



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



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

**NON-AUDITED FINACIAL STATEMENTS**  
For the period ended on December 31, 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 *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

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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 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 none 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
<b>LONG-TERM INVESTMENTS</b>				
<b>Intangible assets</b>				
Concessions, patents, licences	289	354	411	504
<b>Total intangible assets</b>	<b>289</b>	<b>354</b>	<b>411</b>	<b>504</b>
<b>Fixed Assets</b>				
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				
<b>Total fixed assets</b>	<b>4 179 738</b>	<b>4 209 834</b>	<b>5 947 231</b>	<b>5 990 054</b>
<b>Total long-term investments</b>	<b>4 180 027</b>	<b>4 210 188</b>	<b>5 947 642</b>	<b>5 990 558</b>
<b>Current assets</b>				
<b>Inventory</b>				
Goods for sale	0	3 690	0	5 250
<b>Total inventory</b>	<b>0</b>	<b>3 690</b>	<b>0</b>	<b>5 250</b>
<b>Debtors</b>				
Customers and client debts	9 207	44 924	13 100	63 921
Other debtors	22 584	19 319	32 134	27 488
Future period	30 699	25 954	43 681	36 929
Future period expenses	839	3 729	1 194	5 306
<b>Total debtors</b>	<b>63 329</b>	<b>93 926</b>	<b>90 109</b>	<b>133 645</b>
<b>Cash</b>	708	2 406	1 008	3 423
<b>Total Current assets</b>	<b>64 037</b>	<b>100 022</b>	<b>91 117</b>	<b>142 318</b>
<b>TOTAL ASSETS</b>	<b>4 244 064</b>	<b>4 310 210</b>	<b>6 038 759</b>	<b>6 132 876</b>



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
<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	-1 256 658	-1 282 796
Retained earnings of the financial years	25 680	18 370	36 538	26 138
<b>Total stockholder's equity</b>	<b>1 525 523</b>	<b>1 499 843</b>	<b>2 170 624</b>	<b>2 134 084</b>
<b>PROVISIONS</b>				
Other provisions	9 122	7 522	12 980	10 703
<b>Total provisions</b>	<b>9 122</b>	<b>7 522</b>	<b>12 980</b>	<b>10 703</b>
<b>LIABILITIES</b>				
<b>Long-term liabilities</b>				
Borrowings from credit institutions	2 300 142	2 273 743	3 272 807	3 235 245
Prepayments from buyers	25 103	28 460	35 718	40 495
Other liabilities	0	0	0	0
Deferred tax liability	150 115	141 745	213 594	201 685
<b>Total long-term liabilities</b>	<b>2 475 360</b>	<b>2 443 948</b>	<b>3 522 119</b>	<b>3 477 425</b>
<b>Current liabilities</b>				
Borrowings from credit institutions	68 142	162 684	96 957	231 478
Accounts payable	48 894	42 567	69 570	60 567
Taxes and social security payments	64 906	56 517	92 353	80 416
Other liabilities	15 047	58 679	21 410	83 493
Future period income	0	0	0	0
Prepayments from buyers	37 070	38 450	52 746	54 709
<b>Total current liabilities</b>	<b>234 059</b>	<b>358 897</b>	<b>333 036</b>	<b>510 664</b>
<b>Total liabilities</b>	<b>2 709 419</b>	<b>2 802 845</b>	<b>3 855 155</b>	<b>3 988 089</b>
<b>TOTAL LIABILITIES&amp;STOCKHOLDER'S EQUITY</b>	<b>4 244 064</b>	<b>4 310 210</b>	<b>6 038 759</b>	<b>6 132 876</b>



**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
<b>Gross profit</b>		<b>277 862</b>	<b>236 142</b>	<b>395 362</b>	<b>336 000</b>
Selling expenses					
Administrative expenses	2	-57 281	-58 672	-81 504	-83 483
Other income from operations	3	15 179	23 054	21 598	32 803
Other expenses from operations	4	-29 226	-14 803	-41 585	-21 063
Financial services income	5	5	1 867	7	2 657
Financial services expenses	6	-152 489	-137 794	-216 972	-196 063
<b>Profit before taxes</b>		<b>54 050</b>	<b>49 794</b>	<b>76 906</b>	<b>70 850</b>
Other taxes	7	-20 000	-28 010	-28 457	-39 855
Deferred tax		-8 370	-3 414	-11 909	-4 858
<b>Net profit</b>		<b>25 680</b>	<b>18 370</b>	<b>36 539</b>	<b>26 138</b>
<b>Earnings per share (EPS)</b>					
<b>EPS on 31.12.2010-0.0132</b>					
<b>LVL- 0.0132 EUR</b>					

