JOINT STOCK COMPANY VENTSPILS NAFTA
(UNIFIED REGISTRATION NUMBER 50003003091)

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007

PREPARED IN ACCORDANCE WITH
THE LAW OF THE REPUBLIC OF LATVIA
ON FINANCIAL STATEMENTS OF COMPANIES

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Ventspils, 2008

INDEPENDENT AUDITORS' REPORT

To the shareholders of AS Ventspils nafta

Report on the Financial Statements

We have audited the accompanying 2007 financial statements of AS Ventspils nafta (the "Company"), which are set out on pages 9 through 40 of the accompanying 2007 Annual Report and which comprise the balance sheet as at 31 December 2007, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia on Financial Statements of Companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion the financial statements give a true and fair view of the financial position of the Company as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia on Financial Statements of Companies.

Emphasis of Matter
Without qualifying our opinion, we would like to draw your attention to the fact that transportation of crude oil through the AS Ventspils nafta subsidiary's SIA LatRosTrans pipeline Polotsk–Mažeikiai ceased in July 2006 and since then the only SIA LatRosTrans source of income has been transportation of oil products through the pipeline Polotsk–Ventspils. Thus, a part of SIA LatRosTrans assets is no longer in operation and the remaining part is operating with a loss. As of 31 December 2007 the carrying amount of the respective property, plant and equipment and the construction in progress amounts to LVL 96 million (31 December 2006: LVL 101 million). The management of SIA LatRosTrans believes the current situation to be temporary and is taking measures to resume the crude oil flow. However, it remains unclear whether these measures will result in any improvement of the situation. However, it remains unclear whether these measures will result in any improvement of the situation. As disclosed in Note 14 of the accompanying financial statements, no impairment loss has been recognized in 2007 (2006: impairment loss of LVL 3.8 million) based on the assessed value in use of the SIA LatRosTrans property, plant and equipment calculated using estimates of future cash flows. If future events occur which cause a change in the assumptions used in arriving at the estimates of future cash flows in an unfavourable manner substantial impairment losses in relation to property, plant and equipment and construction in progress will have to be realized. The effect of any changes in the estimates will be recorded in the financial statements, when determinable. If future events occur which cause a change in the assumptions used in arriving at the estimates of future cash flows in unfavourable manner substantial impairment losses in relation to investment in subsidiary SIA LatRosTrans will have to be recognized. The effect of any changes in the estimates will be recorded in the financial statements, when determinable.

INDEPENDENT AUDITORS' REPORT (continued)

Without qualifying our opinion, we draw your attention to the fact that the major part of segment 'publishing and printing' operated by AS Ventspils nafta subsidiary AS Preses nams has operated with losses in 2006 and 2007 (see note 14). This situation may lead to material impairment of material impairment losses to the equipment and construction in progress of this subsidiary. As of 31 December 2007 the carrying amount of the respective equipment and construction in progress amounts to LVL 27 million (31 December 2006: LVL 12 million). The management of AS Preses nams has assessed the fair value less costs to sell for equipment and construction in progress as at 31 December 2007, and, if this would be used as a basis for assessing the recoverable amount of the aforementioned assets, an impairment loss would amount to approximately LVL 2.5 million. Since AS Preses nams management believes that the situation is temporary as significant restructuring plans are approved for implementation in the forthcoming years and the restructuring process has started in 2007, it prepared also a value in use calculation which is based on the estimated net present value of future cash flows from the cash generating unit AS Preses nams at the end of fiscal year 2007 and, based on these cash flow projections no impairment of the subsidiary's equipment and construction in progress appears to be currently required. However, it remains unclear whether the restructuring measures initiated in 2007 will result in the cash flows expected by the management. If the subsidiary's actual results in future years are significantly worse than budgeted, substantial impairment losses in relation to investment in the subsidiary AS Preses nams will have to be recognized. The effect of any changes in the estimates will be recorded in the financial statements, when determinable. Reference is also made to Note 14 to the financial statements.

No adjustments have been made in the accompanying financial statements that may be required as the outcome of the two uncertainties described above.

Without further qualifying our opinion, we further draw your attention to two significant transactions disclosed in Note 14 to the financial statements, which includes disclosure of the Company's sale of minority share of the subsidiary SIA Ventspils nafta terminals for USD 90 million and a reversal of the previously recognized impairment loss amounting to approximately LVL 30 million, which both have a significant effect on the financial performance of the Company in 2007.

Report on Compliance of the Management Report

Furthermore, we have read the Management Report for the year ended 31 December 2007 (included on pages 6 through 8 of the accompanying 2007 Annual Report) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2007.

SIA Ernst & Young Baltic
Licence No. 17

Diāna Krišjāne
Personal ID code: 250873-12964
Chairperson of the Board

Iveta Vimba
Latvian Sworn Auditor
Certificate No. 153

Riga, 15 April 2008

CONTENTS

COUNCIL OF JSC VENTSPILS NAFTA

Chairman of the Council:	Vladimirs Solomatins
Deputy Chairmen of the Council:	Dennis Crema Andris Vilcmeiers Jeffrey Scott Martz
Members of the Council:	Māris Gailis Gints Laiviņš -Laivenieks Mamerts Vaivads Paul Edward Mulholland Ashley John Neale Ansis Sormulis Vladimirs Krastiņš

The changes in the Council during the period from 1 January 2007 to 15 April 2008 were as follows:

Elected	Dismissed	Name	Position held
20/07/2007		Vladimirs Solomatins	Chairman of the Council
20/07/2007		Andris Vilcmeiers	Deputy Chairman of the Council
20/07/2007		Jeffrey Scott Martz	Deputy Chairman of the Council
20/07/2007		Mamerts Vaivads	Member of the Council
20/07/2007		Vladimirs Krastiņš	Member of the Council
	20/07/2007	Mamerts Vaivads	Chairman of the Council
	20/07/2007	Vladimirs Solomatins	Deputy Chairman of the Council
	20/07/2007	Vladimirs Krastiņš	Deputy Chairman of the Council
	20/07/2007	Andris Vilcmeiers	Member of the Council
	20/07/2007	Jeffrey Scott Martz	Member of the Council

