



Joint Stock Company
VEF
(Latvian Unified registration number 40003001328)

Financial Statement
for year 2015
in accordance with the Law of the Republic of Latvia

Audited

Riga
2016



CONTENTS

| | Lpp. |
|--|-------------|
| Information about the company | 3 |
| Management report | 4 |
| Report on the Management Board's responsibility | 5 |
| Profit and loss calculation | 6 |
| Balance : Assets | 7 |
| Liabilities | 8 |
| Cash Flow | 9 |
| Report of changes in Equity Capital | 10 |
| Financial report appendixes: | |
| Accounting policy | 11 |
| Profit and loss calculation | 14 |
| Balance | 17 |
| Auditors opinion | 24 |

**INFORMATION ABOUT THE COMPANY**

| | |
|-------------------------------------|--|
| Company name | Joint Stock Company "VEF" |
| Legal status | Joint Stock Company |
| Registration number, place and date | 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 |
| Legal address | Brivibas str.8, Riga, LV-1039, Latvia |
| Post address | Brivibas str.8, Riga, LV-1039, Latvia |
| NACE code | 68.20; 35.13; |
| Chairman of the Board | Gints Fenuks |
| Member of the Board | Martins Cauna Tamara Kampane |
| Members of the Council | Gints Lipins Andris Denins Ints Kalnins Modris Zommers Arnis Zekunde |
| Financial year | from 2015.01.01 till 2015.12.31 |
| Information about shareholders | Fixed capital in amount of 1.944.637 LVL (registered payment 31.12.2014) |
| Information about shareholders | VEF Komunikaciju Serviss Ltd. - 45,52 %; Laila Liduma - 6.31 %); Tamara Kampane - 10,16 %) Gints Fenuks - 24.50 % ; Other shareholders together - 13.51 %. |
| Auditor: | Qualified (sworn) auditor Aleksejs Litvinovs Certificate No. 190 Qualified auditors company Ltd. "DOMA AUDITS " Licence No. 166 |



MANAGEMENT REPORT

JSC VEF is a publicly traded joint stock venture that is involved in property and facility management, and real estate rental businesses, also providing electricity distribution services to end-customers at the VEF territory.

JSC net revenues in the twelve months of 2015 reached 1 135 245 EUR that is for 2% lower against the previous reported period. Despite lower net revenues, during the reported period JSC management has managed to optimize costs and as the result the JSC ended the year with the unaudited income of 34 947 EUR. Management proposes to use this income and cover losses from previous years. Currently the JSC continues to provide services at the full extent.

The company's capital is 2 722 492 EUR. That consists of the 623.528 bearer shares and 1.321.109 registered shares. Nominal value of a common share is 1.40 EUR .

JSC VEF management follows the annual strategic plans of the company according to the economic situation in the State and also following developments in the real estate rental and energy resource distribution markets.

Gints Feņuks
Chairman of the Management Board

Tamara Kampane
Member of the Management Board

Martins Cauna
Member of the Management Board

The annual report was approved at the Shareholders' meeting on 25 april, 2016



Report on the Management Board's responsibility to the audited financial statement of JSC „VEF” for the twelve months of 2015

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, 2015.

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.

Gints Feņuks
Chairman of the Management Board

Tamara Kampane
Member of the Management Board

Martins Cauna
Member of the Management Board



PROFIT AND LOSS CALCULATION FOR THE PERIOD, WHICH ENDS ON THE
2015.12.31 (turnover method)

| | Appendix | 2015 | 2014 |
|---|----------|----------------|----------------|
| | | EUR | EUR |
| Net turnover | 2 | 1 135 245 | 1 160 451 |
| Production costs | 3 | -799 676 | -848 220 |
| Gross profit | | 335 569 | 312 231 |
| Administration costs | 4 | -100 752 | -102 287 |
| Other income from operating activity | 5 | 6 095 | 10 947 |
| Other operating expenses | 6 | -25 712 | -17 332 |
| Interest payable and similar charges | 7 | -124 246 | -150 452 |
| Profit or loss from economic activity before taxes | | 90 954 | 53 107 |
| Deferred tax | 8 | -34 085 | -48 269 |
| Other taxes | 9 | -21 922 | -16 981 |
| Profit or loss of the financial year | | 34 947 | -12 143 |

Appendix from 11 till 23 page is an integral part of this financial statement.

