



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 December 31, 2013

That has been prepared according to the legislation standards of the Republic of Latvia



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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: 67270618
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
Name of the holder of shares and share capital (%)	As on December 31, 2013: *VEF KOMUNIKĀCIJU SERVISS SIA - 45.52 % ; *Laila Līduma - 6.31 % ; * Tamāra Kampāne - 9.50 % ; * Gints Feņuks - 24.44 % ; *Other shareholders - 14.23 %.
Chief executive officer:	Chairman of the Board of the Company: GINTS FEŅUKS
Members of the Board:	TAMĀRA KAMPĀNE MĀRTIŅŠ CAUNA GUNTIS LIPIŅŠ
Members of the Supervisory Council:	ANDRIS DENIŅŠ INTS KALNIŅŠ MODRIS ZOMMERS ARNIS ZEKUNDE
Period of account:	01.01.2013. - 31.12.2013.
Qualified auditor:	ALEKSEJS ĻITVINOVS. Certificate Nbr. 190

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 non audited financial statement of JSC „VEF” for the twelve months of 2013

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, 2013.

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.

According to the balance statement of the Company, the revenue from the economic activity in 12 months of 2013 makes LVL 793 825 (1 129 511 EUR), which is less than 72 590 LVL (103 286 EUR) over the previous reporting period.

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 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 .

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
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions, patents, licences	631	927	898	1 319
Total intangible assets	631	927	898	1 319
Fixed Assets				
Land, buildings and other property	3 943 529	3 983 467	5 611 136	5 667 963
Other fixed assets and inventory	96 984	88 763	137 996	126 298
Total fixed assets	4 040 513	4 072 230	5 749 132	5 794 261
Total long-term investments	4 041 144	4 073 157	5 750 030	5 795 580
Debtors				
Customers and client debts	28 124	23 440	40 018	33 352
Other debtors	4 397	11 115	6 256	15 815
Future period	34 650	34 068	49 303	48 474
Future period expenses	1 164	1 505	1 656	2 141
Total debtors	68 336	70 128	97 233	99 783
Cash	5 974	10 259	8 500	14 597
Total Current assets	74 310	80 387	105 733	114 380
TOTAL ASSETS	4 115 454	4 153 544	5 855 763	5 909 961



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
			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	563 341	563 341	801 562	801 562
Total accumulation				
Retained earnings from the previous years	-768 646	-793 982	-1 093 685	- 1 129 735
Retained earnings of the financial years	1 477	25 336	2 102	36 050
Total stockholder's equity	1 740 809	1 739 332	2 476 948	2 474 846
PROVISIONS				
Other provisions	8 845	10 193	12 585	14 503
Total provisions	8 845	10 193	12 585	14 503
LIABILITIES				
Long-term liabilities				
Borrowings from credit institutions	2 066 781	2 151 118	2 940 764	3 060 765
Prepayments from buyers	22 564	25 103	32 106	35 718
Deferred tax	78 743	35 954	112 041	51 158
Other borrowing	38 102		54 215	
Total long-term liabilities	2 206 190	2 212 175	3 139 126	3 147 641
Current liabilities				
Borrowings from credit institutions	84 336	84 336	119 999	119 999
Other borrowing	18 510	15 787	26 337	22 463
Accounts payable	32 659	34 861	46 470	49 603
Taxes and social security payments	10 431	17 037	14 842	24 241
Other liabilities	6 860	4 983	9 761	7 090
Prepayments from buyers	6 814	34 840	9 695	49 573
Total current liabilities	159 610	191 844	227 104	272 969
Total liabilities	2 365 800	2 404 019	3 366 230	3 420 611
TOTAL LIABILITIES&STOCKHOLDER'S	4 115 454	4 153 544	5 855 763	5 909 961
EQUITY				

**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON DECEMBER
31.2013.**

		LVL	LVL	EUR	EUR
		31.12.2013	31.12.2012	31.12.2013 -	31.12.2012 -
		0.702804	0.702804		
1	2	4	5	4	5
Net turnover	1	793 825	866 415	1 129 511	1 232 797
Cost of goods sold	2	-574 472	-617 372	-817 400	-878 441
Gross profit		219 353	249 043	312 111	352 921
Administrative expenses	3	-72 301	-61 749	-102 875	-87 861
Other income from operations	4	31 891	1 924	45 377	2 738
Other expenses from operations	5	-11 681	-7 407	-16 621	-10 539
Financial services income	6	0	2	0	3
Financial services expenses	7	-112 902	-124 297	-160 645	-176 859
Profit before taxes		54 360	57 516	77 347	81 838
Other taxes	8	-10 094	-14 219	-14 362	-20 232
Deferred tax		-42 789	-17 961	-60 883	-25 556
Net profit		1 477	25 336	2 102	36 050
Earnings per share (EPS)					
EPS on 31.12.2013					
-0.001 LVL- 0.001 EUR					
Chairman of the Board		G.Feņuks	Member of the Board	T.Kampāne	



