



**Joint Stock Company
VEF
(Latvian Unified registration number 40003001328)**

ANNUAL REPORT
for year ended 31 December 2016
in accordance with the Law of the Republic of Latvia

Audited

**Riga
2017**



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**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 Modris Zommers Laila Liduma Modris Zommers Ervinš Kampans
Financial year	from 2016.01.01 till 2016.12.31
Information about shareholders	Fixed capital in amount of 1.944.637 LVL (registered payment 31.12.2016)
Information about shareholders	VEF Komunikaciju Serviss Ltd. - 45,52 %; Laila Liduma - 6.31 %; Tamara Kampane - 10,37 % Gints Fenuks - 24.50 % ; Other shareholders together - 13.30 %.
Auditor:	Qualified (sworn) auditor Gunta Darkevica Certificate No. 165 Qualified auditors company Ltd. "BDO AUDIT " Licence No. 176



Management Report.

Joint stock venture VEF is a publicly traded company that is doing business by managing its own real estate property, renting business spaces, and also electricity distribution services for business located in VEF territory.

Net cash flow/turnover of the joint venture within six months of 2016 reached 1 297 712 EUR that is higher by 14% in comparison with the last period reported.

Despite the growth of net turnover, at the end of the reporting period the management board has executed also cost saving measures; thus, as the result the company concluded the year with not-audited profit of 304 985 EUR.

Currently the Company continues to provide full set of services and is in preparations for planned renovation of its real estate that is required since buildings are in use for more than fifteen years. Renovation plans are in the phase of approval and will require substantial investments which the Company is planning to cover from own reserves.

The Company is preparing to reconstruct premises previously used for production and convert these premises into office spaces to successfully attract new customers. To cover investments required for these activities the Company is also planning to use its own resources - only in the case of necessity bank financing will be attracted.

As of planned works for the next reporting period the Company is planning to invest in improving of roads and energy efficiency that are important for existing and new potential customers.

Board of JV VEF holds to the strategic plans of the company according to economic developments in the country and following to the trends of the real estate rent markets.

Gints Feņuks

Chairman of the Management Board

Tamara Kampane

Member of the Management Board



Report on the Management Board's responsibility to the audited annual Report of JSC „VEF” for the twelve months of 2016

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, 2016.

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



PROFIT AND LOSS CALCULATION FOR THE PERIOD, WHICH ENDS ON THE
2016.12.31 (classified by cost function)

	Appendix	2016	2015
		EUR	EUR
Net turnover		1 297 712	1 135 245
from other principal activities	2	1 297 712	1 135 245
Costs of goods sold and services rendered	3	-890 635	-821 598
Gross profit or loss		407 077	313 647
Administrative expenses	4	-110 503	-100 752
Other operating income	5	148 590	6 095
Other operating expenses	6	-19 862	-25 712
Interest expenses and similar expenses :		-120 317	-124 246
for other parties	7	-120 317	-124 246
Profit or loss after corporate tax		304 985	69 032
Deferred tax	8	0	-34 085
Profit or loss of the financial year		304 985	34 947
	EPS	0.16.	0.013

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

Gints Feņuks
Chairman of the Management Board
Tamara Kampane
Member of the Management Board

24.April 2017

24 April 2017



BALANCE SHEET ON THE

2016.12.31

ASSETS	Appendix	2016 EUR	2015 EUR
Fixed assets			
Intangible assets			
Concessions, patents, licences,		56	172
Intangible assets total	9	56	172
Tangible (fixed) assets			
Land and buildings		5469001	5502253
Other fixtures and fittings, tools and equipment		32621	29905
Tangible assets costs		0	31400
Total tangible assets	10	5501622	5563558
Fixed Assets total		5501678	5562730
Current assets			
Debtors			
Trade debtors	11	73367	12901
Other debtors	12	9144	31337
Deferred expenses	13	4805	1806
Accrued income		60230	52107
Total debtors		147546	98151
Cash funds	14	120368	83634
Current Assets total		267914	181785
Total assets		5769592	5744515