Gints Feņuks
Chairman of the Management Board

23.March 2016

Tamara Kampane
Member of the Management Board

23.March 2016

Martins Cauna

**BALANCE SHEET ON THE 2015.12.31**

| ASSETS | Appendix | 2015 EUR | 2014 EUR |
|--|-----------------|---------------------|---------------------|
| Fixed assets | | | |
| Intangible assets | | | |
| Concessions, patents, licences, | | 172 | 507 |
| Intangible assets total | 10 | 172 | 507 |
| Tangible (fixed) assets | | | |
| Land and buildings | | 5502253 | 5554307 |
| Other fixtures and fittings, tools and equipment | | 29905 | 72690 |
| Tangible assets costs | | 31400 | |
| Total tangible assets | 11 | 5563558 | 5626997 |
| Fixed Assets total | | 5562730 | 5627504 |
| Current assets | | | |
| Debtors | | | |
| Trade debtors | 12 | 12901 | 31236 |
| Other debtors | 13 | 31337 | 9683 |
| Deferred expenses | 14 | 1806 | 1796 |
| Accrued income | | 52107 | 53573 |
| Total debtors | | 98151 | 96288 |
| Cash funds | 15 | 83634 | 93619 |
| Current Assets total | | 181785 | 189907 |
| Total assets | | 5744515 | 5817411 |

**BALANCE SHEET ON THE 2015.12.31**

| LIABILITIES | Appendix | 2015 | 2014 |
|--|-----------------|----------------|----------------|
| | | EUR | EUR |
| Equity capital | | | |
| Company capital | 16 | 2722492 | 2766969 |
| Long term investment adjustment reserve | 17 | 805396 | 801562 |
| Other reserves | | 44477 | 0 |
| Undistributed profit/losses: | 18 | | |
| a) losses from prior years | | -1104359 | -1092216 |
| b) profit of financial year | | 34947 | -12143 |
| Equity capital total | | 2502953 | 2464172 |
| Provisions | | | |
| Other provisions | 19 | 13056 | 12401 |
| Provisions total | | 13056 | 12401 |
| Creditors | | | |
| Long term creditors | | | |
| Borrowings from credit institutions | 20 | 2713298 | 2853641 |
| Advance payments from customers | 23 | 39608 | 38118 |
| Other borrowings | 27 | 24823 | 43021 |
| Deferred income tax liabilities | 21 | 193783 | 159698 |
| Long term creditors total | | 2971512 | 3094478 |
| Short term creditors | | | |
| Borrowings from credit institutions | 20 | 140343 | 140343 |
| Other borrowings | 27 | 18197 | 18956 |
| Debts to suppliers of goods and services | 22 | 52026 | 54908 |
| Advance payments from customers | 23 | 13995 | 5921 |
| Taxes and contributions to social security | 24 | 22102 | 15929 |
| Other creditors | 25 | 10331 | 10303 |
| Short term creditors total | | 256994 | 246360 |
| Creditors total | | 3228506 | 3340838 |
| Total liabilities | | 5744515 | 5817411 |

Appendix from 11 till 23 page is an integral part of this financial statement.

Gints Feņuks
Chairman of the Management Board

23 march, 2016

Tamara Kampane
Member of the Management Board

23 march, 2016

Martins Cauna



CASH FLOW FOR THE PERIOD, WHICH ENDS ON THE
2015.12.31 (indirect method)

