

“Nordeka” JSC

Annual Report

for the year ended 31 December 2006

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Information about the Company

Name of the Company	“Nordeka” Joint-stock Company	
Legal Status	Joint-stock Company	
Registration No., place and date	4000302240, Riga	
Legal Address	121 Dzirciema st., Riga, LV-1050	
Major shareholders	Juris Savickis, p.k.170946-10126 Peteris Locmelis, p.k.211152-10116 Sergejs Zabavņikovs, p.k.190150-11803, from 23.04.2008.	
Members of the Board	Eriks Eisaks, p.k.010152-11033, till 04.03.2008. Ugis Lapsins, p.k.140163-12701 Aleksandrs Zodziks, p.k.090242-11015 Gunars Baubelis, p.k.270651-10703 Dainis Pinkis, p.k.300839-10605	
Members of the Council	Juris Savickis, p.k.170946-10126 Natalja Savicka, p.k.230254-10738 Edijs Eisaks, p.k.270778-11013 Aldis Paunins, p.k.260876-12187 Valdis Jefimovs, p.k.240144-11000	
Reporting year	01.01.2007.-31.12.2007.	
Auditors:	BDO Invest Rīga JSC 19/1 P.Brieža st., Riga License No.112	Aivars Putniņš Certified auditor Certificate No. 123

Management Report

In 2007 the principal business of NORDEKA JSC was passenger traffic on international, long-distance and regional routes.

The net turnover over the 12 months of 2007 amounted to LVL 5,718,897, which is 9.3 per cent more than in 2006 (including revenue from production at LVL 4,141,741 and special-purpose subsidy at LVL 1,577,156). The revenue from inland traffic was 80.28 %, international traffic - 16.72 %, and 3.00% of the revenue was generated from other business activity.

The total commercial run was 11,361,537 kilometers, which is 6.12% less, and the number of passengers carried was 7.88% less, than during the same period of time in 2006.

The commercial run was cut by reducing bus runs on low-profit international routes. To improve its position on the passenger traffic market, in the 12 months of 2007 NORDEKA JSC started servicing the Jurmala – St. Petersburg Route, reduced bus runs to Warsaw, Krakow, Kaunas and Tallinn, and doubled runs on the Prague route.

The gross profit is LVL 764,902, which has diminished by LVL 28,750 or 3.6 per cent, compared to 2006. The profit before the taxes was LVL 45,730, a reduction by LVL 188,206 or 80.5 per cent, compared to 2006, which can be explained by an overall costs increase to maintain business activity. The profit after the taxes is LVL 119,202.

The profitability ratios of the Company remain at the level of year 2006:

- At 2.4% in 2007, the commercial profitability has dropped by 0.1 per cent only;
- At 4.4% in 2007, the economic profitability has grown by 0.2 per cent.

The liquidity ratios of the Company are as follows: the overall liquidity coefficient is 0.9, the absolute liquidity ratio is 0.11. The liquidity ratios are nearly optimal and reflect the ability of the Company to meet its payment liabilities.

The liability ratios of the Company have diminished in 2007: in 2006 the ratio of liabilities on the balance was 0.52, while in 2007 it was 0.46. Loans do not pose a significant risk for the operation of the Company and have no effect on its financial standing.

In 2007 the liability to equity ratio was 0.87, while in 2006 it was 1.12. The financial independence of the Company has improved as the liabilities over the reporting period have diminished.

11 busses (5 Neoplans, 4 Setras, 1 Volvo, and 1 Mercedes Benz) were purchased as part of a continuing bus park modernization program.

Despite the unpredictable growth in fuel prices, the need to increase the wages of bus drivers and other employees of the company due to a rise in the wages of the sector, the company ended Year 2007 with a profit.

Thanks to improving the traffic structure (by reducing the number of unprofitable runs) and increased special-purpose subsidies, as a result of resource saving measures and growth in revenue, the Company ended 2007 with a LVL 119,202 profit, which will be used to cover the losses incurred during the previous years.

The management of the Company is continuing to work on reducing unprofitable commercial run and economy of all resources, and expects to see a growth in the revenue in 2008, in the meantime cutting the run and thus reducing the consumption of diesel fuel, tyres, spare parts and other maintenance materials.

The course of development of the Company in 2008 will largely depend on state subsidy pursuant to Agreement No. ATD/ST-2007/16 on the Provision of Public Transport Services, signed with the state-owned company Autotransporta direkcija Ltd. [Vehicle Transport Directorate] on 28 December 2007.

The Board of NORDEKA JSC

S. Zabavnikovs, Chairman of the Board

Aleksandrs Zodziks, Member of the Board

Gunars Baubelis, Member of the Board

Ugis Lapsins, Member of the Board

Dainis Pinkis, Member of the Board

Profit or loss statement for the year 2007
(by turnover cost method)

Item	Note No.	2007		2006	
		LVL	EUR	LVL	EUR
1. Net turnover	2	5 718 897	8 137 257	5 234 585	7 448 143
2. Production costs of the goods sold	3	-4 953 995	7 048 900	-4 440 933	-6 318 878
3. Gross profit or loss		764 902	1 088 357	793 652	1 129 265
4. Sales costs	4	-278 171	-395 802	-258 686	-368 077
5. Administrative costs	5	-312 006	-443 945	-273 351	-388 943
6. Other operating income	6	89 050	126 707	83 536	118 861
7. Other operating expenses	7	-177 984	-253 248	-72 404	-103 022
8. Interest income and similar income	8	241	343	144	205
9. Interest expenses and similar expenses	9	-40 302	-57 345	-38 955	-55 428
10. Profit or loss before extraordinary items and taxes		45 730	65 067	233 936	332 861
11. Profit or loss before taxes		45 730	65 067	233 936	332 861
12. Corporate income tax for the reporting year	10	-13 142	-18 699	0	0
13. Deferred income tax	27	115 931	164 955	-71 045	-101 088
14. Other taxes	11	-29 317	-41 714	-5 364	-7 632
15. Profit or loss for the reporting year		119 202	169 609	157 527	224 141

Notes on pages 12 to 26 form an integral part of these financial statements.

