



JSC VEF, Brīvības gatve 214, Rīga, LV-1039



JOINT STOCK COMPANY VEF
(Unified registration number 40003001328)

AUDITED FINANCIAL STATEMENTS
For the period ended on December 31, 2010



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SIA AUDITS 55

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Juridiskā adrese: Bruņinieku iela 69-20, Rīga, LV-1011

Biroja adrese: A.Čaka iela 83/85 k.13, Rīga, LV-1011

PVN.reģ.nr.: LV40002023972

Reģ.nr.: 40002023972

INDEPENDENT AUDITORS' REPORT

To the Shareholders of JSC "VEF"

Report on the Financial Statements

We have audited the accompanying financial statements of JSC "VEF" which comprise the balance sheet as of 31 December 2010 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the Annual Accounts Act of the Republic of Latvia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Latvian Association of certified auditors. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of JSC "VEF" as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the requirements of the Annual Accounts Act of the Republic of Latvia.

Report on the Management Report

We have read the Management Report and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for 2010.

Certified auditors' company SIA "AUDITS 55"
Audit company licence No. 141

Māra LTguta
Certified auditor
Certificate No. 55

Member of the Board

Rīga,
7th April, 2011



GENERAL INFORMATION

Title of enterprise	Joint stock company VEF
Legal type of enterprise	Public joint stock company
Registered:	On April 15, 1991 in the Register of Enterprises of the Republic of Latvia, re-registered on December 7, 2000 with Nbr. 000300132 On April 14, 2004 registered in the Commercial Register, Nbr. 40003001328
Taxpayers' Reg. Nbr.	LV 40003001328
Legal address	Brīvības gatve 214, Rīga, LV-1039, Republic of Latvia phone: 7270618, fax: 7552201
Equity capital ¹ :	Ls 1 944 637 paid and registered equity capital.
Core businesses:	*Power supply - distribution of power; *Letting and renting of real-estate property *Ferrous and non-ferrous waste and scrap purchase.
Name of the holder of shares and share capital (%)	As on december 31, 2010: *VEF KOMUNIKĀCIJU SERVISS SIA - 45.52377 % ; *JSC Goldinvest Asset Management - 21.92579 % ; *State Social Insurance Agency - 5.01801 % ; * Tamāra Kampāne - 9.55576 % ; * Gints Feņuks - 7.01432 % ; *Other shareholders - 10.96235 %.
Chief executive officer:	Chairman of the Board of the Company: GINTS FEŅUKS
Members of the Board:	TAMĀRA KAMPĀNE PĒTERIS AVOTIŅŠ AIVARS VĪTOLIŅŠ
Members of the Supervisory Council:	ANDRIS DENIŅŠ INTS KALNIŅŠ GUNTIS LIPIŅŠ JĀNIS LĀMA
Period of account:	01.01.2010. - 31.12.2010.
Qualified auditor:	Mara Liguta. Certificate Nbr.55

¹ Paid-up and registered equity capital 1 944 637 common shares
The company's capital consists of the 623 528 bearer shares and 1 321 109 registered shares
Nominal value of a common share is 1 LVL (one Latvian lat).



Report on the Management Board's responsibility to the audited financial statement of JSC „VEF” for the twelve months of 2010

Management Board of JSC „VEF” (hereinafter – the Company) is responsible for preparation of the financial statements of the Company. The financial statements audited.

Financial statements are prepared based on justifying documents and represent true and clear overview on the Company's Assets and Equity and Liabilities, its financial standing and results of activity as well as cash flows within the reporting period ended on December 31, 2010.

Financial statements are prepared according to the approved International Standards of financial reports and observing principle of continuing business activity. Accounting principles used in preparation of the financial statements have not been changed comparing to the previous reporting period. During preparation of the financial statements decisions taken by the Management Board and estimations made have been cautious and well-founded. The information included in the management's report is true.

The Management Board of the Company is responsible for ensuring the corresponding accounting system, securing the assets of the Company, as well as for prevention and exposure of fraud and other violation within the Company.

