

Name of the company: **JSC "Olaines kūdra"**
Legal address **Rīgas 21, Olaine, LV-2114**
Unified registration number **40003006999**

ANNUAL REPORT for the Year 2007

(reporting period: 01.01.2007.-31.12.2007.)

Date of producing of the document **__._.2007.**

The document drawn up by (first name, surname, position)

Confirmed by (first name, surname, position)

Currency of the Report:

LVL

Name of the Company **JSC “Olaines kūdra”**

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INFORMATION ABOUT THE COMPANY

1 The full name of the Company: **JSC "Olaines kūdra"**

2 Legal status of the Company: **Joint Stock Company**

3 Registration No. In the CR, place and date: **40003006999** **Rīga, 02.07.2004**

4 Tax payer's registration number.: **40003006999** **Rīga, 03.08.2004**

5 VAT registration number: **LV 40003006999**

5 The Company's legal address and telephone: **Rīgas 21, Olaine, LV-2114**
Tel.: **67964254** Fax: **67964203**

6 Office address and telephone: **Rīgas 21, Olaine, LV-2114**
Tel.: **67964254** Fax: **67964203**

7 Type of business: **Extraction and processing of peat**

8 Reporting year: **January 1, 2007 – December 31, 2007**

9 Members of Board

Chairman of Board **Sergejs Šakuns**
Director

Members of Board **Brigita Kraule**
economical director

Mihails Zeņkovs
engineer-mechanic

10 Council **Biomins Kajems**

Oļegs Krasiļņikovs

Sergejs Lukašins

Juris Nusbaums

Vilnis Nollendorfs

11 the Chief accountant: **Jeļena Luseviča**

12 Auditor, licence no., address, telephone: **LLC "FINANSIST",**
Address: Rīga, Kurzemes prosp.3-412, Latvija, LV-106'
40002046180 Licence no. 102

13 Average number of employees: **108**

14 The owners/shareholders of the Company

Total share capital Ls 1 800 000

LLC "MONO"		
Address Katlakalna 1, Rīga		
The proportion of shares (%)	30%	40003004625
SIA "LEMF"		
Address: Katlakalna 10, Rīga		
The proportion of shares (%)	4%	4000300423
State social insurance agency		
The proportion of shares (%)	3%	337395
Vista Capital Cooperation		
The proportion of shares (%)	5%	VCC061219995
Viktors Karbanovs		
The proportion of shares (%)	38%	160258-10728

15 Information about the related companies:

LLC "MONO"		
Address Katlakalna 1, Rīga		
The proportion of shares (%)	30%	40003004625
LLC "LEMF"		
Address: Katlakalna 10, Rīga		
The proportion of shares (%)	4%	4000300423

16 Structural units of the Company

"Gaismas" - unit of peat extraction
 Address, tel.: "Gaismas", Olaine civil parish, Riga region
 Tel.27931228

JSC “OLAINES KŪDRA” MANAGEMENT REPORT ON ECONOMIC ACTIVITIES IN 2007.

The main directions of business activities of JSC “Olaines kūdra” in 2007:

The main results of business activities in 2007:

The main directions of the Company's business in 2007 were as follows:

1. Extraction of milled peat.
2. Production of moss peat, neutralized peat and peat substrata.
3. Packaging of peat.
4. Distribution of peat products in Latvia and abroad.

Comparison of the Company's business with that of year 2006, factors influencing business, economical status and turnover.

Meteorology conditions in the reporting year was unfavorable for extraction of peat, the total extraction of peat in 2007 was only 35,6 % of the amount of peat extracted in the previous year. Taking into account the residual amount of peat in stacks in marsh at the beginning of the year, the production of packaged peat has increased by 8,7%.

The net turn-over as compared to the respective period of the previous year, has increased by 14,5 %; gross profit from sales considering also sales' costs, comparing to the previous year has decreased by 28,8%. The export amount and amount delivered to EU constitutes 74,2% of the total net turn-over.

The increase of costs in 2007 is composed of wages and State obligatory social insurance payments, the increase of diesel fuel price by 16,5%, payments to Riga Stock Exchange for quotation in the amount of 5000 LVL, the increase of real estate tax (for buildings).

In the reporting year the prices of sold products in the local market increased on average by 10% -15%. The increase of export prices and prices for products delivered to EU countries was 7% on average, reaching the maximum possible limit.

Comparing to the previous year, in 2007 the number of hired employees has increased by 14,7%, but the number of dismissed employees has increased by 20,2 %.

Considering that working conditions at the place of extraction of peat are not especially attractive, as well as general shortage of workforce in this country, it was

not possible in the reporting period to provide a full set of necessary employees. Due to the low qualification and discipline of hired employees, the full capacities of peat processing shop and peat extraction were not utilized.

In 2007 the average salary comparing to 2006 has increased by 27,8 %, the increase is continuing also in 2008 since the level of salaries in the Company is lower than average wages in national economy.

The employees are provided with labor protection means, special working clothes, and high quality potable water.

The Company closes the reporting year with the profit in the amount of 7113 LVL, with the timely payments of employees' salaries and the tax payments to State and municipal budgets in the amount of 135050 paid within the indicated terms.

The Company for provision of its financial operations utilizes only its own means, excluding loans from banks and other borrowings. The main financial risk related to the Company's financial instruments is the risk of currency. The risk of foreign currency for the company's financial assets and liabilities includes cash, debts of customers and clients, debts to suppliers.

76,5 % of the Company's income is in EUR, but expenses are 72,1 % in LVL. Hence the Company's further profit or loss will not be influenced by the fluctuations of the rate of EUR provided that the Bank of Latvia keeps the defined fixed rate. The expenses for currency converting in the reporting year were 2803 LVL.

In the reporting year the Company proceeded with participation in the Advisory Board of the LIFE – Nature project „Implementation of marsh habitat protection plan in Latvia” under the guidance of Latvian Nature Fund and EC (2004 – 2008).

In 2006 the profit per one share (EPS) was 0.02 LVL, in 2007 - 0,0039 LVL.

