



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



JOINT STOCK COMPANY VEF
(Unified registration number 40003001328)

AUDITED FINACIAL STATEMENTS
For the period ended on December 31, 2009



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: 7270618, fax: 7552201
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, 2009: *VEF KOMUNIKĀCIJU SERVISS SIA- 45.52377 % ; *Komunikāciju Centrs” SIA – 21.92579 % ; *State Social Insurance Agency - 5.01801 %; * Tamāra Kampāne - 9.46398 % ; * Gints Feņuks - 7.01432 % ; *Other shareholders - 11.05414 %.
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:	01.01.2009. - 31.12.2009.
Qualified auditor:	Mara Liguta. Certificate Nbr.55

¹ Paid-up and registred equity capital 1 944 637 common shares
The company's capital consists of the 623 528 bearer shares and 1 321 109 registered shares
Nominal value of a common share is 1 LVL (one Latvian lat).



Report on the Management Board's responsibility to the non audited financial statement of JSC „VEF” for the twelve months of 2009

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, 2009.

Financial statements are prepared according to the approved International Standards of financial reports and observing principle of continuing business activity. Accounting principles used in preparation of the financial statements have not been changed comparing to the previous reporting period. During preparation of the financial statements decisions taken by the Management Board and estimations made have been cautious and well-founded. The information included in the management's report is true.

The Management Board of the Company is responsible for ensuring the corresponding accounting system, securing the assets of the Company, as well as for prevention and exposure of fraud and other violation within the Company.

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

Gints Feņuks
Chairman of the Management Board



Management Report

The Joint Stock Company “VEF” is a publicly traded company, dealing with management and administration of its real estate, rendering space rental and electrical services to consumers on the VEF territory, as well as trading in ferrous and non-ferrous scrap metal.

According to the balance statement of the Company, the revenue from the economic activity in 12 months of 2009 makes LVL 818 997, which is 105 466 LVL less than over the previous reporting period.

Having in view the overall national and global economic situation in the recession, a year ago the Company focused its business to the preservation and optimization of the existing volumes of cash flow and followed this target over the previous year.

The Company continues to provide a full scope of its services, while maintaining the jobs and implementing the fund-saving programme, by reducing the outsourcing volumes and prices, as well as diversifying markets and risks. At the end of 2009, the Company obtained a license and started the trade operations with ferrous and non-ferrous metals.

The Board of Joint Stock Company “VEF” follows the Company’s strategic plans of the previous year, guiding from the economic situation in the country and in particular from the situation in the space rental market. This year the plan is to enhance the monitoring of the market in the rental segment and to react to the changes of the situation, to take also an active tenant attraction for the free spaces within the property of the Company, through enlargement and renovation of the area without any additional fund borrowing, as well as to increase the turnover of the ferrous and non-ferrous metal trading.

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

Gints Feņuks
Chairman of the Management Board



ASSETS	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions, patents, licences	354	79	504	112
Total intangible assets	354	79	504	112
Fixed Assets				
Land, buildings and other property	4 192 124	4 233 193	5 964 855	6 023 291
Equipment and machinery	2 473	12 943	3 519	18 416
Other fixed assets and inventory	15 237	14 940	21 680	21 258
Advance payments for fixed assets		62 301		88 646
Total fixed assets	4 209 834	4 323 377	5 990 054	6 151 611
Total long-term investments	4 210 188	4 323 456	5 990 558	6 151 723
Current assets				
Inventory				
Goods for sale	3 690		5 250	
Total inventory	3 690	0	5 250	0
Debtors				
Customers and client debts	44 924	30 916	63 921	43 990
Other debtors	19 319	23 400	27 488	33 295
Future period	25 954	29 758	36 929	42 342
Future period expenses	3 729	10 322	5 306	14 687
Subscribed but not paid-up amount of equity capital		338 463		481 589
Total debtors	93 926	432 859	133 645	615 903
Cash	2 406	61 757	3 423	87 872
Total Current assets	100 022	494 616	142 318	703 775
TOTAL ASSETS	4 310 210	4 818 072	6 132 876	6 855 499



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
			0.702804	0.702804
Stockholder's Equity				
Common stock	1 944 637	2 281 921	2 766 969	3 246 881
Long-term investments revaluation reserve	438 390	438 390	623 773	623 773
Total accumulation				
Retained earnings from the previous years	-901 554	-928 449	-1 282 796	-1 321 064
Retained earnings of the financial years	18 370	26 895	26 138	38 268
Total stockholder's equity	1 499 843	1 818 757	2 134 084	2 587 858
PROVISIONS				
Other provisions	7 522	10 168	10 703	14 468
Total provisions	7 522	10 168	10 703	14 468
LIABILITIES				
Long-term liabilities				
Borrowings from credit institutions	2 273 743	2 385 903	3 235 245	3 394 834
Prepayments from buyers	28 460	66 232	40 495	94 240
Other liabilities	0	44 501	0	63 319
Deferred tax liability	141 745	138 331	201 685	196 827
Total long-term liabilities	2 443 948	2 634 967	3 477 425	3 749 220
Current liabilities				
Borrowings from credit institutions	162 684	213 207	231 478	303 366
Accounts payable	42 567	67 035	60 567	95 382
Taxes and social security payments	56 517	5 531	80 416	7 870
Other liabilities	58 679	54 153	83 493	77 053
Future period income	0	13 836	0	19 687
Prepayments from buyers	38 450	418	54 709	595
Total current liabilities	358 897	354 180	510 664	503 953
Total liabilities	2 802 845	2 989 147	3 988 089	4 253 173
TOTAL LIABILITIES&STOCKHOLDER'S EQUITY	4 310 210	4 818 072	6 132 876	6 855 499



