



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, 2011



## **CONTENTS**

**General information**

**Report on the Management Board's responsibility**

**Management report**

**Balance sheet**

**Income statement**

**Cash flow statement**

**Statement of changes in equity**

**Notes to the financial statement**



## 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: 67270618
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, 2011: *VEF KOMUNIKĀCIJU SERVISS SIA - 45.52 % ; *JSC Goldinvest Asset Management - 21.93 % ; *State Social Insurance Agency - 5.02 % ; * Tamāra Kampāne - 9.50 % ; * Gints Feņuks - 7.01 % ; *Other shareholders 11.02 %.
Chief executive officer:	Chairman of the Board of the Company: GINTS FEŅUKS
Members of the Board:	TAMĀRA KAMPĀNE PĒTERIS AVOTIŅŠ
Members of the Supervisory Council:	AIVARS VĪTOLIŅŠ ANDRIS DENIŅŠ INTS KALNIŅŠ GUNTIS LIPIŅŠ JĀNIS LĀMA
Period of account:	01.01.2011. - 31.12.2011.
Qualified auditor:	Mara Liguta. Certificate Nbr.55

---

<sup>1</sup> 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 non-audited financial statement of JSC „VEF” for the twelve months of 2011**

Management Board of JSC „VEF” (hereinafter – the Company) is responsible for preparation of the financial statements of the Company. The financial statements non-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, 2011.

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/ as well as electronic and electrical equipment and devices collection and sorting according B category permit operating conditions.

According to the balance statement of the Company, the revenue from the economic activity in 12 months of 2011 makes LVL 852 878 , which is 68 597 LVL more 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 to increase the turnover of the ferrous and non-ferrous metal trading and expand the operation of any B class licence under.

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

Gints Fenuks  
Chairman of the Management Board



ASSETS	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
			<b>0.702804</b>	<b>0.702804</b>
<b>LONG-TERM INVESTMENTS</b>				
<b>Intangible assets</b>				
Concessions, patents, licences	1 222	289	1 739	411
<b>Total intangible assets</b>	<b>1 222</b>	<b>289</b>	<b>1 739</b>	<b>411</b>
<b>Fixed Assets</b>				
Land, buildings and other property	4 023 407	4 151 089	5 724 792	5 906 467
Equipment and machinery		0		0
Other fixed assets and inventory	109 212	28 649	155 935	40 764
Advance payments for fixed assets				
<b>Total fixed assets</b>	<b>4 132 619</b>	<b>4 179 738</b>	<b>5 880 187</b>	<b>5 947 231</b>
<b>Total long-term investments</b>	<b>4 133 841</b>	<b>4 180 027</b>	<b>5 881 926</b>	<b>5 947 642</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	9 175	13 087	13 055	18 608
Other debtors	29 519	15 503	42 002	22 059
Future period	28 672	30 532	40 797	43 443
Future period expenses	1 364	839	1 983	1 194
<b>Total debtors</b>	<b>68 760</b>	<b>59 952</b>	<b>97 837</b>	<b>85 304</b>
<b>Cash</b>	17 990	708	25 598	1 008
<b>Total Current assets</b>	<b>86 750</b>	<b>60 660</b>	<b>123 434</b>	<b>86 311</b>
<b>TOTAL ASSETS</b>	<b>4 220 591</b>	<b>4 240 687</b>	<b>6 005 360</b>	<b>6 038 759</b>



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
			<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	439 059	438 390	624 725	623 773
<b>Total accumulation</b>				
Retained earnings from the previous years	-860 928	-883 184	-1 224 990	-1 256 658
Retained earnings of the financial years	52 238	22 256	74 328	31 667
<b>Total stockholder's equity</b>	<b>1 575 006</b>	<b>1 522 099</b>	<b>2 241 032</b>	<b>2 165 752</b>
<b>PROVISIONS</b>				
Other provisions	9 185	9 122	13 069	12 979
<b>Total provisions</b>	<b>9 185</b>	<b>9 122</b>	<b>13 069</b>	<b>12 979</b>
<b>LIABILITIES</b>				
<b>Long-term liabilities</b>				
Borrowings from credit institutions	2 250 213	2 309 248	3 201 765	3 285 764
Prepayments from buyers	25 103	25 103	35 718	35 718
Other liabilities	0	0	0	0
Deferred tax liability	161 449	148 742	229 721	211 641
<b>Total long-term liabilities</b>	<b>2 436 765</b>	<b>2 483 093</b>	<b>3 467 204</b>	<b>3 533 123</b>
<b>Current liabilities</b>				
Borrowings from credit institutions	59 036	59 036	84 000	84 001
Accounts payable	28 227	48 894	40 163	69 570
Taxes and social security payments	57 407	66 125	54 004	94 087
Other liabilities	17 0011	15 540	81 683	22 111
Future period income	0	0	0	0
Prepayments from buyers	37 954	36 778	24 204	52 330
<b>Total current liabilities</b>	<b>199 635</b>	<b>226 373</b>	<b>284 055</b>	<b>322 100</b>
<b>Total liabilities</b>	<b>2 636 400</b>	<b>2 709 466</b>	<b>3 750 538</b>	<b>3 855 223</b>
<b>TOTAL LIABILITIES&amp;STOCKHOLDER'S EQUITY</b>	<b>4 220 591</b>	<b>4 240 687</b>	<b>6 005 360</b>	<b>6 033 954</b>