**BALANCE SHEET ON THE 2016.12.31**

LIABILITIES	Appendix	2016	2015
		EUR	EUR
Equity capital			
Company capital	15	2722492	2722492
Long term investment adjustment reserve	16	673774	805396
Other reserves		44477	44477
Undistributed profit/losses:	17		
a) losses from prior years		-875629	-1104359
b) profit of financial year	17	304985	34947
Equity capital total		2870099	2502953
Creditors			
Long term creditors			
Borrowings from credit institutions	18	2572955	2713298
Advance payments from customers	20	30547	39608
Other borrowings	19	0	24823
Deferred income tax liabilities	21	0	193783
Long term creditors total		2603502	2971512
Short term creditors			
Borrowings from credit institutions	18	140343	140343
Other borrowings	19	23670	18197
Debts to suppliers of goods and services	22	54625	52026
Advance payments from customers	20	20472	13995
Taxes and contributions to social security	23	27297	22102
Other creditors	24	10083	10331
Accrued liabilities	25	19501	13056
Short term creditors total		295991	270050
Creditors total		2899493	3241562
Total liabilities		5769592	5744515

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

Gints Feņuks

Chairman of the Management Board

24 April, 2017

Tamara Kampane

Member of the Management Board

24 April, 2017



CASH FLOW FOR THE PERIOD, WHICH ENDS ON THE
2016.12.31 (indirect method)

	Appendix	2016 EUR	2015 EUR
Cash flow from operating activities			
Profit or loss from operating activity before extraordinary items and taxes		304 985	69 032
Adjustments:			
tangible asset depreciation and amortization (+)	10	-45 085	99 673
intangible asset depreciation (+)	9	116	335
increase in provision (except provision for doubtful accounts) (+)		0	655
interest payable and similar charges	7	120 317	124 246
long-term revaluation decrease		-131 622	0
Profit or loss before adjustments of current assets and short term liabilities		380 333	293 941
Adjustments:			
adjustments of debtors: increase (-); decrease (+)		-49 395	-1 863
adjustments of creditors: increase (-); decrease (+)		-8 472	12 882
Cash flow from operating activities		322 466	326 882
Interest paid	7	-120 517	-124 246
Real estate tax paid		0	-21 922
Cash flow before extraordinary items		202 149	180 714
Net operating cash flow		202 149	180 714
Investing cash flow (expenses "-"):			
Acquisition of fixed and intangible assets	10	-5 722	-31 400
income from sales of fixed and intangible assets		0	0
Received insurance compensation		0	0
Net investing cash flow		-5 722	-31 400
Financing cash flow (expenses "-"):			
Repaid borrowings		-140 343	-140 343
Expenditure on lease liabilities		-19 350	-18 956
Net financing cash flow		-159 693	-159 299
Net cash flow of financial year		36 734	-9 985
Cash and its equivalents at beginning of period		83 634	93 619
Cash and its equivalents at end of period	14	120 368	83 634

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

Gints Fenuks
Chairman of the Board

signature

24 April, 2017

Tamara Kampane
Member of the Board

signature

24 April, 2017



REPORT OF CHANGES IN EQUITY CAPITAL
for period ending on 2016.12.31

	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
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
Long-term revaluation increase			3 834			3 834
Denomination result of established reserves	-44 477	44 477		0		0
2015.12.31	2 722 492		805 396	-1 104 359	34 947	2 502 953
2015 financial year result moved to profit or losses from prior years	0		0	34 947	-34 947	0
Profit or losses of financial year	0		0	0	304 985	304 985
Deferred tax	0		0	193 783	0	193 783
Long-term revaluation decrease			-131 622			-131 622
2016.12.31	2 722 492	44 477	673 774	-875 629	304 985	2 870 099

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

Gints Fenuks
Chairman of the Board

signature

24 April, 2017

Tamara Kampāne
Member of the Board

signature

24 April, 2017



ACCOUNTING POLICIES

General principles

The Financial Report are prepared in accordance with the law of the Republic of Latvia "On Accounting" and "Annual Reports and Consolidated Annual Reports Law", as well in accordance with Cabinet of Ministers Regulations No.775 "Regulations on Application of Annual Reports and Consolidated Annual Reports Law" and Cabinet of Ministers Regulations No.399 "Regulations on Electronic Copy of Prepared Financial Statements or Consolidated Financial Statements" and other regulatory legislative acts on accounting and annual reports.