Sergejs Zabavņikovs
Chairman of the Board

Aleksandrs Žodžiks
Member of the Board –
Executive Director

Dainis Piņķis
Member of the Board

Uģis Lapsiņš
Member of the Board

Gunārs Baubelis
Member of the Board

Balance Sheet as at December 31, 2007

Assets	Note No.	31.12.2007		31.12.2006	
		LVL	EUR	LVL	EUR
1. Long-term investments					
I. Intangible assets					
1. Concessions, patents, licenses, trade marks and other similar rights		1 936	2 755	1 587	2 258
Intangible assets total	12	1 936	2 755	1 587	2 258
II. Fixed assets					
1. Land, buildings and structures, and perennial plantations		350 173	498 251	358 234	509 721
2. Plant and machinery		32 888	46 795	35 275	50 192
3. Other fixed assets and inventory		1 756 445	2 499 197	1 831 731	2 606 318
4. Fixed assets under construction		0	0	525	747
Fixed assets total	13	2 139 506	3 044 243	2 225 765	3 166 978
V. Long-term financial investments					
1. Participation in the capital of the associated companies		14 000	19 920	8 750	12 450
2. Other securities and investments		25 370	36 098	18 533	26 370
3. Loans to the company's employees		3 253	4 629	3 998	5 689
Long-term financial investments total	14	42 623	60 647	31 281	44 509
Long-term investments total		2 184 065	3 107 645	2 258 633	3 213 745
2. Current assets					
I. Stock					
1. Raw materials, basic materials and auxiliary materials		199 426	283 758	284 840	405 291
2. Advance payments for goods		12 329	17 542	5 562	7 914
Stock total	15	211 755	301 300	290 402	413 205
III. Accounts receivable					
1. Trade accounts receivable	16	190 233	270 677	175 570	249 814
2. Other receivables	17	274 455	390 514	290 635	413 536
3. Prepaid expenses	18	55 871	79 497	61 389	87 349
Accounts receivable total		520 559	740 688	527 594	750 699
IV. Cash funds	19	104 339	148 461	68 762	97 839
Current assets total		836 653	1 190 449	886 758	1 261 743
Assets total		3 020 718	4 298 094	3 145 391	4 475 488

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Balance Sheet as at December 31, 2007

Liabilities	Note No.	31.12.2007		31.12.2006	
		LVL		LVL	
1. Equity					
1. Share capital	20	1 906 588	2 712 830	1 906 588	2 712 830
2. Retained earnings:					
a) retained earnings of previous years		-441 204	-627 776	-598 731	-851 917
b) retained earnings of reporting year		119 202	169 609	157 527	224 141
Equity total		1 584 586	2 254 663	1 465 384	2 085 054
2. Provisions					
1. Other provisions		34 397	48 842	42 518	60 498
Provisions total	21	34 397	48 842	42 518	60 498
3. Accounts payable					
I. Long-term accounts payable					
1. Leasing liabilities	22	363 827	517 679	471 394	670 733
2. Deferred tax liabilities	27	125 903	179 144	241 834	344 099
Long-term accounts payable total		489 730	696 823	713 228	1 014 832
II. Short-term accounts payable					
1. Leasing liabilities	23	332 881	473 647	337 528	480 259
2. Other loans	24	63 493	90 342	191 674	272 728
3. Advance payments received from customers		2 054	2 923	844	1 201
4. Trade accounts payable		333 466	474 479	314 321	447 238
5. Taxes and state social insurance contributions	25	57 090	81 232	0	0
6. Other accounts payable	26	123 021	175 043	79 894	113 679
Short-term accounts payable total		912 005	1 297 666	924 261	1 315 105
Accounts payable total		1 401 735	1 994 489	1 637 489	2 329 937
Liabilities total		3 020 718	4 298 094	3 145 391	4 475 488

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Cash flow statement for the year 2007
(by indirect method)