Movement of Company's securities

JSC “Olaines kūdra” has quoted its shares at Riga Stock Exchange. The price of one share varied between 0,32 and 0,27 santims per share.

In 2007 no significant transactions have been registered with JSC „Olaines kūdra” shares.

The profitability of the Company

The gross profit margin of the Company is 2,98%, the net profit margin is 0,6%.

The management of JSC "Olaines Kūdra" offers dividends not to pay and income 7113 LVL to leave unshared.

Conditions that can influence the economic situation of the Company in 2008 and the planned policy in 2008.

It is forecasted that in 2008, as a result of operations of JSC "Olaines kūdra", there will be losses up to 10% of the Company's share capital, since the prime cost of 1 ton of peat after the unfavorable peat extraction season in 2007 has increased by 110% and this peat will be processed in 2008; the prime cost is also influenced by unusually warm winter without frost, when it was not possible to bring peat from stacks in marsh to the peat processing shop, as well as the increase of wages. The planned increase of price in 2008 is 10-15%.

In 2008 the Land lease agreement with Riga city shall be renewed since the term of existing land lease agreement expires on December 31, 2008.

In 2008 the inventory of peat stocks shall be performed and it will call for attraction of resources and additional expenditures.

At present the Management of the Company in co-operation with the Council is working on the process of optimization of the Company's operation, planning to solve the problems of the Company (for example, regarding the reduction of expenses or removal of peat from fields in warm weather conditions). Such activities will need additional investment in fixed assets of the Company, though they will allow solving the actual economical problems in future and will have positive impact on the amount of income of the Company.

To the present moment no decision is made to change crucially the previous directions of activities of the Company or to suspend any of such directions, though the adoption of such resolution is possible in future and it depends upon successful or unsuccessful implementation of cost reduction activities.

Events calling for adjustment of Report for the year 2007 after the balance date

After the balance date there are no events calling for necessity to supplement or correct the Annual Report.

17-th of March 2008.

Chairman of Board

Member of Board

Member of Board

S.ŠAKUNS

B.KRAULE

M.ZEŅKOVŠ

Name of the Company **JSC "Olaines kūdra"** by UUK

Registration No. 40003006999

Address Rīgas 21, Olaine, LV-2114 by ATK

Telephone 67964254 Fax 67964203

Management institution by VPIIK
SRS Riga regional institution, Riga district department

Type of business Extraction and processing of peat by ISIC

Measurement unit LVL

PROFIT OR LOSS STATEMENT
(ACCORDING TO THE TURN-OVER METHOD)
(reporting period: 01.01.2007.-31.12.2007.)

Name of indices	Number of Notes	2007		2006	
		LVL	EUR	LVL	EUR
1	2				
Net turn-over	15	1178539	1676919	1029197	1464424
Cost of production of sold products	16	-961616	-1368264	-789566	-1123458
Gross profit or losses		216923	308655	239631	340966
Sales costs	17	-126853	-180497	-113270	-161170
Administrative costs	18	-66476	-94587	-72447	-103083
Other income from economic activity	19	64643	91979	69486	98870
Other expenses of economic activity	19	-54459	-77489	-68018	-96781
Other interest income and similar income	20	1381	1965	1804	2567
Interest payments and similar expenses				-48	-68
Profit or loss before extraordinary items and taxes		35159	50026	57138	81301
Profit or loss before taxes		35159	50026	57138	81301
Company's income tax in the reporting year	21	-6309	-8977	-15518	-22080
Income and expenses related to deferred tax liabilities and assets		-4243	-6037	8694	12371
Other taxes		-17494	-24892	-12548	-17854
Profit or loss of the reporting year	22	7113	10120	37766	53738

Chairman of Board _____
(name, surname, signature)

Name of the Company	JSC "Olaines kūdra"		
Registration No. In Commercial Register	40003006999		
Tax payer's registration number	40003006999		
Address	Rīgas 21, Olaine, LV-2114		
Telephone	67964254	Fakss	67964203
Management institution			
Tax authority			
the main type of business	Extraction and processing of peat		
Measurement unit	LVL		

BALANCE SHEET

FOR THE Year 2007

(reporting period: 01.01.2007.-31.12.2007.)

Submission date

Receiving date:

ASSETS	Number of Note	At the end of the Reporting period		At the beginning of the year	
		LVL	EUR	LVL	EUR
1	2				
LONG-TERM INVESTMENTS					
Intangible assets					
Concessions, patents, licenses, trade marks and similar rights		562	800	926	1318
I. TOTAL:	1	562	800	926	1318
Fixed assets					
Land plots, buildings and structures and perennial plants		567740	807826	563737	802130
Equipment and machinery		228145	324623	266178	378739
Other fixed assets and inventory		9509	13530	4839	6885
Formation of fixed assets and costs of unaccomplished construction objects		8974	12769	8974	12769
II. TOTAL:		814368	1158748	843728	1200523
GRAND TOTAL OF THE FIRST SECTION		814930	1159548	844654	1201841
CURRENT ASSETS					
Stocks					
Raw material, basic materials and auxiliary materials	2	210742	299861	170414	242479
Unfinished produce		53	75	53	75
Finished produce and goods for sale		303929	432454	299996	426859
Advance payments for goods	3	10225	14549	6842	9735
I. TOTAL:		524949	746939	477305	679148
Debtors					
Debts of customers and clients	4	170108	242043	159839	227431
Other debtors	5	46313	65897	51472	73238
Deferred expenses	6	3116	4434	8331	11854
III. TOTAL:		219537	312374	219642	312523
Short-term financial investments					
Own shares	7	6000	8537	6000	8537
IV. TOTAL:		6000	8537	6000	8537
Cash (total)	8	415308	590933	426215	606453
GRAND TOTAL OF THE SECOND SECTION		1165794	1658783	1129162	1606661
BALANCE		1980724	2818331	1973816	2808502

