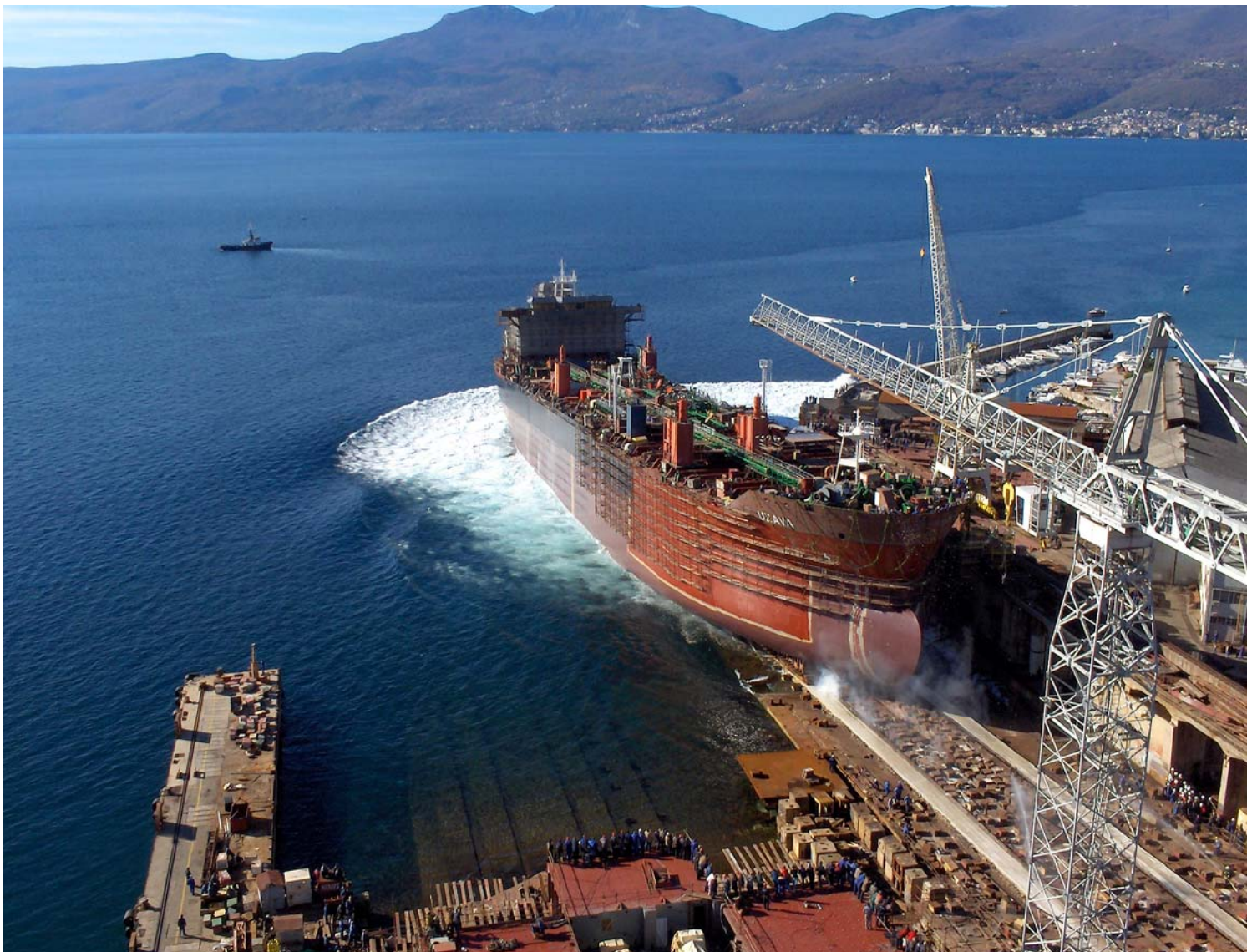


Public Joint Stock Company
Latvian Shipping Company

ANNUAL REPORT

FOR THE YEAR ENDED 31st DECEMBER 2007

New ships, new horizons...



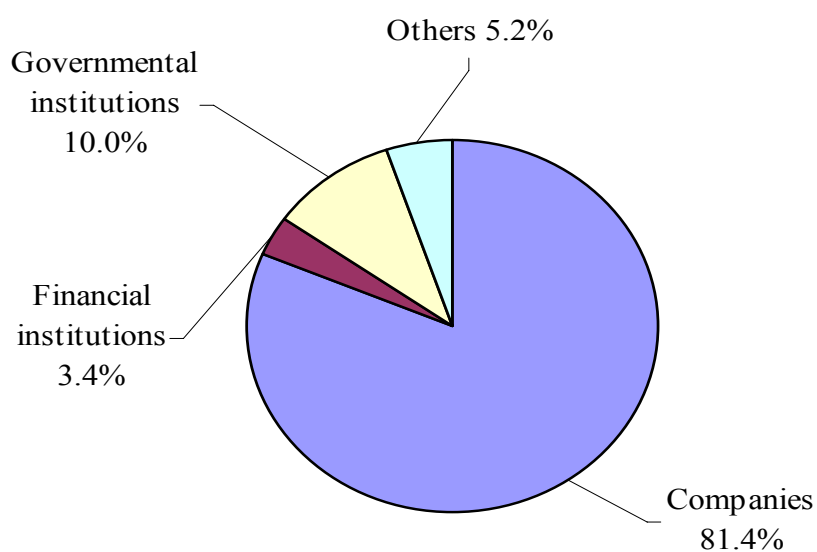
Contents

General information	2
Management Report	4
Income Statement	7
Balance Sheet	8
Statement of Changes in Shareholders' Equity	10
Cash Flow Statement	11
Notes	12
Auditors' Report	33

GENERAL INFORMATION

Name	Latvijas kuģniecība
Legal Status	Public Joint Stock Company
Registration number, place and date	Reg. No. 40003021108, Riga, 13 September 1991 Reregistered in the Commercial Register on 17 November 2004
Registered Office	1 Elizabetes Street, Riga, LV 1807, Latvia
Name and address of shareholders and their share of interest (%)	As at 31.12.2007.
	<ul style="list-style-type: none"> ▪ JSC <i>Ventspils nafta</i> – 49.94 % , 23 Ostas str., Ventspils, LV 3601, Latvia ▪ <i>Ojay Limited</i> – 17.66 % , P.O.Box 175, Frances House, SLR William Place, St.Peter, Guernsey, Channel Islands GYI 4HQ ▪ SJSC <i>Valsts sociālās apdrošināšanas aģentūra</i> – 10 % , 70B Lāčplēša str., Riga, LV 1011, Latvia ▪ <i>Eastgate Properties Limited</i> – 9.89 % ▪ <i>Skandinaviska Enskilda Banken AB</i> – 2.85 % ▪ <i>Hansapank customers account</i> – 2.02% ▪ <i>J.Lauritzen A/S</i> – 1.28 % ▪ Others – 6.36 %

SHAREHOLDERS' STRUCTURE



GENERAL INFORMATION *(continued)*

THE SUPERVISORY COUNCIL

Chairman of the Council

Uldis Pumpurs (till 10.02.2008, from 15.02.2008)

Deputy Chairperson of the Council

Vladimirs Solomatins (from 15.02.2008)

Andris Vilcmeiers (from 15.02.2008)

Andris Linužs (till 10.02.2008)

Olga Pētersone (till 10.02.2008)

Members of the Council:

Ansis Sormulis (till 10.02.2008, from 15.02.2008)