	Piez. Nr.	2007		2006	
		LVL	EUR	LVL	EUR
I. Cash flow from operating activity					
1. Profit or loss before extraordinary items and taxes		45 730	65 068	233 936	332 861
Adjustments:					
a) depreciation of fixed assets (+)		587 565	836 030	481 842	685 599
b) written-off value of intangible assets (+)		1 109	1 578	1 102	1 568
c) provisions (except provisions for bad debts) increase (+) or decrease (-)		-8 121	-11 555	804	1 144
d) profit (-) or loss (+) from currency rate fluctuations		10 757	15 306	10 148	14 439
e) other income from interest and similar income (-)		-241	-343	-144	-205
f) received subsidies, grants		-1 577 156	-2 244 091	-946 423	-1 346 639
g) interest payments and similar costs (+)		40 302	57 345	38 955	55 428
h) remaining value of fixed assets sold (+)		70 978	100 993	27 459	39 071
i) income from fixed assets sold (-)		-48 785	-69 415	-29 054	-41 340
2. Profit or loss before adjustments of changes in current assets and short-term liabilities remains impact		-877 860	-1 249 082	-181 375	-258 073
Adjustments:					
a) trade debtors increase (-) or decrease (+)		44 660	63 545	2 603	3 704
b) stock increase (-) or decrease (+)		78 647	111 905	138 471	197 026
c) trade receivables and other receivables increase (+) or decrease (-)		397 309	565 320	116 135	165 245
3. Gross cash flow from operating activity		-357 244	-508 312	75 834	107 902
5. Company income tax payments		-102 406	-145 710		
6. Net cash flow from operating activity		-459 650	-654 023	36 879	52 474
II. Cash flow from investment activity					
1. Acquisition of shares or parts in subsidiaries and associates		5 250	7 470	8 750	12 450
2. Acquisition of fixed assets and intangible assets		-574 266	-817 107	-805 146	-1 145 620
3. Income from sale of fixed assets and intangible assets		48 785	69 415	29 054	41 340
4. Interest received		241	343	144	205
5. Cash flow from financial activities		-519 990	-739 879	-767 198	-1 091 624
III. Cash flow from financial activities					
1. Loans received		20 000	28 457	754 899	1 074 124
2. Subsidies, grants or donations received		1 577 156	2 244 091	946 423	1 346 639
3. Loan repayments		-148 171	-210 828	-928 918	-1 321 731
4. Lease payments		-382 709	-544 546		
5. Interest payments		-40 302	-57 345	-38 955	-55 428
6. Net cash flow from financial activities		1 025 974	1 459 829	772 404	1 099 032

IV. Result of foreign currency rate fluctuations		-10 757	-15 305	-10 148	-14 439
V. Net increase or decrease in cash or cash equivalents		35 577	50 621	31 937	45 442
VI. Cash and cash equivalents at the beginning of the period		68 762	97 840	36 825	52 398
VII. Cash and cash equivalents at the end of the period		104 339	148 461	68 762	97 840

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Statement of changes in equity

	Share capital		Retained earnings of the reporting year		Retained earnings of the previous years		Equity total	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
31.12.2005	1 906 588	2 712 830	327 713	466 294	-926 444	-1 318 211	1 307 857	1 860 913
Profit of 2006 transferred to retained earnings of the previous years	0	0	-327 713	-466 294	327 713	466 294	0	0
Retained earnings of reporting year	0	0	157 527	224 141	0	0	157 527	224 141
31.12.2006	1 906 588	2 712 830	157 527	224 141	-598 731	-851 917	1 465 384	2 085 054
Profit of 2007 transferred to retained earnings of the previous years	0	0	-157 527	-224 141	157 527	224 141	0	0
Retained earnings of reporting year	0	0	119 202	169 609	0	0	119 202	169 609
31.12.2007	1 906 588	2 712 830	119 202	169 609	-441 204	627 776	1 584 586	2 254 663

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Notes to the Annual Report

1. Accounting policies

Basis of preparation of the Annual Report

The Annual Report is prepared in accordance with the law of the Republic of Latvia "On accounting" and "On the Annual Reports", as well as according to Latvian accounting standards. The Profit or Loss Statement is prepared by applying the turnover costs method. The Cash Flow Statement has been prepared using the indirect method.

Accounting principles applied

The items in the Annual Report have been evaluated in accordance with the following accounting principles:

- a) The assumption that the company will continue its operations as a going concern;
- b) By applying the same valuation methods that were used in the previous year;
- c) Applying the principle of due caution evaluating the items of the Annual Report:
 - The Annual Report reflects only the profit gained by the date of closing the Balance;
 - The Report has been presented, taking into account all predictable risk amounts and losses incurred in the reporting year or in the previous years, also where they have become known in the period of time between the date of drawing up the Balance and the respective Annual Report;
 - All amounts that reduce the value, as well as depreciation amounts have been calculated and taken into account, irrespective of whether the reporting year has been completed with profit or losses;
- d) Revenues and expenditures related to the reporting year have been taken into account, irrespective of the date on which the payment was effected and the date of the receipt or drawing of the invoice. The expenditures are coordinated with revenues in the reporting period;
- e) Sub-items of items of Assets and Liabilities have been evaluated separately;
- f) The starting balance of the reporting year coincides with the concluding balance of the previous year;
- g) All items, which could essentially affect the assessment or decision-making by the users of this Annual Report, have been presented; miscellaneous items are consolidated, and a detailed breakdown of these items is given in the Notes to the Annual Report;
- h) Commercial transactions in the Annual Report are reflected, taking into account their economic character and relevance, rather than their legal form.

Use of estimates

When preparing a financial statement, the management are obliged to base it on definite estimates and assumptions, which impact the balances of Balance Sheet and Profit or Loss Account items in the particular statements as well as the possible amount of liabilities. Future events can affect assumptions, based on which the respective estimates are made. Any impact of changes of estimates is reflected in the financial statement at the date when they are identified.

Recognition of income and net turnover

Net turnover is the total sum of the value of goods sold during the year net of discounts and value added tax.

Other income is accepted as follows:

- a) Income from rent – at the moment of creation;
- b) Income from fines and penalties – at the moment of receiving;
- c) Dividends – at the moment, when legal rights started on them;
- d) Other.