LIABILITIES	Piezīmes numurs	Pārskata beigās	perioda	Gada sākumā	
				LVL	EUR
1	2	LVL	EUR	LVL	EUR
Shareholders' funds					
Share capital (equity capital)	9	1800000	2561184	1800000	2561184
Reserves:					
other reserves	10	37850	53856	37850	53856
I. TOTAL:		1837850	2615040	1837850	2615040
Retained earnings					
retained earnings from the previous years		37734	53690	37734	53690
retained earnings of the reporting year		7113	10120		
GRAND TOTAL OF THE SECTION		1882697	2678850	1875584	2668730
ACCRUALS					
Other accruals	11	18068	25709	17637	25095
GRAND TOTAL OF THE SECOND SECTION		18068	25709	17637	25095
3. CREDITORS					
I. LONG-TERM CREDITORS					
Deferred tax liabilities		56903	80966	52660	74929
I. TOTAL:		56903	80966	52660	74929
SHORT-TERM CREDITORS					
Advances from customers		7089	10087	10136	14422
Debts to suppliers and contractors	12	4128	5874	7113	10121
Taxes and state obligatory social insurance contributions	13	92	130	223	317
Other creditors	14	11747	16715	10463	14888
II. TOTAL:		23056	32806	27935	39748
GRAND TOTAL OF THIS SECTION		79959	113772	80595	114677
BALANCE		1980724	2818331	1973816	2808502

Chairman of Board

Name of the Company **JSC "Olaines kūdra"**

In accordance with the Latvian accounting standard No.2

STATEMENT OF OWN CAPITAL CHANGES FOR THE YEAR 2007

(reporting period: 01.01.2007.-31.12.2007.)

(WITH A HORIZONTAL METHOD)

	Equity capital		Other reserves		Retained earnings		Own capital (total)	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Residual according to balance sheet as of the beginning of the previous reporting period 01.01.2006	1800000	2561184	24661	35090	13189	18766	1837850	2615040
Profit of the previous year added to reserves			13189	18766	-13189	-18766	0	0
Retained earning of the reporting year					37 734	53 690	37734	53690
Residual according to the balance sheet as of the beginning of the reporting period 01.01.2007	1 800 000	2 561 184	37 850	53 856	37 734	53 690	1875584	2668730
Retained earnings of the reporting year					7 113	10 120	7 113	10088
Residual according to the balance sheet as of the end of the reporting period 31.12.2007	1 800 000	2 561 184	37 850	53 856	44 847	63 810	1882697	2678850

Chairman of Board

Name of the company **JSC "Olaines kūdra"**

In accordance with the Latvian accounting standard No.2 "Cash flow statement"

Registration No. In ER **40003006999**

Tax payer's reg.No.: **40003006999**

Address: Rīgas 21, Olaine, LV-2114

Tel. 7964254

Fax 7964203

SRS Riga regional institution, Riga District department

Measurement unit LVL

CASH FLOW STATEMENT FOR THE YEAR 2007
(reporting period: 01.01.2007.-31.12.2007.)
(with a direct method)

	Annexes	For 2007		For 2006	
		LVL	EUR	LVL	EUR
I. Cash flow from basic activity					
1	Income from sales of goods and provided services	1267128	1802971	1154176	1642254
2	Payments to suppliers, employees and other operating expenses	-1205990	-1715979	-1046642	-1489246
3	<i>Gross basic activity cash flow</i>	61138	86992	107534	153008
4	Expenses on interest payment		0	-48	-68
5	Expenses on company's income tax payments	-9080	-12920	-37762	-53731
6	<i>Cash flow before extraordinary items</i>	52058	74072	69724	99209
	I. Operation net cash flow	52058	74072	69724	99209
II. Investment operation cash flow					
1	Procurement of fixed assets and intangible assets	23	-68839	-97950	-34275
2	Income from selling of fixed assets and intangible assets		550	783	4637
3	Granted loans		-610228	-868281	-988176
4	Income from repaid loans		608748	866175	986235
5	Income from interest payment		7388	10512	1804
	II. Investment operation net cash flow		-62381	-88761	-29775

SUMMARY OF CASH INCOME AND EXPENSES

I	Result of basic activity		52058	74072	69724	99209
II	Result of investment operation		-62381	-88761	-29775	-42366
III	Result of fluctuation of foreign currency rates		-584	-831	-3226	-4590
IV	Net increase or decrease of cash and its equivalents		-10907	-15520	36723	52253
V	Residual of cash and its equivalents at the beginning of the reporting period		426215	606453	389492	554200
VI	Residual of cash and its equivalents at the end of the reporting period		415308	590933	426215	606453

Chairman of Board _____

Name of the company

JSC "Olaines kūdra"

STATEMENT OF LONG-TERM INVESTMENT MOVEMENT FOR 2007

(reporting period: 01.01.2007.-31.12.2007.)

LVL

N.p.k.	Type of Long-Term investments	Initial value			Depreciation (write-off of value)				Residual value		
		On 01.01. 2007.g.	purchase and manufacturing (+)	movement and exemption from operation (+,-)	On 31.12. 2007.g.	On 01.01. 2007.g.	calculated in the reporting year (+,-)	excluded due to the exemption from operation (-)	On 31.12. 2007.g.	On 01.01. 2007.g.	On 31.12. 2007.g.
	I. Intangible investments total)	6 037	150	-	6 187	5 111	514	-	5 625	926	562
	incl.:										
1	Licences	1 320	150		1 470	1 162	116		1 278	158	192
2	Trademarks	867			867	839	28		867	28	-
3	Peat amount determine	2 000			2 000	2 000			2 000	-	-
4	Accounting software	1 850			1 850	1 110	370		1 480	740	370
	II. Fixed assets (total)	2 032 581	59 522	-48 110	2 043 993	1 188 853	88 616	-47 844	1 229 625	843 728	814 368
	incl.:										
1	Land plots, buildings, structures and perennial plants	995 362	32772	-76	1 028 058	431 625	28769	-76	460 318	563 737	567 740
2	Equipment and machinery	994 429	20 180	-47542	967 067	728 251	57 947	-47276	738 922	266 178	228 145
3	Other fixed assets and inventory	33 816	6 570	-492	39 894	28 977	1 900	-492	30 385	4 839	9 509
4	Placement of fixed assets and costs of incomplete construction objects	8 974			8 974				-	8 974	8 974
	Total long-term investments	2 038 618	59 672	-48 110	2 050 180	1 193 964	89 130	-47 844	1 235 250	844 654	814 930