Guntis Ločmelis (from 15.02.2008)

Kārlis Boldiševics (from 15.02.2008)

Māris Gailis (from 15.02.2008)

Miks Ekbaums (from 15.02.2008)

Normunds Staņevičs (from 15.02.2008)

Olga Pētersone (from 15.02.2008)

Svens Zālītis (from 15.02.2008)

Vladimirs Koškuls (from 15.02.2008)

Aldis Āķis (till 10.02.2008)

Laimonis Junkers (till 10.02.2008)

Mamerts Vaivads (till 10.02.2008)

Pēteris Putniņš (till 10.02.2008)

Vladimirs Krastiņš (till 10.02.2008)

Vladimirs Solomatins (till 10.02.2008)

THE MANAGEMENT BOARD

Chairman of the Management Board

Imants Sarmulis (from 01.11.2007)

**Chairman of the Management Board,
president**

Imants Vikmanis (till 01.11.2007)

**Member of the Management Board –
1.vice-president**

Andris Linužs (from 14.02.2008)

**Member of the Management Board –
vice-president**

Miks Ekbaums (till 13.02.2008)

Raivis Veckāgans (from 14.02.2008)

Solvita Deglava (till 13.02.2008)

Members of the Management Board

Guntis Tīrmanis (till 13.02.2008, from 14.02.2008)

Ilva Purēna (till 13.02.2008, from 14.02.2008)

Auditors

Diāna Krišjāne Sworn Auditor

Personal code: 250873-12964

Licence Nr. 124

SIA *Ernst & Young Baltic*

Licence Nr. 17

3-5 Kronvalda bulvd. Riga, LV-1010, Latvia

Some of JSC *Latvijas kuģniecība* Supervisory Council and Management Board members hold a management position in other companies, as well as are shareholders of companies registered in the Register Commercial of the Republic of Latvia.

The above-mentioned information on the members of JSC *Latvijas kuģniecība* Supervisory Council and Management Board is available at the secretary JSC *Latvijas kuģniecība* Supervisory Council and JSC *Latvijas kuģniecība* Management Board respectively.

MANAGEMENT REPORT

Dear Shareholders and Business Partners!

The core business of JSC Latvijas kuģniecība (Latvian Shipping Company – LASCO) is fleet operation. JSC Latvijas kuģniecība is the parent company of *JSC Latvijas kuģniecība Group*. The Group comprises a number of subsidiaries and associated companies that ensures fleet operation, perform transportation of cargoes by sea, as well as provide other shipping related services.

Successful performance results of Public Joint Stock Company Latvijas kuģniecība for 2007 prove its competitiveness in international shipping markets. During the reporting period JSC Latvijas kuģniecība Group worked actively to achieve the strategic objective set – ensure the increase in Group's value maintaining its position among the ten leading handy sized and middle range tanker owners in the world.

During the reporting period JSC Latvijas kuģniecība Group focusing its efforts on the core business – cargo shipments worldwide – expanded its activities in handy sized and middle range tankers markets covering Far East, Americas, West Africa, Indian Ocean, Western Europe, as well as Mediterranean, Baltic and Black Sea regions.

As at 31 December 2007, the fleet in commercial management of JSC Latvijas kuģniecība consisted of 45 vessels – 37 tankers, 2 LPG carriers, 5 reefer vessels and 1 dry cargo carrier.

JSC Latvijas kuģniecība Group Performance during the Reporting Period

All the 200,000,000 shares issued by JSC Latvijas kuģniecība are public and traded on the Official List of Riga Stock Exchange. In 12 months of 2007 JSC Latvijas kuģniecība share price has grown from LVL 1.07 to LVL 1.30 per share and in total there have been 6 251 transactions with 16.36 million shares of JSC Latvijas kuģniecība. As at 31 December 2007 the capitalisation of JSC Latvijas kuģniecība shares on Riga Stock Exchange reached LVL 260,000,000.

LASCO Group's mother company closed the year 2007 with the Total Revenue of almost LVL 5.8 million and Net Loss of LVL 2.8 million.

In 2007 Net Profit of JSC Latvijas kuģniecība Group reached USD 67,0 million (LVL 34,4 million), that is double or by USD 33,3 million higher than for the respective period in 2006. Successful performance of JSC Latvijas kuģniecība Group lies on professional management of the operations including the effective application of the various types of charter agreements responding to the changing market conditions, as well as comparatively high freight rates in tankers market and sale of two Panamax type tankers at a good price.

During the reporting period Net Voyage Result or net income from vessels' operations of JSC Latvijas kuģniecība has grown considerably reaching USD 209,7 million (LVL 107,7 million) exceeding the respective result of the previous reporting period by USD 54,3 million (LVL 20,6 million). The advancement is related to restructuring the fleet of JSC Latvijas kuģniecība – the number of tanker newbuildings delivered has increased and, given the level of their freight rates, their income is considerably higher than that of the older vessels.

In order to ensure successful performance of JSC Latvijas kuģniecība Group in future the Supervisory Council of the company has assessed and gave consent to the company's strategy for the period until 2015. Leading specialists of the Group, internationally recognised shipping brokers and consultants have participated in development of the strategy. As a part of strategy development there was carried out the SWOT analysis of JSC Latvijas kuģniecība, defined the mission, the strategic objective of the company and tasks to achieve it. The most significant assets for long term development of the Group are

MANAGEMENT REPORT

(Continued)

knowledge and professional skills of JSC Latvijas kuģniecība personnel, company's long experience in shipping markets, its recognition and loyal business partners as well as sound positions in handy sized and middle range tankers segment with tonnage 27,500 – 52,000 DWT where JSC Latvijas kuģniecība was ranked 6-8 in 2007.

Future Outlook

Analysis of tendencies in international shipping markets allows to presume that after stabilisation of the freight rates and even slight decline observed at the end of the reporting period their growth is hardly expected in 2008. Considering massive orders of new tonnage and newbuilding deliveries entering the market with supply exceeding the demand in scope of three to four per cent points, the further decline in freight rates is expected that may lead to reduction of time charter rates too.

In 2008 it is planned to sell the older tankers as their further employment is restricted by MARPOL Convention (The International Convention for the Prevention of Pollution from Ships). High impact on freight rates, distribution of cargoes and scrap values of the vessels will have the decisions made by other shipowners with respect to conversion or scrapping of their single hull vessels. Increasing number of vessels or supply will reduce the demand for older tonnage in all the shipping segments given that charterers prefer modern, more reliable and safer vessels first of all.

Despite that 2008 is not foreseen as an easy year for shipping industry, the implementation of the fleet renewal programme will allow the JSC Latvijas kuģniecība develop and strengthen its traditional market share as the maintenance of newer fleet in not only more cost effective but also generates higher results than older fleet.

Environment Protection Initiatives

JSC Latvijas kuģniecība recognises the importance of the environmental protection policy therefore its attention is paid to ensure safe vessels operations and environmental protection. The implementation of tanker fleet renewal programme by JSC Latvijas kuģniecība considerably decreases the risk of environmental pollution by the new vessels, improves effective utilisation of energy resources and testifies increasing corporate social responsibility of JSC Latvijas kuģniecība towards ocean and coastal waters environmental protection.

Post Balance Sheet Events

On 15 February 2008 the Shareholders' Meeting approved a new Supervisory Council of JSC Latvijas kuģniecība. The new Supervisory Council has re-elected Uldis Pumpurs as a Chairman, and elected his deputies Vladimirs Solomatins, Chairman of Supervisory Council of JSC Ventspils nafta, and Andris Vilcmeiers, Deputy Chairman of Supervisory Council of JSC Ventspils nafta. The elections of the Supervisory Council were held as the term of previously elected Supervisory Board expired.