CASH FLOW STATEMENT FOR YEAR THAT ENDS ON DECEMBER 31, 2013

	2013 31.12.	2012 31.12.	2013 31.12. EUR 0.702804	2012 31.12. EUR 0.702804
	LVL	LVL		
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	54 360	57 516	77 347	87 408
<i>Adjustments:</i>				
fixed assets depreciation (+)	84 285	75 907	119 927	108 006
intangible assets depreciation (+)	295	295	420	420
increase/decrease in provisions	-1 348	1 108	-1 918	1 434
profit or losses from exchange rates fluctuation (+/-)	676	1 121	962	1 595
financial service income	0	-2	0	-3
long-term investment increase in the amount of revaluation reserve (+/-)				
financial services income	112 902	124 297	160 645	176 859
<i>Profit or losses before adjustments from current assets and liabilities</i>	251 170	260 142	357 383	370 149
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	1 792	-1 330	2 550	-1 892
inventory: increase (-); decrease (+)	0	0	0	0
liabilities: increase (-); decrease (+)	-40 495	-37 395	-57 619	-53 208
<i>Gross cash provide by operating activities</i>	212 467	221 417	302 313	315 048
Payments for financial	-112 902	-124 297	-160 645	-176 859
<i>Net cash provided by operating activities before outstanding items:</i>	99 565	97 120	141 668	138 189
Received insurance compensation	1 246		1 773	
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	100 811	97 120	143 441	138 189
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase	-826	-17 134	-1 175	-24 379
Interest received	0	2	0	3
Net cash used in investing activities :	-826	-17 132	-1 175	-24 377
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Expenses for borrowings repayment	-84 336	-73 494	-119 999	-104 573
Paid finance lease liabilities	-19 258	-13 104	-27 402	-18 645
Net cash provided by financing activities :	-103 594	-86 598	-147 401	-123 218
IV. Exchange rate fluctuation result :	-676	-1 121	-962	-1 595
Net cash flom	-4 285	-7 731	-6 097	-11 000
CASH AT BEGINNING OF YEAR	10 259	17 990	14 597	25 597
CASH AT END OF YEAR	5 974	10 259	8 500	14 597

**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON
DECEMBER 31, 2013**

	31.12.2013 LVL	31.12.2012 LVL	31.12.2013 EUR 0.702804	31.12.2012 EUR 0.702804
Stockholder's equity				
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
Long-term investments revaluation reserve				
Balance at the beginning of the financial year	563 341	563 341	801 562	801 562
Increase from				
Decrease from				
Balance at the end of the financial year	563 341	563 341	801 562	801 562
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	-768 646	-793 982	-1 093 685	-1 229 735
Profit or losses of the financial year	1 477	25 336	2 102	36 050
Balance at the end of the financial year	-767 169	-768 646	-1 091 583	-1 093 685
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 739 332	1 713 996	2 475 133	2 438 797
Balance at the end of the financial year	1 740 809	1 739 332	2 476 948	2 475 133



**JSC VEF
FINANCIAL STATEMENTS' APPENDIXES
FOR YEAR, WHICH ENDS ON DECEMBER 31, 2013**

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.

Revenue recognition and net sales

Net turnover is the total value of the sold production (services) during the year without discounts and value added tax.

Other revenues are recognized as follows:

- revenue from rents - as they were incurred;
- revenue from penalties and default fees - at the time of receipt.

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 01.01.2013 to 31.12.2013.

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

Fixed assets are presented in the acquisition or revaluation cost less depreciation. Depreciation is calculated on a straight-line method over the asset's useful period of usage. The following rates of depreciation is set by management, to write down fixed asset value to its estimated residual value at the useful end of period:

	(% in the year)
Buildings and structures	1
Other fixtures and fittings, tools and vehicles	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.

Debtors

Accounts receivable in balance sheet are stated in net worth from the initial value minus reserves for doubtful and bad debts. Specific provision for doubtful and bad debts are created when management believes that the recovery of these specially segregated receivables are doubtful.

Financial risk management

The significant financial tools of Company are borrowings from credit institutions, legal persons and related parties, finance lease, money and short-term deposits. The main task of these financial tools is to provide Company's economic activity with funding. The Company also faces with other financial tools, such as trade debtors, other debtors, debts to suppliers and other creditors, which result directly from economic activity.