Intangible assets and fixed assets

Intangible assets and fixed assets are recorded at historical cost or revalue amount net of accumulated depreciation and accumulated impairment losses. Depreciation has been calculated by the straight-line method over their estimated useful lives using as the basis the following depreciation rates set by management:

Intangible assets:	
Licenses, software	20
Fixed assets:	
Buildings and structures	5
Plant and machinery	20
Transport vehicles	6 till 33
Computers and data storage equipment	5
Other fixed assets	6 till 33

The increase in value due to the revaluation is reflected in the equity item “Revaluation reserve for long-term investments”. If increase in value fully or partially compensates the decrease in the value of the same fixed asset, which in previous reporting years had been included in the profit or loss account as costs, such an amount of increase in value, which does not exceed the referred to costs, is included in the profit or loss statement as income in the reporting year.

Repairs and maintenance are charged to the profit and loss statement during the period in which they are incurred.

Construction in progress represents tangible non-current assets under construction and is stated at historical cost. This includes the cost of construction and other direct expenses. Construction in progress is not depreciated as long as the respective assets are not completed and put into operation.

Expenses related to leasehold improvements are capitalized as tangible non-current assets and depreciated over the lease period on a straight-line basis.

Any gain or loss arising on derecognizing of the asset (calculated as difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss statement in the year the item is recognized.

Investments in subsidiaries and associates

Investments in subsidiaries (i.e., in companies, in which the Company is holding more than 50% of share capital or which it is controlling in some other way) and associated companies (i.e., companies, in which the Company exercises significant influence but does not hold the controlling interest, in which it has a 20-50% stake of share capital) are entered in accounts by applying the cost method. After initial recognition, investments in subsidiaries and associated companies are entered in accounts in their initial value, less the losses due to reduction of value. If there are any events or changes of conditions testifying that book value of investments in subsidiaries and associated companies could be irrecoverable, the value of respective investments in subsidiaries and associated companies is revised in order to establish reduction of their value. The Company recognizes the revenues from its holding in equity only to the extent to which the Company receives the share of accumulated profit of the subsidiary or associated company, which is gained after the date of acquisition of capital shares/parts. The received part of profit, which exceeds such profit, is considered as recovery of investment and is regarded as reduction of initial value of investments.

Long-term contracts

These are contracts on formation of a single asset or a complex of assets; and, due to the nature of activities performed, the starting and completion date of fulfilment of the contract refer to different accounting periods. Income from long-term agreements is evaluated in actual value of payment received or to be received.

If the result of a long-term contract can be credibly estimated, income related with this agreement is reconciled with costs by applying the method of establishing work fulfillment share (%), income is reconciled with costs incurred to achieve the particular degree of completion of work, presenting income, expenditures and profit to be referred to the completed part of the work under the contract.

Income is recognized in the profit or loss account in the accounting periods, in which the contractual work has been performed.

Anticipated losses resulting from the long-term contract are recognized as expenditures at once. Should any expenditure related to execution of the contract arise, which refers to the further operation of the said contract, such expenditures are recognized as assets and are classified as incomplete order.

In order to establish the amount of contractual work executed as a percentage, the Company uses the following method: it is necessary to establish the relation of expenditures of contractual work executed so far against estimated total costs of the contract; or to survey the results of the work completed in nature and to establish physically identifiable part of completion of the work under contract.

The impact or changes of contract-related income or cost estimates or the impact of changes of estimates of contract result is recorded as changes of accounting estimates.

Currency unit and revaluation of foreign currency

Indicators presented in these financial statements are expressed in the Latvian national currency – lats (LVL).

Transactions in foreign currency are translated to Lats at the official exchange rate established by the Bank of Latvia at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Latvian lats applying the official exchange rate established by the Bank of Latvia at the last day of the reporting year. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are netted in the profit or loss statement.

	31.12.2007	31.12.2006
USD	0,484	0,536
EUR	0,7028	0,7028
LTL	0,204	0,204
EEK	0,0449	0,0449
RUB	0,0197	0,0203
BYR	0,225	0,25

Cash and its equivalents

Cash and its equivalents in cash flow statement comprise the cash on hand, balances of current bank accounts and short-term deposits with initial term up to 90 days.

Long-term and short-term items

Amounts presented in long-term items are the amounts with the maturity term for receipt, payment or write-off coming into effect more than a year after the completion of the respective reporting year. Amounts receivable, payable or to be written-off within a year are presented as short-term items.

Capitalization of loan costs and other costs

Costs of borrowing to finance fixed assets under construction and other direct charges related to the particular fixed asset under construction are capitalized, during the period of time that is required to prepare the asset for its intended use, as part of the cost of the asset. Capitalization of the borrowing costs is suspended during extended periods in which active developments are interrupted.

Accounts receivable

Accounts receivable are recognized and carried at original invoice amount less provisions for doubtful and bad debts. Provisions for doubtful and bad debts are established, when the management considers that the collection of the full amount is doubtful.

Finance leases

Leases of assets under which the Company has substantially all the risks and rewards or ownership are classified as finance leases. Finance leases are capitalized at the inception of lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The interest element of lease payments is charged to the profit and loss statement so that as to produce a constant periodic rate of interest on the remaining balance of the liability.

Evaluation of stock

Stock has been valued by applying the average weighted FIFO method. Stock in the Balance has been presented in acquisition cost prices or in the lowest market value if it is lower. Obsolete, slow-turnover or deficient stock has been valued at net realizable value. When the net realizable value of stock is lower than its cost, provisions are created to reduce the value of inventories to its net realizable value.

Accrued unused annual leave expenses

Amount of provisions for unused annual leave is determined by multiplying the average wage of each employee in the reporting year by the accrued but unused annual leave at the end of the reporting year.

Corporate income tax

Corporate income tax in the reporting period includes current and deferred taxes. The corporate income tax has been stated in the profit or loss statement.

