



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

**JOINT STOCK COMPANY VEF**  
(Unified registration number 40003001328)

**NON- AUDITED FINANCIAL STATEMENTS**  
For the period ended on September 30, 2010



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## 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 <sup>1</sup> :	Ls 1 944 637 paid and registered equity capital.
Core businesses:	*Power supply - distribution of power; *Letting and renting of real-estate property *Trade in a waste black and nonferrous scrap metal
Name of the holder of shares and share capital (%)	As on september 30, 2010: *VEF KOMUNIKĀCIJU SERVISS SIA - 45.52377% ; *Goldinvest Asset Management" AS - 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. - 30.09.2010.
Qualified auditor:	Mara Liguta. Certificate Nbr.55

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<sup>1</sup> Paid-up and registred 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 non-audited financial statement of JSC „VEF” for the nine months of 2010**

Management Board of JSC „VEF” (hereinafter – the Company) is responsible for preparation of the middle-term financial statements of the Company. The middle-term financial statements are not audited.

Middle-term 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 September 30, 2010.

Middle-term 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 middle-term financial statements have not been changed comparing to the previous reporting period. During preparation of the middle-term financial statements decisions taken by the Management Board and estimations made have been cautious and well-founded. The information included in the middle-term 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



ASSETS	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
			<b>0.702804</b>	<b>0.702804</b>
<b>LONG-TERM INVESTMENTS</b>				
<b>Intangible assets</b>				
Concessions, patents, licences	306	76	435	108
<b>Total intangible assets</b>	<b>306</b>	<b>76</b>	<b>435</b>	<b>108</b>
<b>Fixed Assets</b>				
Land, buildings and other property	4 161 347	4 202 385	5 921 064	5 979 455
Equipment and machinery		5 091		7 244
Other fixed assets and inventory	30 901	10 276	43 968	14 621
Advance payments for fixed assets		15 575		22 160
<b>Total fixed assets</b>	<b>4 192 248</b>	<b>4 233 326</b>	<b>5 965 032</b>	<b>6 023 480</b>
<b>Total long-term investments</b>	<b>4 192 554</b>	<b>4 233 402</b>	<b>5 965 467</b>	<b>6 023 588</b>
<b>Current assets</b>				
<b>Inventory</b>				
Goods for sale	0	0	0	0
<b>Total inventory</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Debtors</b>				
Customers and client debts	7 780	56 265	11 070	80 058
Other debtors	16 241	31 788	23 109	45 230
Future period expenses		5 381		7 656
	18 903		26 897	
<b>Total debtors</b>	<b>42 924</b>	<b>93 434</b>	<b>61 76</b>	<b>132 945</b>
<b>Cash</b>	<b>4 351</b>	<b>13 511</b>	<b>6 191</b>	<b>19 224</b>
<b>Total Current assets</b>	<b>47 275</b>	<b>106 945</b>	<b>67 267</b>	<b>152 169</b>
<b>TOTAL ASSETS</b>	<b>4 239 829</b>	<b>4 340 347</b>	<b>6 032 734</b>	<b>6 175 757</b>



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
			<b>0.702804</b>	<b>0.702804</b>
<b>Stockholder's Equity</b>				
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
<b>Total accumulation</b>				
Retained earnings from the previous years	-883 184	-901 554	-1 256 657	-1 282 796
Retained earnings of the financial years	19 949	21 579	28 385	30 704
<b>Total stockholder's equity</b>	<b>1 519 792</b>	<b>1 503 052</b>	<b>2 162 470</b>	<b>2 138 650</b>
<b>PROVISIONS</b>				
Other provisions	7 522		10 703	
<b>Total provisions</b>	<b>7 522</b>		<b>10 703</b>	
<b>LIABILITIES</b>				
<b>Long-term liabilities</b>				
Borrowings from credit institutions	2 332 777	2 354 208	3 319 243	3 349 736
Prepayments from buyers	29 945	65 623	42 608	93 373
Other liabilities		29 436		41 884
Deferred tax liability	149 445	149 078	212 641	212 119
<b>Total long-term liabilities</b>	<b>2 512 167</b>	<b>2 598 345</b>	<b>3 574 492</b>	<b>3 697 112</b>
<b>Current liabilities</b>				
Borrowings from credit institutions	53 384	122 451	75 959	174 232
Accounts payable	26 751	30 646	38 063	43 605
Taxes and social security payments	57 903	45 635	82 388	64 933
Other liabilities	62 310	36 759	88 659	52 303
Future period income		3 459		4 922
<b>Total current liabilities</b>	<b>200 348</b>	<b>238 950</b>	<b>285 069</b>	<b>339 995</b>
<b>Total liabilities</b>	<b>2 712 515</b>	<b>2 837 295</b>	<b>3 859 561</b>	<b>4 037 107</b>
<b>TOTAL LIABILITIES&amp;STOCKHOLDER'S EQUITY</b>	<b>4 239 829</b>	<b>4 340 347</b>	<b>6 032 734</b>	<b>6 175 757</b>