**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON DECEMBER
31.2009.**

		LVL 31.12.2009	LVL 31.12.2008	EUR 31.12.2009 0.702804	EUR 31.12.2008 0.702804
1	2	4	5	4	5
Net turnover		794 076	898 082	1 129 868	1 277 856
Cost of goods sold	1	-557 934	-590 034	-793 869	-839 543
Gross profit		236 142	308 048	336 000	438 313
Selling expenses					
Administrative expenses	2	-58 672	-77 493	-83 483	-110 263
Other income from operations	3	23 054	7 226	32 803	10 320
Other expenses from operations	4	-14 803	-19 372	-21 063	-27 564
Financial services income	5	1 867	19 155	2 657	27 255
Financial services expenses	6	-137 794	-174 470	-196 063	-248 248
Profit before taxes		49 794	63 094	70 850	89 775
Other taxes	7	-28 010	-28 536	-39 855	-40 604
Deferred tax		-3 414	-7 663	-4 858	-10 903
Net profit		18 370	26 895	26 138	38 268
Earnings per share (EPS)					
EPS on 31.12.2009-0.0095					
LVL- 0.0095 EUR					

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane

**CASH FLOW STATEMENT FOR YEAR THAT ENDS ON DECEMBER 31, 2009**

	2009 31.12. LVL	2008 31.12. LVL	2009 31.12. EUR 0.702804	2008 31.12. EUR 0.702804
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	49 7941	63 094	70 830	89 775
Adjustments:				
fixed assets depreciation (+)	61 218	59 796	87 105	85 082
intangible assets depreciation (+)	25	5	36	7
increase/decrease in provisions	-2 646	2 467	-3 765	3 510
profit or losses from exchange rates fluctuation (+/-)	-160	321	-228	457
financial service income	-1 867	-19 155	-2 657	-27 255
financial services income	137 794	174 470	196 063	248 412
Profit or losses before adjustments from current assets and liabilities	244 158	280 998	347 406	399 824
Adjustments:				
debtors : increase (-); decrease (+)	338 993	-325 425	482 344	-463 038
inventory: increase (-); decrease (+)	- 3 690	0	-5 250	0
liabilities: increase (-); decrease (+)	-290 971	401 914	-414 014	571 872
Gross cash provide by operating activities	288 490	357 487	410 484	508 658
Payments for financial	-137 794	-174 470	-196 063	-248 248
Income tax payments				
Net cash provided by operating activities before outstanding items:	150 696	183 017	214 421	260 410
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	150 696	183 017	214 421	260 410
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase	-10 276	-6 672	-14 621	-9 493
Interest received	1 867	19 155	2 657	27 255
Net cash used in investing activities :	-8 409	12 483	-11 965	17 762
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Expenses for borrowings repayment	-162 684	-213 207	-231 478	-303 366
Payments LPA for long term buy out of land	-40 292	-49 771	-57 330	-70 818
Common stock issued	1 178	113 551	1 676	161 569
Net cash provided by financing activities :	-201 798	-149 427	-287 133	-212 615
IV. Exchange rate fluctuation result :	160	-321	228	-457
Net cash flom	-59 351	45 752	-84 449	65 099
CASH AT BEGINNING OF YEAR	61 757	16 005	87 872	22 773
CASH AT END OF YEAR	2 406	61 757	3 423	87 872



**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON
DECEMBER 31, 2009**

	31.12.2009 LVL	31.12.2008 LVL	31.12.2009 EUR 0.702804	31.12.2008 EUR 0.702804
Stockholder's equity				
Balance at the beginning of the financial year	2 281 922	1 829 908	3 246 881	2 603 724
Increase from		452 013		643 158
Decrease from	337 285		479 913	
Balance at the end of the financial year	1 944 637	2 281 921	2 766 969	3 246 882
Long-term investments revaluation reserve				
Balance at the beginning of the financial year	438 390	438 390	623 773	623 773
Increase from				
Decrease from				
Balance at the end of the financial year	438 390	438 390	623 773	623 773
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	-901 554	-928 449	-1 282 796	- 1 321 064
Profit or losses of the financial year	18 370	26 895	26 138	38 268
Dividendes				
Included in accumulations				
Balance at the end of the financial year	-883 184	- 901 554	- 1 271 978	- 1 282 796
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 818 757	1 339 849	2 587 858	1 906 433
Balance at the end of the financial year	1 499 843	1 818 757	2 134 084	2 587 858



**JSC VEF
FINANCIAL STATEMENTS' APPENDIXES
FOR YEAR, WHICH ENDS ON DECEMBER 31, 2009**

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 01.01.2009 to 31.12.2009.

