



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, 2011

SIA AUDITS 55

Tālr.: +371 6 7290830, fakss: +371 6 7290833, mob. tālr.: +371 29209676

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

Biroja adrese: Dārzaugļu 1-209, Rīga, LV-1012

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 2011 and the profit and loss account and the statements of changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia on Annual Reports, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 financial statements give a true and fair view of the financial position of JSC "VEF" as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia on Annual Reports.

Report on Other Legal and Regulatory Requirements

We have read the management report for 2011 of the accompanying annual report for 2011 and did not identify material inconsistencies between the financial information contained in the management report and that contained in the financial statements for 2011.

SIA AUDITS 55
Licence No. 141

Māra Līguta
Member of the Board
Certified auditor of Latvia
Certificate No. 55

Rīga
4th April, 2012





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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 *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 AIVARS VĪTOLIŅŠ
Members of the Supervisory Council:	ANDRIS DENIŅŠ INTS KALNIŅŠ GUNTIS LIPIŅŠ JĀNIS LĀMA
Period of account:	01.01.2011. - 31.12.2011.
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 2011

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, 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 855 020 , which is 70 739 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
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions, patents, licences	1 222	289	1 739	411
Total intangible assets	1 222	289	1 739	411
Fixed Assets				
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				
Total fixed assets	4 132 619	4 179 738	5 880 187	5 947 231
Total long-term investments	4 133 841	4 180 027	5 881 926	5 947 642
Current assets				
Inventory				
Goods for sale	0	0	0	0
Total inventory	0	0	0	0
Debtors				
Customers and client debts	9 175	13 087	13 055	18 608
Other debtors	29 519	15 503	42 002	22 059
Future period	28 710	30 532	40 851	43 443
Future period expenses	1 394	839	1 983	1 194
Total debtors	68 798	59 952	97 891	85 304
Cash	17 990	708	25 598	1 008
Total Current assets	86 788	60 660	123 488	86 311
TOTAL ASSETS	4 220 629	4 240 687	6 005 414	6 038 759



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
			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	438 390	801 562	623 773
Total accumulation				
Retained earnings from the previous years	-860 928	-883 184	-1 224 990	-1 256 658
Retained earnings of the financial years	66 946	22 256	95 256	31 667
Total stockholder's equity	1 713 996	1 522 099	2 2438 797	2 165 752
PROVISIONS				
Other provisions	9 185	9 122	13 069	12 979
Total provisions	9 185	9 122	13 069	12 979
LIABILITIES				
Long-term liabilities				
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	17 993	148 742	25 602	211 641
Total long-term liabilities	2 293 309	2 483 093	3 63 085	3 533 123
Current liabilities				
Borrowings from credit institutions	59 036	59 036	84 000	84 001
Other loans	11 387	0	16 202	0
Accounts payable	28 227	48 894	40 163	69 570
Taxes and social security payments	61 910	66 125	88 090	94 087
Other liabilities	5 625	15 540	8 004	22 111
Future period income	0	0	0	0
Prepayments from buyers	37 954	36 778	54 004	52 330
Total current liabilities	204 139	226 373	290 464	322 100
Total liabilities	2 497 448	2 709 466	3553 548	3 855 223
TOTAL LIABILITIES&STOCKHOLDER'S EQUITY	4 220 629	4 240 687	6 005 414	6 033 954

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

		LVL 31.12.2011	LVL 31.12.2010	EUR 31.12.2011 0.702804	-	EUR 31.12.2010 0.702804	-
1	2	4	5	4		5	
Net turnover		855 020	784 281	1 216 584		1 115 931	
Cost of goods sold	1	-594 678	-506 419	-846 151		-720 569	
Gross profit		260 342	277 862	370 443		395 362	
Selling expenses							
Administrative expenses	2	-59 177	-57 283	-84 201		-81 506	
Other income from operations	3	37 203	9 748	52 935		13 870	
Other expenses from operations	4	-146 244	-28 590	-208 086		-40 680	
Financial services income	5	0	5	0		7	
Financial services expenses	6	-135 752	-152 489	-193 158		-216 972	
Profit before taxes		-43 628	49 253	-62 077		70 081	
Other taxes	7	-20 175	-20 000	-28 706		-28 457	
Deferred tax		130 749	-6 997	186 039		-9 956	
Net profit		66 946	22 256	95 256		31 667	
Earnings per share (EPS)							
EPS on 31.12.2011							
-0.034 LVL- 0.034 EUR							

