



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

**JOINT STOCK COMPANY VEF**  
(Unified registration number 40003001328)

**NON- AUDITED FINACIAL STATEMENTS**  
For the period ended on March 31, 2011



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## **Report on the Management Board's responsibility to the non-audited financial statement of JSC „VEF” for the three months of 2011**

Management Board of JSC „VEF” (hereinafter – the Company) is responsible for preparation of the middle-term financial statements of the Company. The middle-term financial statements are not audited.

Middle-term 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 march 31, 2011.

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



## 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 <sup>1</sup> :	Ls 1 944 637 registered and paid up capital.
Core businesses:	*Power supply - distribution of power; *Letting and renting of real-estate property
Name of the holder of shares And share capital (%) <sup>2</sup> :	As on march 31. 2011 ; *VEF KOMUNIKĀCIJU SERVISS SIA- 45.52377 % ; *JSC Goldinvest Asset Management – 21.92579 % ; *State Social Insurance Agency - 5.01801 % ; * Tamāra Kampāne - 9.49529 % ; * Gints Feņuks - 7.01432 % ; *Other shareholders - 11.02282 % .
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. - 31.03.2011.
Qualified auditor:	Mara Liguta. Certificate Nbr.55

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<sup>1</sup> Paid-up and registred equity capital  
Ls 1 944 137

<sup>2</sup> The company`s capital consists of the 623 528 bearer shares and 1 321 109 registrered shares  
Nominal value of a common share is 1 LVL (one Latvian lat).



ASSETS	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
			<b>0.702804</b>	<b>0.702804</b>
<b>LONG-TERM INVESTMENTS</b>				
<b>Intangible assets</b>				
Concessions, patents, licences	273	338	388	481
<b>Total intangible assets</b>	<b>273</b>	<b>338</b>	<b>388</b>	<b>481</b>
<b>Fixed Assets</b>				
Land, buildings and other property	4 140 830	4 181 865	5 891 870	5 950 258
Equipment and machinery				
Other fixed assets and inventory	42 184	13 287	60 021	18 906
Advance payments for fixed assets				
<b>Total fixed assets</b>	<b>4 183 014</b>	<b>4 195 152</b>	<b>5 951 891</b>	<b>5 969 164</b>
<b>Total long-term investments</b>	<b>4 183 287</b>	<b>4 195 490</b>	<b>5 952 280</b>	<b>5 969 645</b>
<b>Current assets</b>				
<b>Inventory</b>				
Goods for sale		221		314
<b>Total inventory</b>	<b>0</b>	<b>221</b>	<b>0</b>	<b>314</b>
<b>Debtors</b>				
Customers and client debts	49 937	56 490	71 054	80 378
Other debtors	11 778	13 864	16 760	19 727
Future period				
Future period expenses	620	3 457	881	4 919
<b>Total debtors</b>	<b>62 335</b>	<b>73 811</b>	<b>88 695</b>	<b>105 024</b>
<b>Cash</b>	2 899	6 911	4 125	9 833
<b>Total Current assets</b>	<b>65 234</b>	<b>80 943</b>	<b>92 820</b>	<b>115 171</b>
<b>TOTAL ASSETS</b>	<b>4 248 521</b>	<b>4 276 433</b>	<b>6 045 100</b>	<b>6 084 816</b>