Corporate income tax for the reporting period has been calculated in accordance with the requirements of the law of the Republic of Latvia "On corporate income tax", applying a 15% rate fixed by the law.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The deferred tax was calculated by applying a 15% tax rate fixed by the law. The temporary differences are related with the differences in the depreciation rates of reporting and tax depreciation and amortization on the Company's non-current assets, as well as with accruals for unused annual leave and with tax losses carried forward. The deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Reclassification of items

In year 2007 the Company has discovered a mistake, which occurred in years 2005 and 2006, during the calculation of corporate income tax declaration, because the depreciation for tax purposes was calculated wrong. It resulted to changes in Balance Sheet position “Retained earnings of the previous years” – it was increased for 26 891 LVL.

This mistake is corrected in year 2007 with retroaction, which had the following influence on items of year 2006:

Influence on the items of year 2006	LVL
Retained profit of the previous years before recognition of mistake	130 636
Increase of retained earnings	26 493
Retained profit of the previous years after recognition of mistake	157 527

The adjustment of the mistake doesn't have impact on corporate income tax for year 2005, because even after adjustment the taxable income for year 2005 according to the corporate income tax declaration was negative (the company had loss) and the tax was not applicable.

The adjustment of the mistake do have impact on corporate income tax for year 2006, because after the adjustment the taxable income for year 2006 according to the corporate income tax declaration became negative and the tax should not been applied.

Before the adjustment the calculated tax amount was 26 493 LVL, after the adjustment was booked in Balance Sheet assets as “Overpaid company income tax”.

2 Net turnover

Net turnover distribution by geographical markets:	2007		2006	
	LVL	EUR	LVL	EUR
Latvia	3 502 789	4 984 020	3 500 004	4 980 057
Foreign Countries	638 952	909 146	788 158	1 121 448
Target Subsidies	1 577 156	2 244 091	946 423	1 346 638
Total	5 718 897	8 137 257	5 234 585	7 448 143

Net turnover distribution by types of activities:	2007		2006	
	LVL	EUR	LVL	EUR
Incomes from operating activity	4 017 484	5 716 365	4 192 667	5 965 628
Commissions and brokerage incomes	18 584	26 443	58 327	82 992
Target Subsidies	1 577 156	2 244 091	946 423	1 346 638
Other incomes of the company	105 673	150 358	37 168	52 885
Total	5 718 897	8 137 257	5 234 585	7 448 143

3 Production costs of products sold

	2007		2006	
	LVL	EUR	LVL	EUR
Fuel acquisition costs	1 587 977	2 259 488	1 600 812	2 277 750
Spare parts acquisition costs	331 359	471 481	286 311	407 384
Tires acquisition costs	64 701	92 061	56 619	80 562
Maintenance costs	47 444	67 507	38 378	54 607
Other acquisition costs	98 828	140 620	85 988	122 350
Costs of personnel:	1 631 813	2 321 861	1 450 588	2 064 001
Salaries of employees	1 317 669	1 874 874	1 170 588	1 665 493
Social insurance contributions of employees	314 144	446 987	280 073	398 508
Depreciation of fixed assets	588 675	837 609	482 944	687 167
Other production costs	603 198	858 273	439 293	625 058
Total	4 953 995	7 048 900	4 440 933	6 318 878

4 Sales costs

	2007		2006	
	LVL	EUR	LVL	EUR
Interests from tickets sold	271 485	386 288	254 811	362 563
Advertising expenses	6 686	9 513	3 875	5 514
Total	278 171	395 801	258 686	368 077

5 Administrative costs

	2007		2006	
	LVL	EUR	LVL	EUR
Costs of personnel:	192 250	273 547	166 470	236 865
Salaries of employees	159 181	226 494	138 087	196 480
Social insurance contributions of employees	33 069	47 053	28 383	40 385
Costs of management business trips	28 156	40 063	16 298	23 190
Other costs	91 600	130 335	90 583	128 888
Total	312 006	443 945	273 351	388 943

6 Other operating income

	2007		2006	
	LVL	EUR	LVL	EUR
Income from sale of fixed assets	48 785	69 415	14 180	20 176
Other income	40 265	57 292	69 500	98 890
Total	89 050	126 707	83 680	119 066

7 Other operating expenses

	2007		2006	
	LVL	EUR	LVL	EUR
Costs of liquidation and sale of fixed assets	70 978	100 994	12 585	17 907
Other costs	107 006	152 254	130 810	186 126
Total	177 984	253 248	143 395	204 033

8 Interest income and similar income

	2007		2006	
	LVL	EUR	LVL	EUR
Accrued interest for bank account balances	241	343	144	205
Total	241	343	144	205

9 Interest expenses and similar expenses

	2007		2006	
	LVL	EUR	LVL	EUR
Interest payments to Hansa Līzings Ltd.	40 302	57 345	38 955	55 428
Total	40 302	57 345	38 955	55 428

10 Uzņēmumu ienākuma nodoklis par pārskata gadu

	2007		2006 after adjustment		2006 before adjustment	
	LVL	EUR	LVL	EUR	LVL	EUR
Corporate income tax	13 142	18 699	0	0	26 493	37 696
Total	13 142	18 699	0	0	26 493	37 696

- explanations on made adjustments are reflected in section “Reclassification of the items”

11 Other taxes

	2007		2006	
	LVL	EUR	LVL	EUR
National Resources Tax	162	230	117	166
Real Estate Tax	29 155	41 484	5 247	7 466
Total	29 317	41 714	5 364	7 632