BOARD OF JSC VENTSPILS NAFTA

Chairperson of the Board:	Olga Pētersone
Members of the Board:	Normunds Staņēvičs Ilva Purēna Guntis Tīrmanis

The changes in the Council during the period from 1 January 2007 to 15 April 2008 were as follows:

Elected	Dismissed	Name	Position held
26/02/2008		Normunds Staņēvičs	Member of the Board
	26/02/2008	Aldis Āķis	Member of the Board

MANAGEMENT REPORT

The reporting period for the public holding joint stock company *JSC Ventspils nafta* can be particularly characterized by continuity of the positive changes related to involvement of the co-owner of *JSC Ventspils nafta* – international oil and gas transport consortium *Vitol Group* in the management and development of the holding company since public auction organized by Latvian government in autumn 2006 of the state-owned shares of *JSC Ventspils nafta*. The reporting period for the holding company of *JSC Ventspils nafta* has resulted in a year of changes aimed to the future with development areas of *JSC Ventspils nafta* being defined, presence of seasoned international professionals ensured at the management bodies of *JSC Ventspils nafta*, and the transit arm of the holding obtaining a new spirit.

During the reporting period, the registered and paid-up share capital of *JSC Ventspils nafta* was LVL 104,479,519 consisting of 104,479,519 shares with a nominal value of LVL 1 per share. *JSC Ventspils nafta* shares listed on the Riga Stock Exchange are included in its official list. In 2007, the price of *JSC Ventspils nafta* shares ranged from LVL 1.77 to LVL 3.31 with the average price of LVL 2.61, which is 42 santims more than in 2006. During the reporting period, 2,833,000 shares were sold at the Riga Stock Exchange in total reaching the annual turnover of 7,393,000 lats, which is 12% more than in the previous year. The average market capitalization of *JSC Ventspils nafta* has increased from 229.3 million lats in 2006 to 272.6 million lats in 2007.

During the reporting period, companies of *JSC Ventspils nafta* Group continued active work in the following principal areas of business – transshipment of crude oil and petroleum products (*Ventspils nafta termināls Ltd*); transport of crude oil and petroleum products via pipelines (*LatRosTrans Ltd*); printing (*JSC Preses nams*); real estate management and development (companies *Nekustamie īpašumi VN Ltd* and *Rīgas līcis VN Ltd*), and publishing (*Mediju nams Ltd*). *JSC Ventspils nafta* has also a significant shareholding (49.9%) in its associated sea cargo transport company *JSC Latvijas kuģniecība*, whose shares are also listed on the official list of Riga Stock Exchange like the shares of *JSC Ventspils nafta*.

The net turnover of *JSC Ventspils nafta* Group exceeded 82 million lats during the reporting period, which is 12 million lats more than in 2006. The net profit of *JSC Ventspils nafta* Group was 49.6 million lats during the reporting period or by 42.8 million lats more than in 2006. Financial results of *JSC Ventspils nafta* Group during the reporting period were favourably influenced by the activities in the transit area of the Group when a new co-owner joined and good results of the associated company *JSC Latvijas kuģniecība* as well as the stable results of other Group companies reaching set budgets. At the same time, it must be highlighted that complicated foreign policy aspects still had an impact on activity of *JSC Ventspils nafta* Group, affecting results of its subsidiary and the Latvian-Russian joint venture *LatRosTrans Ltd*, which is the owner and the operator of crude oil and petroleum products pipelines in the territory of Latvia. Exchange rate fluctuations also affected the financial results of *JSC Ventspils nafta* Group resulting in respective loss of 6.4 million lats.

In April 2007, *Euromin Holdings (Cyprus) Limited*, which is a company of *Vitol Group*, announced its decision about increasing its influence in *JSC Ventspils nafta* to 47.89%, thereby becoming the major and strategic investor of *JSC Ventspils nafta*. In line with the previously publicly announced strategy, the major shareholder of *JSC Ventspils nafta* actively participated in the management and development of the transit area of the Group hence most significant events of *JSC Ventspils nafta* in 2007 are related to development in this area of business.

On 21 February 2007, the Competition Council of the Republic of Latvia announced that there are no obstacles for *Euromin Holdings (Cyprus) Limited* and *JSC Ventspils nafta* to obtain controlling interest in the crude oil and petroleum product transshipment company *Ventspils nafta termināls Ltd*, which is a subsidiary of *JSC Ventspils nafta*. Taking into account the aforementioned resolution, *Euromin Holdings (Cyprus) Limited* purchased 49% of *Ventspils nafta termināls Ltd* shares. After conclusion of this transaction, *JSC Ventspils nafta* continued to hold controlling interest in the subsidiary. As a result of strategic cooperation between the major crude oil and petroleum products transshipment terminal in the Baltic region and globally influential oil and gas sector company *Vitol*, a regionally significant joint venture is established.

The transaction between *JSC Ventspils nafta and Euromin Holdings (Cyprus) Limited* provides that 90 million US dollars are to be paid for 49% of *Ventspils nafta termināls Ltd* shares. *Vitol Group* on their part also guarantees delivery of cargos to the terminal or financial compensation if the terminal load is not ensured in the necessary amount, through fixed annual payments irrespective of the specific transshipment volumes. That means stable activity of *Ventspils nafta termināls Ltd* is ensured, income flow and workplaces are guaranteed in long term, thereby enabling the company to implement its development and modernization plans. In accordance with the agreement between *Vitol* and *JSC Ventspils nafta* on financing the transaction, the payment will be executed maximum within ten years, aligning this transaction with *Vitol* undertaking to guarantee amount of cargos at *Ventspils nafta termināls Ltd* and to retain the role of significant investor at *JSC Ventspils nafta* holding company.

