



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, 2012

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



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GENERAL INFORMATION

Title of enterprise	Joint stock company VEF												
Legal type of enterprise	Public joint stock company												
Registered:	On April 15, 1991 in the Register of Enterprises of the Republic of Latvia, re-registered on December 7, 2000 with Nbr. 000300132												
Taxpayers' Reg. Nbr.	On April 14, 2004 registered in the Commercial Register, Nbr. 40003001328												
Legal address	LV 40003001328 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:	<p>*Power supply - distribution of power; *Letting and renting of real-estate property *Ferrous and non-ferrous waste and scrap purchase.</p>												
Name of the holder of shares and share capital (%)	As on December 31, 2012: <table><tr><td>*VEF KOMUNIKĀCIJU SERVISS SIA</td><td>- 45.52 % ;</td></tr><tr><td>*SIA „NĪPA”</td><td>- 23.74 % ;</td></tr><tr><td>*State Social Insurance Agency</td><td>- 4.99 %;</td></tr><tr><td>* Tamāra Kampāne</td><td>- 9.50 % ;</td></tr><tr><td>* Gints Feļuks</td><td>- 7.01 % ;</td></tr><tr><td>*Other shareholders</td><td>- 9.24 %.</td></tr></table>	*VEF KOMUNIKĀCIJU SERVISS SIA	- 45.52 % ;	*SIA „NĪPA”	- 23.74 % ;	*State Social Insurance Agency	- 4.99 %;	* Tamāra Kampāne	- 9.50 % ;	* Gints Feļuks	- 7.01 % ;	*Other shareholders	- 9.24 %.
*VEF KOMUNIKĀCIJU SERVISS SIA	- 45.52 % ;												
*SIA „NĪPA”	- 23.74 % ;												
*State Social Insurance Agency	- 4.99 %;												
* Tamāra Kampāne	- 9.50 % ;												
* Gints Feļuks	- 7.01 % ;												
*Other shareholders	- 9.24 %.												
Chief executive officer:	Chairman of the Board of the Company: GINTS FENUKS												
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:	01.01.2012. - 31.12.2012.												
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 no audited financial statement of JSC „VEF” for the twelve months of 2012

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, 2012.

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 2012 makes LVL 866 415 , which is 11 395 LVL more than over the previous reporting period.

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
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
			0.702804	0.702804
LONG-TERM INVESTMENTS				
Intangible assets				
Concessions,patents,licences	927	1 222	1 319	1 739
Total intangible assets	927	1 222	1 319	1 739
Fixed Assets				
Land,buildings and other property	3 983 467	4 023 407	5 667 963	5 724 792
Other fixed assets and inventory	88 763	109 212	126 298	155 935
Total fixed assets	4 072 230	4 132 619	5 794 261	5 880 187
Total long-term investments	4 073 157	4 133 841	5 795 580	5 881 926
Current assets				
Inventory				
Goods for sale	0	0	0	0
Total inventory	0	0	0	0
Debtors				
Customers and client debts	23 440	9 175	33 352	13 055
Other debtors	11 115	29 519	15 815	42 002
Future period	34068	28 710	48 474	40 851
Future period expenses	1 505	1 394	2 141	1 983
Total debtors	70 128	68 798	99 783	97 891
Cash	10 259	17 990	14 597	25 598
Total Current assets	80 387	86 788	114 380	123 488
TOTAL ASSETS	4 153 544	4 220 629	5 909 961	6 005 414