On behalf of the Management Board of JSC „VEF”,

Gints Feņuks
Chairman of the Management Board



Management Report

The Joint Stock Company “VEF” is a publicly traded company, dealing with management and administration of its real estate, rendering space rental and electrical services to consumers on the VEF territory, as well as trading in ferrous and non-ferrous scrap metal.

According to the balance statement of the Company, the revenue from the economic activity in 12 months of 2010 makes LVL 799 465, which is 19 532 LVL less than over the previous reporting period.

Having in view the overall national and global economic situation in the recession, a year ago the Company focused its business to the preservation and optimization of the existing volumes of cash flow and followed this target over the previous year.

The Company continues to provide a full scope of its services, while maintaining the jobs and implementing the fund-saving programme, by reducing the outsourcing volumes and prices, as well as diversifying markets and risks.

The Board of Joint Stock Company “VEF” follows the Company’s strategic plans of the previous year, guiding from the economic situation in the country and in particular from the situation in the space rental market. This year the plan is to enhance the monitoring of the market in the rental segment and to react to the changes of the situation, to take also an active tenant attraction for the free spaces within the property of the Company, through enlargement and renovation of the area without any additional fund borrowing, as well as to increase the turnover of the ferrous and non-ferrous metal trading.

On behalf of the Management Board of JSC „VEF”,

Gints Feņuks
Chairman of the Management Board



ASSETS	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions, patents, licences	289	354	411	504
Total intangible assets	289	354	411	504
Fixed Assets				
Land, buildings and other property	4 151 089	4 192 124	5 906 467	5 964 855
Equipment and machinery	0	2 473	0	3 519
Other fixed assets and inventory	28 649	15 237	40 764	21 680
Advance payments for fixed assets				
Total fixed assets	4 179 738	4 209 834	5 947 231	5 990 054
Total long-term investments	4 180 027	4 210 188	5 947 642	5 990 558
Current assets				
Inventory				
Goods for sale	0	3 690	0	5 250
Total inventory	0	3 690	0	5 250
Debtors				
Customers and client debts	13 087	44 924	18 608	63 921
Other debtors	15 503	19 319	22 059	27 488
Future period	30 532	25 954	43 443	36 929
Future period expenses	839	3 729	1 194	5 306
Total debtors	59 952	93 926	85 304	133 645
Cash	708	2 406	1 008	3 423
Total Current assets	60 660	100 022	86 311	142 318
TOTAL ASSETS	4 240 687	4 310 210	6 038 759	6 132 876



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
			0.702804	0.702804
Stockholder's Equity				
Common stock	1 944 637	1 944 637	2 766 969	2 766 969
Long-term investments revaluation reserve	438 390	438 390	623 773	623 773
Total accumulation				
Retained earnings from the previous years	-883 184	-901 554	-1 256 658	-1 282 796
Retained earnings of the financial years	22 256	18 370	31 667	26 138
Total stockholder's equity	1 522 099	1 499 843	2 165 752	2 134 084
PROVISIONS				
Other provisions	9 122	7 522	12 979	10 703
Total provisions	9 122	7 522	12 979	10 703
LIABILITIES				
Long-term liabilities				
Borrowings from credit institutions	2 309 248	2 273 743	3 285 764	3 235 245
Prepayments from buyers	25 103	28 460	35 718	40 495
Other liabilities	0	0	0	0
Deferred tax liability	148 742	141 745	211 641	201 685
Total long-term liabilities	2 483 093	2 443 948	3 533 123	3 477 425
Current liabilities				
Borrowings from credit institutions	59 036	162 684	84 001	231 478
Accounts payable	48 894	42 567	69 570	60 567
Taxes and social security payments	66 125	56 517	94 087	80 416
Other liabilities	15 540	58 679	22 111	83 493
Future period income	0	0	0	0
Prepayments from buyers	36 778	38 450	52 330	54 709
Total current liabilities	226 373	358 897	322 100	510 664
Total liabilities	2 709 466	2 802 845	3 855 223	3 988 089
TOTAL LIABILITIES&STOCKHOLDER'S EQUITY	4 240 687	4 310 210	6 033 954	6 132 876