Management report (cont'd)

Ventspils nafta termināls Ltd is the largest of such companies in the region. Its crude oil and petroleum product shore-tank farm reaches 1.2 million cubic meters, and it has no analogues among similar companies in the nearest countries. *Ventspils nafta termināls Ltd* comprises 48.3% of the total amount of cargoes handled through the port of Ventspils in 2007. During the reporting period, operating results of *Ventspils nafta termināls Ltd* have more than doubled due to activity of the new co-owner with the transhipment amount exceeding 10 million tons for the first time since 2003. The transshipment volume of *Ventspils nafta termināls Ltd* increased by 133.3% last year compared to year 2006, reaching 13.3 million tons of crude oil and petroleum products transported through the terminal by railway, sea and diesel pipeline.
The amount of diesel fuel handling has increased considerably in 2007 since *Ventspils nafta termināls Ltd* successfully resumed receiving it via pipeline. The amount of diesel fuel transported to the terminal by railway and pipeline exceeded 9.5 million tons in 2007, which is 7.4 million tons more than in 2006.

The amount of cargos delivered by sea also increased significantly – by 0.6 million tons – in comparison to 2006, reaching 1.8 million tons in 2007. Crude oil (1 million tons) accounts for the highest proportion of sea cargos. *Ventspils nafta termināls Ltd* also handled 1.7 million tons of fuels of various grades in 2007. Transshipment increase trend for *Ventspils nafta termināls Ltd* is continuing also after the end of the reporting period – increase of crude oil and petroleum product cargos handled continues in January 2008.

During the reporting period, *Ventspils nafta termināls Ltd* received the latest certificates corresponding to the requirements of the Quality Management Standard ISO 9001:2000 and the Environment Management Control Standard ISO 14001:2004. Affirmation of conformity of the terminal to the aforementioned standards became effective on March 1, 2007 and it was issued by the international certification organization *Bureau Veritas Certification*.

LatRosTrans Ltd, a transit company of *JSC Ventspils nafta* Group and the owner and the operator of crude oil and petroleum products pipelines in the territory of Latvia, operated under influence of pressure of negative external circumstances related to Russian oil transhipment interruption to the Lithuanian oil refinery in Mazeikiai. Oil transhipment in the direction of Lithuania was partially ensured by *LatRosTrans Ltd*. Tension in the relations between Russia and Lithuania, which unfortunately affected also activity of JSC *LatRosTrans Ltd* and *JSC Ventspils nafta* Group in the global transit system, started already in 2006 when the shares of Lithuanian company *Mazeikiu nafta* were sold to a Polish oil company *Orlen*. As a result, business resources of *LatRosTrans Ltd* were focused only on petroleum product transhipment with the total amount reaching 6.5 million tons in 2007. At the same time, *LatRosTrans Ltd* was focused on reducing running costs ensuring balanced relationship between income and expenditures.

During the reporting period, *LatRosTrans Ltd* launched the oil custody transfer meter NPS Skrudaliena, thereby ensuring automatic and more precise control of petroleum product flow in the pipeline. The total investments of *LatRosTrans Ltd* in construction of the new facility have reached more than 6 million US dollars. *LatRosTrans Ltd* has operated actively on elimination of excess physical loss of petroleum products resulting from illegal activities by hiring a security company, regularly inspecting the pipeline, collaborating with the police, allocating considerable resources in recovery of the environment, as well as informing and trying to involve other state authorities in dealing with this issue. No excess loss of petroleum products were established at *LatRosTrans Ltd* in 2007, affirming effectiveness of the measures implemented by the company.

In 2007 *JSC Preses nams* continued organizational and functional restructuring in order to achieve its business goals and maximum efficiency of the operations with the intention of moving the production capacities from the Riga city centre to new production facilities on the outskirts of the city and optimizing the production. *JSC Preses nams* has set specific deadlines for completion of two new production plants that would print periodicals and books. The new advanced book production facility at Jāņsili, Silakrogs, Ropažu pagasts, is to be launched in summer of 2008, and the new plant for production of periodicals at the technological park in the territory of the Riga international airport is to be opened in 2009.

In order to offer its clients the best services *JSC Preses nams* made serious efforts in 2007 to introduce the latest and most advanced technical and technological solutions that help to increase production efficiency and reduce costs. *JSC Preses nams* operates updated book printing equipment, for example, for production of precision-printed hard covers and integral binding and offset sheet printing. Complete introduction of new technologies and equipment at the new production plants is planned in 2009.

During the reporting period *JSC Preses nams* increased printing services provided to Latvian customers to 83% of the total sales. Diverse printing services offered by *JSC Preses nams*, as well as the expedient geographic disposition of the market enabled the company to maintain its position in the segment of printing of periodicals in 2007 and to continue stable operations also in the segments of printing of books, sheets and labels despite tough competition on the market.

Management report (cont'd)

The positive operating results achieved by *JSC Latvijas kuģniecība*, the associated company of *JSC Ventspils nafta*, during the reporting period attests the company's ability to compete successfully in the global shipping market in line with the objectives set by its shareholders. By active work on modernizing the company's fleet and increasing competitiveness, *JSC Latvijas kuģniecība* has received already 11 new constructions of tankers from Croatian and South Korean shipyards 3.Maj and Hyundai Mipo Dockyard Co., Ltd. (HMD) since July 7, 2006. Implementation of the mentioned tanker fleet restoration program is planned to be finished in 2008, and 14 new tankers meeting the requirements of navigation safety field of European Union and international conventions will be added to the fleet of *JSC Latvijas kuģniecība* within the framework of this program thereby obtaining a wider geographic coverage of the fleet and presenting a considerable competitive advantage combined with the company's existing considerable experience.

In order to ensure most efficient work of the Supervisory Council of *JSC Ventspils nafta*, the Supervisory Council of *JSC Ventspils nafta* adopted a resolution on changes in leadership of the Supervisory Council. The long-term Vice-Chairman of the Supervisory Council of *JSC Ventspils nafta*, Doctor of Economic Science, specialist and professional in the area of crude oil and petroleum product transit Vladimirs Solomatins was elected the Chairman by the Supervisory Council of *JSC Ventspils nafta*. In accordance with the resolution of the Supervisory Council, the *JSC Ventspils nafta* international shareholder, a *Vitol Group* company, increased its influence on this supervisory body of *JSC Ventspils nafta* in 2007, as its representatives took one more of the three positions of Deputy Chairmen of the Supervisory Council. As from 20 July 2007, the elected Chairmen of the Supervisory Council of *JSC Ventspils nafta* are the representatives of *Vitol Group* Dennis Crema and Jeffrey Martz, as well as Andris Vilcmeiers, who supervises the internal audit of *JSC Ventspils nafta* on behalf of the Supervisory Council.