**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON SEPTEMBER  
30.2010.**

		<b>LVL 30.09.2010</b>	<b>LVL 30.09.2009</b>	<b>EUR 30.09.2010 - 0.702804</b>	<b>EUR 30.09.2009 - 0.702804</b>
<b>1</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>5</b>
Net turnover		569 097	579 251	809 752	824 200
Cost of goods sold	1	-364 537	-389 377	-518 689	-554 034
<b>Gross profit</b>		<b>204 560</b>	<b>189 874</b>	<b>291 063</b>	<b>270 166</b>
Administrative expenses	2	-40 616	-44 370	-57 791	-63 133
Other income from operations	3	10 041	14 299	14 287	20 346
Other expenses from operations	4	-14 843	-2 148	-21 120	-3 056
Financial services income	5	5	142	7	202
Financial services expenses	6	-111 500	-104 463	-158 650	-148 637
<b>Profit before taxes</b>		<b>47 647</b>	<b>54 334</b>	<b>67 796</b>	<b>75 888</b>
Other taxes	7	-19 998	-21 008	-28 455	-29 892
Deferred tax		-7 700	-10 747	-10 956	-15 292
<b>Net profit</b>		<b>19 949</b>	<b>21 579</b>	<b>28 385</b>	<b>30 704</b>

Earnings per share (EPS) EPS  
on 30.09.2010-0.0103 LVL-  
0.0103 EUR

Earnings per share (EPS) EPS  
on 30.09.2009-0.0111 LVL-  
0.0111 EUR

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane



**CASH FLOW STATEMENT FOR YEAR THAT ENDS ON SEPTEMBER 30, 2010**

	2010 30.09.	2009 30.09.	2010 30.09. EUR 0.702804	2009 30.09. EUR 0.702804
	LVL	LVL		
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit before outstanding items and taxes (+)	47 647	53 334	67 796	75 888
<i>Adjustments:</i>				
fixed assets depreciation (+)	39 990	44 639	56 901	63 516
intangible assets depreciation (+)	49	4	70	6
increase/decrease in provisions				
profit or losses from exchange rates fluctuation (+/-)	-1 304	-7	-1 855	-10
financial service income	-5		-7	
financial services income	111 500	104 463	158 650	148 637
<i>Profit or losses before adjustments from current assets and liabilities</i>	<b>197 877</b>	<b>210 134</b>	<b>281 554</b>	<b>298 995</b>
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	50 010	335 592	71 158	477 504
inventory: increase (-); decrease (+)				
liabilities: increase (-); decrease (+)	-38 090	-268 330	-54 197	-381 799
<i>Gross cash provide by operating activities</i>	<b>209 797</b>	<b>277 396</b>	<b>298 514</b>	<b>394 699</b>
Payments for financial	-111 500	-104 463	-158 650	-148 638
Income tax payments	-19 998	-21 008	-28 455	-29 862
<i>Net cash provided by operating activities before outstanding items:</i>	<b>78 299</b>	<b>151 925</b>	<b>111 409</b>	<b>216 170</b>
Cash flow from outstanding items (-/+)				
<b>Net cash provided by operating activities :</b>	<b>78 299</b>	<b>151 925</b>	<b>111 409</b>	<b>216 170</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES :</b>				
Fixed assets purchase	-3 246	-48 040	-4 619	-68 355
Interest received	5	142	7	202
<b>Net cash used in investing activities :</b>	<b>75 058</b>	<b>104 027</b>	<b>106 798</b>	<b>148 017</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Expenses for borrowings repayment	-53 384	-122 451	-75 959	-174 232
Payment LPA for long term buy out of land	-32 138	-32 418	-45 728	-46 127
Common stock issued				
<b>Net cash provided by financing activities :</b>	<b>-10 464</b>	<b>-50 842</b>	<b>-14 889</b>	<b>-72 342</b>
<b>IV. Exchange rate fluctuation result :</b>	1 304	-7	1 855	-10
<b>Net cash flom</b>	<b>-9 160</b>	<b>-50 849</b>	<b>-13 034</b>	<b>-72 352</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>13 511</b>	<b>64 360</b>	<b>19 244</b>	<b>91 576</b>
<b>CASH AT END OF YEAR</b>	<b>4 351</b>	<b>13 511</b>	<b>6 191</b>	<b>19 224</b>