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
			<b>0.702804</b>	<b>0.702804</b>
<b>Stockholder's Equity</b>				
Common stock	1 944 637	1 944 637	2 766 969	2 766 969
Long-term investments revaluation reserve	438 390	438 390	623 773	623 773
<b>Total accumulation</b>				
Retained earnings from the previous years	-860 928	-883 184	-1 224 990	-1 256 658
Retained earnings of the financial years	10 661	15 941	15 169	22 682
<b>Total stockholder's equity</b>	<b>1 532 760</b>	<b>1 515 784</b>	<b>2 180 921</b>	<b>2 156 766</b>
<b>PROVISIONS</b>				
Other provisions	9 122	7 522	12 979	10 703
<b>Total provisions</b>	<b>9 122</b>	<b>7 522</b>	<b>12 979</b>	<b>10 763</b>
<b>LIABILITIES</b>				
<b>Long-term liabilities</b>				
Borrowings from credit institutions	2 294 490	2 388 695		3 398 807
Prepayments from buyers	25 103	33 766		48 045
Other liabilities		27 705		39 421
Deferred tax liability	150 492	144 309		205 333
<b>Total long-term liabilities</b>	<b>2 470 085</b>	<b>2 594 475</b>		<b>3 691 605</b>
<b>Current liabilities</b>				
Borrowings from credit institutions	59 036	23 866	84 001	33 958
Accounts payable	57 472	34 781	81 775	49 489
Taxes and social security payments	78 150	50 522	111 198	71 886
Other liabilities	5 558	16 915	7 908	24 068
Future period income				
Prepayments from buyers	36 338	32 568	51 704	46 340
<b>Total current liabilities</b>	<b>236 554</b>	<b>158 652</b>	<b>336 586</b>	<b>225 741</b>
<b>Total liabilities</b>	<b>2 706 639</b>	<b>2 760 649</b>	<b>3 851 200</b>	<b>3 928 050</b>
<b>TOTAL LIABILITIES&amp;STOCKHOLDER'S EQUITY</b>	<b>4 248 521</b>	<b>4 276 433</b>	<b>6 045 100</b>	<b>6 084 816</b>



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

		<b>LVL 31.03.2011</b>	<b>LVL 31.03.2010</b>	<b>EUR 31.03.2011 - 0.702804</b>	<b>EUR 31.03.2010 - 0.702804</b>
<b>1</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>5</b>
Net turnover		221 249	207 779	314 809	295 643
Cost of goods sold	1	-152 796	-131 394	-217 409	-186 957
<b>Gross profit</b>		<b>68 453</b>	<b>76 835</b>	<b>97 400</b>	
Selling expenses					
Administrative expenses	2	-16 046	-13 974	-22 831	-19 883
Other income from operations	3	828	1 623	1 178	2 309
Other expenses from operations	4	-1 211	-9 303	-1 723	-13 237
Financial services income	5		3		4
Financial services expenses	6	-34 570	-31 239	-49 189	-44 449
<b>Profit before taxes</b>		<b>17 454</b>	<b>23 495</b>	<b>24 835</b>	<b>33 430</b>
Other taxes	7	-5 043	-4 990	-7 176	-7 100
Deferred tax		-1 750	-2 564	-2 490	-3 648
<b>Net profit</b>		<b>10 661</b>	<b>15 941</b>	<b>15 169</b>	<b>22 682</b>

**Earnings per share (EPS) on**  
**31.03.2011-0.00548 LVL**  
**- 0.00576 EUR**

**31.03.2010 -0.00820 LVL**  
**-0.00820 EUR**

Chairman of the Board

G.Feņuks

Member of the Board

T.Kampane



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

	2011 31.03.  LVL	2010 31.03.  LVL	2011 31.03.  EUR 0.702804	2010 31.03.  EUR 0.702804
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit before outstanding items and taxes (+)	17 454	23 495	24 835	33 430
<i>Adjustments:</i>				
fixed assets depreciation (+)	13 644	14 682	19 414	20 891
intangible assets depreciation (+)	16	16	23	23
increase/decrease in provisions				
profit or losses from exchange rates fluctuation (+/-)	27	116	38	165
financial service income		3		4
financial services income	34 570	31 239	49 189	44 449
<i>Profit or losses before adjustments from current assets and liabilities</i>	<b>65 711</b>	<b>69 551</b>	<b>93 498</b>	<b>98 962</b>
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	11 476	403 091	16 329	573 547
inventory: increase (-); decrease (+)	-221	221	-315	315
liabilities: increase (-); decrease (+)	-15 319	-419 770	-21 797	-597 279
<i>Gross cash provide by operating activities</i>	<b>61 647</b>	<b>53 093</b>	<b>87 716</b>	<b>75 545</b>
Payments for financial	-34 570	-31 239	-49 189	-44 449
Income tax payments	-5 043		-7 176	
<i>Net cash provided by operating activities before outstanding items:</i>	<b>22 034</b>	<b>21 854</b>	<b>31 352</b>	<b>31 095</b>
Cash flow from outstanding items (-/+)				
<b>Net cash provided by operating activities :</b>	<b>22 034</b>	<b>21 854</b>	<b>31 352</b>	<b>31 095</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES :</b>				
Fixed assets purchase				
Interest received		3		4
<b>Net cash used in investing activities :</b>		<b>3</b>		<b>4</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Income from investments in fixed capital				
Borrowings received				
Grants and donations received				
Expenses for borrowings repayment	-14 759	-23 866	-21 000	-33 958
Expenses on the purchase of land.	-11 260		-16 022	
<b>Net cash provided by financing activities :</b>	<b>-26 019</b>	<b>-23 866</b>	<b>-37 022</b>	<b>-33 958</b>
<b>IV. Exchange rate fluctuation result :</b>	<b>-27</b>	<b>-116</b>	<b>-38</b>	<b>-165</b>
<b>Net cash flow</b>	<b>-4 012</b>	<b>-2 125</b>	<b>-5 708</b>	<b>-3 025</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>6 911</b>	<b>9 036</b>	<b>9 833</b>	<b>12 858</b>
<b>CASH AT END OF YEAR</b>	<b>2 899</b>	<b>6 911</b>	<b>4 125</b>	<b>9 833</b>