LIABILITIES	Final balance		Beginning balance	
	LVL	LVL	EUR	EUR
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Stockholder's Equity			0.702804	0.702804
Common stock	1 944 637	1 944 637	2 766 969	2 766 969
Long-term investments revaluation reserve	563 341	563 341	801 562	801 562
Total accumulation				
Retained earnings from the previous years	-793 982	-860 928	- 1 129 735	-1 224 990
Retained earnings of the financial years	25 336	66 946	36 050	95 256
Total stockholder's equity	1 739 332	1 713 996	2 474 846	2 2438 797
PROVISIONS				
Other provisions	10 193	9 185	14 503	13 069
Total provisions	10 193	9 185	14 503	13 069
LIABILITIES				
Long-term liabilities				
Borrowings from credit institutions	2 151 118	2 250 213	3 060 765	3 201 765
Prepayments from buyers	25 103	25 103	35 718	35 718
Deferred tax liability	35 954	17 993	51 158	25 602
Total long-term liabilities	2 212 175	2 293 309	3 147 641	3 263 085
Current liabilities				
Borrowings from credit institutions	84 336	59 036	119 999	84 001
Other loans	15 787	11 387	22 463	16 202
Accounts payable	34 861	28 227	49 603	40 163
Taxes and social security payments	17 037	61 910	24 241	88 090
Other liabilities	4 983	5 625	7 090	8 004
Future period income	0	0	0	0
Prepayments from buyers	34 840	37 954	49 573	54 004
Total current liabilities	191 844	204 139	272 969	290 464
Total liabilities	2 404 019	2 497 448	3 420 611	3553 548
TOTAL LIABILITIES&STOCKHOLDER'S	4 153 544	4 220 629	5 909 961	6 005 414
EQUITY				



**PROFIT AND LOSSES ACCOUNT FOR YEAR, WHICH ENDS ON DECEMBER
31.2012.**

	1	2	3 LVL 31.12.2012	4 LVL 31.12.2011	5 EUR 31.12.2012 - 0.702804	6 EUR 31.12.2011 - 0.702804
Net turnover	1	866 415	855 020	1 232 797	1 216 584	
Cost of goods sold	2	-617 372	-594 678	-878 441	-846 151	
Gross profit		249 043	260 342	352 921	370 433	
Administrative expenses	3	-61 749	-59 177	-87 861	-84 201	
Other income from operations	4	1 924	37 203	2 738	52 935	
Other expenses from operations	5	-7 407	-146 244	-10 539	-208 086	
Financial services income	6	2	0	3	0	
Financial services expenses	7	-124 297	-135 752	-176 859	-193 158	
Profit before taxes		57 516	-43 628	81 838	-62 077	
Other taxes	8	-14 219	-20 175	-20 232	-28 706	
Deferred tax		-17 961	130 749	-25 556	186 039	
Net profit		25 336	66 946	36 050	95 256	
Earnings per share (EPS) EPS on 31.12.2012 -0.0130 LVL - 0.0130 EUR						

Chairman of the Board

G.Fēnioks

Member of the
Board

T.Kampāne

**CASH FLOW STATEMENT FOR YEAR THAT ENDS ON DECEMBER 31, 2012**

	2012 31.12. LVL	2011 31.12. LVL	2012 31.12. EUR 0.702804	2011 31.12. EUR 0.702804
I. CASH FLOW FROM OPERATING ACTIVITIES				
Profit before outstanding items and taxes (+)	57 516	-43 628	87 408	-62 077
<i>Adjustments:</i>				
fixed assets depreciation (+)	75 907	63 480	108 006	90 324
intangible assets depreciation (+)	295	218	420	310
increase/decrease in provisions		63		90
profit or losses from exchange rates fluctuation (+/-)	1 121	20	1 595	28
financial service income	-2		-3	
long-term investment increase in the amount of revaluation reserve (+/-)		124 951		177 789
financial services income	124 297	135 752	176 859	193 158
<i>Profit or losses before adjustments from current assets and liabilities</i>	260 142	280 856	370 149	399 622
<i>Adjustments:</i>				
debtors : increase (-); decrease (+)	-1 330	8 846	-1 892	12 587
inventory: increase (-); decrease (+)	0	0		0
liabilities: increase (-); decrease (+)	-37 395	-39 026	-53 208	-55 529
Gross cash provided by operating activities	221 417	250 676	315 048	356 680
Payments for financial	-124 297	-135 752	-176 859	-193 158
Net cash provided by operating activities before outstanding items:	97 120	114 924	138 189	163 522
Cash flow from outstanding items (-/+)				
Net cash provided by operating activities :	97 122	114 924	138 189	163 522
II. CASH FLOWS FROM INVESTING ACTIVITIES :				
Fixed assets purchase	-17 134	-18 071	-24 380	-25 713
Interest received	0	0	0	0
Net cash used in investing activities :	-17 134	-18 071	-24 380	-25 713
III. CASH FLOWS FROM FINANCING ACTIVITIES:				
Expenses for borrowings repayment	-73 494	-59 036	-104 573	-84 001
Payments LPA for long term buy out of land	0	-11 260	0	-16 022
SEB Līdzings	-13 104	-9 255	-18 645	-13 169
Net cash provided by financing activities :	-86 598	-79 551	-123 218	-113 192
IV. Exchange rate fluctuation result :	-1 121	-20	-1 595	-28
Net cash flow	-7 731	17 282	-11 000	24 590
CASH AT BEGINNING OF YEAR	17 990	708	25 597	1 007
CASH AT END OF YEAR	10 259	17 990	14 597	25 597