EUR

N.p.k.	Type of Long-Term investments										
		On 01.01. 2007.g.	purchase and manufacturing (+)	movement and exemption from operation (+,-)	On 31.12. 2007.g.	On 01.01. 2007.g.	calculated in the reporting year (+,-)	excluded due to the exemption from operation (-)	On 31.12. 2007.g.	On 01.01. 2007.g.	On 31.12. 2007.g.
	I. Intangible investments total)	8 590	213		8 803	7 272	731		8 003	1 318	800
	incl.:										
1	Licences	1 878	213		2 091	1 653	165		1 818	225	273
2	Trademarks	1 234			1 234	1 194	40		1 234	40	-
3	Peat amount determine	2 846			2 846	2 846			2 846	-	-
4	Accounting software	2 632			2 632	1 579	526		2 105	1 053	527
	II. Fixed assets (total)	2 892 119	84 693	-68 455	2 908 357	1 691 596	126 090	-68 077	1 749 609	1 200 523	1 158 748
	incl.:										
1	Land plots, buildings, structures and perennial plants	1 416 281	46631	-108	1 462 804	614 151	40935	-109	654 977	802 130	807 827
2	Equipment and machinery	1 414 953	28 714	-67647	1 376 020	1 036 214	82 452	-67268	1 051 398	378 739	324 622
3	Other fixed assets and inventory	48 116	9 348	-700	56 764	41 231	2 703	-700	43 234	6 885	13 530
4	Placement of fixed assets and costs of incomplete construction objects	12 769			12 769				-	12 769	12 769
	Total long-term investments	2 900 709	84 906	-68 455	2 917 160	1 698 868	126 821	-68 077	1 757 612	1 201 841	1 159 548

Chairman of Board

(name, surname, signature)

ANNEX TO THE ANNUAL REPORT OF JSC "OLAINES KŪDRA"

MAIN PRINCIPLES OF DRAFTING OF THE ANNUAL REPORT.

The Annual Report has been prepared in accordance with the Laws of the Republic of Latvia „On accounting/Bookkeeping”, „On Annual Reporting” and Latvian Accounting Standards (LGS) LGS No.1; LGS No.2 LGS No.3; LGS No.4; LGS No.5;LGS No.6;LGS No7,LGS No8; issued by The Ministry of Finance of the Republic of Latvia, that shall be applied in the Reporting year.

Profit or Loss Statement has been prepared in accordance with the method of turn-over of expenses.

The Financial Report provides true and clear view on the financial means of the company, its liabilities, financial standing and profit.

The accounting ensures that the Financial Report provides substantial information for the users of e financial reports to adopt the resolution:

- It is reliable.
- Reports truly reflect the results of the Company’s activities and its financial standing, specifying not only the legal form of transactions but also their economical contents.

THE ITEMS OF THE ANNUAL REPORT HAVE BEEN EVALUATED IN ACCORDANCE WITH THE FOLLOWING ACCOUNTING PRINCIPLES:

- Assuming that the Company will continue its activities;
- By using the same evaluation methods that have been used in previous years even in case if they are established in the period between the balance date and the date of drafting the Annual Report;
- Evaluation has been performed with adequate caution, taking into account the following provisions:
 - The profit gained only till the balance date has been included into the Report;
 - All forecast risk sums and the losses incurred in the reporting year or in previous years have been taken into account, even in case, they have been established in the period between the balance date and the date of drafting the Annual Report;
 - All sums of value decrease and depreciation have been calculated and taken into account irrespectively of profit or loss at the end of the reporting year.
 - Expenses and income related to the reporting year have been included in the Profit or Loss Statement irrespectively of the date of payment and the date of receiving or issuing of the invoice. Expenses have been tuned with income in respective reporting periods;
 - The Assets and the Liabilities have been evaluated separately;
 - The balance at the beginning of the Reporting year coincides with the closing balance of the previous year;
 - All items are specified that essentially influence the evaluation or decision making by the users of the Annual Report;
 - The economic transactions of the Company have been booked and reflected, taking into account their economical contents and essence instead of only the legal form.

CURRENCY UNIT AND RE-EVALUATION OF FOREIGN CURRENCY.

In the Annual Report and in the accounting the Latvian currency unit – a lat has been used as a currency unit and a unit of value.

All Assets and Liabilities cash items have been recalculated in lats according to the currency rate established by the Bank of Latvia at the last day of the reporting year:

	2007	2006
EUR	0,7028	0,7028
USD	0.484	0,536

The profit or loss due to the fluctuations of the rate of foreign currencies has been reflected in the Profit or Loss Statement of the respective period.

LONG-TERM AND SHORT-TERM POSITIONS.

Sums of Assets have been specified in short-term assets:

- The sums envisaged for distribution or consumption within the ordinary cycle of the Company's activity.
- The sums kept for short term and are envisaged to distribute within 12 months after the rafting of the balance sheet.
- These are monies or its equivalent that have unrestricted utilisation potential.

Other assets have been classified as long-term ones.

The liability sums have been specified in Liabilities:

- The sums due within the ordinary cycle of the Company's activity.
- The sums to be paid no later than within 12 months after the balance date.

Other liabilities are classified as long-term ones.

INTANGIBLE ASSETS

Intangible assets mainly consist of different licenses, accounting softwares. Intangible assets have been accounted for at their initial value that is depreciated during the expedient usage time of assets by applying the linear method. For intangible assets the depreciation rate is established in the amount of 20%.

FIXED ASSETS

Fixed assets have been accounted at their initial value deducting accumulated depreciation and decrease of value. The depreciation of land has not been calculated. Depreciation has been calculated in the expedient usage time of assets by applying the linear method. Depreciation is calculated starting from the next month following the assets' putting into operation or involvement of assets in the economic activity. In the event if the fixed assets are sold or written-off, their initial value and accumulated depreciation are excluded from accounting, and the profit or loss from the sales or writing-off of assets are reflected in the calculation of profit or loss. The following depreciation rates have been applied for the fixed assets:

- buildings and structures from 1 to 2,5% per year;
- narrow-gauge railway 6,7% per year;
- peat extraction equipment and machinery, tractors, small trailers from 10 to 33% per year;
- wagons for peat removal and diesel engines 10% per year;
- computers 20% per year.