In accordance with the decision of JSC Latvijas kuģniecība Supervisory Council the changes in Management Board of the company were made. Two of the former Management Board members – Ilva Purēna and Guntis Tīrmanis were re-elected for the period of three years and newly elected Board members – First Vice-President Andris Linužs and Vice-President Raivis Veckāgans commenced to work for the company. Imants Sarmulis continues as the Chairman of JSC Latvijas kuģniecība Management Board. The number of Management Board members has remained unchanged and is represented by five highly professional specialists in shipping, finance and law.

In accordance with the strategic goal of JSC Latvijas kuģniecība to concentrate and expand its business in handy sized and middle range tankers shipments one reefer vessel „Akadēmiķis Vavilovs” was sold.

MANAGEMENT REPORT

(Continued)

Whereas the tanker fleet of JSC Latvijas kuģniecība took the delivery of the modern tanker „Užava” – the eighth out of ten ordered from 3.Maj Shipyard in Croatia on 30 January 2008.

On 1 February 2008 crew of JSC Latvijas kuģniecība tanker „Ance” received International Maritime Organisation (IMO) Award for Exceptional Bravery at Sea for saving two Canadian citizens. IMO presents this award to the people who risking their lives have saved lives of other people at sea or prevented a threat to the marine environment thus earning international recognition.

In 2008 JSC Latvijas kuģniecība Group will continue to work towards the accomplishment of the strategic goals set, maximising the results and paying particular attention to the efficiency of the administrative expenses and mobilisation of its tangible and intangible resources.

Proposal for the indemnity of losses

The Management Board proposes to transfer current year losses to the previous years' accumulated losses.

Imants Sarmulis
Chairman of the Management
Board

Andris Linužs
Member of the Management
Board - First Vice President

Raivis Veckāgans
Member of the Management
Board - Vice President

Ilva Purēna
Member of the Management
Board

Guntis Tīrmanis
Member of the Management
Board

14 April 2008

The Annual Report was approved by the AGM of Shareholders on _____ 2008

Chairman of the AGM of Shareholders _____

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 LVL	2006 LVL (restated)
1. Net sales	1	5,809,609	2,476,270
2. Cost of sales	2	(3,116,081)	(1,122,058)
3. Gross profit		2,693,528	1,354,212
5. Administrative expenses	3	(7,069,516)	(7,265,417)
6. Other operating income	4	117,575	511,431
7. Other operating expenses	5	(1,265,137)	(491,104)
8. Income from participation in subsidiary and associated undertakings	6	3,054,800	-
10. Other interest and similar income	7	68,236	233,655
11. Impairment of non-current and current investments' value	8	(233,863)	(1,932,641)
12. Interest expenses and similar expenses	9	(120,704)	(633,501)
16. Loss before taxation		(2,755,081)	(8,223,365)
17. Corporate income tax	10	-	-
18. Other taxes	11	(25,247)	(8,871)
19. Net loss for the reporting period		(2,780,328)	(8,232,236)

Notes on pages 12 through 32 constitute an integral part of these financial statements.

Imants Sarmulis
 Chairman of the Management
 Board

Andris Linužs
 Member of the Management
 Board - First Vice President

Raivis Veckāgans
 Member of the Management
 Board - Vice President

Ilva Purēna
 Member of the Management
 Board

Guntis Tīrmanis
 Member of the Management
 Board

14 April 2008

BALANCE SHEET AS AT 31 DECEMBER 2007

(1)

	Note	31.12.2007 LVL	31.12.2006 LVL (restated)
Assets			
Non-Current Assets			
I Intangible Assets:			
2. Concessions, patents, licenses, trademarks and similar rights		302,580	124,279
5. Advances for intangible assets		5,407	-
Total Intangible Assets:	12	307,987	124,279
II Fixed Assets:			
1. Land, buildings and constructions		2,578,835	2,209,393
3. Machinery and equipment		12,605	15,085
4. Other fixed assets, fixtures and fittings		709,218	826,311
5. Assets under construction		18,733	31,243
6. Advances for fixed assets		2,544	18,605
Total Fixed Assets:	12	3,321,935	3,100,637
III Investment properties:	12	122,977	-
IV Non-Current Financial Assets:			
1. Investments in subsidiaries	13	114,774,397	115,323,845
3. Investments in associated undertakings	14	7,553	7,553
Total Non-Current Financial Assets:	15	114,781,950	115,331,398
Total Non-Current Assets:		118,534,849	118,556,314
Current Assets			
I Inventories:			
1. Raw materials and components	16	16,751	21,128
Total Inventories:		16,751	21,128
II Accounts receivable and prepayments:			
1. Trade receivables	17	24,526	8,035
2. Amount due from related companies	18	1,176,087	1,860,735
4. Other receivables	19	965,017	528,776
7. Deferred expenses		264,568	154,515
Total Accounts Receivable:		2,430,198	2,552,061
III Current Investments:			
3. Other securities and participations		25,780	25,780
Total Current Investments:	20	25,780	25,780
IV. Cash and Cash Equivalents	21	230,629	251,666
Total Current Assets:		2,703,358	2,850,635
Total Assets		121,238,207	121,406,949

BALANCE SHEET AS AT 31 DECEMBER 2007 *(continued)*

(2)

	Note	31.12.2007 LVL	31.12.2006 LVL (restated)
<u>SHAREHOLDERS' EQUITY AND LIABILITIES</u>			
Shareholders' Equity:			
1. Share capital		200,000,000	200,000,000
5. Retained earnings:			
a) accumulated losses for the previous years		(81,497,802)	(73,265,566)
b) loss for the reporting period		(2,780,328)	(8,232,236)
Total Shareholders' Equity:		115,721,870	118,502,198
Liabilities:			
Current Liabilities:			
6. Trade payables		364,600	148,312
8. Amounts due to related companies	22	2,985,218	937,218
10. Taxes and social insurance payments	23	111,520	82,499
11. Other accounts payable	24	245,849	247,419
15. Accrued expenses	26	1,809,150	1,489,303
Total Current Liabilities:		5,516,337	2,904,751
<u>Total Shareholders' Equity and Liabilities</u>		<u>121,238,207</u>	<u>121,406,949</u>

Notes on pages 12 through 32 constitute an integral part of these financial statements.

 Imants Sarmulis
 Chairman of the Management
 Board

 Andris Linužs
 Member of the Management
 Board - First Vice President

 Raivis Veckāgans
 Member of the Management
 Board - Vice President

 Ilva Purēna
 Member of the Management
 Board

 Guntis Tīrmanis
 Member of the Management
 Board

April 2008

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE YEAR ENDED 31st DECEMBER 2007**

	<u>Share Capital</u> <u>LVL</u>	<u>Accumulated</u> <u>losses</u> <u>LVL</u>	<u>Total</u> <u>LVL</u>
31 December 2005	<u>200,000,000</u>	<u>(73,396,558)</u>	<u>126,603,442</u>
Restatement *	-	130,992	130,992
31 December 2005 (restated)	<u>200,000,000</u>	<u>(73,265,566)</u>	<u>126,734,434</u>
Net Loss for the year	-	(8,262,950)	(8,262,950)
Restatement *	-	30,714	30,714
31 December 2006 (restated)	<u>200,000,000</u>	<u>(81,497,802)</u>	<u>118,502,198</u>
Net Loss for the year	-	(2,780,328)	(2,780,328)
31 December 2007	<u>200,000,000</u>	<u>(84,278,130)</u>	<u>115,721,870</u>

* Restatement presented in accounting policies Note 2.