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

	31.03.2011 LVL	31.03.2010 LVL	31.03.2011 EUR 0.702804	31.03.2010 EUR 0.702804
<b>Stockholder's equity</b>				
Balance at the beginning of the financial year	1 944 637	2 281 922	2 766 969	3 246 882
Increase from				
Decrease from		337 285		479 913
Balance at the end of the financial year	1 944 637	1 944 637	2 766 969	2 766 969
<b>Long-term investments revaluation reserve</b>				
Balance at the beginning of the financial year	438 390	438 390	623 773	623 773
Increase from				
Decrease from				
Balance at the end of the financial year	438 390	438 390	623 773	623 773
<b>Accumulations</b>				
Balance at the beginning of the financial year				
Increase from				
Decrease from				
Balance at the end of the financial year				
<b>Retained earnings</b>				
Balance at the beginning of the financial year	-860 928	-883 184	-1 224 990	- 1 256 658
Profit or losses of the financial year	10 661	15 941	15 169	22 682
Dividendes				
Included in accumulations				
Balance at the end of the financial year	-850 267	-867 243	-1 209 821	- 1 233 976
<b>Stockholder's equity (total)</b>				
Balance at the beginning of the financial year	1 515 784	1 838 453	2 156 766	2 615 883
Balance at the end of the financial year	1 532 760	1 515 784	2 180 921	2 156 766



**JSC VEF  
FINANCIAL STATEMENTS' APPENDIXES  
FOR YEAR, WHICH ENDS ON MARCH 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 03 months, from 01.01.2011 to 31.03.2011.

**Money and foreign currency revaluation**

Amounts shown in these financial statements are in Latvian national currency – lats (LVL).

All monetary assets and liabilities are recalculated to lats, using the official exchange rate of the Latvian Bank that is set on the last day of the financial year.

**Long-term and short-term items**

Long-term items include amounts, whose receiving, discarding or payment terms become due more than 1 year after the end of the respective financial year. Amounts that are due to be received, paid or discarded during the next year, are included in short-term items.



### **Fixed assets and nonmaterial investment depreciation**

Fixed assets and non-material investments are shown by purchase price minus depreciation. Depreciation is calculated on the straight-line basis, using as a basis the following rates:

Fixed assets	
Property	1%
Equipment and machinery	20%
Other fixed assets	25%

### **Income tax**

Income tax for the financial year consists of calculated tax and deferred tax. Income tax is included in the profit and losses account.

Income tax for the financial year is calculated according to the law "On the income tax of Undertakings", determining taxable income and using 15% rate, set by the law.

Deferred income tax is calculated for the difference between assets and liabilities value in the financial statements and assets and liabilities value for tax purposes. Deferred income tax is calculated using 15% rate, set by the law. The above-mentioned difference mainly comes from the different fixed assets depreciation rates used in the financial and tax accounting. Increase of provisions for bad receivables is not taken into account, calculating deferred income tax, due to mere caution principle.