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.

Credit line

There is a credit JSC "SEB banka". It is included in the long-term and short-term liabilities and the balance at the end of the financial period is 2 436 427 LVL (3 466 723 EUR).



(1) Net turnover

Turnover consists of revenues that the Company gained in the first twelve months of 2009 from its core business-service provision without VAT

Type of commercial operations	2009.12.31 LVL	2008.12.31 LVL	2009.12.31 EUR	2008.12.31 EUR
power supply, distribution and servicing	120 954	163 063	172 102	232 018
water supply and sewage services	786	10 710	1 118	15 239
office renting service	477 517	557 195	679 445	792 817
utility services	156 179	167 114	222 223	237 782
other	38 640		54 981	
Total	794 076	898 082	1 129 868	1 277 856

Distribution of net turnover by geographical markets

Country	2009.12.31 LVL	2008.12.31 LVL	2009.12.31 EUR	2008.12.31 EUR
Latvia	759 741	898 082	1 081 014	1 277 856
Estonia	34 335		48 854	
Total	794 076	898 082	1 129 868	1 277 856

(2) Cost of sales

	2009.12.31 LVL	2008.12.31 LVL	2009.12.31 EUR	2008.12.31 EUR
personnel	86 991	90 336	123 777	128 537
depreciation	61 218	59 796	87 105	85 082
transport	9 567	10 075	13 655	14 335
other outstanding costs	198 792	230 674	282 856	328 220
personnel training	360	127	512	181
telecommunication service	1 327	1 721	1 888	2 449
other costs tied to commercial operations	105 814	104 329	150 560	148 445
insurance (buildings)	4 761	4 337	6 774	6 171
maintenance of buildings 1 and 1a	37 106	71 292	52 797	101 439
land rent to LPA	14 994	17 342	21 335	24 675
depreciation of license	25	5	36	7
cash turnover expenses	314		447	
other cost	36 635		52 127	
Total	557 934	590 034	793 869	839 543

**(3) Costs of administration**

	2009.12.31	2007.12.31	2009.12.31	2008.12.31
	LVL	LVL	EUR	EUR
personnel	41 281	55 388	58 738	78 810
telecommunication service	1 327	1 722	1 888	2 450
office supplies	1 323	1 419	1 882	2 019
cash turnover expenses	0	221	0	314
transport expenses for administrative needs	9 597	10 076	13 655	14 337
representative expenses	155	214	220	304
legal assistance or raid	647	2 553	921	3 633
RFB annual fee	3 442	5 000	4 898	7 114
audit cost	900	900	1 281	1 281
Total	58 672	77 493	83 483	110 263

(4) Other revenues from commercial operation

	2009.12.31	2008.12.31	2009.12.31	2008.12.31
	LVL	LVL	EUR	EUR
disposal of fixed assets				
fines	2 724	1 362	3 876	1 938
1/5 of revenue from writing-off PS				
purchase	4 310	1 077	6 133	1 532
1/5 from financial support given for Gold				
equipment	9 526	2 382	13 554	3 389
other revenues	5 426	1 405	7 464	1 999
insurance recompense	1 068	1 000	1 520	1 423
Total	23 054	7 226	32 803	10 282

(5) Other costs of commercial operations

	2009.12.31	2008.12.31	2009.12.31	2008.12.31
	LVL	LVL	EUR	EUR
losses from changes in currency rates	0	321	0	457
40% of representative costs	112	143	159	203
donations to Latvian orphans fund	555	603	790	858
allowances and bonuses	2 135	3 116	3 038	4 314
fines	5 583	220	7 944	171
other costs	6 418	14 969	9 132	21 299
Total	14 803	19 372	21 063	27 564

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

	2009.12.31 LVL	2008.12.31 LVL	2009.12.31 EUR	2008.12.31 EUR
interest from balances of accounts	1 867	19 155	2 657	27 255
Total	1 867	19 155	2 657	27 255

(7) Payments of interest and similar expenses

	2009.12.31 LVL	2008.12.31 LVL	2009.12.31 EUR	2008.12.31 EUR
credit interests	133 519	167 091	189 980	237 749
interest to LPA for long term buy-out of land	4 275	7 379	6 083	10 499
Total	137 794	174 470	196 063	248 248

(8) Other taxes

	2009.12.31 LVL	2008.12.31 LVL	2009.12.31 EUR	2008.12.31 EUR
real estate tax (buildings, land)	28 010	28 536	39 855	40 604
Total	28 010	28 536	39 855	40 604