As at 31 December 2007 the authorised, issued and fully paid share capital of the company consists of 200,000,000 shares with nominal value of LVL 1 each. All the shares are publicly traded and listed on Riga Stock Exchange. All the shares are ordinary shares with voting rights.

Notes on pages 12 through 32 constitute an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2007

	Note	2007 LVL	2006 LVL (restated)
I. Cash Flow from Operating Activities			
1. Loss before taxation		(2755,081)	(8,223,365)
<u>Adjustments for:</u>			
a) Depreciation		333,998	214,108
b) Licence amortisation		102,350	46,389
c) Accrued expenses increase/ (decrease)		319,847	(1,493,502)
d) Foreign exchange losses		15,615	20,858
e) Income from participation in subsidiaries and associated undertakings		(3,054,800)	-
g) Other interest income		(19,500)	(233,655)
h) Impairment of non-current and current investments' value		233,863	1,932,641
j) Profit from the disposal of fixed assets and licences		(71,910)	(16,907)
k) Other taxes		(25,247)	(8,871)
2. Loss before adjustments for movements in net working capital		(4,920,865)	(7,762,304)
<u>Adjustments for:</u>			
a) Decrease in trade and other receivables		99,934	951,543
b) Decrease in inventories		4,378	12,956
c) Increase in trade and other payables		2,291,739	127,945
3. Gross Cash Flow from Operating Activities		(2,524,814)	(6,669,860)
6. Net Cash Flow from Operating Activities		(2,524,814)	(6,669,860)
II. Cash Flow from Investing Activities			
3. Acquisition of fixed and intangible assets, assets under construction		(964,711)	(2,102,729)
4. Proceeds from sale of fixed and intangible assets		387,876	20,680
6. Proceeds from repayment of the loans issued		21,927	8,077,681
7. Interest received		19,500	591,225
8. Dividends received		3,054,800	-
9. Net Cash Flow from Investing Activities		2,519,392	6,586,857
IV. Currency Translation Difference		(15,615)	(20,858)
Net Decrease in Cash and Cash Equivalents		(21,037)	(103,861)
Cash and Cash Equivalents at the beginning of the reporting year	21	251,666	355,527
Cash and Cash Equivalents at the end of the reporting year		230,629	251,666

Notes on pages 12 through 32 constitute an integral part of these financial statements.

NOTES

Accounting Policies

(1) Basis of preparation

The financial statements are prepared in accordance with Law of the Republic of Latvia On Annual Accounts and Latvian Accounting Standards applicable in the reporting year. The financial statements are prepared on a historical cost basis. The financial statements are prepared in Latvian lats (LVL). The income statement is prepared using the cost-of-sale method. The cash flow statement is prepared in accordance with indirect method.

The accounting policies applied are consistent with those of the previous reporting period.

Changes in the accounting policies

The Company has adopted the following new Latvian accounting standards (LAS):

LAS 6 "Income";

LAS 7 "Fixed Assets";

LAS 8 "Accruals, contingent liabilities and contingent assets".

No material changes were made to accounting policies as a result of the adoption of the LAS mentioned above.

(2) Changes in the previous reporting results

The following correction, which affects the results of the years 2005 and 2006, have been made in the financial statements 2007 of JSC Latvijas kuģniecība based on the agreement signed in October 2007 with subsidiary SIA "Ostas serviss" for the termination of the real estate possession and mutual payments statement:

Effect on the results of previous periods	LVL
Increase in income from the management of the real estate and receivable from the related company	130,992
Effect of the correction as at 31 December 2005	130,992
Effect on the results of the year 2006	LVL
Increase in income from the management of the real estate and receivable from the related company	30,714
Effect of the correction as at 31 December 2006	30,714

(3) Income recognition

Income is recognised upon delivery of goods or provision of services. Net sales are shown net of value added tax and discounts. Income from fines and penalties is recognised as received.

(4) Currency translation

JSC Latvijas kuģniecība accounting currency is Latvian lat. All transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Latvian lats at the foreign exchange set forth by the Bank of Latvia at the end of the reporting period. Any gain or loss resulting from the rate foreign currency translation is recognised in the Income Statement of the respective reporting period.

	31.12.2007	31.12.2006
	LVL	LVL
1 USD	0.484	0.536
1 EUR	0.702804	0.702804

NOTES *(continued)*

Accounting Policies *(continued)*

(5) Intangibles, fixed assets and investment properties

Intangible and fixed assets are stated at historical cost less accumulated depreciation.

Depreciation is calculated using the straight-line method to write off the cost of each asset to its estimated residual value over the estimated useful life of the asset. The following depreciation rates are applied:

	% per annum
Intangible assets	33.33
Buildings and constructions	2 – 20
Machinery and equipment	14.29
Other fixed assets	14.29 – 50

Each part of an item of fixed asset with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Company depreciates separately some parts fixed asset, it also depreciates separately the remainder of the item.

Fixed assets maintenance and repair costs are charged to the Income Statement as incurred. Capital expenditure is capitalised and depreciated over the remaining useful life of the respective fixed asset.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount is the greater of an asset's market value and its value in use.

When the circumstances that led to such impairment cease to exist, a reversal of the impairment loss is made.

The investments properties represent land and is initially recognised at cost value.

(6) Investments in subsidiary and associated undertakings

Investments in subsidiary undertakings (such entities in which the Company has an interest of more than 50% of the voting rights or otherwise has power to exercise control over the operations) and in associated undertakings (such entities over which the Company generally has 20 to 25% of the voting rights, or over which the Company has significant influence, but it does not control) are stated at cost. Investments in subsidiaries and associated undertakings are valued at their initial value less impairment losses.

Where events or changes in circumstances indicate that the carrying amount of investments in subsidiary and associated undertakings may not be recoverable, the respective investments are tested for impairment. The Company recognises income from its investments in subsidiary and associated undertakings only to the extent that the Company receives distributions from accumulated profits of the subsidiary or associate arising after the date of acquisition. Any distributions received out of pre-acquisition profits are treated as a recovery of the cost of investment.

(7) Other securities and investments

Investments in entities, in which the Company has no significant influence (ownership interest does not exceed 20%), are stated at cost. Where the decline in value is other than temporary, the resulting difference between the investment's initial value and its recoverable amount is recognised in the Income Statement.

NOTES *(continued)*

Accounting Policies *(continued)*

(8) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. When necessary, the provisions are made for obsolete, slow-moving or damaged inventories, or their value is written-down.

(9) Taxes

The Company's corporate income tax comprises the current income tax, changes in the deferred tax. The current income tax is charged at 15% of taxable profit for the taxable period.

Deferred income tax is calculated using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the years when the temporary differences are reversed. The principal temporary differences arise from difference in depreciation rates applied to fixed assets, as well as from tax losses carried forward. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(10) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(11) Trade receivables

Trade receivables are carried at original invoiced amount less the provision made for bad and doubtful receivables. Provisions for bad and doubtful receivables are made when management considers the recovery of these receivables is doubtful.

(12) Accruals for employee vacation expenses

The amount of accruals for employee vacation expenses is determined by multiplying the average daily salary with unused vacation days as at the end of the current year, but not exceeding the two years period.

(13) Cash and cash equivalents

Cash and cash equivalents include cash and short term deposits, which do not exceed three months maturity on the date of placement.