**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON DECEMBER  
31.2011.**

		<b>LVL 31.12.2011</b>	<b>LVL 31.12.2010</b>	<b>EUR 31.12.2011 0.702804</b>	<b>EUR 31.12.2010 0.702804</b>
<b>1</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>5</b>
Net turnover		852 878	784 281	1 213 536	1 115 931
Cost of goods sold	1	-595 800	-506 419	-847 747	-720 569
<b>Gross profit</b>		<b>257 078</b>	<b>277 862</b>	<b>365 789</b>	<b>395 362</b>
Selling expenses					
Administrative expenses	2	-59 177	-57 283	-84 201	-81 506
Other income from operations	3	33 768	9 748	48 073	13 870
Other expenses from operations	4	-10 815	-28 590	-15 388	-40 680
Financial services income	5	0	5	0	7
Financial services expenses	6	-135 752	-152 489	-193 158	-216 972
<b>Profit before taxes</b>		<b>85 120</b>	<b>49 253</b>	<b>121 115</b>	<b>70 081</b>
Other taxes	7	-20 175	-20 000	-28 707	-28 457
Deferred tax		-12 707	-6 997	-17 359	-9 956
<b>Net profit</b>		<b>52 238</b>	<b>22 256</b>	<b>74 328</b>	<b>31 667</b>
<b>Earnings per share (EPS)</b>					
<b>EPS on 31.12.2011</b>					
<b>-0.0269 LVL- 0.0269 EUR</b>					

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampāne



**CASH FLOW STATEMENT FOR YEAR THAT ENDS ON DECEMBER 31, 2011**

	<b>2011 31.12.</b>	<b>2010 31.12.</b>	<b>2011 31.12. EUR 0.702804</b>	<b>2010 31.12. EUR 0.702804</b>
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit before outstanding items and taxes (+)	85 120	49 253	121 115	79 081
<i>Adjustments:</i>				
fixed assets depreciation (+)	63 480	53 193	90 324	75 687
intangible assets depreciation (+)	218	65	310	93
increase/decrease in provisions	63	1 600	90	2 277
profit or losses from exchange rates fluctuation (+/-)	20	-243	28	-346
financial service income		-5		-7
financial services income	135 752	152 489	193 158	216 972
<i>Profit or losses before adjustments from current assets and liabilities</i>	<b>285 322</b>	<b>256 352</b>	<b>405 977</b>	<b>364 756</b>
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	-8 808	33 974	-12 533	48 341
inventory: increase (-); decrease (+)	-35 647	3 690	-50 465	2 698
liabilities: increase (-); decrease (+)		-16 685		-23 741
<i>Gross cash provide by operating activities</i>	<b>241 047</b>	<b>277 331</b>	<b>342 979</b>	<b>394 606</b>
Payments for financial	-135 752	-152 489	-193 158	-216 972
Income tax payments	-20 175		-28 706	
<i>Net cash provided by operating activities before outstanding items:</i>	<b>85 120</b>	<b>124 842</b>	<b>121 115</b>	<b>177 634</b>
Cash flow from outstanding items (-/+)				
<b>Net cash provided by operating activities :</b>	<b>85 120</b>	<b>124 842</b>	<b>121 115</b>	<b>177 634</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES :</b>				
Fixed assets purchase	-1 151	-12 283	-1 638	-17 477
Interest received		5		7
<b>Net cash used in investing activities :</b>	<b>-1 151</b>	<b>-12 278</b>	<b>-1 638</b>	<b>-17 470</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Expenses for borrowings repayment	-59 036	-68 142	-84 001	-96 957
Payments LPA for long term buy out of land	-7 631	-46 363	-10 858	-65 965
Common stock issued				
<b>Net cash provided by financing activities :</b>	<b>-66 667</b>	<b>-114 505</b>	<b>-94 859</b>	<b>-162 926</b>
<b>IV. Exchange rate fluctuation result :</b>	<b>-20</b>	<b>243</b>	<b>-28</b>	<b>346</b>
<b>Net cash flom</b>	<b>17 282</b>	<b>-1 698</b>	<b>24 590</b>	<b>-2 416</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>708</b>	<b>2 406</b>	<b>1 007</b>	<b>3 423</b>
<b>CASH AT END OF YEAR</b>	<b>17 990</b>	<b>708</b>	<b>25 597</b>	<b>1 007</b>