| | Appendix | 2015 EUR | 2014 EUR |
|---|-----------------|---------------------|---------------------|
| Cash flow from operating activities | | | |
| Profit or loss from operating activity before extraordinary items and taxes | | 90 954 | 53 107 |
| Adjustments: | | | |
| tangible asset depreciation and amortization (+) | 11 | 99 673 | 119 518 |
| intangible asset depreciation (+) | 10 | 335 | 392 |
| increase in provision (except provision for doubtful accounts) (+) | | 655 | -184 |
| profit or loss from currency rate fluctuations (-/+) | | 0 | 0 |
| interest payable and similar charges | 7 | 124 246 | 150 452 |
| income from sales of fixed and intangible assets | | 0 | -7 666 |
| Profit or loss before adjustments of current assets and short term liabilities | | 315 863 | 315 619 |
| Adjustments: | | | |
| adjustments of debtors: increase (-); decrease (+) | | -1 863 | 950 |
| adjustments of creditors: increase (-); decrease (+) | | 12 882 | -18 234 |
| Cash flow from operating activities | | 326 882 | 298 335 |
| Interest paid | 7 | -124 246 | -150 452 |
| Real estate tax paid | | -21 922 | |
| Cash flow before extraordinary items | | 180 714 | 147 883 |
| Net operating cash flow | | 180 714 | 147 883 |
| Investing cash flow (expenses "-"): | | | |
| Acquisition of fixed and intangible assets | 11 | -31 400 | 0 |
| income from sales of fixed and intangible assets | | 0 | 10 283 |
| Received insurance compensation | | 0 | 128 |
| Net investing cash flow | | -31 400 | 10 411 |
| Financing cash flow (expenses "-"): | | | |
| Repaid borrowings | | -140 343 | -66 781 |
| Expenditure on lease liabilities | | -18 956 | -6 394 |
| Net financing cash flow | | -159 299 | -73 175 |
| Result from exchange rate fluctuations | | 0 | 0 |
| Net cash flow of financial year | | -9 985 | 85 119 |
| Cash and its equivalents at beginning of period | | 93 619 | 8 500 |
| Cash and its equivalents at end of period | 15 | 83 634 | 93 619 |

Appendix from 10 till 22 page is an integral part of this financial statement.

Gints Fenuks
 Chairman of the Board

 signature

23 march, 2016

Tamara Kampane
 Member of the Board

 signature

23 march, 2016



REPORT OF CHANGES IN EQUITY CAPITAL
for period ending on 2015.12.31

| | Company capital | Other reserves | Long term investment adjustment reserve | Profit or losses from prior years | Profit or losses of financial year | Equity capital total |
|---|------------------|----------------|---|-----------------------------------|------------------------------------|----------------------|
| | EUR | EUR | EUR | EUR | EUR | EUR |
| 2013.12.31 | 2 766 969 | | 801 562 | -1 093 685 | 1 466 | 2 476 312 |
| 2012 financial year result moved to profit or losses from prior years | 0 | | 0 | 1 466 | -1 466 | 0 |
| Profit or losses of financial year | 0 | | 0 | 0 | -12 143 | -12 143 |
| Correction | | | | 3 | | 3 |
| 2014.12.31 | 2 766 969 | | 801 562 | -1 092 216 | -12 143 | 2 464 172 |
| 2014 financial year result moved to profit or losses from prior years | 0 | | 0 | -12 143 | 12 143 | 0 |
| Profit or losses of financial year | 0 | | 0 | 0 | 34 947 | 34 947 |
| Increase in adjustment reserve | 0 | | 3 834 | 0 | 0 | 3 834 |
| Denomination result of established reserves | -44477 | 44477 | | | | |
| 2015.12.31 | 2 722 492 | 44 477 | 805 396 | -1 104 359 | 34 947 | 2 502 953 |

Appendix from 11 till 23 page is an integral part of this financial statement.

Gints Fenuks
Chairman of the Board
Tamara Kampane
Member of the Board

signature

signature

23 march, 2016

23 march, 2016



ACCOUNTING POLICY

General principles

Annual Report prepared in accordance with generally accepted accounting principles in Latvia, the law "On accountancy", the law "Annual reports law" and Regulations issued by the Cabinet of Ministers on 21.06.2011 No.488 and No.481 and JSC "VEF" regulations "About making year statement".

Profit and loss statement have been prepared in accordance with the turnover cost approach.

The cash flow statement prepared on the operating cash flow as measured by indirect method.

Compared with the previous reporting year, the used accounting and valuation methods are changed. (Year 2012 balance and year 2011 balance are classified according to the principles of year 2012 and are comparable).

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.

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:

| | (the year) |
|---|------------|
| Buildings and structures | 100 |
| Other fixtures and fittings, tools and vehicles | 4 |

The increase in value because of revaluation is reflected in equity capital item "*Long term investment adjustment reserve*", but decrease in value is written-off from the increase of this reserve made in previous years regarding the corresponding fixed asset, the excess is included in profit or loss statement of the period.

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.

Corporate income tax

The year of account corporate income tax expenses are calculated in accordance with Latvia laws and regulations.

