the situation. Society management believes that the Company will be able to overcome the emergency by means of compensatory measures and be able to generate revenue from the sale of non-profile assets. However, this conclusion is based on information available at the time of signature of this financial statement.

(31) Further operation of the Company

From its core business, the company suffered losses of 59 059 EUR related to the change in revenue. In 2019, the company reduced the production of acoustic systems and their sale. According to company management estimates, in 2020 the revenues from production will be 25 500 EUR and revenues from economic activity will exceed expenditure by EUR 5 965, so that the positive cash flow from economic activity will be able to provide funding for resolving liquidity problems.

We have carefully assessed all the information available to us, including the impact of the crisis caused by coronavirus on the functioning of society, and believe that the principle of continuation of activity in the preparation of the financial statement is fully applicable.

Chairman of the Board

Eriks Ertmanis

Member of the Board/Chief Accountant

Olga Romanko

26 June, 2020.

Independent Auditor's Report

To the Shareholders of AS "VEF Radiotehnika RRR"

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 2019,
- 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 2019, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) 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 International Code of Ethics for Professional Accountants (including International Independence Standards) 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 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, 2019 net turnover decreased significantly and gross operating was 59 059,00 EUR. The continuation of the Company depends on its ability to carry out the production plan for 2020. These events or conditions, along with other matters as described in Note 30, 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 were included in the independent auditor's opinion on the financial statement as of 31 December 2018. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide 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 information about Company as set out on page 3 of the accompanying Annual Report,
- the Management Report, as set out on page 4 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 related to other information* 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 related to 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 include 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.

Other reporting responsibilities and confirmations required by the legislation of the Republic of Latvia and the European Union when providing audit services to public interest entities

We were appointed by shareholders of AS "VEF Radiotehnika RRR" on the 19th June 2020 to audit the financial statements of AS "VEF Radiotehnika RRR" for the year ended 31 December 2019. Our total uninterrupted period of engagement is 1 year, covering the periods ending 31 December 2019 to 31 December 2019.

We confirm that as referred to in the paragraph 37.6 of the Law on Audit Services 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 Vija Endzele - Kasicka.

SIA "Audita pakalpojumi V.E."
Commercial company of sworn auditors
License No.22

Vija Endzele – Kasicka
Member of the Board,
Sworn auditor
Certificate No.107

Riga, Latvia
26 June 2020

V. Endzele - Kasicka