In 2008, *JSC Ventspils nafta* and its subsidiaries are determined to continue implementation of the growth and development plans by continuing to operate in order to reach goals established by the shareholders as well as to ensure increase in the Group's value.

Financial results of *JSC Ventspils nafta* as the Parent Company in 2007 were largely affected by performance of the above subsidiaries. *JSC Ventspils nafta* net profit for 2007 is 39.4 million lats, which is due to the sale of shares in *Ventspils nafta termināls Ltd* and reversal of the previously recognised impairment of the respective investment.

The profit of *JSC Ventspils nafta* (Parent Company) for 2007 in the amount of LVL 39 449 thousand will be transferred to other reserves and used for further development of the Company.

On behalf of the Council:

Vladimirs Solomatins
Chairman of the Council

On behalf of the Board:

Olga Pētersone
Chairperson of the Board

Ventspils, 15 April 2008

INCOME STATEMENT

	Notes	2007 LVL '000	2006 LVL '000 *Reclassified*
Net sales	3	4 653	5 071
Cost of sales	4	(2 573)	(2 702)
Gross profit		**2 080**	**2 369**
General and administrative expense	5	(2 699)	(2 107)
Other operating income	6	593	1 447
Other operating expense	7	(628)	(1 672)
Result from operating activities		**(654)**	**37**
Gain from investment in associates		-	51
Income from securities forming non-current assets, net	14	26 694	-
Investment (impairment)/ reversal	14	15 550	-
Financial income	9	2 604	185
Financial expense	10	(4 617)	(62)
Result before taxes		**39 577**	**211**
Corporate income tax	11	(103)	(18)
Other taxes	12	(25)	(79)
Net result		**39 449**	**114**

The accompanying notes form an integral part of these financial statements.

On behalf of the Council:

Vladimirs Solomatins
Chairman of the Council

On behalf of the Board:

Olga Pētersone
Chairperson of the Board

Balance sheet

ASSETS

	Notes	31/12/2007 LVL'000	31/12/2006 LVL '000
NON-CURRENT ASSETS			*Reclassified*
Property, plant and equipment			
Land and buildings	13	4 774	4 892
Equipment and machinery	13	1	28
Other property, plant and equipment	13	430	507
TOTAL		**5 205**	**5 427**
Investment properties	13	**608**	**615**
Investments			
Investments in subsidiaries and associates	14	186 001	185 807
Loan to related company	15	43 560	676
TOTAL		**229 561**	**186 483**
TOTAL NON-CURRENT ASSETS		**235 374**	**192 525**
CURRENT ASSETS			
Inventories	16	607	1 578
Receivables			
Loans to related companies	15	977	1 617
Trade receivables	17	-	2 033
Receivables from related companies	15	72	92
Other receivables	18	172	288
Other assets	19	286	72
Shares	20	51	51
Cash	21	603	382
TOTAL CURRENT ASSETS		**2 768**	**6 113**
TOTAL ASSETS		**238 142**	**198 638**

The accompanying notes form an integral part of these financial statements.

On behalf of the Council:

Vladimirs Solomatins
Chairman of the Council

On behalf of the Board:

Olga Pētersone
Chairperson of the Board

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

	Notes	31/12/2007 LVL '000	31/12/2006 LVL '000
SHAREHOLDERS' EQUITY			*Reclassified*
Share capital	22	104 479	104 479
Share premium		42 343	42 343
Other reserves		51 150	51 036
Current year unappropriated result		39 449	114
TOTAL SHAREHOLDERS' EQUITY		**237 421**	**197 972**
LIABILITIES			
Non-current liabilities			
Deferred corporate income tax	11	344	338
TOTAL		**344**	**338**
Current liabilities			
Trade payables	23	69	85
Payables to related companies		1	10
Taxes payable	24	105	-
Other liabilities	25	45	27
Accrued liabilities	26	157	206
TOTAL		**377**	**328**
TOTAL LIABILITIES		**721**	**666**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**238 142**	**198 638**

The accompanying notes form an integral part of these financial statements.

On behalf of the Council:

Vladimirs Solomatins
Chairman of the Council

On behalf of the Board:

Olga Pētersone
Chairperson of the Board

CASH FLOW STATEMENT

	2007 LVL '000	2006 LVL '000
Cash flows from/ (to) operating activities		
Result before taxes	39 577	211
Adjustments:		
Impairment reversal	(17 431)	-
Impairment of investments	1 881	-
Amortisation and depreciation	221	296
Interest income	(2 604)	(185)
Interest expense	-	1
Loss on disposal of tangible assets	5	174
Gain on sale of investments	(26 694)	-
Reversal of impairment of investments	-	(51)
Loss from fluctuations of currency exchange rates	4 596	-
Operating profit before changes in current assets and liabilities	***(449)***	***446***
Decrease in inventories	971	1 466
Decrease/ (increase) in trade receivables	3 314	(137)
Increase/ (decrease) in current liabilities	(47)	43
Net cash from/ (to) operating activities	***3 789***	***1 818***
Taxes paid	(26)	(289)
Cash flows before extraordinary items	***3 763***	***1 529***
Net cash from/ (to) operating activities	**3 763**	**1 529**
Cash flow from/ (to) investment activities		
Purchase of intangible and tangible assets	(10)	(172)
Gain on disposal of tangible assets	13	-
Reversal of impairment of investments	-	51
Investments in subsidiaries	(5 830)	(2 861)
Interest received	2 285	139
Net cash flow from/ (to) investment activities	**(3 542)**	**(2 843)**
Cash flow from/ (to) financing activities		
Interest payments	-	(1)
Net cash from/ (to) financing activities	**-**	**(1)**
Net increase/ (decrease) in cash	**221**	**(1 315)**
Cash at the beginning of the year	**382**	**1 697**
Cash at the end of the year	**603**	**382**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Other reserves	Current year's unappropriated result	**Total**
Balance as at 31 December 2005	**104 479**	**42 343**	**86 394**	**(35 358)**	**197 858**
Transfer of 2005 net result	-	-	(35 358)	35 358	-
Current year result	-	-	-	114	114
Balance as at 31 December 2006	**104 479**	**42 343**	**51 036**	**114**	**197 972**
Transfer of 2006 net result	-	-	114	(114)	-
Current year result	-	-	-	39 449	39 449
Balance as at 31 December 2007	**104 479**	**42 343**	**51 150**	**39 449**	**237 421**