EVALUATION OF STOCKS.

- Stocks – procured materials, spare parts, small/low value inventory and fuel have been evaluated by FIFO method.
- Completed products in production costs.
- Residuals of stocks have been checked during auditing.

DEBTS OF CUSTOMERS AND CLIENTS AND OTHER DEBTORS.

Residuals of debtors' debts have been reflected in the balance sheet in their net value calculated from the accounting value of these debts in accordance with book-keeping data by deducting the residuals of reserves formed for unsecured debts. For dubious debtors' debts, the reserves are formed in the amount of doubted sums.

UTILISATION OF ESTIMATION.

By preparing the Annual Report the management has to rely upon certain estimations and assumptions that influence the residuals of positions of the balance sheet and the profit and loss statement of the annual report. The estimates/calculations are used in relation to reserves, doubtful/bad debts and stocks, as well as to the determination of depreciation. Future events can influence the assumptions, basing on which the respective estimations/calculations have been made.

RESERVES/ACCRUALS

The accruals have been acknowledged if the Company has liabilities due to some vent in past and the possibility exists that for settling these liabilities the Company will need the outflow of economically beneficial resources and the scope of liabilities can be sufficiently reliably calculated. Within other reserves the employers' unused vacation reserve has been included in the Annual Report.

CASH.

Cash means the cash in bank and in cash-box.

ACKNOWLEDGEMENT OF INCOME

The income is acknowledged in accordance with the confidence about the potentiality to obtain economical benefit and in the amount we can justifiably determine. By acknowledging of income it is taken into consideration that the sale of goods has taken place when the Company has transferred its ownership rights to the goods and remuneration to the customer and the amount of income can be justifiably evaluated.

COMPANY'S INCOME TAX.

The income tax is calculated by applying to the taxable income in the respective taxation period the tax rate 15%.

The deferred company's income tax arising from short-term discrepancies resulting from inclusion of several positions in the tax declaration and in these financial reports, has been calculated by the liability method. The liabilities of the deferred company's income tax are determined basing upon the tax rates that are to be applied at the moment when the short-time discrepancies will disappear. The main short-term discrepancies in the terms of time are arising from different depreciation rates of assets applied for accounting and taxation needs.

Annexes to the balance-sheet

1 Concessions, patents, licenses, trademarks and similar rights

No	Name	Residual on 31.12.2007		Residual on 31.12.2006.	
		LVL	EUR	LVL	EUR
1	Trademark			12	17
2	Software licences			65	93
3	Road transport licenses	72	102	109	155
4	Peat recovery licences	120	171		
5	Accounting software	372	527	740	1053
Residual value		564	800	926	1318

2 Raw materials, basic materials and auxiliary materials

No	Name	Residual on 31.12.2007		Residual on 31.12.2006.	
		LVL	EUR	LVL	EUR
1	Materials	145636	207223	112750	160430
2	Spare parts	3722	5296	5189	7383
3	Fuel	61079	86908	51682	73538
4	Low-value inventory	305	434	793	1128
Residual value		210742	299861	170414	242479

3 Advance payments for goods

No	Name	Residual on 31.12.2007		Residual on 31.12.2006.	
		LVL	EUR	LVL	EUR
1	Advance payments for materials	8771	12480	1222	1739
2	Advance payments for services	1454	2069	5620	7996
Residual value		10225	14549	6842	9735

4 Debts of clients and customers

No.	Name	Residual on 31.12.2007		Residual on 31.12.2006.	
		LVL	EUR	LVL	EUR
1	Debts of Latvian companies	56043	79742	41706	59343
2	Debts of foreign companies	114065	162301	118133	168088
Residual value		170108	242043	159839	227431

5 Other debtors

No.	Name	Residual on 31.12.2007		Residual on 31.12.2006.	
		LVL	EUR	LVL	EUR
1	Overpayment of the company's income tax	10265	14605	7494	10663
2	Overpayment of residents' income tax	1689	2403	1131	1609
3	Overpayment of VAT	6972	9920	14999	21342
4	Overpayment of nature resources' tax			1	1
5	Overpayment of State social insurance obligatory contributions	6705	9540	1606	2285
6	Other	20682	29429	26241	37338
Residual value		46313	65897	51472	73238

6 Expenses of next periods

No	Name	Residual on 31.12.2007		Residual on 31.12.2006.	
		LVL	EUR	LVL	EUR
1	Insurance costs	763	1086	966	1375
2	Newspapers	305	434	415	590
3	Services	2048	2914	6950	9889
Residual value		3116	4434	8331	11854

7 Own action and shares.

Rules of privatization of VAS "Olaines kūdra" are approved by the decision of Board of Agency of Privatization Nr.17/221 from February 4-th, 1997- receive shares of board of the company – 6 000 pieces with a face-value in 1 Ls, that makes 0,033% of the Share capital.