(14) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported values of assets, liabilities, income and expenses and disclosure of contingencies. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable.

JSC Latvijas kuģniecība**Annual Report 2007**

1 Elizabetes Street, Riga, LV 1807

Registration No: 40003021108

NOTES (continued)

	2007	2006
	LVL	LVL
(1) Net sales		
Income from commercial, management services	5,346,522	2,111,848
Income from IT & accounting services	306,183	205,123
Rental income	156,904	159,299
	5,809,609	2,476,270
(2) Cost of sales		
Salaries and training	1,402,527	559,630
Social insurance costs	203,255	86,305
Professional fees	895,124	11,462
Depreciation	217,714	137,191
Repairs and maintenance expenditure	150,530	138,140
IT and communication	138,295	114,396
Transport and travelling expenses	78,277	62,686
<i>incl. social insurance costs</i>	2,553	1,086
Advertising and marketing	13,338	7,921
Other costs	17,021	4,327
	3,116,081	1,122,058
(3) Administrative expenses		
Salaries, training, health insurance and other social costs	4,092,107	4,123,711
Social insurance costs	205,117	178,172
Advertising and marketing	924,063	680,716
Occupation and repairs	312,386	489,228
Professional fees	258,708	771,572
Transport and travelling expenses	225,212	204,194
<i>incl. social insurance costs</i>	5,100	5,118
Depreciation	218,634	123,306
IT and communication	10,787	25,102
Other expenses	651,254	672,827
Movements in other provisions	171,248	(3,411)
	7,069,516	7,265,417
(4) Other operating income		
Reversed accruals for legal proceedings and salaries	45,665	494,524
Profit from disposal of fixed assets	71,910	16,907
	117,575	511,431

NOTES *(continued)*

	2007	2006
	LVL	LVL
(5) Other operating expenses		
Accruals for employees bonuses	1,265,137	491,104
	1,265,137	491,104
(6) Income from investments in subsidiary and associated undertakings		
Dividends received from Latmar Holdings Corporation	2,585,000	-
Dividends received from Santomar Holdings Company	469,800	-
	3,054,800	-
(7) Other interest and similar income		
Gain from foreign currency rate fluctuations	48,736	-
Interest income	11,661	9,788
Interest income from short term loans advanced to subsidiaries	7,839	223,867
	68,236	233,655
(8) Impairment of non-current and current investments' value		
SIA Ostas serviss	176,405	-
SIA Jūras servisa centrs	46,254	-
SIA Kuģu remonta bāze	11,204	32,239
SIA LSC Shipmangement	-	1,900,000
SIA Latvian-Finnish Maritime Agency	-	402
	233,863	1,932,641
(9) Interest and similar expenses		
Interest expenses	117,536	29,133
Bank charges	3,168	3,227
Loss from foreign currency rate fluctuations	-	601,141
	120,704	633,501

JSC Latvijas kuģniecība**Annual Report 2007**

1 Elizabetes Street, Riga, LV 1807

Registration No: 40003021108

NOTES (continued)**(10) Corporate income tax for the reporting period**

The Company's corporate income tax charge differs from the theoretical amount that would arise applying the tax rate of 15% to the Company's profit before tax:

	2007	2006 (restated)
Loss before tax	(2,755,081)	(8,223,365)
Tax calculated at tax rate of 15%	(413,262)	(1,233,505)
Expenses not deductible for tax purposes	198,971	415,895
Income not subject to corporate income tax	(3,880)	(1,590)
Unused tax losses	-	282
Transfer of tax losses to the on company	3,311	-
Changes in unrecognised deferred tax asset	214,860	818,918
Corporate income tax	-	-

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet:

	31.12.2007 LVL	31.12.2006 LVL
Excess of tax allowances over depreciation	152,967	117,829
Other temporary differences	(302,085)	(255,204)
Tax losses	(2,820,324)	(2,617,207)
Unrecognised deferred tax asset	(2,969,442)	(2,754,582)

In compliance with the prudence principle, the resulting deferred tax asset is not recognised in the Company's financial statement.

Unused tax losses

As at 31 December 2007 the Company's tax losses make up LVL 18,803,366.

Tax losses available to offset against future taxable profit are as follows:

	Loss amount LVL	Expires
Corporate income tax losses for 2003	4,519,503	2008
Corporate income tax losses for 2004	3,908,778	2009
Corporate income tax losses for 2005	1,679,457	2010
Corporate income tax losses for 2006	7,340,304	2011
Corporate income tax losses for 2007	1,354,116	2012
	18,802,158	

(11) Other taxes

	2007 LVL	2006 LVL
Real estate tax (see Note 25)	25,247	8,87

NOTES (continued)

(12) Intangible and fixed assets

	Licences	Advances for licences	Lands and buildings *	Machinery and equipment	Other fixed assets	Assets under construction	Advances for fixed assets	Investment properties	TOTAL
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
Cost									
as at 31.12.2005	161,139	-	505,953	3,510	1,619,714	757,126	47,574	-	3,095,016
Additions in 2006	101,321	-	678,822	17,359	687,390	617,837	-	-	2,102,729
Reclassification in 2006	-	-	1,365,637	-	4,500	(1,341,168)	(28,969)	-	-
Disposals in 2006	(23,146)	-	(24,699)	(1,694)	(512,552)	(2,552)	-	-	(564,643)
as at 31.12.2006	239,314	-	2,525,713	19,175	1,799,052	31,243	18,605	-	4,633,102
Additions in 2007	280,651	5,407	568,260	-	109,095	1,298	-	-	964,711
Reclassification in 2007	-	-	(122,977)	-	23,673	(13,808)	(9,865)	122,977	-
Disposals in 2007	(57,832)	-	-	-	(186,114)	-	(6,196)	-	(250,142)
as at 31.12.2007	462,133	5,407	2,970,996	19,175	1,745,706	18,733	2,544	122,977	5,347,671
Accumulated depreciation									
as at 31.12.2005	91,792	-	72,004	2,320	1,305,768	-	-	-	1,471,884
Charge for the year 2006	46,389	-	35,192	2,375	176,541	-	-	-	260,497
Released on disposal in 2006	(23,146)	-	(24,699)	(605)	(509,568)	-	-	-	(558,018)
as at 31.12.2006	115,035	-	82,497	4,090	972,741	-	-	-	1,174,363
Charge for the year 2007	102,350	-	83,147	2,480	248,371	-	-	-	436,348
Released on disposal in 2007	(57,832)	-	-	-	(184,624)	-	-	-	(242,456)
as at 31.12.2007	159,553	-	165,644	6,570	1,036,488	-	-	-	1,368,255
Fixed assets impairment									
as at 31.12.2006	-	-	(233,823)	-	-	-	-	-	(233,823)
Book value as at 31.12.2006	124,279	-	2,209,393	15,085	826,311	31,243	18,605	-	3,224,916
Fixes assets impairment									
as at 31.12.2007	-	-	(226,517)	-	-	-	-	-	(226,517)
Book value as at 31.12.2007	302,580	5,407	2,578,835	12,605	709,218	18,733	2,544	122,977	3,752,899

Net book value of land and buildings as at 31.12.2007. – LVL 2,578,835, cadastral value – LVL 2,541,649. Market value of the property valuation performed was LVL 5,197,000. Net book value of investment properties as at 31.12.2007. – LVL 122,977, cadastral value – LVL 490,000, market value – LVL 456,895.