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

JSC Ventspils nafta (hereinafter– the Company) is a public joint stock company organized under the laws of the Republic of Latvia. The Company was first registered in the Enterprise Register on 9 May 1991, and then re-registered in the Commercial Register on 5 August 2004 (under the number 50003003091). Since 20 October 1998 *JSC Ventspils nafta* is listed on the Riga Stock Exchange main list. Since 22 January 2004 legal address of the Company is Ostas street 23, LV-3601, Ventspils, Republic of Latvia.

JSC Ventspils nafta is a holding company dealing mainly with investment management in *JSC Ventspils nafta* Group companies and transactions with own crude oil and oil products. Previously *JSC Ventspils nafta* was involved in reloading of crude oil and oil products, however, as a result of *JSC Ventspils nafta* restructuring in 2003 all reloading activities were transferred to the daughter company *Ventspils nafta termināls Ltd*. Initially, the Company's assets used in reloading transactions were partly invested in, partly sold to and partly rented to *Ventspils nafta termināls Ltd*. During 2004 the restructuring process was completed with *JSC Ventspils nafta* selling all non-current assets previously used in reloading activities to *Ventspils nafta termināls Ltd*. However, *JSC Ventspils nafta* still holds the stock of crude oil and oil products necessary for technological needs of *Ventspils nafta termināls Ltd*.

The main activities carried out by the subsidiaries *JSC Ventspils nafta* are as follows:

- Transporting crude oil and oil products via pipelines (*LatRosTrans Ltd*),
- Storage and reloading of crude oil and oil products from/ to rail tank cars and vessels (*Ventspils nafta termināls Ltd*),
- Printing and publishing (*JSC Preses nams* and *Mediju nams Ltd*),
- Real estate management (*Rīgas līcis VN Ltd*, *Nekustamie īpašumi VN Ltd* and its subsidiaries).

In addition, the Company holds a 49.94% stake in the associated company *JSC Latvijas kuģniecība* (Latvian Shipping Company), the main activity of which is marine shipping business.

The financial statements of the Company were authorized for issue in accordance with resolution of the Board of Directors on 15 April 2008 and resolution of the Council on 15 April 2008. The Company's shareholders have the power to amend the financial statements after issue.

2. Significant accounting policies

Basis of preparation

These financial statements represent only the financial situation of *JSC Ventspils nafta* on a stand alone basis: the financial situation of *JSC Ventspils nafta* Group companies (i.e., *JSC Ventspils nafta* and its subsidiaries) is disclosed in the financial statements prepared in accordance with International Financial Reporting Standards.

The financial statements of the Company have been prepared in accordance with the Law of the Republic of Latvia on Financial Statements of Companies and Latvian Accounting Standards issued by the Accounting Council of the Republic of Latvia Ministry of Finance applicable in the reporting year.

Based on good practice, the financial statements of the Company have been prepared also in accordance with certain principles of International Financial Reporting Standards (IFRS), in particular the requirements applicable to financial instruments under IFRS 7 "Financial Instruments: Disclosures" and International Accounting Standard (IAS) 39 (Financial Instruments: Recognition and Measurment).

The financial statements are prepared on a historical cost basis.

In order to improve the comparability of the prepared income statement and the balance sheet as well as for objective disclosure of the Company's financial results, certain reclassifications have been made to several items of the income statement and the balance sheet for the year ended 31 December 2007 (see this same section below).

The financial statements cover the period 1 January 2007 through 31 December 2007.

Reporting currency and units of measurement

The accompanying financial statements are presented in thousands of lats (LVL 000's), unless otherwise stated. Lat (LVL) is the monetary unit of the Republic of Latvia.

2. Significant accounting policies (cont'd)

Changes in accounting policies

The following three Latvian Accounting Standards took effect in 2007:

LAS 6 Revenue;

LAS 7 Property, Plant and Equipment;

LAS 8 Provisions, Contingent Liabilities and Contingent Assets.

The introduction of these standards did not result in any material changes in the Company's accounting policies.

The Company has adopted provisions of the the following new IFRS during the year:

IFRS 7 Financial Instruments: Disclosures;

IAS 1 Amendment – Presentation of Financial Statements.

Adoption of the provisions of these revised standards did not have any effect on the financial statements of the Company. They did however give rise to additional disclosures. The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements

This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are shown in Note 31.

The following new interpretations, which became effective in 2007, were not applicable to the Company and as such did not have any impact on the accounting policies: IFRIC 7, IFRIC 8, IFRIC 9 and IFRIC 10.

Reclassification

Reclassifications have been made to items of the corresponding financial information in these previous financial statements to ensure consistency with relevant disclosures for the reporting year.

	Reported balance	Reclassification	Adjusted balance
	LVL	LVL	LVL
2006			
Overpaid corporate income tax	225	(225)	-
Other receivables	63	225	288
Prepaid expense	72	(72)	-
Other assets	-	72	72

2. Significant accounting policies (cont'd)

Foreign currency transactions

The functional currency of the Company is Latvian lats (LVL).

The major part of the Company's revenues is denominated in USD.

Invoices on goods and services issued or payable in foreign currency are translated into lats according to the exchange rate ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Latvian lats applying the official exchange rate established by the Bank of Latvia at the last day of the reporting year. The differences arising from foreign exchange rate fluctuations are included in the income statement for the respective period.