8 Cash funds (TOTAL)

No	Type of cash deposition	Cash unit	Residuals in currency	Rate of the Banl of Latvia	Residual at the end of the year	
					LVL	EUR
1	Latvian banks 2006	LVL	58462	1,0000	58462	83184
2	Latvian banks 2007	LVL	266302	1,0000	266302	378916
3	Latvian banks 2006	EUR	517542	0,7028	363729	517542
4	Latvian banks 2007	EUR	208763	0,7028	146719	208763
5	Latvian banks 2006	USD	4304	0,5360	2307	3284
6	Latvian banks 2007	USD	2570	0,4840	1244	1771
7	The company's cash box 2006	LVL	1348	1,0000	1348	1918
8	The company's cash box 2007	LVL	960	1,0000	960	1366
9	The company's cash box 2006	EUR	525	0,7028	369	525
10	The company's cash box 2007	EUR	117	0,7028	83	117
					415308	590933
					426215	606453

9 Share capital (equity capital)

No	Name of a shareholder	Number of shares	Value of a share	Total value		The total proportion in the equity capital
				LVL	EUR	
1	LLC "MONO"	536096	1	536096	762800	30%
2	LLC "LEMF"	63904	1	63904	90927	4%
3	Viktors Karbanovs	678173	1	678173	964959	38%
4	VISTA Capital	95913	1	95913	136473	5%
5	VSAA (State Social Insurance Agency)	60000	1	60000	85373	3%
6	Other	365914	1	365914	520652	20%
				1800000	2561184	100%

10 Other reserves

No.	Name	Residual on 31.12.2007		Residual on 31.12.2006.	
		LVL	EUR	LVL	EUR
1	Equipment for restoration	37850	53856	37850	53856
Residual value		37850	53856	37850	53856

11 Accruals

No	Name	Residual on 31.12.2007		Residual on 31.12.2006.	
		LVL	EUR	LVL	EUR
1	Accruals for unused vacations	18068	25709	17637	25095
Residual value		18068	25709	17637	25095

In off-balance lines in 2006 there are accruals for doubtful debts in the amount of 29088,62 Ls./41389,61 EUR

12 Debts to suppliers and contractors

No	Name	Residual on 31.12.2007		Residual on 31.12.2006.	
		LVL	EUR	LVL	EUR
1	Debts to Latvian companies	4128	5874	7113	10121
2	Debts to foreign companies	-	-	-	-
Residual value		4128	5874	7113	10121

13 Taxes and social security payments

No	Name	Residual on 31.12.2007		Residual on 31.12.2006.	
		LVL	EUR	LVL	EUR
1	Real estate tax			42	60
2	Nature resources' tax	68	96	162	230
3	State risk duty	24	34	19	27
Residual value		92	130	223	317

14 Other creditors

No	Name	Residual on 31.12.2007		Residual on 31.12.2006.	
		LVL	EUR	LVL	EUR
1	Unpaid salary for December	11513	16382	10282	14631
2	Other	234	333	181	257
Residual value		11747	16715	10463	14888

Annexes to Profit and Loss Statement

15 Net turn-over

No	Name	Amount for 2007		Amount for 2006	
		LVL	EUR	LVL	EUR
1	Transactions with Latvian companies	304177	432807	295797	420884
2	Transactions with foreign companies.	874362	1244112	733400	1043540
Total		1178539	1676919	1029197	1464424

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Production costs of sold products

No	Name	Amount for 2007		Amount for 2006	
		LVL	EUR	LVL	EUR
1	Material costs	454363	646504	395387	562588
2	Staff costs (salary and State obligatory social payments)	350774	499109	249505	355016
3	Depreciation of fixed assets	81048	115322	70411	100187
4	Other operational costs	75431	107329	74263	105667
Total		961616	1368264	789566	1123458

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Sales costs

No	Name	Amount for 2007		Amount for 2006	
		LVL	EUR	LVL	EUR
1	Staff costs (salary and State obligatory social payments)	13149	18709	7618	10840
2	Depreciation of fixed assets	2828	4024	2828	4024
3	Transportation costs	98895	140716	59022	83981
4	Other expenses	11981	17048	14713	20935
5	Reserve for doubtful debtors			29089	41390
Total		126853	180497	113270	161170

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Administrative expenses

No	Name	Amount for 2007		Amount for 2006	
		LVL	EUR	LVL	EUR
1	Staff costs (salary and State obligatory social payments)	36872	52464	37142	52849
2	Depreciation of fixed assets	3603	5127	3898	5546
3	Transportation and business trip costs	4806	6838	6240	8879
4	Other administrative expenses	21195	30158	25167	35809
Total		66476	94587	72447	103083

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Other operational income and expenses

No	Name	Income 2007	Expenses 2007	Income 2006	Expenses 2006
		LVL	LVL	LVL	LVL
1	Sales of purchased goods and services	41164	33609	28431	28596
2	Lease of fixed assets	5280	415	7820	415
3	Sales of fixed assets	466	268	3930	2582
4	Differences in currency rates	146	731	1006	3653
5	Currency exchange		2803	-	111
6	Penalties paid		6	5	-
7	Supports and social targets		5934	-	4488
8	Other income (transactions with KPS)	11580	9761	28294	2111
9	Written-off debtors' debts		932	-	26062
10	Income from interest payment	6007		-	
Total		64643	54459	69486	68018
		EUR	EUR	EUR	EUR
1	Sales of purchased goods and services	58571	47822	40454	40689
2	Lease of fixed assets	7513	590	11127	590
3	Sales of fixed assets	663	381	5592	3674
4	Differences in currency rates	208	1040	1431	5198
5	Currency exchange		3988	-	158
6	Penalties paid		9	7	-
7	Supports and social targets		8443	-	-
8	Other income (transactions with KPS)	16477	13889	40259	-
9	Written-off debtors' debts		1327	-	46472
10	Income from interest payment	8547		-	
Total		91979	77489	98870	96781

Other interest income and similar income

No	Name	Amount for 2007		Amount for 2006	
		LVL	EUR	LVL	EUR
1	Bank interest calculated for the residual of a current account	1381	1965	1804	2567
Summa kopā		1381	1965	1804	2567

Profit tax for the reporting period

No	Name	Amount for 2007		Amount for 2006	
		LVL	EUR	LVL	EUR
1	Company's income tax	6309	8977	15518	22080
Total		6309	8977	15518	22080

Profit or Loss after taxes in the reporting period

No	Name	Amount for 2007		Amount for 2006	
		LVL	EUR	LVL	EUR
1	Profit after taxation in the reporting period	7113	10120	37766	53738
Summa kopā		7113	10120	37766	53738