NOTES (continued)

(13) Information on the subsidiary undertakings and investments

(a) Investments in subsidiary undertakings

Name and address	Percentage holding %	31.12.2007	Acquisition	Impairment	31. 12. 2006
Latmar Holdings Corporation (1) 80 Broad Street, City of Monrovia, Liberia	100	111,417,849	-	-	111,417,849
Kristaps Insurance Ltd. 11 Victoria Street P.O. Box HM 392 Hamilton HM PX Bermudas	100	79,542	-	-	79,542
Crown Navigation Inc. (2) Ajeltake Road, Ajeltake Island, Majuro Marshall Islands	100	-	-	-	-
LSIA Latvian - Finnish Maritime Agency Elizabetes iela 1, Rīga, LV 1010, Latvija	100	-	-	-	-
Santomar Holdings Company Ltd. 284 AR CH Makarios III AVE., Fortuna Court block 13, 3 rd floor, 32 flat, Limassol, Cyprus	100	1,210	-	-	1,210
Razna Shipping Corporation 80 Broad Street, City of Monrovia, Liberia	100	-	-	-	-
Taganroga Shipping Corporation 80 Broad Street, City of Monrovia, Liberia	100	-	-	-	-
SIA Kuģu remonta bāze Elizabetes iela 1, Rīga, LV 1807, Latvija	100	893,318	-	(11,204)	904,522
SIA LSC Marine Training Andrejostas ielā 6, Rīga, LV 1045, Latvija	100	300,000	-	-	300,000
SIA Jūras servisa centrs Andrejostas 4a, Rīga, LV 1045, Latvija	100	93,746	-	(46,254)	140,000
SIA LSC Shipmanagement Andrejostas 4a, Rīga, LV 1045, Latvija	100	-	-	-	-
SIA Ostas serviss Elizabetes iela 1, Rīga, LV 1807, Latvija	100	-	-	(491,990)	491,990
SIA Jūrnieku mācību centrs Elizabetes iela 1, Rīga, LV 1807, Latvija	100	391,978	-	-	391,978
SIA Kuģu menedžments Elizabetes iela 1, Rīga, LV 1807, Latvija	100	983,377	-	-	983,377
SIA Karavella Property Elizabetes iela 1., Rīga, LV 1807, Latvija	100	613,377	-	-	613,377
		114,774,397	-	(549,448)	115,323,845

NOTES *(continued)*

(13) Information on the subsidiary undertakings and investments *(continued)*

Name and address	Percentage holding %	31.12.2006	Acquisition	Impairment	31. 12. 2005
Latmar Holdings Corporation (1) 80 Broad Street, City of Monrovia, Liberia	100	111,417,849	-	-	111,417,849
Kristaps Insurance Ltd. 11 Victoria Street P.O. Box HM 392 Hamilton HM PX Bermudas	100	79,542	-	-	79,542
Crown Navigation Inc. (2) Ajeltake Road, Ajeltake Island, Majuro Marshall Islands	100	-	-	-	-
SIA Latvian - Finnish Maritime Agency Elizabetes iela 1, Rīga, LV 1010, Latvija	100	-	-	(402)	402
Santomar Holdings Company Ltd. 284 AR CH Makarios III AVE., Fortuna Court block 13, 3 rd floor, 32 flat, Limassol, Cyprus	100	1,210	-	-	1,210
Razna Shipping Corporation 80 Broad Street, City of Monrovia, Liberia	100	-	-	-	-
Taganroga Shipping Corporation 80 Broad Street, City of Monrovia, Liberia	100	-	-	-	-
SIA Kuģu remonta bāze Elizabetes iela 1, Rīga, LV 1807, Latvija	100	904,522	-	(32,239)	936,761
SIA LSC Marine Training Andrejostas ielā 6, Rīga, LV 1045, Latvija	100	300,000	-	-	300,000
SIA Jūras servisa centrs Andrejostas 4a, Rīga, LV 1045, Latvija	100	140,000	-	-	140,000
SIA LSC Shipmanagement Andrejostas 4a, Rīga, LV 1045, Latvija	100	-	-	(1,900,000)	1,900,000
SIA Ostas serviss Elizabetes iela 1, Rīga, LV 1807, Latvija	100	491,990	-	-	491,990
SIA Jūrnieku mācību centrs Elizabetes iela 1, Rīga, LV 1807, Latvija	100	391,978	-	-	391,978
SIA Kuģu menedžments Elizabetes iela 1, Rīga, LV 1807, Latvija	100	983,377	-	-	983,377
SIA Karavella Property Elizabetes iela 1., Rīga, LV 1807, Latvija	100	613,377	-	-	613,377
		115,323,845	-	(1,932,641)	117,256,486

NOTES *(continued)*

(13) Information on the subsidiary undertakings and investments *(continued)*

(b) Information on subsidiaries

Name and address	Shareholders' Equity LVL		Profit/Loss LVL	
	31. 12. 2007	31. 12. 2006	2007	2006
Latmar Holdings Corporation (1) 80 Broad Street, City of Monrovia, Liberia	215,341,237	210,503,505	29,379,486	25,049,645
Kristaps Insurance Ltd. 11 Victoria Street P.O. Box HM 392 Hamilton HM PX Bermudas	917,235	962,589	50,728	(67,719)
Crown Navigation Inc. (2) Ajeltake Road, Ajeltake Island, Majuro Marshall Islands	22,755,963	11,883,058	12,762,490	3,399,790
LSIA "Latvian - Finnish Maritime Agency" * Elizabetes iela 11, Rīga, LV 1010, Latvija	(194,218)	(206,286)	12,068	(210,650)
Santomar Holdings Company Ltd. 284 AR CH Makarios III AVE., Fortuna Court block 13, 3 rd floor, 32 flat, Limassol, Cyprus	20,310	505,460	(545)	(589)
Razna Shipping Corporation 80 Broad Street, City of Monrovia, Liberia	(2,909,394)	(3,398,616)	169,278	33,059
Taganroga Shipping Corporation 80 Broad Street, City of Monrovia, Liberia	(3,315,429)	(3,760,201)	84,876	(338,898)
SIA Kuģu remonta bāze Elizabetes iela 1, Rīga, LV 1010, Latvija	893,318	904,520	(11,204)	(32,241)
SIA LSC Marine Training Andrejostas ielā 6, Rīga, LV 1045, Latvija	1,236,880	1,513,429	(276,549)	(168,366)
SIA Jūras servisa centrs Andrejostas 4a, Rīga, LV 1045, Latvija	100,843	142,245	(41,402)	(67,628)
SIA LSC Shipmanagement Andrejostas 4a, Rīga, LV 1045, Latvija	(2,106,578)	(39,860)	(2,066,718)	(3,315,763)
SIA Ostas serviss Elizabetes iela 1, Rīga, LV 1807, Latvija	30,046	512,388	(325,300)	20,398
SIA Jūrnieku mācību centrs Elizabetes iela 1, Rīga, LV 1807, Latvija	417,036	395,598	21,438	3,620
SIA Kuģu menedžments Elizabetes iela 1, Rīga, LV 1807, Latvija	1,027,446	997,630	31,180	14,253
SIA Karavella Property Elizabetes iela 1, Rīga, LV 1807, Latvija	719,213	689,993	29,220	40,151

*In liquidation – the case of insolvency has been initiated. The data represents results as at 31 July 2007 and taking in to consideration all transactions related to Group companies.

NOTES *(continued)*

(13) Information on the subsidiary undertakings and investments *(continued)*

Unless otherwise indicated, all the subsidiary undertakings below are 100% owned.