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane



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

	<b>2010 31.12.</b>	<b>2009 31.12.</b>	<b>2010 31.12.</b>	<b>2009 31.12.</b>
	<b>LVL</b>	<b>LVL</b>	<b>EUR 0.702804</b>	<b>EUR 0.702804</b>
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit before outstanding items and taxes (+)	54 050	49 7941	76 906	70 830
<i>Adjustments:</i>				
fixed assets depreciation (+)	53 192	61 218	75 685	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 (+/-)	-252	-160	-359	-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>	<b>261 139</b>	<b>244 158</b>	<b>371</b>	<b>347 406</b>
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	30 597	338 993	43 536	482 344
inventory: increase (-); decrease (+)	3 690	- 3 690	2 698	-5 250
liabilities: increase (-); decrease (+)	1 896	-290 971	5 250	-414 014
<i>Gross cash provide by operating activities</i>	<b>297 322</b>	<b>288 490</b>	<b>423 051</b>	<b>410 484</b>
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>	<b>144 833</b>	<b>150 696</b>	<b>206 079</b>	<b>214 421</b>
Cash flow from outstanding items (-/+)				
<b>Net cash provided by operating activities :</b>	<b>144 833</b>	<b>150 696</b>	<b>206 079</b>	<b>214 421</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES :</b>				
Fixed assets purchase	-12 283	-10 276	-32 862	-14 621
Interest received	5	1 867	7	2 657
<b>Net cash used in investing activities :</b>	<b>-12 278</b>	<b>-8 409</b>	<b>-32 855</b>	<b>-11 965</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Expenses for borrowings repayment	-68 142	-162 684	-96 957	-231 478
	-46 363	-40 292	-65 965	-57 330
Payments LPA for long term buy out of land				
Real estate tax	-20 000		-28 457	
Common stock issued		1 178		1 676
<b>Net cash provided by financing activities :</b>	<b>-134 505</b>	<b>-201 798</b>	<b>-191 383</b>	<b>-287 133</b>
<b>IV. Exchange rate fluctuation result :</b>	<b>252</b>	<b>160</b>	<b>359</b>	<b>228</b>
<b>Net cash flom</b>	<b>-1 698</b>	<b>-59 351</b>	<b>-2 416</b>	<b>-84 449</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>2 406</b>	<b>61 757</b>	<b>3 423</b>	<b>87 872</b>
<b>CASH AT END OF YEAR</b>	<b>708</b>	<b>2 406</b>	<b>1 007</b>	<b>3 423</b>



**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
<b>Stockholder's equity</b>				
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
<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	-1 256 658	- 1 282 796
Profit or losses of the financial year	25 680	18 370	36 539	26 138
Dividendes				
Included in accumulations				
Balance at the end of the financial year	-857 504	-883 184	- 1 220 119	- 1 256 658
<b>Stockholder's equity (total)</b>				
Balance at the beginning of the financial year	1 818 757	1 818 757	2 134 084	2 587 858
Balance at the end of the financial year	1 525 523	1 499 843	2 170 624	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 LVL	2009.12.31 LVL	2010.12.31 EUR	2009.12.31 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
<b>Total</b>	<b>784 281</b>	<b>794 076</b>	<b>1 115 931</b>	<b>1 129 868</b>

**Distribution of net turnover by geographical markets**

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

**(2) Cost of sales**

	2010.12.31 LVL	2009.12.31 LVL	2010.12.31 EUR	2009.12.31 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
<b>Total</b>	<b>506 419</b>	<b>557 934</b>	<b>720 569</b>	<b>793 869</b>

**(3) Costs of administration**

	2010.12.31	2009.12.31	2010.12.31	2009.12.31
	LVL	LVL	EUR	EUR
personnel	40 945	41 281	58 260	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
<b>Total</b>	<b>57 281</b>	<b>58 672</b>	<b>81 504</b>	<b>83 483</b>

**(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	9 053	2 724	12 881	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	5 874	5 426	8 358	7 464
income from currency conversion	252	160	359	228
insurance recompense		1 068		1 520
<b>Total</b>	<b>15 179</b>	<b>23 054</b>	<b>21 598</b>	<b>32 803</b>

**(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	416	112	592	159
donations to Latvian orphans fund	101	555	144	790
allowances and bonuses	1 289	2 135	1 834	3 038
fines	11 426	5 583	16 258	7 944
other costs	15 994	6 418	22 757	9 132
<b>Total</b>	<b>29 226</b>	<b>14 803</b>	<b>41 585</b>	<b>21 063</b>



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

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

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

	2010.12.31 LVL	2009.12.31 LVL	2010.12.31 EUR	2009.12.31 EUR
credit interests	150 253	133 519	213 791	189 980
interest to LPA for long term buy-out of land	2 236	4 275	3 181	6 083
<b>Total</b>	<b>152 489</b>	<b>137 794</b>	<b>216 972</b>	<b>196 063</b>

(8) **Other taxes**

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