12 Statement on movement of long-term intangible investments

	Concessions patents, licenses, trade marks and other similar rights		Total	
	LVL	EUR	LVL	EUR
Initial value				
31.12.2006	51 255	72 929	51 255	72 929
Purchased	1 458	2 075	1 458	2 075
31.12.2007	52 713	75 004	52 713	75 004
Depreciation				
31.12.2006	49 668	70 671	49 668	70 671
Depreciation calculated	1 109	1 578	1 109	1 578
31.12.2007	50 777	72 249	50 777	72 249
Carrying value at 31.12.2006	1 587	2 258	1 587	2 258
Carrying value at 31.12.2007	1 936	2 755	1 936	2 755

13 Statement on movement of fixed assets

	Buildings, structures and land *		Equipment and machinery		Other fixed assets		Creation of fixed assets		Total	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Initial value										
31.12.2006	956 442	1 360 894	179 102	254 839	4 246 635	6 042 417	525	747	5 382 704	7 658 898
Purchased	31 452	44 751	8 509	12 107	532 847	758 173	0	0	572 808	815 032
Disposed	-990	-1 409	-16 803	-23 908	-675 488	-961 133	525	747	-693 806	-987 197
31.12.2007	986 904	1 404 238	170 808	243 038	4 103 994	5 839 457	0	0	5 261 706	7 486 733
Depreciation										
31.12.2006	598 208	851 173	143 827	204 647	2 414 904	3 436 099	0	0	3 156 939	4 491 920
Depreciation calculated	-39 057	-55 574	-10 896	-15 504	-537 612	-764 953	0	0	-587 565	-836 030
Depreciation disposed	534	760	16 803	23 909	604 967	860 789	0	0	622 304	885 460
31.12.2007	636 731	905 987	137 920	196 242	2 347 549	3 340 261	0	0	3 122 200	4 442 490
Carrying value at 31.12.2006	358 234	509 721	35 275	50 192	1 831 731	2 606 318	525	747	2 225 765	3 166 978
Carrying value at 31.12.2007	350 173	498 251	32 888	46 796	1 756 445	2 499 196	0	0	2 139 506	3 044 243

* The real estate value in the balance sheet is 350 173 LVL, the cadastral value of real estate 943 622 LVL.

** Initial value of fixed assets that have been fully depreciated but are still in active use, is 1 550 478 LVL.

*** The amount of acquired assets under finance lease during year 2007 is 456 611 LVL, the carrying value is 423 029 LVL

**** On March 29, 2001 the Enterprise Register of Latvia has registered the act of pledge, according to it the maximal amount of secured claim on fixed assets owned by “Nordeka” JSC is 500 000 LVL (711 436 EUR) in favor of “Elssa” Ltd.

14 Long-term financial investments

	Investments in associates		Investments in equity of other companies		Loans to company's employees		Total	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Initial value								
31.12.2006	8 750	12 450	18 533	26 370	3 998	5 689	31 281	44 509
Purchased	5 250	7 470	0	0	0	0	5 250	7 470
Disposed	0	0	0	0	(745)	(1 060)	(745)	(1 060)
Reclassified	0	0	6 837	9 728	0	0	6 837	9 728
31.12.2007	14 000	19 920	25 370	36 098	3 253	4 629	42 623	60 647

Investments in associates:

Name of the company, legal address	Parts owned, %	Carrying value of investment	
		LVL	EUR
„Starppilsētu līnijas” Ltd	35	14 000	19 920

15 Stock

	31.12.2007		31.12.2006	
	LVL	EUR	LVL	EUR
Carrying value of stock	199 426	283 758	284 840	405 291
Advance payments for goods	12 329	17 542	5 562	7 914
Net value	211 755	301 300	290 402	413 205

16 Trade accounts receivable

	31.12.2007		31.12.2006	
	LVL	EUR	LVL	EUR
Carrying value of trade accounts receivable	190 233	270 677	175 570	249 814
Net value	190 233	270 677	175 570	249 814

The changes in provisions for doubtful debts in the reporting year:

	LVL	EUR
Provisions for doubtful debts as at 31.12.2006	289 459	411 863
Increases in the reporting year	6 203	8 826
Decreases in the reporting year	79	112
Provisions for doubtful debts as at 31.12.2007	295 583	420 577

17 Other accounts receivable

	31.12.2007		31.12.2006	
	LVL	EUR	LVL	EUR
Settlements with the employees	510	726	3 703	5 269
Settlements with suppliers (advance payments)	9 283	13 208	5 336	7 592
Tax overpayment	254 825	362 583	269 251	383 110
Other accounts receivable	6 796	9 670	12 345	17 565
Settlements with the accountable persons	3 041	4 327	0	0
Total	274 455	390 514	290 635	413 536

18 Prepaid expenses

	31.12.2007		31.12.2006	
	LVL	EUR	LVL	EUR
Press	555	790	558	794
Constituency expenses	13	18	258	367
Insurance	52 510	74 715	57 728	82 140
Other	2 793	3 974	2 845	4 048
Total	55 871	79 497	61 389	87 349

19 Cash

		31.12.2007			31.12.2006		
		Currency	LVL	EUR	Currency	LVL	EUR
Cash on hand	BUR	4 908 341	1 104	1 571	7 405 900	1 851	2 634
	EEK	0	0	0	760	34	48
	EUR	0	0	0	120	85	120
	LTL	2 560	522	743	294	60	85
	LVL	3 559	3 559	5 064	3 961	3 961	5 636
	PLN	32	6	8	160	29	41
	RUB	2 378	47	67	3 471	70	100
	USD	0	0	0	506	271	386
Cash in the bank	BUR	0	0	0	17 849 000	4 463	6 350
	EUR	0	0	0	1 017	716	1 019
	LVL	87 639	87 640	124 700	44 737	44 737	63 655
Cash en route		11 461	16 308		12 485	17 765	
Total		104 339	148 461		68 762	97 840	

20 The share capital

The share capital of the Company consists of investments of shareholders 1 906 588,00 LVL (2 712 830,00 EUR), divides into 1 906 588 parts, the part value of each share is 1,00 LVL.