Profit and loss statement is classified by function of expense.

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

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 2016.01.01 till 2016.12.31

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.

Net turnover

Turnover consists of revenues that the Company gained in the first six months of 2016 from its core business-service provision without VAT

Activity	2016 EUR	2015 EUR
Office rent	658 376	585 184
Facilities management and utilities	321 264	250 540
Electricity distribution and servicing	318 072	299 521
Ferrous and non-ferrous metal trading income		
Total	1 297 712	1 135 245

Allocation of salesmarkets

State	2016 EUR	2015 EUR
Latvia	1 297 712	1 135 245
Total	1 297 712	1 135 245

(3) Costs of goods sold and services rendered

	2016 EUR	2015 EUR
Utility services expenses (energy and other services)	422 728	393 631
Personnel costs and social tax	171 490	162 173
Depreciation	86 537	99 673
Other operating costs	169 980	122 654
Transport expenses	9 550	7 836
Charges for land rent	7 173	6 027
Insurance costs (building)	5 221	5 362
Expenses for telecommunication	1 443	1 385
Depreciation of license	116	335
Bank service	255	371
Real estate tax (buildings, land)	16 036	21 922
Personnel training	106	229
Total	890 635	821 598

(4) Administrative expenses

	2016	2015
	EUR	EUR
Salaries and social tax for administration	80 939	78 079
Transportation expenses for administration	9 550	7 836
Annual fee NASDAQ RIGA	7 120	7 114
Expenses for telecommunication	1 443	1 386
Office expenses	1 412	1 042
Lawyers' service fees	6 143	3 768
Audit costs	3 800	1 400
represent costs (40%)	96	127
Total	110 503	100 752

(5) Other operating income

	2016	2015
	EUR	EUR
Fines	620	1 623
Long-term revaluation decrease	131 622	0
Proceeds from creditor write-off	2 036	4 436
Other income	1 256	36
Income from savings for vacations reduction	13 056	0
Total	148 590	6 095

(6) Other operating expenses

	2016	2015
	EUR	EUR
Fines payment of income tax	526	491
Insurance compensation	1 380	1 359
Fines by electric energy distribution networks	640	990
Offerings to Latvian orphans fund	1 201	851
Bad debts write-off costs	0	16 867
Vacation accrual reserve increase	15 701	655
Accrual expense for doubtful receivables	0	3 617
Other expenses	240	651
represent costs (60%)	174	231
Total	19 862	25 712

Interest expenses and similar expenses :

2016	2015
-------------	-------------

	EUR	EUR
Bank interest	119 427	122 726
Leasing interest	890	1 520
Total	120 317	124 246

(8) Deferred tax

	2016 EUR	2015 EUR
Deferred tax at beginning of period	0	159 698
Deferred tax at end of period	0	193 783
Deferred tax for period	0	-34 085

**(9) Intangible assets**

	Concessions, patents, licences, brand names and other rights	Intangible assets total
	EUR	EUR
Aquisition cost		
2015.12.31	2 207	2 207
2016.12.31	2 207	2 207
Depreciation		
2015.12.31	2 035	2 035
Calculated depreciation	116	116
2016.12.31	2 151	2 151
Balance sheet on 2015.12.31	172	172
Balance sheet on 2016.12.31	56	56