**STATEMENT OF CHANGES IN EQUITY FOR YEAR THAT ENDS ON
DECEMBER 31, 2012**

	31.12.2012 LVL	31.12.2011 LVL	31.12.2012 EUR 0.702804	31.12.2011 EUR 0.702804
Stockholder's equity				
Balance at the beginning of the financial year	1 944 637	1 944 637	2 766 969	2 766 969
Increase from				
Decrease from				
Balance at the end of the financial year	1 944 637	1 944 637	2 766 969	2 766 969
Long-term investments revaluation reserve				
Balance at the beginning of the financial year	563 341	438 390	801 562	623 773
Increase from		124 951		177 789
Decrease from				
Balance at the end of the financial year	563 341	563 341	801 562	801 562
Accumulations				
Balance at the beginning of the financial year				
Increase from				
Decrease from				
Balance at the end of the financial year				
Retained earnings				
Balance at the beginning of the financial year	-793 982	-860 928	-1 129 735	-1 224 990
Profit or losses of the financial year	25 336	66 946	36 050	95 256
Balance at the end of the financial year	-768 646	-793 982	-1 093 685	-1 129 735
Stockholder's equity (total)				
Balance at the beginning of the financial year	1 713 996	1 522 099	2 438 797	2 165 752
Balance at the end of the financial year	1 739 332	1 713 996	2 474 846	2 438 797



**JSC VEF
FINANCIAL STATEMENTS' APPENDIXES
FOR YEAR, WHICH ENDS ON DECEMBER 31, 2012**

1. ACCOUNTING AND ASSESSMENT METHODS – COMMON PRINCIPLES

Basis for financial statements preparation

Financial statements are being prepared in compliance with Latvian laws “On bookkeeping” and “On the Annual Accounts of Undertakings”.

Profit and losses account is prepared according to the turnover method. Accounting policy provides the financial statements give information that is appropriate for their users to make decisions and conclusions. The policy is reliable. The financial statements correctly reveal the financial condition and operating results of the company – showing not only legal side of transactions, but also their economical matter, and are complete in all essential aspects.

Revenue recognition and net sales

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

Other revenues are recognized as follows:

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

Accounting principles used

The items of the financial statements are valued according to the following accounting principles:

- a) it is assumed that the company will operate in the future;
- b) assessment methods used are the same as used in the previous financial year;
- c) assessment is made with mere caution:
 - only profit earned before the date of the annual report is included in the financial statements
 - all projected risk amounts and losses that appeared in the financial year or in the previous years are taken into account, even those which became known in the period of time between the date of the annual report and the day when the financial statements are drawn up
 - all value decreases and depreciation amounts are calculated and taken into account, regardless of the financial year result (profit or losses)
- d) revenues and expenditures connected with the financial year are taken into account, regardless of payment date and invoice receiving or writing out date;
- e) assets and liabilities and net worth items have been assessed independently;
- f) the initial balance sheet of the financial year coincides with the previous financial year final balance sheet;
- g) all items that have an essential influence on the financial statements' users evaluation or decision taking have been taken into account, non-significant items have been combined and they are shown in details in the appendixes to the financial statements;
- h) Business operations during the financial year are shown by their economical content and nature instead of their legal form.

Financial year

Financial year is 12 months, from 01.01.2012 to 31.12.2012.