21 Provisions

	Provisions for unused annual leave		Other provisions		Total	
31.12.2006	22 517	32 039	20 001	28 459	42 518	60 498
Decrease	(8 120)	(11 554)	(551)	(785)	(8 672)	(12 339)
31.12.2007	14 397	20 485	19 450	27 674	33 846	48 159

The amount of provisions is calculates separately for each employee – by multiplying the average wage of employee at the end of the year with number of days of unused vacation.

Long-term accounts payable

22 Leasing liabilities

	Interest rate	Maturity	31.12.2007		31.12.2006	
			LVL	EUR	LVL	EUR
Loan from Hansa Līzings Ltd.			363 827	517 679	471 394	670 733
Loan part payable in 2-5 years	5-7	36 – 60 month	363 827	517 679	471 394	670 733
Total long-term loans from credit institution			363 827	517 679	471 394	670 733

The security against the loan is the balance value of the asset.

Short-term accounts payable

23 Leasing liabilities

	Interest rate	Maturity	31.12.2007		31.12.2006	
			LVL	EUR	LVL	EUR
Loan from Hansa Līzings ltd. Short-term part of the long-term loan	5-7	36-60 month	332 881	473 647	337 528	480 259
Total short-term loans from credit institution			332 881	473 647	337 528	480 259

The security against the loan is the balance value of the asset.

24 Other loans

	Interest rate	Maturity	31.12.2007		31.12.2006	
			LVL	EUR	LVL	EUR
Loan from „Elssa” Ltd., Short-term part of the long-term loan			43 493	61 885	80 493	114 531
Loan from J. Savicka			20 000	28 457	111 171	158 182
Other					10	14
Total short-term other loans			63 493	90 342	191 674	272 727

On March 29, 2001 the Enterprise Register of Latvia has registered the act of pledge, according to it the maximal amount of secured claim on fixed assets owned by “Nordeka” JSC is 500 000 LVL in favor of “Elssa” Ltd.

On June 16, 2004 Hansa Līzings Ltd. – mechanical transport vehicles.

25 Taxes and social contributions

Type of tax	Balance as at 31.12.2006		Charge for year 2007		Transfer-red to other taxes		Paid in 2007		Balance as at 31.12.2007	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Corporate income tax	0	0	13 142	18 699	0	0	(102 406)	(145 710)	(89 264)	(127 011)
Value added tax	(184 232)	(262 139)	(302 129)	(429 891)	321 153	456 960	0	0	(165 208)	(235 070)
Social contributions	(61 096)	(86 932)	480 463	683 638	0	0	(391 033)	(556 390)	28 334	40 316
Personal income tax	(23 859)	(33 948)	292 952	416 833	0	0	(240 371)	(342 017)	28 722	40 868
Real estate tax	(64)	(91)	29 154	41 483	0	0	(29 443)	(41 894)	(353)	(502)
National Resources Tax	0	0	162	230	0	0	(128)	(182)	34	48
Total:	LVL	EUR		EUR		EUR		EUR	LVL	EUR
Including:	31.12.2006								31.12.2007	
Overpaid	LVL	EUR		EUR		EUR		EUR	LVL	EUR
Liabilities	269 251	383 110	0	0	0	0	0	0	254 825	362 583
Corporate income tax	0	0	0	0	0	0	0	0	57 090	81 232

Tax overpayments are included in the item „Other accounts receivable”.

Influence of adjustment of mistake, 2006	LVL
Calculated company income tax before recognition of mistake	26 891
Decrease in corporate income tax	26 891
Calculated company income tax after recognition of mistake	0

26 Other accounts payable

	31.12.2007		31.12.2006	
	LVL	EUR	LVL	EUR
Salaries	103 072	146 658	77 685	110 536
Settlements with company’s personnel	9 221	13 120	2 209	3 143
Settlements with the accountable persons	10 728	15 265	0	0
Total	123 021	175 043	79 894	113 679

27 Deferred tax

	31.12.2007		31.12.2006	
	LVL	EUR	LVL	EUR
Deferred income tax liability at the beginning of the reporting year	241 834	344 099	170 789	243 011
Deferred income tax expenses/incomes in profit or loss statement	-115 931	-164 955	71 045	101 088
Change in deferred income tax charged to long-term investment revaluation reserve				
Deferred tax liability at the end of the reporting year	125 903	179 144	241 834	344 099

Deferred income tax has been calculated from the following temporary differences between assets and liabilities values for financial reporting and tax purposes:

	31.12.2007	
	LVL	EUR
Gross deferred tax liability:	168 346	239 535
Temporary difference on fixed assets depreciation	1 122 305	1 596 896
Gross deferred tax asset:	52 415	74 580
Temporary difference on provisions for unused annual leave	34 397	48 943
Provisions for doubtful debts	295 583	420 577
Provisions for changes in value of stock	19 449	27 673
Deferred tax liability	115 931	164 955

The Company's management believes that the above liabilities will be offset against the respective tax assets during the next years when the deferred tax liabilities realize.