**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON DECEMBER
31.2010.**

		LVL 31.12.2010	LVL 31.12.2009	EUR 31.12.2010 0.702804	-	EUR 31.12.2009 0.702804	-
1	2	4	5	4		5	
Net turnover		784 281	794 076	1 115 931		1 129 868	
Cost of goods sold	1	-506 419	-557 934	-720 569		-793 869	
Gross profit		277 862	236 142	395 362		336 000	
Selling expenses							
Administrative expenses	2	-57 283	-58 672	-81 506		-83 483	
Other income from operations	3	9 748	23 054	13 870		32 803	
Other expenses from operations	4	-28 590	-14 803	-40 680		-21 063	
Financial services income	5	5	1 867	7		2 657	
Financial services expenses	6	-152 489	-137 794	-216 972		-196 063	
Profit before taxes		49 253	49 794	70 081		70 850	
Other taxes	7	-20 000	-28 010	-28 457		-39 855	
Deferred tax		-6 997	-3 414	-9 956		-4 858	
Net profit		22 256	18 370	31 667		26 138	
Earnings per share (EPS)							
EPS on 31.12.2010-0.0114							
LVL- 0.0114 EUR							

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampāne



CASH FLOW STATEMENT FOR YEAR THAT ENDS ON DECEMBER 31, 2010

	2010 31.12.	2009 31.12.	2010 31.12. EUR 0.702804	2009 31.12. EUR 0.702804
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	49 253	49 7941	79 081	70 830
<i>Adjustments:</i>				
fixed assets depreciation (+)	53 193	61 218	75 687	87 105
intangible assets depreciation (+)	65	25	93	36
increase/decrease in provisions	1 600	-2 646	2 277	-3 765
profit or losses from exchange rates fluctuation (+/-)	-243	-160	-346	-228
financial service income	-5	-1 867	-7	-2 657
financial services income	152 489	137 794	216 972	196 063
<i>Profit or losses before adjustments from current assets and liabilities</i>	256 352	244 158	364 756	347 406
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	33 974	338 993	48 341	482 344
inventory: increase (-); decrease (+)	3 690	- 3 690	2 698	-5 250
liabilities: increase (-); decrease (+)	-16 685	-290 971	-23 741	-414 014
<i>Gross cash provide by operating activities</i>	277 331	288 490	394 606	410 484
Payments for financial	-152 489	-137 794	-216 972	-196 063
Income tax payments				
<i>Net cash provided by operating activities before outstanding items:</i>	124 842	150 696	177 634	214 421
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	124 842	150 696	177 634	214 421
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase	-12 283	-10 276	-17 477	-14 621
Interest received	5	1 867	7	2 657
Net cash used in investing activities :	-12 278	-8 409	-17 470	-11 965
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Expenses for borrowings repayment	-68 142	-162 684	-96 957	-231 478
Payments LPA for long term buy out of land	-46 363	-40 292	-65 965	-57 330
Common stock issued		1 178		1 676
Net cash provided by financing activities :	-114 505	-201 798	-162 926	-287 133
IV. Exchange rate fluctuation result :	243	160	346	228
Net cash flom	-1 698	-59 351	-2 416	-84 449
CASH AT BEGINNING OF YEAR	2 406	61 757	3 423	87 872
CASH AT END OF YEAR	708	2 406	1 007	3 423