Name	Country of Incorporation
(1) Latmar Holdings Corporation:	
Abava Shipping Company Ltd.	Malta
Amata Shipping Company Ltd.	Malta
Apollo Holdings Corporation	Cayman Islands
Cape Wind Trading Company	Liberia
Clipstone Navigation S. A.	Liberia
Dawnlight Shipping Company Ltd.	Cyprus
Juris Avots Shipping Company Ltd.	Cyprus
Kriti Sea Shipping Company Ltd.	Cyprus
Latalpha Holdings Corporation	Liberia
Latgale Shipping Company Ltd.	Malta
Latmar Shipping Company Ltd.	Cyprus
Latstrand Holdings Corporation	Liberia
Lattanker Holdings Corporation	Liberia
Limetree Shipping Company Ltd.	Malta
New Spring Shipping Company Ltd.	Cyprus
Noella Maritime Company Ltd.	Cyprus
Radar Shipping Ltd.	Liberia
Reeferlat Holdings Corporation	Liberia
Renda Maritime Company Ltd.	Cyprus
Rhodos Shipping Company Ltd.	Cyprus
Rundale Shipping Company Ltd.	Cyprus
S. Tomskis Shipping Company Ltd.	Cyprus
S. Tomskis Shipping Company Ltd.	Malta
Sagewood Trading Inc.	Liberia
Samburga Shipping Company Ltd.	Cyprus
Saturn Trading Corporation	Liberia
Scanreefer Marine Company Ltd.	Cyprus
Scanreefer Navigation Company Ltd.	Cyprus
Viktorio Shipping Corporation	Liberia
Zemgale Shipping Company Ltd.	Malta
Wilcox Holdings Ltd.	Liberia
World Reefer Corporation	Liberia

NOTES *(continued)*

(13) Information on the subsidiary undertakings and investments *(continued)*

<u>Name</u>	<u>Country of Incorporation</u>
Latstrand Holdings Corporation :	
Arctic Seal Shipping Company Ltd.	Cyprus
Atlantic Leader Shipping Company Ltd.	Cyprus
Faroship Navigation Company Ltd.	Cyprus
Gaida Shipping Corporation	Liberia
Gevostar Shipping Company Ltd.	Cyprus
Tangent Shipping Company Ltd.	Cyprus
Zoja Shipping Company Ltd.	Cyprus
Latalpha Holdings Corporation:	
Akademikis Vavilovs Shipping Company Ltd.	Malta
Akademikis Zavarickis Shipping Company Ltd.	Malta
Delacroix Shipping Company Ltd.	Cyprus
Dzintari Shipping Corporation	Liberia
Griva Maritime Corporation	Liberia
Kasira Shipping Company Ltd.	Cyprus
Kemeri Navigation Corporation	Liberia
Mahoe Shipping Company Ltd.	Cyprus
O. Vacietis Shipping Company Ltd.	Cyprus
Perle Reefer Shipping Company Ltd.	Malta
Pinewood Shipping Corporation	Liberia
Ringmare Shipping Company Ltd.	Cyprus
Rosewood Shipping Corporation	Liberia
Ventspils Shipping Company Ltd.	Cyprus

NOTES *(continued)*

(13) Information on the subsidiary undertakings and investments *(continued)*

<u>Name</u>	<u>Country of Incorporation</u>
Reeferlat Holdings Corporation:	
Akademikis Artobolevskis Shipping Company Ltd.	Cyprus
Akademikis Artobolevskis Shipping Company Ltd.	Malta
Akademikis Bocvars Shipping Company Ltd.	Cyprus
Akademikis Bocvars Shipping Company Ltd.	Malta
Akademikis Celomejs Shipping Company Ltd.	Malta
Akademikis Celomejs Shipping Company Ltd.	Cyprus
Akademikis Hohlovs Shipping Company Ltd.	Cyprus
Belgoroda Shipping Company Ltd.	Malta
Belgoroda Shipping Company Ltd.	Cyprus
Juris Avots Shipping Company Ltd.	Malta
Kamilo Sjenfuegoss Shipping Company Ltd.	Malta
Kamilo Sjenfuegoss Shipping Company Ltd.	Cyprus
Kurska Shipping Company Ltd.	Malta
Kurska Shipping Company Ltd.	Cyprus
Pure Shipping Company Ltd.	Cyprus
Pure Shipping Company Ltd.	Malta
Ventlines Shipping Limited	Malta
Lattanker Holdings Corporation:	
Antonio Gramsi Shipping Corporation	Liberia
Dauids Sikeiross Shipping Corporation	Liberia
Dzons Rids Shipping Corporation	Liberia
Hose Marti Shipping Corporation	Liberia
Imanta Shipping Company Ltd.	Malta
Klements Gotvalds Shipping Corporation	Liberia
Majori Shipping Company Ltd.	Malta
Pablo Neruda Shipping Company Ltd.	Cyprus
Talava Shipping Company Ltd.	Malta

NOTES *(continued)*

(13) Information on the subsidiary undertakings and investments *(continued)*

<u>Name</u>	<u>Country of Incorporation</u>
(2) Crown Navigation Inc.:	
Kolka Navigation Inc.	Marshall Islands
Kaltene Navigation Inc.	Marshall Islands
Kuldīga Navigation Inc.	Marshall Islands
Kursa Navigation Inc.	Marshall Islands
Kandava Navigation Inc.	Marshall Islands
Kazdanga Navigation Inc.	Marshall Islands
Kabile Navigation Inc.	Marshall Islands
Sloka Navigation Inc.	Marshall Islands
Salacgrīva Navigation Inc.	Marshall Islands
Saulkrasti Navigation Inc.	Marshall Islands
Stende Navigation Inc.	Marshall Islands
Sabīle Navigation Inc.	Marshall Islands
Smiltene Navigation Inc.	Marshall Islands
Skrunda Navigation Inc.	Marshall Islands
Sigulda Navigation Inc.	Marshall Islands
Straupe Navigation Inc.	Marshall Islands
Saldus Navigation Inc.	Marshall Islands

(14) Investments in associated undertakings

Name and address	Percentage Holding % 31.12.2007	Investment Value LVL 31.12.2007	Shareholders' Equity LVL 31.12.2007
SIA Via Una Rīgā, Katrīnas dambis 10, Latvija	45.45	7,553	54,669

Net profit for 2007 made up LVL 5,399 (losses LVL 7,350 in 2006).

NOTES (continued)

(15) Non-current financial investments

	Investments in subsidiaries LVL	Investments in associates LVL	Other loans LVL	TOTAL LVL
31.12.2005	117,256,486	7,553	115,643	117,379,682
Impairment	(1,932,641)	-	-	(1,932,641)
Loans repaid			(115,643)	(115,643)
31.12.2006	115,323,845	7,553	-	115,331,398
Impairment	(549,448)			(549,448)
31.12.2007	114,774,397	7,553	-	114,781,950

(16) Raw materials and components

	31.12.2007 LVL	31.12.2006 LVL
Fuel	225	79
Advances for spare parts	-	744
Other materials and inventories	16,526	20,305
	16,751	21,128

(17) Accounts receivable and prepayments

Trade receivables	1,530,516	1,509,076
Provision for doubtful debts	(1,505,990)	(1,501,041)
	24,526	8,035

NOTES (continued)

	31.12.2007	31.12.2006
	LVL	LVL
		(restated)
(18) Amounts due from related companies		
SIA Kuģu menedžments *	636,454	142
Crown Navigation Inc.	264,055	257,803
SIA LSC Shipmanagement	177,683	40,057
Latmar Holdings Corporation	71,719	1,300,894
SIA LSC Marine Training	7,276	7,246
SIA Jūras servisa centrs	7,175	35,882
Santomar Holdings Company Ltd.	3,694	4,091
Razna Shipping Corporation	3,664	27,083
Taganroga Shipping Corporation	3,657	21,541
SIA Ostas serviss **	225	162,837
SIA Karavella Property	201	1,459
LSIA Latvian Finnish Maritime Agency	-	1,416
SIA Kuģu remonta bāze	142	142
SIA Jūrnīeku mācību centrs	142	142
	1,176,087	1,860,735

* The balance consists of the loan issued and the interest receivable for the year 2007 in amount of 636,312 LVL in accordance with management agreement of the financial resources. The interest rates applied are linked to the RIGIBOR and EURIBOR rate at the date of the transferring the loan amount in to the bank account of the borrower for the loans.