Annexes to Cash Flow Statement

Procurement of fixed assets and intangible investments

No	Name	Amount for 2007		Amount for 2006	
		LVL	EUR	LVL	EUR
1	Land			17468	24855
2	Industrial structures and buildings	41958	59702	2621	3729
3	Technical equipment	23814	33884	13033	18544
4	Production inventory	2678	3810	374	532
5	Computers, computing equipment	239	340	697	992
6	Peat recovery licences	150	213	-	-
7	Computer licences			82	117
Total		68839	97949	34275	48769

General information

1. Taxes

Type of taxes	Residual on 31.12.2006.		Calculated for 2007		Paid or moved		Residual on 31.12.2007	
	LVL	EUR	LVL	EUR	LVL	EUR	Lvl	Eur
Company's income tax*	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
State social obligatory contributions	-7494	-10658	6309	8977	9080	12924	-10265	-14605
VAT	-1605	-2284	104605	148840	109705	156096	-6705	-9540
Residents' income tax	-14999	-21342	-57973	-82489	-66000	-93911	-6972	-9920
Nature resource tax	-1131	-1609	62326	88682	62884	89476	-1689	-2403
Real Estate tax	161	230	1913	2722	2006	2856	68	96
Risk duty	41	57	17494	24892	17535	24949	0	0
Total	20	29	353	502	349	497	24	34
	-25007	-35577	135027	192126	135559	192887	-25539	-36338

2. The average number of employees

	2007	2006
The average number of employees per year	108	116
Fund of labour payment LVL	405185	339363
(salary +SSO contributions) EUR	576530	482873

3. Information about the off-balance liabilities

There were no off-balance liabilities and mortgages, no guarantees and pledges issued.

4. Cadastre value

Name of the object	LVL	EUR
Buildings,Olaine,Rīgas ielā 21	724267	1030545
Buiding and Land ,Olaine,Veselības 2a	3175	4518
Buildings and land in Olaine civil parish "Gaisma"	356263	506919
Total:	1083705	1541982

5. Significant lease agreements:

For facilitation of the company's operation the following lease agreements are significant and in force:

1. With Riga Municipal Agency "Rīgas meža aģentūra" dated December 19, 2003 on the lease of land and peat fields, No. RPA-RMA-1.5.4.-245 for the lease of 1391,7 ha, the term of the agreement - 5 years.
2. SJSC "Privatizācijas aģentūra", dated August 6, 2003, the agreement on land lease No.4759-Z about the lease of 24,4332 ha in Olaine, Rīgas ielā 21, the term of the agreement - 10 years.
3. WITH SJSC "Latvijas valsts meži" dated Juli 4, 2007, the land lease agreement No.5.7-9.1./0006/150/07.06/about the lease of 169,5 ha The terms of the agreement-5 years.

6. Payment to members of advice and management.

Members of advice and board have not received a payment.

8. ADDITIONAL INFORMATION ABOUT SHAREHOLDERS

The Share capital of JSC “Olaines kūdra” is 1 800 000 LVL. Company’s share capital consists from 1 800 000 shares. All shares are paid. The face value of 1 share is 1 LVL. All shares have the equal rights on dividend receiving, receiving of liquidate quota and blocking right on a shareholders meeting. All 1 800 000 shares of company are dematerialized.

Information about securities

	Share quantity, item	Share capital, LVL	% correlation to share capital
Total share quantity	1 800 000	1 800 000	
incl. bearer shares	1 200 000	1 200 000	66.7 %
included in regulated market	1 194 000	1 194 000	66.35 %
JSC “Olaines kūdra” own shares (before board’s shares)	6 000	6 000	0.35 %
ordinary (inscribed) shares	600 000	600 000	33.3 %
included in regulated market	-	-	-

Rights of shares

Dividends

The decision on the order and terms of payment of dividends accepts at shareholders meeting. After financial statement’s approval, the shareholders meeting makes a decision on use of profit of joint-stock company and, accordingly, about the amount which will be paid to shareholders as dividends and defines value of dividends. The shareholders meeting defines time and a place of dividend’s payment and informs about it Company’s shareholders according to valid rules of Latvian Central Depository which adjusts the order of dividend’s payment. All shares of JSC “Olaines kūdra” give the identical rights on dividend’s receiving proportionally face-value (nominal) of the shares belonging shareholders. Payment of dividends of JSC “Olaines kūdra” is performed according to the statutes of JSC “Olaines kūdra”, requirements of Commercial law and valid rules of Latvian Central Depository.

According to LR Commercial law’s article 161, is not allowed to calculate and to pay dividends, if from financial statements proceeds that Company’s equity is less than the paid capital. As a result the shareholder’s decision that dividends remain at the Company’s disposal is not valid, as also the company does not have right to demand back paid dividends to shareholders, except for the specified cases in LR Commercial law’s article 162.

If dividends are not taken out within 10 years, then it becomes the JSC “Olaines kūdra” ownership. For in time the dividends not taken out - % are not paid.

Shares with the blocking rights

Shareholders of JSC “Olaines kūdra” have all the rights stipulated by the legislation of the Latvian Republic, including blocking rights. One share has one blocking right at shareholders meeting. The quantity of blocking right corresponds with the belonging quantity of shares. Shareholders can participate in shareholders meeting and personally, and with the mediation of the representatives. The power of attorney draw’s up in written form and accompanying the protocol of meeting. The power of attorney must be submitted prior to the beginning of meeting.