**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON  
SEPTEMBER 30, 2010**

	30.09.2010 LVL	30.09.2009 LVL	30.09.2010 EUR 0.702804	30.09.2009 EUR 0.702804
<b>Stockholder's equity</b>				
Balance at the beginning of the financial year	1 944 637	2 281 921	2 766 969	3 246 881
Increase from				
Decrease from		-337 284		-479 912
Balance at the end of the financial year	1 944 637	1 944 637	2 766 969	2 766 969
<b>Long-term investments revaluation reserve</b>				
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
<b>Accumulations</b>				
Balance at the beginning of the financial year				
Increase from				
Decrease from				
Balance at the end of the financial year				
<b>Retained earnings</b>				
Balance at the beginning of the financial year	-883 184	-901 554	-1 256 657	-1 282 796
Profit or losses of the financial year	19 949	21 579	28 385	30 704
Dividendes				
Included in accumulations				
Balance at the end of the financial year	-863 235	-879 975	-1 228 272	-1 252 092
<b>Stockholder's equity (total)</b>				
Balance at the beginning of the financial year	1 503 052	1 799 967	2 138 650	2 561 122
Balance at the end of the financial year	1 519 792	1 503 052	2 162 469	2 138 650



**Annex of the annual report of nine  
Months of 2010**

**General principles of methodology of accounting and evaluation**

**Foundation of preparation of financial report**

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- Annual report of the Company prepared according to the Laws of the Republic of Latvia - “On Accounting”, “On annual reports of companies”, Latvian accounting standards: No. 1 “General principles of preparation of financial reports”, No. 2 “Cash flow report”, No.3 “Events after date of balance”, No. 4 “Changes of accounting policies, accounting assumptions and mistakes of previous periods”, No.5 “Long-term agreements”, No.6 “Revenues”, No.7 “Fixed assets”, No. 8 “Reserves, probable liabilities and assets”, and the Statutes of JSC VEF “On preparations of annual reports”.
- “Profit and loss statement” prepared according to the method of turnover payments.
- “Cash flow statement” prepared using indirect methods of calculating cash flows from basic activities.
- Comparing to the previous reporting period applied accounting and evaluation methods had not been changed (reclassification does not have effect on comparative indicators because indicators of 2010 are classified by principles of 2009 are comparable).

**Net turnover**

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Net turnover is total amount of all values of provided services during the reporting period without value added tax.

**Fixed assets**

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Fixed assets are evaluated according to their initial value or reevaluated value less accumulated depreciation. Depreciation of fixed assets is calculated starting from first day of next month after beginning of their exploitation and ended from first day of next month after they are excluded from fixed assets. Depreciation of fixed assets is calculated using linear methodology. Depreciation rates depending on division are following:

- Buildings, edifices = 1%;
- Equipment and machinery = 20%;
- Other fixed assets or inventory = 25%/

Increased values taken in the process of reevaluation are showed in the position of equity “Reserve of reevaluation of long-term investments”, but decreased values are written-off from incremental additions to values of the particular fixed asset accumulated in previous periods – excess is appropriated in profit and loss calculations of the according period.

Residual value of fixed assets of the Company is 3 848 725 LVL, land – 343 523 LVL.