**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON  
DECEMBER 31, 2011**

	31.12.2011 LVL	31.12.2010 LVL	31.12.2011 EUR 0.702804	31.12.2010 EUR 0.702804
<b>Stockholder's equity</b>				
Balance at the beginning of the financial year	1 944 637	1 944 637	2 766 969	2 766 969
Increase from				
Decrease from				
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	131 700		187 392	
Decrease from	131 031		186 440	
Balance at the end of the financial year	439 059	438 390	624 725	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	-860 928	-883 184	-1 224 990	- 1 282 796
Profit or losses of the financial year	52 238	22 256	74 328	26 138
Dividendes				
Included in accumulations				
Balance at the end of the financial year	-808 690	-860 928	-1 150 662	- 1 256 658
<b>Stockholder's equity (total)</b>				
Balance at the beginning of the financial year	1 522 099	1 499 843	2 165 752	2 587 858
Balance at the end of the financial year	1 575 006	1 522 099	2 241 032	2 134 084



**JSC VEF  
FINANCIAL STATEMENTS' APPENDIXES  
FOR YEAR, WHICH ENDS ON DECEMBER 31, 2011**

**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 01.01.2011 to 31.12.2011.

**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	2011.12.31 LVL	2010.12.31 LVL	2011.12.31 EUR	2010.12.31 EUR
power supply, distribution and servicing	131 345	121 236	186 887	172 503
water supply and sewage services	550	498	783	709
office renting service	422 830	417 282	601 633	593 739
utility services	166 584	166 688	237 175	237 175
ferrous an non-ferrous waste and scrap purchase	131 569	78 577	187 205	111 805
<b>Total</b>	<b>852 878</b>	<b>784 281</b>	<b>1 213 536</b>	<b>1 115 931</b>

**Distribution of net turnover by geographical markets**

Country	2011.12.31 LVL	2010.12.31 LVL	2011.12.31 EUR	2010.12.31 EUR
Latvia	852 878	779 253	1 213 536	1 108 777
Estonia		5 028		7 154
<b>Total</b>	<b>853 878</b>	<b>784 281</b>	<b>1 213 536</b>	<b>1 115 931</b>

**(2) Cost of sales**

	2011.12.31 LVL	2010.12.31 LVL	2011.12.31 EUR	2010.12.31 EUR
personnel	105 606	84 771	150 264	120 618
depreciation	63 480	53 192	90 324	75 685
transport	6 645	7 426	9 455	10 566
other outstanding costs	219 929	200 313	312 931	285 020
personnel training	148	120	210	171
telecommunication service	1 084	996	1 542	1 417
other costs tied to commercial operations	84 366	80 377	120 042	114 366
insurance (buildings)	4 222	3 390	6 007	4 824
land rent to LPA	2 935	8 493	4 176	12 084
depreciation of license	218	65	310	93
bank service	204	435	290	619
cost of price	106 963	66 841	152 195	95 106
<b>Total</b>	<b>595 800</b>	<b>506 419</b>	<b>847 747</b>	<b>720 569</b>

**(3) Costs of administration**

	2011.12.31	2010.12.31	2011.12.31	2010.12.31
	LVL	LVL	EUR	EUR
personnel	42 997	40 946	61 179	58 261
telecommunication service	1 084	996	1 542	1 417
office supplies	944	700	1 343	996
transport expenses for administrative needs	6 645	7 426	9 455	10 566
representative expenses	75	150	107	214
legal assistance or raid	1 532	1 164	2 180	1 656
RFB annual fee	5 000	5 000	7 114	7 114
auditor cost	900	900	1 281	1 281
<b>Total</b>	<b>59 177</b>	<b>57 283</b>	<b>84 201</b>	<b>81 506</b>

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

	2011.12.31	2010.12.31	2011.12.31	2010.12.31
	LVL	LVL	EUR	EUR
disposal of fixed assets				
fines	4 510	8 893	6 417	12 654
other revenues	27 835	612	39 606	871
income from currency conversion		243		346
insurance recompense	1 441		2 050	
<b>Total</b>	<b>33 786</b>	<b>9 748</b>	<b>48 073</b>	<b>13 870</b>

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

	2011.12.31	2010.12.31	2011.12.31	2010.12.31
	LVL	LVL	EUR	EUR
losses from changes in currency rates	20	0	28	0
60% of representative costs	129	256	184	364
donations to Latvian orphans fund	403	101	573	144
allowances and bonuses	701	1 181	997	1 680
fines	5 738	13 667	8 164	19 446
other costs	3 824	13 385	5 442	19 045
<b>Total</b>	<b>10 815</b>	<b>28 590</b>	<b>15 388</b>	<b>40 680</b>



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

	2011.12.31 LVL	2010.12.31 LVL	2011.12.31 EUR	2010.12.31 EUR
interest from balances of accounts	0	5	0	7
<b>Total</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>7</b>

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

	2011.12.31 LVL	2010.12.31 LVL	2011.12.31 EUR	2010.12.31 EUR
SEB Līzings	661		941	
credit interests	135 091	150 145	192 217	213 637
interest to LPA for long term buy-out of land		2 344		3 335
<b>Total</b>	<b>135 752</b>	<b>152 489</b>	<b>193 158</b>	<b>216 972</b>

(8) **Other taxes**

	2011.12.31 LVL	2010.12.31 LVL	2011.12.31 EUR	2010.12.31 EUR
real estate tax (buildings, land)	20 175	20 000	28 706	28 457
<b>Total</b>	<b>20 175</b>	<b>20 000</b>	<b>28 706</b>	<b>28 457</b>