Deferred tax is calculated according to the liability method according to all temporary differences between assets and liabilities in the financial statements and their values for the tax calculation purposes. In deferred tax calculations is used the tax rate which is expected during periods when temporary differences levels off. Temporary differences arise mainly from using different rates of depreciation of fixed assets, as well as from the tax losses to be carried over to future tax periods. In cases where the total deferred tax result would be reflected in the balance sheet assets, its included in financial statements only if there is prospective that there will be available taxable profits, which will be subject to the deductible temporary differences that created deferred tax assets.

Estimated time of using 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.



Provisions

Provision for doubtful debtors is formed as an calculation, applying to each debtor's individual valuation method or use the percentage assessment method depending on when the debt was incurred.

Provision for employee leave is formed as an calculation, based on unused vacation time of the reporting year and norms of social security contributions.

Foreign currency revaluation in lats

Accounting in company is made in lats. All transactions in foreign currencies are revaluated into lats by the Bank of Latvia official exchange rate at the date of the transaction.

Cash and cash equivalents

Cash and cash equivalents in cash flow statement consists of cash in hand, current account balances.

The annual review key points is assessed accounting to principles:

- The assumption is that the company will operate in the future.
- Used the same methods as used in the previous year.
- Assessment carried out with the proper precautions:
 - report includes only the profit on the balance sheet date;
 - is taken into account all the expected risks and the losses incurred in the reporting year or previous years, even if they become known during the period between the annual reports ending date and the date of making the annual report;
 - calculated and taken into consideration any reduction in value and depreciation amounts, regardless of whether the reporting year is closed with profit or losses.
- Taken into consideration with the current year revenues and related expenses, regardless of the date of payment and receipt of an invoice or the date of the statement. Cost-ordinated with revenues during the reporting period.
- Active and passive components of items valued separately.
- Beginning balance for the year coincides with the previous year's closing balance sheet.
- Listing all items that materially affect the annual general users of the assessment or decision-making, minor items are combined and the detail provided in the annex.
- Economic transactions in the annual report presented in the light of their economic substance and nature, rather than legal form.

Long-term investments

- Evaluated according to their initial value, that is the purchase cost or production cost.
- Acquisition or production costs of the investment object is gradually written off (depreciated) for intended use period, if administration period of object is limited. A plot of land acquisition costs are not subject to write-off (amortization).

Current assets

- Asset evaluation based on the purchase or production cost.
- suitable for the evaluation of the balance sheet date are evaluated according to the lowest market price or production cost
- Debt balances on the balance sheet is shown accordingly to appropriate supporting documents and accounting records, and they are coordinated with their own accounts receivable records at the date of making balance sheet. In dispute cases balances in balance sheet is shown according to the records. The accruals is made for a questionable amount of doubtful debts.

Reporting Period



Reporting period is 12 months from 2015.01.01 till 2015.12.31

Long-term and short-term positions

Long-term liabilities is recognized if receipt, payment, or retirement shall be the later of one year after the year end.
Amounts receivable, payable or depreciable during the year is presented as a short-term positions.

(2) Net turnover

Turnover consists of revenues that the Company gained in the first six months of 2014 from its core business-service provision without VAT

| Activity | 2015 EUR | 2014 EUR |
|--|---------------------|---------------------|
| Office rent | 585 184 | 619 801 |
| Facilities management and utilities | 250 540 | 226 250 |
| Electricity distribution and servicing | 299 521 | 314 400 |
| Ferrous and non-ferrous metal trading income | | 0 |
| Total | 1 135 245 | 1 129 393 |

Allocation of salesmarkets

| State | 2015 EUR | 2014 EUR |
|--------------|---------------------|---------------------|
| Latvia | 1 135 245 | 1 129 393 |
| Total | 1 135 245 | Kļūda |

(3) Production costs

| | 2015 EUR | 2014 EUR |
|---|---------------------|---------------------|
| Utility services expenses (energy and other services) | 393 631 | 426 017 |
| Personnel costs and social tax | 162 173 | 173 550 |
| Depreciation | 99 673 | 119 518 |
| Other operating costs | 122 654 | 102 738 |
| Transport expenses | 7 836 | 10 073 |
| Charges for land rent | 6 027 | 6 027 |
| Insurance costs (building) | 5 362 | 5 605 |
| Expenses for telecommunication | 1 385 | 1 594 |
| Depreciation of license | 335 | 392 |
| Bank service | 371 | 249 |
| Travel expenses | 0 | 1 908 |
| Personnel training | 229 | 549 |
| Total | 799 676 | 848 220 |