Actual corporate income tax charge for the reporting year, if compared with theoretical calculations:

	2007	
	LVL	EUR
Profit/(loss) before tax	45 730	65 068
Theoretically calculated tax at a tax rate of 15%	6 859,50	9 760,19
Permanent differences:		
Real estate tax	29 154	41 482
National resources tax	162	230
Expenses not deductible for tax purposes	85 243	121 290
Other		
Tax rebate on donations	3 286	4 676
Actual corporate income tax for the reporting year	13 142	18 699

28 Number of persons employed by the company

	2007	2006
Average number of employees during the reporting year	322	326

29 Personnel costs

Type of costs	2007		2006	
	LVL	EUR	LVL	EUR
Salaries	1 367 751	1 946 135	1 218 344	1 733 547
Other social contributions	329 491	468 823	286 204	407 232
Total	1 697 242	2 414 958	1 504 548	2 140 779

30 Management remuneration

Type of costs	2007		2006	
	LVL	EUR	LVL	EUR
Council members' remuneration				
- Salary expenses	23 257	33 092	21 342	30 367
- Social insurance	5 603	7 972	5 141	7 315
Board members' remuneration				
- Salary expenses	4 800	6 830	4 875	6 937
- Social insurance	1 156	1 645	1 174	1 670
Management remuneration				
- Salary expenses	72 482	103 133	65 625	93 376
- Social insurance	17 461	24 844	15 919	22 651
Total	124 759	177 516	114 076	162 316

31 Information on the lease and rent contracts which are important to the company's operating activities

The engineering buildings, owed by “Nordeka” JSC, are located on private land; the lease agreement of unlimited duration has been signed with the owner.

32 Transactions with related parties

The Company is controlled by „Starppilsētu līnijas” Ltd. (Company is registered in Latvia), which owns 35% of the Company's shares.

Related party		Amounts owed to related parties	
		LVL	EUR
Entities with significant influence over the Company:			
„Elssa” Ltd.	2007	43 493	61 885
„Elssa” Ltd.	2006	80 493	114 531
Associates:			
„Starppilsētu līnijas” Ltd.	2007	0	0
„Starppilsētu līnijas” Ltd.	2006	0	0
Key management personnel and shareholders of the Company:			
J. Savickis	2007	20 000	28 457
J. Savickis	2006	111 171	158 182
TOTAL 2007:		63 493	90 342

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made at normal market prices. Outstanding balances as at year-end are unsecured and settlements are made in cash. There have been no guarantees provided or received for any related party receivables. For the year ended 31 December 2007, the Company has not raised any provision for doubtful debts relating to amounts owed by related parties.

33 Going concern

The Company completed the year 2007 with profit for total amount 119 202 LVL (169 609 EUR). The target of the Company is to continue the successfully started activity.

34 Events after balance sheet date

As at the last day of the reporting year until the date of signing these financial statements there have been no events requiring adjustment of or disclosure in the financial statements or notes thereto.

INDEPENDENT AUDITOR'S REPORT

To shareholder/-s of "Nordeka" AS

Report on the financial statement

We have performed the audit of the financial statement incorporated in the annual report of "Nordeka" AS, registration No. 4000302240, for the year 2007, which is presented on pages from 6 to 26. The audited financial statement comprises the balance sheet as of 31 December 2007, the profit or loss account for the year 2007, the report on the changes in equity, and the cash flow statement for the year ended December 31, 2007, as well as a summary on the relevant accounting principles, as well as other explanatory information presented in the Appendix.

Management responsibility on the presentation of the financial statement

The management of "Nordeka" AS is responsible for drawing up of the financial statement and accuracy of the information contained in the said report presented pursuant to the Republic of Latvia law "On annual reports". This responsibility implies establishment, implementation and maintenance of such internal control that is to ensure the drawing up and true and fair presentation of the financial report that is free from material misstatement resulting from fraudulent activity or errors, selection and use of an appropriate accounting policy, as well as preparation of accounting estimates suitable in the particular conditions.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We performed the audit in accordance with the International Standards on Audit recognized in Latvia. These standards stipulate ethical norms to be observed by the auditor and require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

The audit includes procedures undertaken to obtain audit evidence on the amounts presented in the financial statements and the information disclosed. The procedures are selected based on the auditor's professional judgement, including assessment of risk of fraudulent misrepresentation or material discrepancies in the financial statement. When performing risk assessment, the auditor takes into account internal control established to ensure the drawing up of the financial statements and accurate presentation of information in the reports aimed at determining the most appropriate procedures in the particular situation, rather than expressing an opinion on the efficiency of control. The audit also includes general evaluation of whether the applied accounting principles and relevant management assumptions, as well as the information presented in the financial statements are reasonably justified.

We believe that the disclosures made in the course of our audit are sufficient and adequate to express our auditor's opinion.

Opinion

In our opinion, the financial statement presents fairly, in all material respects the financial position of the "Nordeka" AS as of December 31, 2007, and of the results of its financial performance and cash flows for the year 2007 in accordance with the law of the Republic of Latvia "On annual reports".

Report on the conformity of the management report

We have familiarised ourselves with the management report for the year 2007, which is presented on pages 4 to 5, and have not disclosed any material discrepancies between the financial information presented in the management report and the financial statement for the year 2007.

BDO Invest Riga" JSC
Certified auditors Commercial Company
Licence No. 112

D. Tunsts
International Liaison Partner

Riga, Latvia
April 29, 2008

A. Putniņš
The responsible certified auditor
Certificate No.123