Other rights of shares

1. Shareholders have the right, during shareholder's meeting, to receive the approved extract of balance sheet, income statement, and auditor's report about JSC "Olaines kūdra", and information about an economic condition of JSC "Olaines kūdra" in that volume in what it is necessary for consideration of corresponding item of the agenda.
2. If the shareholder at least 7 days prior to shareholder's meeting submits to board the letter of enquiry, the board should give him all necessary information on all questions included in the agenda.
3. A shareholder within one month from the date of decision-making on increase in the share capital has the right to receive new shares proportionally to belonging him quantity of shares. Term of use of the right of the first hand is one month from the date when the notice on sale is submitted to board. The shareholder can refuse in writing from the right of the first hand before the termination of the certain term.
4. Depending on quantity of shares of JSC "Olaines kūdra" which belong the shareholder, the shareholder has rights:
 - to offer his representatives on elections in Supervisory Council of JSC "Olaines kūdra". The shareholder or group of shareholders can offer so many representatives, that at division of the represented capital with a blocking right of this shareholder or group of shareholders on quantity of offered representatives, each representative would represent at least five percent of the represented capital with a blocking right of JSC "Olaines kūdra". On election of the members of Supervisory Council, each shareholder with the blocking right has the right to transfer all belonging him blocking rights for one or several representatives included in the list, in any proportion, in integers.
 - shareholders, who together represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", have the right to demand from board in written form convocation of extraordinary shareholder's meeting, in the requirement having specified the reason of convocation of meeting and the desirable agenda.
 - shareholders, who represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", have the right within 7 days of the announcement of convocation of shareholder's meeting and publication of its agenda or within 5 days after reception of the invitation, to demand from an institution which convokes meeting, to include any question in the agenda of meeting.
 - shareholders, who represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", have the right in written form, having specified the reason to demand, that Company's Supervisory Council check up work of Board. If Company's Supervisory Council will not perform such check within a month or does not give the answer, the shareholders have a right to transfer consideration of the given question to a shareholder's meeting.
 - shareholders, who represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", at shareholder's meeting or not later than two months after shareholder's meeting can lift motivated objections against the elected auditor.
 - shareholders, who represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", or their participation in share capital of Company is not less than 50 000 LVL, can submit the Company's claim against members of Board or Supervisory Council, or the auditor of JSC "Olaines kūdra". The claim brings an action within 3 months from the date when the requirement shareholder's minority is received. For losses which have arisen at the Company as a result of the unreasonable claim solidary answers shareholder's minority, in which action the court ascertained malicious intention and negligence.
 - shareholders, who represent not less than the one tenth part of the paid capital of JSC "Olaines kūdra", have the right to postpone the approval of financial statements, if correctness of separate item of the financial statements is challenged.

Shareholders also have other rights stipulated in Commercial law and in other statutory acts of the Latvian Republic.

The rights of shareholders in case of insolvency and liquidation.

According to LR Commercial law's article 137, the JSC "Olaines kūdra" is responsible for its obligations with all its property. The JSC "Olaines kūdra" is not responsible for the obligations of the shareholders. The shareholders are not responsible for the obligation of JSC "Olaines kūdra".

According to Commercial law's article 328, after satisfaction of requirements of creditors or deposition of appropriate money to them and covering of liquidating expenses, the liquidator makes final balance and the plan of separating of the remained property of the Company.

According to Commercial law's article 330, the remained property of the Company is separated among shareholders according to the made plan of property's section by liquidator, proportionally to each shareholder's share in the share capital.

To shares no privileges are appropriated.

Limitations of share's rights, which proceed from obligation to inform and making share's repurchase proposal.

According to the Law's on the Financial Instruments Market articles 61, 64, 68, 81, 83 – shareholders have such obligations:

1) The investor who directly or indirectly receives a share of JSC "Olaines kūdra" in that volume, which provides not less than one tenth part, one twentieth, one quarter, half, three quarters or ninety five percent from quantity of shares with the blocking right have to inform the JSC "Riga Stock Exchange" and the JSC "Olaines kūdra" about it not later than within five working days after purchase of shares. Person specifies in the notice quantity of the received and remained shares (quantitatively, and also percentage from the share capital and percentage from quantity of shares with the blocking right), and mentions information on shares, which are let out in a public turn, and about shares which are not let out in a public turn. If participation in capital is in an indirect way, the person in the notice specifies an indirect way by which the share is received, specifies persons by means of which the share, mentions information concerning each person by means of whom the share is received in an indirect way.

2) If the investor sells shares or loses the blocking right of shares which are got by indirect way, and belonging blocking rights does not reach any more volume of invested, it is necessary for investor within 5 working days inform about it the JSC "Riga Stock Exchange" and the JSC "Olaines kūdra".

3) If the investor does not inform the JSC "Riga Stock Exchange" and the JSC "Olaines kūdra" about cases and in terms specified in 1 item, he cannot use the blocking right which proceeds from belonging him shares and indirectly received blocking rights. Decisions of shareholder's meeting, which are made, not legally using blocking rights - are not valid and on the basis of these decisions, it is allowed to ask to make records in any public registers.

4) According to the Law's on the Financial Instruments Market article 66 requirements, the person who directly or indirectly receives blocking rights from shares of JSC "Olaines kūdra" in such volume when blocking right of this shareholder at shareholder's meeting reach or exceeds half from quantity of blocking rights, has to state the offer about obligatory repurchase of shares to other shareholders of JSC "Olaines kūdra". The offer on a repurchase of shares to other shareholders it is obliged to state also that person who at shareholder's meeting on question about exception of shares of the regulated market has voted "pro". If this requirement is not executed, decisions which are accepted using these blocking rights are not valid.

Persons, who have an essential share in the company, by direct or indirect way.

Total shares with the blocking right - 1 800 000 item.

No.	Shareholder's name	Share quantity	% correlation to common quantity of shares with the blocking right
1	Karbanovs Viktors	678 173	37.7 %
2	Vista Capital Corporation	95 913	5.3 %
3	SIA MONO	536 096	29.8 %
4	SIA "LEMF"	63 904	3.6 %

SIA "LEMF" – is SIA "MONO" daughter enterprise.

There are no restrictions on alienation of shares.

There are not defined the special control rights to definite shareholders.

Joint-stock company doesn't know about agreements of shareholders, which would create restrictions (limitation) on transfer to shareholders belonging shares and blocking rights.

The board of the Company consists of 3 members. Chairman of Board represents the company separately. Other members of board represent the Company separately as well. Members of the board are elected for 3 years. Restrictions to members of Board of the company are not defined. Members of board are elected, and also changes in structure of Board and the statutes are done according to valid requirements of the Commercial law.

No essential agreements and contracts which became valid in case of change of the control are concluded.

Agreements between the Company and its members of Board for indemnifications in case of leaving of position are not concluded.

Chairman of Board

Sergejs Šakuns

Members of Board

Brigita Kraule

Mihails Zeņkovs