### **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 2 353 526 LVL (3 348 765 EUR).

**(1) Net turnover**

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

Type of commercial operations	2011.03.31 LVL	2010.03.31 LVL	2011.03.31 EUR	2010.03.31 EUR
power supply, distribution and servicing	31 522	33 861	44 852	48 180
water supply and sewage services	131	126	186	179
office renting service	102 437	111 358	145 755	158 448
utility services	54 423	49 588	77 437	70 557
black and nonferrous metal scrap and scrap purchase	32 736	12 846	46 579	18 279
<b>Total</b>	<b>221 249</b>	<b>207 779</b>	<b>314 809</b>	<b>295 643</b>

**Distribution of net turnover by geographical markets**

Country	2011.03.31 LVL	2010.03.31 LVL	2011.03.31 EUR	2010.03.31 EUR
Latvia	221 249	202 751	314 809	288 489
Estonia		5 028		7 154
<b>Total</b>	<b>221 249</b>	<b>207 779</b>	<b>314 809</b>	<b>295 643</b>

**(2) Cost of sales**

	2011.03.31 LVL	2010.03.31 LVL	2011.03.31 EUR	2010.03.31 EUR
personnel	25 006	19 149	35 580	27 247
depreciation	13 644	14 698	19 414	20 914
transport	1 563	1 886	2 224	2 684
other outstanding costs	61 104	59 787	86 943	85 069
personnel training	193	90	275	128
telecommunication service	223	183	317	260
other costs tied to commercial operations	22 463	20 466	31 962	29 121
insurance (buildings)	1 291	918	1 837	1 306
land rent to LPA	766	3 617	1 090	5 146
costs for the purchase and delivery of goods	26 527	10 524	37 745	14 974
other cost	16	76	23	108
<b>Total</b>	<b>152 796</b>	<b>131 394</b>	<b>217 409</b>	<b>186 957</b>

**(3) Costs of administration**

	2011.03.31	2010.03.31	2011.03.31	2010.03.31
	LVL	LVL	EUR	EUR
personnel	10 391	9 307	14 785	13 243
telecommunication service	222	183	319	260
office supplies	196	93	279	132
cash turnover expenses	45		64	
transport expenses for administrative needs	1 562	1 886	2 223	2 684
representative expenses	13	5	18	7
legal assistance or raid	492		700	
RFB annual fee	3 125	2 500	4 446	3 557
audit cost				
<b>Total</b>	<b>16 046</b>	<b>13 974</b>	<b>22 831</b>	<b>19 883</b>

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

	2011.03.31	2010.03.31	2011.03.31	2010.03.31
	LVL	LVL	EUR	EUR
disposal of fixed assets				
finances	828	1 202	1 178	1 710
other revenues		305		434
insurance recompense				
revenues from changes in currency rates		116		165
<b>Total</b>	<b>828</b>	<b>1 623</b>	<b>1 178</b>	<b>2 309</b>

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

	2011.03.31	2010.03.31	2011.03.31	2010.03.31
	LVL	LVL	EUR	EUR
60% of representative costs	21	8	30	11
foreign currency loss	27		38	
allowances and bonuses	176	245	251	349
finances	987	157	1 404	223
provisions for bad debtors		8 893		12 654
<b>Total</b>	<b>1 211</b>	<b>9 303</b>	<b>1 723</b>	<b>13 237</b>



Other revenues from interests or similar sources					
(6)		2011.03.31	2010.03.31	2011.03.31	2010.03.31
		LVL	LVL	EUR	EUR
<hr/>					
	interest from balances of accounts		3		4
<hr/>					
	Total	0	3	0	4
<hr/>					
Payments of interest and similar expenses					
(7)		2011.03.31	2010.03.31	2011.03.31	2010.03.31
		LVL	LVL	EUR	EUR
<hr/>					
	credit interests	34 437	30 777	49 000	43 792
	interest to LPA for long term buy-out of land		462		657
	interest to SEB Līzings	133		189	
<hr/>					
	Total	34 570	31 239	49 189	44 449
<hr/>					
Other taxes					
(8)		2011.03.31	2010.03.31	2011.03.31	2010.03.31
		LVL	LVL	EUR	EUR
<hr/>					
	real estate tax (buildings ,land)	5 043	4 990	7 176	7 100
<hr/>					
	Total	5 043	4 990	7 176	7 100
<hr/>					