	31/12/2007	**31/12/2006**
USD	0.484000	0.536000
GBP	0.963000	1.048000
EUR	0.702804	0.702804

The monetary unit used in the Company's accounting is lat (LVL).

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

The cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenses incurred after the non-current assets have been put into operation, such as repair and maintenance and overhaul costs, are normally charged to the income statement in the period when incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. When tangible non-current assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement. The following depreciation rates were established and applied:

	years
Buildings and constructions	*10-100*
Machinery and equipment	*3-10*
Other tangible assets	*2-10*

2. Significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

Depreciation is calculated starting with the following month after the tangible non-current asset is put into operation or engaged in commercial activity. Each part of an item of property, plant and equipment 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 of plant, property and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the higher of an asset's fair value less cost to sell and its value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the income statement as other operating expense.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognized.

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

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

Improvements and minor purchases with an estimated useful life less than one year, as well as those with a cost value below LVL 50, are expensed directly in the income statement.

Investment properties

Investment properties consist of investments in land and buildings that are held to earn rentals or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment properties are measured at cost, less accumulated depreciation. Investment properties are derecognised when either they have been disposed of or when an investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

2. Significant accounting policies (cont'd)

Investments in subsidiaries and associates

Investments in subsidiaries (i.e. where the Company holds more than 50% interest of the share capital or otherwise controls the company) and associates (i.e. where the Company has significant influence, but less than a controlling interest, which is presumed to exist with 20 to 50% interest of the share capital of the entity) are stated in accordance with the cost method. Following initial recognition, investments in subsidiaries and associates are carried at cost less any accumulated impairment losses. The carrying values of investments in subsidiaries and associates are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Company recognises income from the investment only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment.

Difference between the value of the investments in subsidiary and the liquidation balance of the respective subsidiary is disclosed in the income statement.

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

<u>Loans and receivables</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

<u>Available-for-sale financial investments</u>

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss. Unquoted equity instruments for which fair value cannot be reliably measured carrying amount is stated at cost.

2. Significant accounting policies (cont'd)

Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Inventories

Crude oil and oil products

Crude oil and oil products held for technological needs are stated at acquisition cost on a weighed average cost basis.

Cash

Cash comprises cash at bank and on hand and short-term deposits with an original maturity of three months or less.

Financial liabilities

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated 'as at fair value through profit or loss'.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee liabilities

Financial guarantee liabilities issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the balance sheet date and the amount initially recognised.

2. Significant accounting policies (cont'd)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Rendering of services

The value of the services rendered by the Company comprises mainly revenue from sales of crude oil and oil products. Revenue is recognized by reference to the stage of completion. Revenue is recognized in the period when the services are provided.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Interest

Revenue is recognized as the interest accrues.

Dividends

Revenue is recognized when the shareholders' right to receive the payment is established.

2. Significant accounting policies (cont'd)

Taxes

Current corporate income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

In accordance with Latvian tax legislation current corporate income tax is applied at the rate of 15% on taxable income generated by the Company during the taxation period ending 31 December 2007.

Deferred income tax

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

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Accruals and deferrals

Accruals and deferrals are recorded to recognize revenues and costs as they are earned or incurred.

Related parties

Related parties are defined as subsidiaries and associated entities of the Company as well as shareholders that may exercise control or significant influence over the Company's operations, Council and Board members, their close members of the families and entities over which these persons exercise significant influence or control.

Subsequent events

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

2. Significant accounting policies (cont'd)

Adoption of new and/or changed IFRSs and IFRIC interpretations

The Company has not applied the provisions of the following IFRSs and IFRIC Interpretations that have been issued but are not yet effective:

- IAS 1 Presentation of financial statements (effective once adopted by the EU, but not earlier than for annual periods beginning on or after 1 January 2009). IAS 1 has been revised to enhance the usefulness of information presented in the financial statements.
- IFRS 8 Operating Segments (effective once adopted by the EU, but not earlier than for annual periods beginning on or after 1 January 2009). The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8 supersedes IAS 14 Segment Reporting.
- Amendments to IAS 23 Borrowing cost (effective periods on or after 1 January 2009). This amendment establishes that all borrowing costs must be capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). The interpretation provides guidance on classification of transactions as equity-settled or as cash-settled and also gives guidance on how to account for share-based payment arrangements that involve two or more entities within the same group in the individual financial statements of each group entity.
- IFRIC 12 Service Concession Agreements (effective once adopted by the EU, but not earlier than for annual periods beginning on or after 1 January 2008). The interpretation addresses how service concession operators should apply existing International Financial Reporting Standards (IFRSs) to account for the obligations they undertake and rights they receive in service concession arrangements.
- IFRIC 13 Customer Loyalty Programmes (effective once adopted by the EU, but not earlier than for annual periods beginning on or after 1 July 2008). The Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled.
- IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective once adopted by the EU, but not earlier than for annual periods beginning on or after 1 January 2008). This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. The Company expects that this Interpretation will have no impact on the financial position or performance of the Company as all defined benefit schemes are currently in deficit.

The Company expects that the adoption of the pronouncements listed above will have no significant impact on the Company's financial statements in the period of initial application, except for IAS 23 where the impact of capitalization of loan interest is not assessed yet.

3. Net turnover

	2007	2006
Sale of crude oil and oil products	4 653	5 071
TOTAL:	**4 653**	**5 071**

4. Cost of sales

	2007	2006
Cost of crude oil and oil products sold	2 573	2 702
TOTAL:	**2 573**	**2 702**

5. General and administrative expense

	2007	2006
Remuneration for work	1 001	678
Professional charges and legal costs	403	201
Amortisation and depreciation	221	297
Lease of premises	172	160
Advertising and marketing	140	79
Statutory social insurance contributions	116	130
Vehicle maintenance expense	102	77
Bank charges	92	61
Accruals for bonuses	73	88
Business trips	70	19
Insurance	59	154
Communications	42	39
Representation expense	34	43
Audit fees	23	18
Conferences, seminars and training	13	8
Other expense	138	55
TOTAL:	**2 699**	**2 107**

6. Other operating income

	2007	2006
Lease of oil and oil products to *Ventspils nafta termināls Ltd* for ensuring technological processes *	329	1 151
Assignment of property management rights	233	233
Other income	31	63
TOTAL:	**593**	**1 447**

* In 2006, the Company changed the settlement procedure for transactions with its subsidiary *Ventspils nafta termināls Ltd* concerning the use of technological reserves of oil and oil products and storage of oil and oil products. As a result, intra-company invoices were issued in 2006 and 2007. Decrease in 2007 is explained by the smaller amount of technological reserves exchanged.