(10) 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				
2015.12.31	6 130 650	31 400	239 536	6 401 586
Acquisitions	24 849	0	32 152	57 001
Overvalued	0	-31 400	-13 091	-44 491
2016.12.31	6 155 499	0	258 597	6 414 096
Depreciation				
2015.12.31	629 397	0	209 631	839 028
Calculated depreciation	57 101	0	29 436	99 673
Overvalued	0	0	-13 091	-13 091
2016.12.31	686 498	0	225 976	912 474
Balance sheet on 2015.12.31	5 501 253	31 400	29 905	5 562 558
Balance sheet on 2016.12.31	5 469 001	0	32 621	5 501 622

**(11) Trade debtors**

	2016	2015
	EUR	EUR
Trade debtors	73 367	12 901
Balance value	73367	12901

Allocation of currency:

	2016	2015
	EUR	EUR
EUR	73 367	12 901
Total	73367	12 901

(12) Other debtors

	2016	2015
	EUR	EUR
VAT on advances	8 181	8 229
Advance purchase of fuel	963	558
Advance services provider	0	22 550
URDVN tax overpaid	0	0
Total	9 144	31 337

(13) Deferred expenses

	2016	2015
	EUR	EUR
Ground rent for the 1st quarter in 2015	1 793	1 507
Insurance payments	2 233	
Subscriptions 2015.	779	299
Total	4 805	1806

(14) Cash funds**(31.12.2016)****Allocation of currency:**

	2016	2015
	EUR	EUR
EUR	120 368	83 634
Total	120368	83634

(15) Company capital



Company capital is divided on shares	1 944 637
per value each EUR	1.4
	2 722 492

(16) Long term investment adjustment reserve

	2016	2015
	EUR	EUR
Long term investment adjustment reserve	673 774	805396
Total	673774	805396

(17) Undistributed profit/losses:

Losses of previous years (31.12.2015)	-1 069 412 EUR
Deferred tax corection	193 783 EUR
Profit of financial year	304 985 EUR
Losses of financial year	-570 644 EUR

(19) Borrowings from credit institutions

Allocation of currency:	2016	2015
	EUR	EUR
EUR (long term)	2 572 955	2 713 298
EUR (short-term)	140 343	140 343
Total	2 713 298	2 853 641

Main points of agreement/contract

Company name / name, surname	Principal amount, EUR	% rate	Term
SEB Banka	4 466 086	1.936%	119 427 22.05.2020.

(20) Deferred income tax liabilities

	2016	2015
	EUR	EUR
Deferred tax	0	193 783

(22) Advance payments from customers

	2016	2015
	EUR	EUR
Long term	39 608	39 608
Short term	13 995	13 995
	53 603	53 603

(23) Taxes and contributions to social security



Type of tax	Residual 2015.12.31	Calculated	Paid	Residual 2016.12.31
	EUR	EUR	EUR	EUR
Value added tax	9447	145 217	140 612	14052
Social security contributions	5777	64 437	64 145	6069
Personal income tax	6872	41 771	41 473	7170
Real estate tax (buildings,land)	0	16 036	16 036	0
State duties	6	75	75	6
Company car tax	0	1644	1644	0
Total	22102	269 180	373830	27297

During the financial year has been calculated and paid payment penalty: PIT- 516 EUR.

Inter alia:	2015	2015
	EUR	EUR
Tax overpayment	0	24
Tax debt	27 297	22 102

(24) Other creditors

	2016	2015
	EUR	EUR
Salaries for December	10 083	10 331
Total	10 083	10 331

(27) Other borrowings

	2016	2015
	EUR	EUR
Swedbanka leasing	3 716	8 406
long term	0	4 485
short term	3 716	3 921
SEB Leasing	19 954	34 614
long term	0	20 338
short term	19 954	14 276
Total	23670	43020

(28)

	2016	2015
Average amount of company's employees during year	17	17

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

The remuneration of Member of the Board during year 2016 was 13 692 EUR.

(28) 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.

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

None.

(30) 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 Brīvības 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.

(31) Information about remuneration to auditor

Concluded agreement with BDO AUDITS Ltd. for # 800 EUR (not including VAT).

Gints Fenuks
Chairman of the Board

signature

24 April, 2017

Tamara Kampane
Member of the Board

signature

24 April, 2017