(4) Administration costs

| | 2015 | 2014 |
|--|----------------|----------------|
| | EUR | EUR |
| Salaries and social tax for administration | 78 079 | 77 371 |
| Transportation expenses for administration | 7 836 | 10 073 |
| Annual fee RFB | 7 114 | 7 114 |
| Expenses for telecommunication | 1 386 | 1 594 |
| Office expenses | 1 042 | 1 417 |
| Lawyers' service fees | 3 768 | 3 404 |
| Audit costs | 1 400 | 1 281 |
| represent costs (40%) | 127 | 33 |
| Total | 100 752 | 102 287 |

(5) Other income from operating activity

| | 2015 | 2014 |
|---|--------------|---------------|
| | EUR | EUR |
| Fines | 1 623 | 2 441 |
| Profit from sale of fixed assets: (10283-2617) | 0 | 7 666 |
| Received insurance compensation | 0 | 128 |
| Proceeds from creditor write-off | 4 436 | 528 |
| Other income | 36 | 0 |
| Income from savings for vacations reduction | 0 | 184 |
| Total | 6 095 | 10 947 |

(6) Other operating expenses

| | 2015 | 2014 |
|--|---------------|---------------|
| | EUR | EUR |
| Fines payment of income tax | 491 | 12 |
| Insurance compensation | 1 359 | 1 330 |
| Fines by electric energy distribution networks | 990 | 1 917 |
| Offerings to Latvian orphans fund | 851 | 1 103 |
| Bad debts write-off costs | 16 867 | 12 911 |
| Vacation accrual reserve increase | 655 | 0 |
| Accrual expense for doubtful receivables | 3 617 | 0 |
| Other expenses | 651 | 0 |
| represent costs (60%) | 231 | 59 |
| Total | 25 712 | 17 332 |

(7) Interest payable and similar charges

| | 2015 | 2014 |
|------------------|----------------|----------------|
| | EUR | EUR |
| Bank interest | 122 726 | 148 233 |
| Leasing interest | 1 520 | 2 219 |
| Total | 124 246 | 150 452 |

(8) Deferred tax

| | 2015 | 2014 |
|-------------------------------------|----------------|----------------|
| | EUR | EUR |
| Deferred tax at beginning of period | 159 698 | 111 429 |
| Deferred tax at end of period | 193 783 | 159 698 |
| Deferred tax for period | -34 085 | -48 269 |

(9) Other taxes

| | 2015 | 2014 |
|-----------------------------------|---------------|---------------|
| | EUR | EUR |
| Real estate tax (buildings, land) | 21 922 | 16 981 |
| Total | 21 922 | 16 981 |

**(10) Intangible assets**

| | Concessions, patents, licences, brand names and other rights | Intangible assets total |
|------------------------------------|---|------------------------------------|
| | EUR | EUR |
| Aquisition cost | | |
| 2014.12.31 | 2 207 | 2 207 |
| 2015.12.31 | 2 207 | 2 207 |
| Depreciation | | |
| 2014.12.31 | 1 700 | 1 700 |
| Calculated depreciation | 335 | 335 |
| 2015.12.31 | 2 035 | 2 035 |
| Balance sheet on 2014.12.31 | 507 | 507 |
| Balance sheet on 2015.12.31 | 172 | 172 |



(11) Tangible (fixed) assets

| | Land and buildings ** | Tangible assets costs | Other fixtures and fittings, tools and equipment | Total tangible assets |
|------------------------------------|----------------------------------|----------------------------------|---|----------------------------------|
| | EUR | EUR | EUR | EUR |
| Acquisition cost | | | | |
| 2014.12.31 | 6 126 816 | 0 | 239 536 | 6 366 352 |
| Acquisitions | 0 | 31 400 | 0 | 31 400 |
| Overvalued | 3 834 | 0 | | 3 834 |
| 2015.12.31 | 6 130 650 | 31 400 | 239 536 | 6 401 586 |
| Depreciation | | | | |
| 2014.12.31 | 572 509 | 0 | 166 846 | 739 355 |
| Calculated depreciation | 56 888 | 0 | 42 785 | 99 673 |
| 2015.12.31 | 629 397 | 0 | 209 631 | 839 028 |
| Balance sheet on 2013.12.31 | 5 554 307 | 0 | 72 690 | 5 626 997 |
| Balance sheet on 2015.12.31 | 5 501 253 | 31 400 | 29 905 | 5 562 558 |

Note *

* The Company still uses fixed assets, that have no balance value, but they are in inventory lists.
The total acquisition value of such fixed assets is: 16 997 EUR.