7. Other operating expense

	2007	2006
Storage of oil and oil products *	329	1 151
Real estate development expense	275	275
Disposal of tangible assets	5	160
Sponsorship	18	9
Other expense	1	77
TOTAL:	**628**	**1 672**

* See Note 6.

8. Personnel expense

	2007	2006
Average number of employees	35	35
TOTAL:	**35**	**35**

Remuneration for work and social security expense

	2007	2006
Remuneration for work	346	216
Statutory social insurance contributions	70	54
Board Members		
Remuneration for work	347	240
Statutory social insurance contributions	20	19
Council Members		
Remuneration for work	368	310
Statutory social insurance contributions	39	57
TOTAL:	**1 190**	**896**

Personnel expense is included in the following caption of income statement:

	2007	2006
General and administrative expense	1 190	896
TOTAL:	**1 190**	**896**

9. Financial income

	2007	2006
Interest income on loans	2 528	159
Interest income from bank account balances and deposits	76	26
TOTAL:	**2 604**	**185**

10. Financial expense

	2007	2006
Currency exchange loss, net *	4 596	14
Loss on purchase/ sale of foreign currency, net	21	47
Interest expense	-	1
TOTAL:	**4 617**	**62**

* Net loss in 2007 is explained mainly by USD denominated loan note (see Note 15).

11. Corporate income tax

	2007	2006
Current income tax		
Current income tax	97	-
Deferred tax		
Relating to origination and reversal of temporary differences	6	18
TOTAL:	**103**	**18**

Deferred corporate income tax:

Deferred income tax liability	31/12/2007	31/12/2006
Accelerated depreciation for tax purposes	(353)	(338)
Gross deferred tax liability	(353)	(338)
Deferred income tax asset		
Tax losses carried forward	-	78
Provisions established	9	-
Gross deferred income tax asset	9	78
Less valuation allowance for tax asset	-	(78)
Net deferred income tax liability	**(344)**	**(338)**

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

	2007	2006
Profit before tax	39 577	211
Real estate tax	(25)	(79)
Profit before corporate income tax	39 552	132
Corporate income tax at 15%	5 933	20
Impairment of investments	282	-
Reversal of impairment	(5 157)	-
Permanent differences, net	16	59
Utilisation of tax loss carried forward	(45)	-
Intra-group tax loss transfer	(918)	-
Other	(14)	(79)
Corporate income tax included in the income statement:	**97**	**-**

12. Other taxes comprise real estate tax in the amount of LVL 25 thousand (2006: LVL 79 thousand).

13. Property, plant and equipment, and investment properties

		Investment properties*	Land and buildings	Equipment and machinery	Other property, plant and equipment	Construction in progress	Total, excluding prepayments for property, plant and equipment
Cost value as at 31/12/2005		661	5 654	271	1 760	160	8 506
2006	Additions	-	2	-	227	15	244
	Disposals	-	-	(32)	(66)	(160)	(258)
	Transfers	-	-	-	15	(15)	-
Cost value as at 31/12/2006		661	5 656	239	1 936	-	8 492
Accumulated depreciation as at 31/12/2005		40	647	222	1 329	-	2 238
2006	Depreciation	6	117	20	153	-	296
	Depreciation of disposals	-	-	(31)	(53)	-	(84)
Accumulated depreciation as at 31/12/2006		46	764	211	1 429	-	2 450
Net book value as at 31/12/2005		**621**	**5 007**	**49**	**431**	**160**	**6 268**
Net book value as at 31/12/2006		**615**	**4 892**	**28**	**507**	**-**	**6 042**
Cost value as at 31/12/2006		661	5 656	239	1 936	-	8 492
2007	Additions	-	-	-	-	10	10
	Disposals	-	-	(55)	(25)	-	(80)
	Transfers	-	-	-	10	(10)	-
Cost value as at 31/12/2007		661	5 656	184	1 921	-	8 422
Accumulated depreciation as at 31/12/2006		46	764	211	1 429	-	2 450
2007	Depreciation	7	118	9	87	-	221
	Depreciation of disposals	-	-	(37)	(25)	-	(62)
Accumulated depreciation as at 31/12/2007		53	882	183	1 491	-	2 609
Net book value as at 31/12/2006		**615**	**4 892**	**28**	**507**	**-**	**6 042**
Net book value as at 31/12/2007		**608**	**4 774**	**1**	**430**	**-**	**5 813**

As at 31 December 2007, cadastral value of the land owned by the Company was LVL 234 thousand (2006: LVL 234 thousand).

* In the reporting year the Company retained the ownership of the building at Palasta ielā 10, Riga, and the land pertaining thereto in order to receive revenue from lease. On 12 January 2008 an independent valuation was carried out to determine fair value of the building and land. The independent valuator determined that the market value of the given building and land as at 12 January 2008 was approximately LVL 2.420 million, including building value of LVL 1.176 million and land value of LVL 1.244 million.

Depreciation costs are included in the general and administrative expense caption.