Money and foreign currency revaluation

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

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



Long-term and short-term items

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

Fixed assets and nonmaterial investment depreciation

Fixed assets

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

	(% in the year)
Buildings and structures	1
Other fixtures and fittings, tools and vehicles	25

Income tax

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

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

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

Debtors

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

Financial risk management

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

Currency risk

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

Interest rate risk

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

Credit risk

Liquidity risk

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

**(1) Net turnover**

Turnover consists of revenues that the Company gained in the first twelve months of 2012 from its core business-service provision without VAT

Type of commercial operations	2012.12.31	2011.12.31	2012.12.31	2011.12.31
	LVL	LVL	EUR	EUR
power supply, distribution and servicing	149 865	131 345	213 238	186 887
rental income	409 337	406 523	582 434	578 430
utility services	186 905	185 033	265 942	263 278
ferrous an non-ferrous waste and scrap				
sales revenue	120 308	131 569	171 182	187 205
Total	866 415	855 020	1 232 797	1 216 584

Distribution of net turnover by geographical markets

2012.12.31 2011.12.31 2012.12.31 2011.12.31

Country	LVL	LVL	EUR	EUR
Latvia	866 415	855 020	1 232 797	1 216 584
Total	866 415	855 020	1 232 797	1 216 584

Cost of sales**(2)**

2012.12.31 2011.12.31 2012.12.31 2011.12.31

LVL LVL EUR EUR

labor and social payments	112 150	105 616	159 575	150 278
depreciation	75 907	63 480	108 006	90 324
transport	7 550	6 645	10 742	9 455
residential services (electricity, water)	243 103	219 929	345 904	312 931
travel expenses	378		538	
personnel training	156	148	222	210
telecommunication service	1 108	1 084	1 577	1 542
other costs tied to commercial operations	76 537	83 235	108 902	118 432
insurance (buildings)	3 730	4 222	5 307	6 007
land rent to LPA	5 250	2 935	7 470	4 176
depreciation of license	295	218	420	310
bank service	194	204	276	290
ferrous an non-ferrous waste and scrap				
selling cost	91 014	106 963	129 501	152 195
Total	617 372	594 678	878 441	846 151

**Costs of administration**

2012.12.31 2011.12.31 2012.12.31 2011.12.31

(3)	LVL	LVL	EUR	EUR
labor and social payments	44 852	42 997	63 819	61 179
telecommunication service	1 108	1 084	1 577	1 542
office supplies	1 174	944	1 670	1 343
transport expenses for administrative needs	7 550	6 645	10 747	9 455
representative expenses	81	75	115	107
legal assistance or raid	1 084	1 532	1 542	2 180
RFB annual fee	5 000	5 000	7 114	7 114
auditor cost	900	900	1 281	1 281
Total	61 749	59 177	87 861	84 201

Other revenues from commercial operation

(4)	2012.12.31	2011.12.31	2012.12.31	2011.12.31
	LVL	LVL	EUR	EUR
disposal of fixed assets				
fines	1 239	4 548	1 763	6 471
other revenues	644	31 214	916	44 414
income from currency conversion	0	0	0	0
insurance recompense	41	1 441	58	2 050
Total	1 924	37 203	2 737	52 935

Other costs of commercial operations

(5)	2012.12.31	2011.12.31	2012.12.31	2011.12.31
	LVL	LVL	EUR	EUR
losses from changes in currency rates	1 121	20	1 595	28
60% of representative costs	144	129	205	184
donations to Latvian orphans fund	467	403	665	573
allowances and bonuses	701	701	997	997
late payment penalty on taxes	3 190	8 898	4 539	12 661
fines Sadales tīklam	625	0	889	0
torn down 19 korp. Bērzaunes 7a	0	131 032	0	186 442
other costs	1 159	5 061	1 649	7 201
Total	7 407	146 244	10 539	208 086



Other revenues from interests or similar sources

(6)		2012.12.31	2011.12.31	2012.12.31	2011.12.31
		LVL	LVL	EUR	EUR
	interest from balances of accounts			2	5
	Total			2	5

Payments of interest and similar expenses

(7)		2012.12.31	2011.12.31	2012.12.31	2011.12.31
		LVL	LVL	EUR	EUR
	SEB Līzings	264	661	376	941
	credit interests	123 851	135 091	176 224	192 217
	Swedbank Līzings	182	0	259	0
	Total	124 297	135 752	176 859	193 158

Other taxes

(8)		2012.12.31	2011.12.31	2012.12.31	2011.12.31
		LVL	LVL	EUR	EUR
	real estate tax (buildings,land)	14 219	20 175	20 232	28 706
	Total	14 219	20 175	20 232	28 706