**(12) Trade debtors**

| | 2015 | 2014 |
|----------------------|--------------|--------------|
| | EUR | EUR |
| Trade debtors | 12 901 | 31 236 |
| Balance value | 12901 | 31236 |

Allocation of currency:

| | 2015 | 2014 |
|--------------|--------------|---------------|
| | EUR | EUR |
| EUR | 12 901 | 31 236 |
| Total | 12901 | 31 236 |

(13) Other debtors

| | 2015 | 2014 |
|---------------------------|---------------|--------------|
| | EUR | EUR |
| VAT on advances | 8 229 | 6 978 |
| Advance purchase of fuel | 558 | 317 |
| Advance services provider | 22 550 | 2 364 |
| URDVN tax overpaid | 0 | 24 |
| Total | 31 337 | 9 683 |

(14) Deferred expenses

| | 2015 | 2014 |
|---|-------------|-------------|
| | EUR | EUR |
| Ground rent for the 1st quarter in 2015 | 1 507 | 1 507 |
| Subscriptions 2015. | 299 | 289 |
| Total | 1806 | 1796 |

(15) Cash funds**(31.12.2015)****Allocation of currency:**

| | 2015 | 2014 |
|--------------|--------------|--------------|
| | EUR | EUR |
| EUR | 83 634 | 93 619 |
| Total | 83634 | 93619 |

(16) Company capital



| | |
|--------------------------------------|------------------|
| Company capital is divided on shares | 1 944 637 |
| per value each EUR | 1,4 |
| | 2 722 492 |

(17) Long term investment adjustment reserve

| | 2015 | 2014 |
|---|---------------|---------------|
| | EUR | EUR |
| Long term investment adjustment reserve | 805396 | 801562 |
| Total | 805396 | 801562 |

(18) Undistributed profit/losses:

| | |
|---|----------------|
| Losses of previous years (2013 including) | -1 104 359 EUR |
| Profit of financial year | 34 947 EUR |
| Losses of financial year | -1 069 412 EUR |

(19) Other provisions

| Type of provision | Residual | Increase | Decrease | Residual |
|--------------------------------|-------------------|-----------------|-----------------|-------------------|
| | 2014.12.31 | 2015 | 2015 | 2015.12.31 |
| | EUR | EUR | EUR | EUR |
| Provisions for unused vacation | 12 401 | 655 | 0 | 13 056 |
| Total | 12 585 | 655 | 0 | 13 056 |

(20) Borrowings from credit institutions

| Allocation of currency: | 2015 | 2014 |
|--------------------------------|------------------|------------------|
| | EUR | EUR |
| EUR (long term) | 2 713 298 | 2 853 641 |
| EUR (short-term) | 140 343 | 140 343 |
| Total | 2 853 641 | 2 993 984 |

Main points of agreement/contract

| Company name / name, surname | Principal amount, EUR | % rate | Term |
|------------------------------|-----------------------|--------|---------------------|
| SEB Banka | 4 466 086 | 2.146 | 122 726 22.05.2022. |

(21) Deferred income tax liabilities

| 2015 | 2014 |
|-------------|-------------|
|-------------|-------------|



| | EUR | EUR |
|-------------------------|---------|---------|
| Calculated deferred tax | 193 783 | 159 698 |

| Temporary changes | Residual 2014.12.31 | Increase | Decrease | Residual 2015.12.31 |
|---|------------------------|--------------|----------------|------------------------|
| | EUR | EUR | EUR | EUR |
| Fixed assets residual for taxes | 1 739 738 | 0 | 184 428 | 1 555 310 |
| Fixed assets residual in finance accounts | -5 138 714 | 3 834 | 100 008 | -5 042 540 |
| Provisions for unused vacation | 12 401 | 655 | 0 | 13 056 |
| Accrual expense for doubtful receivables | | 3617 | | 3 617 |
| Accrued tax losses | 2 321 919 | 0 | 143 247 | 2 178 672 |
| Total | -1 064 656 | 8 106 | 427 683 | -1 291 885 |

(22) Debts to suppliers of goods and services

| Allocation of currency: | 2015 | 2014 |
|-------------------------|--------------|---------------|
| | EUR | EUR |
| EUR | 52 026 | 54 908 |
| Total | 52026 | 54 908 |