Total value of fixed assets – 4 192 248 LVL.

**Debts of debtors**

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In the balance sheet debts of debtors are showed in net values from initial values less special reserves for doubtful and bad debts. Special reserves for doubtful and bad debts are made in occasions when the Management decides that collection of particular debts of debtors is doubtful.

Debts of debtors and creditors are evaluated at the end of the reporting period according to accounting information and statements about comparison of mutual payments with debtors and creditors.

Debts of debtors are evaluated taking into account principles of precaution showing in the balance sheet only real debtors.

Actual amounts of debts of debtors agree with bills and amounts registered in other primary accounting documents.



### **Income tax of company**

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Income tax of the company in the reporting period is calculated according to requirements of normative acts of Republic of Latvia.

Deferred tax is calculated using liabilities methods concerning all temporary discrepancies between values of assets and liabilities shown in financial reports and their values in taxation calculations. In calculations of deferred tax there is used rate of tax that is expected in periods when discrepancies would disappear. Temporary discrepancies take place mainly because of use of different depreciation rates and losses from taxes that are transferable to next taxation periods. In occasions when total amount of deferred tax should be showed in active side of the balance sheet, it is included in the financial report only if it is expected that there would be income available for taxation from which it would be possible to except temporary discrepancies that constitute assets of deferred tax.

### **Reserves**

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Reserves for vacations of employees are created as an estimation taking into account unused vacations during the reporting period.

### **Reevaluation of foreign currencies to lats**

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Accounting in the company is made in lats. All transactions in foreign currencies are reevaluated in lats according to the official exchange rate of the Bank of Latvia in the particular day of transaction. Assets and liabilities that evaluated in foreign currencies are recalculated in lats according to the exchange rate of the Bank of Latvia at the last day of the reporting period. Profit or loss accumulated due to changes in exchange rates of foreign currencies are shown in the profit and loss statement,

### **Cash and its equivalents**

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In the cash flow statement cash and its equivalents consist of cash in the cashier's office and remains of current bank accounts.

### **Applied accounting standards of Latvia**

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Preparing the report, it is done according the following accounting standards of Latvia:

- LGS 2 "On cash flow statement"
- LGS 3 "On events after date of balance"
- LGS 4 "On changes of accounting policy, changes in accounting estimations and mistakes from previous periods"
- LGS 5 "On long-term agreements"
- LGS 6 "On revenues"
- LGS 7 "On assets"
- LGS 8 "On reserves, probable liabilities and probable assets"

### **Positions of annual reports are evaluated according the following accounting principles:**

- It is taken that the company will continue its operations;
- Same evaluation methods are used as in last periods;
- Evaluation is made with accordant precaution;
- Only revenues taken during the reporting period are included in the report;
- All expected risks and losses that occurred in the reporting year or previous years are taken into account even if they are occurred during period of time between date of balance and date of preparation of annual report;
- Calculated and accounted all decreases in values and depreciations despite whether the reporting year is concluded with profit or loss;
- All revenues and costs are taken into account independently of dates of payments, reception of bills. Payouts are accordant with revenues at the end of the reporting period.
- Components of assets and liabilities are evaluated separately;
- Starting balance of the reporting year is equal to the closing balance of previous reporting year;



- All positions that substantially affect evaluation or decision making of users of the report are shown but all insignificant positions are consolidated and their detailed breakdown are shown in annexes;
- Business transactions in the annual report are shown taking into account their economical essence and content but not their legal form.

### **Reporting period**

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Reporting period is 06 months starting from 01.01.2010. Till 30.09.2010.

### **Short-term and long-term positions**

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Long-term positions contain sums which maturity terms of reception, pay-out or write-off will take place more than a year after the end of the reporting period. All sums that are receivable or payable during a year are shown in short-term positions.