Currency risk

The Company has no currency fluctuation risk, because all transactions are made in euro's or lats. And since 1st January 2005 lats have been fixed to euro by the Bank of Latvia with official rate of exchange 0.702804. Thereby future profit or losses of the Company from currency rate fluctuations shall be insignificant, as long as Bank of Latvia keeps the mentioned fixed exchange rate.

Interest rate risk

The Company has interest rate risk mainly because of its borrowings.

Credit risk

Liquidity risk

Company controls its liquidity risk by keeping appropriate amount of money or money equivalents.

**(1) Net turnover**

Turnover consists of revenues that the Company gained in the first twelve months of 2013 from its core business-service provision without VAT

Type of commercial operations	2013.12.31	2012.12.31	2013.12.31	2012.12.31
	LVL	LVL	EUR	EUR
power supply, distribution and servicing	175 520	149 865	249 742	213 238
rental income	427 994	409 337	608 981	582 434
utility services	190 296	186 905	270 767	265 942
ferrous an non-ferrous waste and scrap sales revenue	15	120 308	21	171 182
Total	793 825	866 415	1 129 511	1 232 797

Distribution of net turnover by geographical markets

Country	2013.12.31	2012.12.31	2013.12.31	2012.12.31
	LVL	LVL	EUR	EUR
Latvia	793 825	866 415	1 129 511	1 232 797
Total	793 825	866 415	1 129 511	1 232 797

Cost of sales**(2)**

	2013.12.31	2012.12.31	2013.12.31	2012.12.31
	LVL	LVL	EUR	EUR
labor and social payments	123 639	112 150	175 922	159 575
depreciation	84 285	75 907	119 927	108 006
transport	9 451	7 550	13 448	10 742
residential services (electricity, water)	276 091	243 103	392 842	345 904
travel expenses	0	378	0	538
personnel training	199	156	283	222
telecommunication service	993	1 108	1 413	1 577
other costs tied to commercial operations	71 401	76 537	101 594	108 902
insurance (buildings)	3 678	3 730	5 233	5 307
land rent to LPA	4 235	5 250	6 026	7 470
depreciation of license	295	295	420	420
bank service	192	194	273	276
ferrous an non-ferrous waste and scrap selling cost	13	91 014	19	129 501
Total	574 472	617 372	817 400	878 441



Costs of administration		2013.12.31	2012.12.31	2013.12.31	2012.12.31
(3)		LVL	LVL	EUR	EUR
	labor and social payments	53 467	44 852	76 047	63 819
	telecommunication service	994	1 108	1 414	1 577
	office supplies	1 324	1 174	1 884	1 670
	transport expenses for administrative needs	9 450	7 550	13 446	10 747
	representative expenses	29	81	41	115
	legal assistance or raid	2 037	1 084	2 898	1 542
	RFB annual fee	5 000	5 000	7 114	7 114
	auditor cost	0	900	0	1 281
	Total	72 301	61 749	102 875	87 861

Other revenues from commercial operation		2013.12.31	2012.12.31	2013.12.31	2012.12.31
(4)		LVL	LVL	EUR	EUR
	Provisions for vacation decrease	1 348	0	1 918	0
	finances	1 697	1 239	2 415	1 763
	other revenues	27 600	644	39 271	916
	income from currency conversion	0	0	0	0
	insurance recompense	1 246	41	1 773	58
	Total	31 891	1 924	45 377	2 738

Other costs of commercial operations		2013.12.31	2012.12.31	2013.12.31	2012.12.31
(5)		LVL	LVL	EUR	EUR
	losses from changes in currency rates	676	1 121	962	1 595
	60% of representative costs	53	144	75	205
	donations to Latvian orphans fund	253	467	360	665
	allowances and bonuses	907	701	1 291	997
	late payment penalty on taxes	101	3 190	144	4 539
	finances	1 443	625	2 053	889
	other costs	8 248	1 159	11 736	1 649
	Total	11 681	7 407	16 621	10 539



Other revenues from interests or similar sources				
(6)	2013.12.31	2012.12.31	2013.12.31	2012.12.31
	LVL	LVL	EUR	EUR
interest from balances of accounts	0	2	0	3
Total	0	2	0	3
Payments of interest and similar expenses				
(7)	2013.12.31	2012.12.31	2013.12.31	2012.12.31
	LVL	LVL	EUR	EUR
SEB Līzings	980	264	1 394	376
credit interests	111 379	123 851	158 478	176 224
Swedbank līzings	543	182	773	259
Total	112 902	124 297	160 645	176 859
Other taxes				
(8)	2013.12.31	2012.12.31	2013.12.31	2012.12.31
	LVL	LVL	EUR	EUR
real estate tax (buildings,land)	10 094	14 219	14 362	20 232
Total	10 094	14 219	14 362	20 232