**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON
DECEMBER 31, 2010**

	31.12.2010 LVL	31.12.2009 LVL	31.12.2010 EUR 0.702804	31.12.2009 EUR 0.702804
Stockholder's equity				
Balance at the beginning of the financial year	1 944 637	2 766 969	2 766 969	2 766 969
Increase from				
Decrease from				
Balance at the end of the financial year	1 944 637	2 766 969	2 766 969	2 766 969
Long-term investments revaluation reserve				
Balance at the beginning of the financial year	438 390	438 390	623 773	623 773
Increase from				
Decrease from				
Balance at the end of the financial year	438 390	438 390	623 773	623 773
Accumulations				
Balance at the beginning of the financial year				
Increase from				
Decrease from				
Balance at the end of the financial year				
Retained earnings				
Balance at the beginning of the financial year	-883 184	-901 554	-1 256 658	- 1 282 796
Profit or losses of the financial year	22 256	18 370	31 667	26 138
Dividendes				
Included in accumulations				
Balance at the end of the financial year	-860 928	-883 184	- 1 224 990	- 1 256 658
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 499 843	1 818 757	2 134 084	2 587 858
Balance at the end of the financial year	1 522 099	1 499 843	2 165 752	2 134 084



**JSC VEF
FINANCIAL STATEMENTS' APPENDIXES
FOR YEAR, WHICH ENDS ON DECEMBER 31, 2010**

1. ACCOUNTING AND ASSESSMENT METHODS – COMMON PRINCIPLES

Basis for financial statements preparation

Financial statements are being prepared in compliance with Latvian laws “On bookkeeping” and “On the Annual Accounts of Undertakings”.

Profit and losses account is prepared according to the turnover method. Accounting policy provides the financial statements give information that is appropriate for their users to make decisions and conclusions. The policy is reliable. The financial statements correctly reveal the financial condition and operating results of the company – showing not only legal side of transactions, but also their economical matter, and are complete in all essential aspects.

Accounting principles used

The items of the financial statements are valued according to the following accounting principles:

- a) it is assumed that the company will operate in the future;
- b) assessment methods used are the same as used in the previous financial year;
- c) assessment is made with mere caution:
 - only profit earned before the date of the annual report is included in the financial statements
 - all projected risk amounts and losses that appeared in the financial year or in the previous years are taken into account, even those which became known in the period of time between the date of the annual report and the day when the financial statements are drawn up
 - all value decreases and depreciation amounts are calculated and taken into account, regardless of the financial year result (profit or losses)
- d) revenues and expenditures connected with the financial year are taken into account, regardless of payment date and invoice receiving or writing out date;
- e) assets and liabilities and net worth items have been assessed independently;
- f) the initial balance sheet of the financial year coincides with the previous financial year final balance sheet;
- g) all items that have an essential influence on the financial statements' users evaluation or decision taking have been taken into account, non-significant items have been combined and they are shown in details in the appendixes to the financial statements;
- h) Business operations during the financial year are shown by their economical content and nature instead of their legal form.

Financial year

Financial year is 12 months, from 01.01.2010 to 31.12.2010.

Money and foreign currency revaluation

Amounts shown in these financial statements are in Latvian national currency – lats (LVL).

All monetary assets and liabilities are recalculated to lats, using the official exchange rate of the Latvian Bank that is set on the last day of the financial year.

Long-term and short-term items

Long-term items include amounts, whose receiving, discarding or payment terms become due more than 1 year after the end of the respective financial year. Amounts that are due to be received, paid or discarded during the next year, are included in short-term items.



Fixed assets and nonmaterial investment depreciation

Fixed assets and non-material investments are shown by purchase price minus depreciation. Depreciation is calculated on the straight-line basis, using as a basis the following rates:

Fixed assets	
Property	1%
Equipment and machinery	20%
Other fixed assets	25%

Income tax

Income tax for the financial year consists of calculated tax and deferred tax. Income tax is included in the profit and losses account.

Income tax for the financial year is calculated according to the law "On the income tax of Undertakings", determining taxable income and using 15% rate, set by the law.

Deferred income tax is calculated for the difference between assets and liabilities value in the financial statements and assets and liabilities value for tax purposes. Deferred income tax is calculated using 15% rate, set by the law. The above-mentioned difference mainly comes from the different fixed assets depreciation rates used in the financial and tax accounting. Increase of provisions for bad receivables is not taken into account, calculating deferred income tax, due to mere caution principle.