(23) Advance payments from customers

| | 2015 | 2014 |
|------------|---------------|---------------|
| | EUR | EUR |
| Long term | 39 608 | 38 118 |
| Short term | 13 995 | 5 921 |
| | 53 603 | 44 039 |

(24) Taxes and contributions to social security

| Type of tax | Residual 2014.12.31 | Calculated | Paid | Residual 2015.12.31 |
|-----------------------------------|------------------------|------------|---------------|------------------------|
| | EUR | EUR | EUR | EUR |
| Value added tax | 7 574 | 127 894 | 126 021 | 9447 |
| Social security contributions | 5 108 | 61 213 | 60 544 | 5777 |
| Personal income tax | 3 247 | 39 706 | 36 081 | 6872 |
| Real estate tax (buildings, land) | 0 | 21 922 | 21 922 | 0 |
| State duties | -24 | 73 | 43 | 6 |
| Company car tax | 0 | 1520 | 1520 | 0 |
| Total | 15 905 | | 373830 | 22102 |

During the financial year has been calculated and paid payment penalty: PIT- 490 EUR.



| Inter alia: | 2015 | 2014 |
|--------------------|-------------|-------------|
| | EUR | EUR |
| Tax overpayment | 0 | 24 |
| Tax debt | 22 102 | 15 929 |

(25) Other creditors

| | 2015 | 2014 |
|-----------------------|---------------|---------------|
| | EUR | EUR |
| Salaries for December | 10 331 | 10 303 |
| Total | 10 331 | 10 303 |

(27) Other borrowings

| | 2015 | 2014 |
|--------------------------|---------------|---------------|
| | EUR | EUR |
| Swedbanka leasing | 8 406 | 12 911 |
| long term | 4 485 | 8 406 |
| short term | 3 921 | 4 505 |
| SEB Leasing | 34 614 | 49 066 |
| long term | 20 338 | 34 615 |
| short term | 14 276 | 14 451 |

(28) Employees

| | 2015 | 2014 |
|---|-------------|-------------|
| Average amount of company's employees during year | 17 | 18 |

(29) Information about remuneration to Members of the Board and executives

The remuneration of Member of the Board during year 2015 was 13 692 EUR.

(29) 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.

Interest rate risk

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

Credit risk

The Company has credit risk due to its trade debtors, given short-term loans and money and its equivalents. Company controls its credit risk by evaluating constantly debt repayment history of clients and by setting individual terms for each client. Moreover the Company follows non-stop the rest of debtors debts to diminish the possibility of irrecoverable debt emergence.



Liquidity risk

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

(30) Information about off- balance liabilities and pledged assets

None.

(31) Details of the lease or rent agreements, mortgages, guarantees and other contracts that have an important role for the Company

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.

There were signed with the major customers long-term rental agreement.

As well as the Company has rent:

land in the Brivibas str. 214, rental agreement with JSC "Privatizācijas aģentūra" .

Pledge agreement No.KD03702/2 AS SEB banka, registered No.100093834 on 07.07.2015 - the claim secured in amount of EUR 5 386 000.

(32) Information about remuneration to auditor

Concluded agreement with DOMA AUDITS Ltd. for 1 400 EUR (not including VAT).

| | | |
|-----------------------|-----------|----------------|
| Gints Fenuks | _____ | 23 march, 2016 |
| Chairman of the Board | signature | |
| Tamara Kampane | _____ | 23 march, 2016 |
| Member of the Board | signature | |

INDEPENDENT AUDITORS' REPORT

To the Shareholders of AS "VEF"

Report on the Financial Statements

We have audited the accompanying financial statements of AS "VEF" (01.01.2015 - 31.12.2015) set out on pages 6. to 23. of the accompanying annual report, which comprise the balance sheet as of 31 December 2015 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AS "VEF" as of 31 December 2015, 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 2015 set out on page 5 of the accompanying annual report for 2015 (01.01.2015 - 31.12.2015) and did not identify material inconsistencies between the financial information contained in the management report and that contained in the financial statements for 2015.

SIA „DOMA AUDITS”
Licence No. 166

Aleksejs Ļitvinovs
Chairman of the Board

Rīga,
March 23, 2016



Aleksejs Ļitvinovs
Certified auditor of Latvia
Certificate No. 190