** Restatement of the results for the year 2006 is presented in accounting policies Note 2.

(19) Other receivables

Overpaid value added tax (see Note 25)	695,159	296,147
Accepted value added tax	32,432	13,287
Overpaid real estate tax (see Note 25)	2,846	9,744
Overpaid non-resident income tax (see Note 25)	3,379	3,379
Overpaid real estate tax (see Note 25)	-	450
Other receivables	231,201	205,769
	965,017	528,776

The receivables are stated at their net value.

(20) Current investments

JSC Morbank	25,780	25,780
	25,780	25,780

(21) Cash and cash equivalents

Cash at bank	230,629	251,666
	230,629	251,666

NOTES (continued)

	31.12.2007	31.12.2006
	LVL	LVL
(22) Amounts due to related companies		
SIA LSC Marine Training *	1,047,105	-
SIA Kuģu remonta bāze *	934,377	872,351
SIA Jūrnieku mācību centrs *	415,132	-
Latmar Holdings Corporation	310,375	25,079
Crown Navigation Inc.	230,695	-
SIA Jūras servisa centrs *	43,693	-
SIA LSC Shipmanagement	3,841	1,144
SIA Ostas serviss	-	38,644
	2,985,218	937,218

*The amounts due to related companies include the loans from related companies in accordance with management agreements of the financial resources. The interest rates applied are linked to the RIGIBOR and LIBOR rate at the date of the transferring the loan amount in to the bank account of the borrower.

(23) Taxes and social insurance payments*

Personal income tax	74,666	65,416
Social insurance payments	36,824	17,054
State business risk duty	30	29
	111,520	82,499

* See Note 25.

(24) Other accounts payable

Salaries	213,830	216,199
Deductions from salaries	172	103
Other payables	31,847	31,117
	245,849	247,419

NOTES (continued)

(25) Taxes and social insurance payments

	Value added tax	Corporate income tax withheld from payments to non-residents	Real estate tax (buildings and constructions)	Real estate tax (land)	State business risk duty	Social insurance payments	Personal income tax	Total
Payable 31.12.2006.	-	-	-	-	29	17,054	65,416	82,499
(Overpaid) 31.12.2006.	(296,147)	(3,379)	(9,744)	(450)	-	-	-	(309,720)
Charge for 2007	(428,967)	-	20,214	5,033	351	737,122	1,534,618	1,868,371
Correction for 2005,2006	29,107	-	-	-	-	-	-	29,107
Penalties	848	-	(7)	(4)	-	-	-	837
Reimbursed for 2006	-	-	-	-	-	(72,304)	-	(72,304)
Paid in 2007	-	-	(13,309)	(4,579)	(350)	(645,048)	(1,525,368)	(2,188,654)
Payable 31.12.2007.	-	-	-	-	30	36,824	74,666	111,520
(Overpaid) 31.12.2007.	(695,159)	(3,379)	(2,846)	-	-	-	-	(701,384)

NOTES *(continued)*

(26) Accrued liabilities

	Accruals for employee vacations LVL	Accruals for employee bonuses and salaries LVL	Accruals for other expenses LVL	Other accruals LVL	Total LVL
31.12.2006	477,782	983,335	6,420	21,766	1,489,303
Increase	354,769	1,407,493	13,424	-	1,775,686
Decrease	(466,084)	(983,335)	(6,420)	-	(1,455,839)
31.12.2007	366,467	1,407,493	13,424	21,766	1,809,150

(27) Average number of employees

	2007	2006
Average number of employees during the year:	116	120

(28) Key management remuneration

Management Board remuneration in 2007 made up LVL 1,617,127 (LVL 1,163,165 in 2006), social insurance payments amounted to LVL 31,985 (LVL 28,655 in 2006). The remuneration of Supervisory Council members made up LVL 1,671,105 (LVL 1,733,358 in 2006), and social insurance payments - LVL 56,382 (49,866 in 2006).

No loans were advanced or guarantees issued in 2007 to the members of Supervisory Council and Management Board.

(29) Fees paid to external auditors

	2007	2006
Audit of the financial statements	13,424	10,700
Management consulting	28,675	-
	42,099	10,700

NOTES (continued)

(30) Guaranteed loans of subsidiaries

	US \$ '000		LVL '000	
	2007	2006	2007	2006
Repayments due within next twelve months	42,560	50,012	20,599	26,806
Unamortised prepaid financing expenses	(785)	(309)	(380)	(166)
Net current portion	41,775	49,703	20,219	26,640
Non-current portion	304,608	169,371	147,430	90,783
Unamortised prepaid financing expenses	(5,654)	(2,140)	(2,736)	(1,147)
Net non-current portion	298,954	167,231	144,694	89,636
Total loans outstanding	347,168	219,383	168,029	117,589
Total unamortised prepaid financing expenses*	(6,439)	(2,449)	(3,116)	(1,313)
Total loan, net of unamortised financing costs	340,729	216,934	164,913	116,276

The loans are denominated in US \$ and are advanced to the Group's single vessel companies. Loans are repayable once in a quarter. As a collateral to the borrowers the vessels are mortgaged and guarantees are issued in the normal course of business. Latvian Shipping Company and Crown Navigation Inc. are guarantors of these secured loans. These guarantees have been given in the normal course of business.

(31) Related parties

	2007 LVL	2006 LVL
Income from commercial management services	5,707,918	2,111,848
Income from the goods sold and services rendered	477,617	361,051
Interest income	7,839	223,867
	6,193,374	2,696,766
Interest expense	117,536	29,133
Cost of goods and services received	77,270	28,690
	194,806	57,823

NOTES *(continued)*

(31) Financial risk management

The Company's most important financial instrument is cash. The main objective of the above financial instrument is to finance the Company's business activities. The Company also deals with a number of other instruments, like trade receivables, trade and other payables, that arise directly from its business activity.

Financial risks

The main financial risk arising from the Company's financial instruments is foreign currency risk. The Company is exposed to foreign currency risk through cash and cash equivalents, loans issued, trade receivables and trade and other payables. Considerable portion of the Company's income is denominated in U.S. dollars, while the major part of its expenses is denominated in Latvian lats. Therefore the Company is exposed to foreign currency risk mainly through USD. The Company's foreign currency exposure in USD may be stated as follows:

	31.12.2007.	31.12.2006.
Financial assets USD	1,227,670	3,363,477
Financial liabilities USD	(4,421,024)	(606,101)
Position USD	<u>(3,193,354)</u>	<u>2,757,376</u>
Position LVL	<u>(1,545,583)</u>	<u>1,477,953</u>

(32) Post balance sheet events

No significant events having a material effect on the results of the reporting period occurred between the balance sheet date and the date on which the financial statements were signed by the Management Board.