**(1) Net turnover**

Turnover consists of revenues that the Company gained in the first twelve months of 2010 from its core business-service provision without VAT

Type of commercial operations	2010.12.31	2009.12.31	2010.12.31	2009.12.31
	LVL	LVL	EUR	EUR
power supply, distribution and servicing	121 236	120 954	172 503	172 102
water supply and sewage services	498	786	709	1 118
office renting service	417 282	477 517	593 739	679 445
utility services	166 688	156 179	237 175	222 223
ferrous an non-ferrous waste and scrap purchase	78 577	38 640	111 805	54 981
Total	784 281	794 076	1 115 931	1 129 868

Distribution of net turnover by geographical markets

Country	2010.12.31	2009.12.31	2010.12.31	2009.12.31
	LVL	LVL	EUR	EUR
Latvia	779 253	759 741	1 108 777	1 081 014
Estonia	5 028	34 335	7 154	48 854
Total	784 281	794 076	1 115 931	1 129 868

(2) Cost of sales

	2010.12.31	2009.12.31	2010.12.31	2009.12.31
	LVL	LVL	EUR	EUR
personnel	84 771	86 991	120 618	123 777
depreciation	53 192	61 218	75 685	87 105
transport	7 426	9 567	10 566	13 655
other outstanding costs	200 313	198 792	285 020	282 856
personnel training	120	360	171	512
telecommunication service	996	1 327	1 417	1 888
other costs tied to commercial operations	80 377	142 920	114 366	150 560
insurance (buildings)	3 390	4 761	4 824	6 774
land rent to LPA	8 493	14 994	12 084	21 335
depreciation of license	65	25	93	36
bank service	435	314	619	447
cost of price	66 841	36 635	95 106	52 127
Total	506 419	557 934	720 569	793 869



(3) Costs of administration	2010.12.31	2009.12.31	2010.12.31	2009.12.31
	LVL	LVL	EUR	EUR
personnel	40 946	41 281	58 261	58 738
telecommunication service	996	1 327	1 417	1 888
office supplies	700	1 323	996	1 882
transport expenses for administrative needs	7 426	9 597	10 566	13 655
representative expenses	150	155	214	220
legal assistance or raid	1 164	647	1 656	921
RFB annual fee	5 000	3 442	7 114	4 898
auditor cost	900	900	1 281	1 281
Total	57 283	58 672	81 506	83 483

(4) Other revenues from commercial operation	2010.12.31	2009.12.31	2010.12.31	2009.12.31
	LVL	LVL	EUR	EUR
disposal of fixed assets				
fines	8 893	2 724	12 654	3 876
1/5 of revenue from writing-off PS				
purchase		4 310		6 133
1/5 from financial support given for Gold equipment		9 526		13 554
other revenues	612	5 426	871	7 464
income from currency conversion	243	160	346	228
insurance recompense		1 068		1 520
Total	9 748	23 054	13 870	32 803

(5) Other costs of commercial operations	2010.12.31	2009.12.31	2010.12.31	2009.12.31
	LVL	LVL	EUR	EUR
losses from changes in currency rates		0	0	0
60% of representative costs	256	112	364	159
donations to Latvian orphans fund	101	555	144	790
allowances and bonuses	1 181	2 135	1 680	3 038
fines	13 667	5 583	19 446	7 944
other costs	13 385	6 418	19 045	9 132
Total	28 590	14 803	40 680	21 063



(6) **Other revenues from interests or similar sources**

	2010.12.31	2009.12.31	2010.12.31	2009.12.31
	LVL	LVL	EUR	EUR
interest from balances of accounts	5	1 867	7	2 657
Total	5	1 867	7	2 657

(7) **Payments of interest and similar expenses**

	2010.12.31	2009.12.31	2010.12.31	2009.12.31
	LVL	LVL	EUR	EUR
credit interests	150 145	133 519	213 637	189 980
interest to LPA for long term buy-out of land	2 344	4 275	3 335	6 083
Total	152 489	137 794	216 972	196 063

(8) **Other taxes**

	2010.12.31	2009.12.31	2010.12.31	2009.12.31
	LVL	LVL	EUR	EUR
real estate tax (buildings,land)	20 000	28 010	28 457	39 855
Total	20 000	28 010	28 457	39 855