**(1) Net turnover**

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

Type of commercial operations	2010.09.30	2009.09.30	2010.09.30	2009.09.30
	LVL	LVL	EUR	EUR
power supply, distribution and servicing	90 121	89 703	128 231	127 636
water supply and sewage services	371	2 530	528	3 599
office renting service	314 434	372 119	447 399	529 478
utility services	114 171	114 899	162 451	163 487
ferrous and non-ferrous metal trading	50 000		71 144	
<b>Total</b>	<b>569 097</b>	<b>579 251</b>	<b>809 752</b>	<b>824 200</b>

**Distribution of net turnover by geographical markets**

Country	2010.09.30	2009.09.30	2010.09.30	2009.09.30
	LVL	LVL	EUR	EUR
Latvia	564 069	579 251	802 598	824 200
Estonia	5 028		7 154	
<b>Total</b>	<b>569 097</b>	<b>579 251</b>	<b>809 752</b>	<b>824 200</b>

**(2) Cost of sales**

	2010.09.30	2009.09.30	2010.09.30	2009.09.30
	LVL	LVL	EUR	EUR
personnel	63 194	66 392	89 917	94 467
depreciation	39 990	44 639	56 901	63 516
transport	5 679	7 095	8 080	10 095
other outstanding costs	141 732	147 213	201 666	209 465
personnel training	120	310	171	441
telecommunication service	686	988	976	1 406
other costs tied to commercial operations	60 219	79 102	85 684	112 552
insurance (buildings)		30 902		43 970
maintenance of buildings 1 and 1a				
land rent to LPA	8 493	8 671	12 084	12 338
depreciation of license	49	4	70	6
purchase costs and delivery of materials	42 214		60 065	
<b>Total</b>	<b>364 537</b>	<b>389 377</b>	<b>518 689</b>	<b>554 034</b>

**(3) Costs of administration**

	2010.09.30	2009.09.30	2010.09.30	2009.09.30
	LVL	LVL	EUR	EUR
personnel	29 902	32 673	42 547	46 489
telecommunication service	686	988	976	1 406
office supplies	578	826	822	1 175
cash turnover expenses	225	234	320	333
transport expenses for administrative needs	5 679	7 095	8 081	10 095
representative expenses	50	79	71	113
legal assistance or raid	996	600	1 417	854
RFB annual fee	2 500	1 875	3 557	2 668
<b>Total</b>	<b>40 616</b>	<b>44 370</b>	<b>57 791</b>	<b>63 133</b>

**(4) Other revenues from commercial operation**

	2010.09.30	2009.09.30	2010.09.30	2009.09.30
	LVL	LVL	EUR	EUR
disposal of fixed assets				
fines	8 430	1 955	11 995	2 782
1/5 of revenue from writing-off PS				
purchase		3 232		4 599
1/5 from financial support given for Gold equipment		7 145		10 166
other revenues	305	850	434	1 209
insurance recompense		1 069		1 521
revenues from changes in currency rates	1 304	48	1 855	69
<b>Total</b>	<b>10 039</b>	<b>14 299</b>	<b>14 284</b>	<b>20 346</b>

**(5) Other costs of commercial operations**

	2010.09.30	2009.09.30	2010.09.30	2009.09.30
	LVL	LVL	EUR	EUR
losses from changes in currency rates		55		79
60% of representative costs	74	53	105	75
donations to Latvian orphans fund		553		786
allowances and bonuses	597	1 220	850	1 736
fines	1 085	267	1 544	380
	13 087		18 621	
<b>Total</b>	<b>14 843</b>	<b>2 148</b>	<b>21 120</b>	<b>3 056</b>



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

	2010.09.30 LVL	2009.09.30 LVL	2010.09.30 EUR	2009.09.30 EUR
interest from balances of accounts	5	142	7	202
<b>Total</b>	<b>5</b>	<b>142</b>	<b>7</b>	<b>202</b>

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

	2010.09.30 LVL	2009.09.30 LVL	2010.09.30 EUR	2009.09.30 EUR
credit interests	111 038	99 276	157 993	141 257
interest to LPA for long term buy-out of land	462	5 187	657	7 380
<b>Total</b>	<b>111 500</b>	<b>104 463</b>	<b>158 650</b>	<b>148 637</b>

(8) **Other taxes**

	2010.09.30 LVL	2009.09.30 LVL	2010.09.30 EUR	2009.09.30 EUR
real estate tax (buildings, land)	19 998	21 008	28 455	29 892
<b>Total</b>	<b>19 998</b>	<b>21 008</b>	<b>28 455</b>	<b>29 892</b>