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampāne

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

	2011 31.12.	2010 31.12.	2011 31.12. EUR 0.702804	2010 31.12. EUR 0.702804
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	-43 628	49 253	-62 077	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
long-term investment increase in the amount of revaluation reserve (+/-)	124 951	0	177 789	0
financial services income	135 752	152 489	193 158	216 972
Profit or losses before adjustments from current assets and liabilities	280 856	256 352	399 622	364 756
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	8 846	28 985	12 587	41 242
inventory: increase (-); decrease (+)	0	3 690	0	5 250
liabilities: increase (-); decrease (+)	-39 026	-11 696	-55 529	-16 642
Gross cash provide by operating activities	250 676	277 331	356 680	394 606
Payments for financial	-135 752	-152 489	-193 158	-216 972
Net cash provided by operating activities before outstanding items:	114 924	124 842	163 522	177 634
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	114 924	124 842	163 522	177 634
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase	-18 071	-12 283	-25 713	-17 477
Interest received	0	5	0	7
Net cash used in investing activities :	-8 071	-12 278	-25 713	-17 470
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Expenses for borrowings repayment	-59 036	-68 142	-84 001	-96 957
	-11 260	-46 363	-16 022	-57 330
Payments LPA for long term buy out of land SEB Līzings	-9 255	0	-13 169	0
Net cash provided by financing activities :	-79 551	-114 505	-113 192	-162 926
IV. Exchange rate fluctuation result :	-20	243	-28	346
Net cash flom	17 282	-1 698	24 590	-2 416
CASH AT BEGINNING OF YEAR	708	2 406	1 007	3 423
CASH AT END OF YEAR	17 990	708	25 597	1 007



**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
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	438 390	438 390	623 773	623 773
Increase from	124 951		177 789	
Decrease from				
Balance at the end of the financial year	563 341	438 390	801 562	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	-860 928	-883 184	-1 224 990	- 1 256 658
Profit or losses of the financial year	66 946	22 256	95 256	31 667
Balance at the end of the financial year	-793 982	-860 928	-1 129 735	- 1 224 990
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 522 099	1 499 843	2 165 752	2 134 084
Balance at the end of the financial year	1 713 996	1 522 099	2 438 797	2 165 752



**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%
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	2010.12.31	2011.12.31	2010.12.31
	LVL	LVL	EUR	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	406 523	417 282	578 430	593 739
utility services	185 033	166 688	263 278	237 175
ferrous an non-ferrous waste and scrap purchase	131 569	78 577	187 205	111 805
Total	855 020	784 281	1 216 584	1 115 931

Distribution of net turnover by geographical markets

Country	2011.12.31	2010.12.31	2011.12.31	2010.12.31
	LVL	LVL	EUR	EUR
Latvia	855 020	779 253	1 216 584	1 108 777
Estonia	0	5 028	0	7 154
Total	855 020	784 281	1 216 584	1 115 931

(2) Cost of sales

	2011.12.31	2010.12.31	2011.12.31	2010.12.31
	LVL	LVL	EUR	EUR
personnel	105 616	84 771	150 278	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	83 235	80 377	118 432	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
Total	594 678	506 419	846 151	720 569



(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
Total	59 177	57 283	84 201	81 506

(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				
finances	4 548	8 893	6 471	12 654
other revenues	31 214	612	44 414	871
income from currency conversion	0	243	0	346
insurance recompense	1 441		2 050	
Total	37 203	9 748	52 935	13 870

(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
finances	8 898	13 667	12 661	19 446
torn down 19 korp. Bērzaunes 7a	131 032	0	186 442	0
other costs	5 061	13 385	7 201	19 045
Total	146 244	28 590	208 086	40 680



(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
Total	0	5	0	7

(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	0	2 344	0	3 335
Total	135 752	152 489	193 158	216 972

(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
Total	20 175	20 000	28 706	28 457