14. Investment in subsidiaries and associates

The following table summarizes the Company's ownership of subsidiaries:

Ownership (%)	31/12/2007	31/12/2006	**Legal address**
Subsidiaries			
LatRosTrans Ltd	66.00	66.00	Balvu iela 7, LV-5043, Daugavpils, Latvia
JSC Preses nams *	95.39	93.01	Balasta dambis 3, LV-1081, Riga, Latvia
Rīgas līcis VN Ltd	100.00	100.00	Dubultu prospekts 51, LV-2015, Jūrmala, Latvia
Nekustamie īpašumi VN Ltd ****	100.00	100.00	Palasta iela 10, LV-1050, Riga, Latvia
Mediju nams Ltd **	94.23	92.37	Cēsu iela 31/2, LV-1012, Riga, Latvia
Ventspils nafta termināls Ltd ***	51.00	100.00	Talsu iela 75, LV-3602, Ventspils, Latvia

Core business activities of subsidiaries:

LatRosTrans Ltd – crude oil and oil product transportation by pipeline;

Ventspils nafta termināls Ltd – crude oil and oil product reloading and storage;

JSC Preses nams – printing;

Mediju nams Ltd – publishing;

Nekustamie īpašumi VN Ltd – real estate management;

Rīgas līcis VN Ltd – former recreation centre.

* By the resolution of the meeting of shareholders passed on 25 January 2007, the share capital of the subsidiary *JSC Preses nams* was increased by LVL 4 700 thousand to LVL 13 785 thousand. As a result, the Company increased its participation in the capital of *JSC Preses nams* from 93.01% to 95.39%. In 2007 the Company made a contribution of LVL 2 975 thousand to the share capital of the subsidiary.

** As at 31 December 2007, the Company separately held 94.23% of *Mediju nams Ltd* shares and *JSC Preses nams* held 5.77% of *Mediju nams Ltd* shares. Thus, *JSC Ventspils nafta* as the Group holds a total of 99.73% of *Mediju nams Ltd* shares. On 20 December 2007, the share capital of *Mediju nams Ltd* was increased by a contribution of LVL 1 400 thousand. Based on the value analysis of the subsidiary *Mediju nams Ltd*, the carrying value of the investment in *Mediju nams Ltd* was adjusted by recording impairment in the amount of LVL 1 826 thousand.

*** On 2 March 2007, an agreement for purchase of *Ventspils nafta termināls Ltd* shares was signed with *Euromin Holdings (Cyprus)* Limited. Under this agreement, 49% of shares in *Ventspils nafta termināls Ltd* were sold for USD 90 000 thousand (see also Note 15). The change of shareholders was registered in the Republic of Latvia Enterprise Register on 13 March 2007.

**** By the resolution of shareholders of *Nekustamie īpašumi VN Ltd* dated 9 January 2007, the share capital of *Nekustamie īpašumi VN Ltd* was increased by LVL 1 400 thousand.

The following table summarizes the Company's ownership of associates:

Ownership (%)	31/12/2007	31/12/2006	**Legal address**
Asociates			
JSC Latvijas kuģniecība	49.94	49.94	Elizabetes iela 1, LV-1807, Riga, Latvia
Mediji un poligrāfija Ltd	32.70	32.70	Balasta dambis 3, LV-1081, Riga, Latvia
Ventshoes Ltd under liquidation	0.00	21.44	I. Mičurina iela 6, LV-3601, Ventspils, Latvia
Futbola klubs Ventspils Ltd	42.50	30.00	Dzintaru iela 20a, LV-3602, Ventspils, Latvia

14. Investment in subsidiaries and associates (cont'd)

The following table presents carrying values of investments in subsidiaries:

	Subsidiaries						
	LatRos Trans Ltd	*Ventspils nafta termināls Ltd*	*JSC Preses nams*	*Rīgas līcis VN Ltd*	*Nekustamie īpašumi VN Ltd*	*Mediju nams Ltd*	**TOTAL:**
Net book value as at 31/12/2005	**79 494**	**43 237**	**13 951**	**2 590**	**7 815**	**866**	**147 953**
Acquisition value as at 31/12/2005	80 250	77 830	13 951	2 590	7 815	3 059	**185 495**
Additions in 2006	-	-	1	-	1 900	960	**2 861**
Acquisition value as at 31/12/2006	80 250	77 830	13 952	2 590	9 715	4 019	**188 356**
Accumulated impairment as at 31/12/2005	(756)	(34 593)	-	-	-	(2 193)	**(37 542)**
Accumulated impairment as at 31/12/2006	(756)	(34 593)	-	-	-	(2 193)	**(37 542)**
Net book value as at 31/12/2005	**79 494**	**43 237**	**13 951**	**2 590**	**7 815**	**866**	**147 953**
Net book value as at 31/12/2006	**79 494**	**43 237**	**13 952**	**2 590**	**9 715**	**1 826**	**150 814**
Acquisition value as at 31/12/2006	80 250	77 830	13 952	2 590	9 715	4 019	**188 356**
Additions/ (disposals) in 2007	-	(38 137)	2 975	-	1 400	1 400	**(32 362)**
Acquisition value as at 31/12/2007	80 250	39 693	16 927	2 590	11 115	5 419	**155 994**
Accumulated (impairment) as at 31/12/2006	(756)	(34 593)	-	-	-	(2 193)	**(37 542)**
Impairment reversal as a result of investment disposal	-	16 951	-	-	-	-	**16 951**
(Impairment)/ impairment reversal in 2007	-	17 431	-	-	-	(1 826)	**15 605**
Accumulated impairment as at 31/12/2007	(756)	(211)	-	-	-	(4 019)	**(4 986)**
Net book value as at 31/12/2006	**79 494**	**43 237**	**13 952**	**2 590**	**9 715**	**1 826**	**150 814**
Net book value as at 31/12/2007	**79 494**	**39 482**	**16 927**	**2 590**	**11 115**	**1 400**	**151 008**

Subsidiaries	Equity of subsidiaries		Profit/ (loss) of subsidiaries	
	31/12/2007	31/12/2006	2007	2006
Nekustamie īpašumi VN Ltd	9 269	8 234	(366)	(509)
LatRosTrans Ltd	108 776	115 402	(6 626)	(4 867)
Ventspils nafta termināls Ltd	78 724	43 884	34 840	647
JSC Preses nams	13 276	11 804	(3 228)	(3 109)
Mediju nams Ltd	57	19	(1 362)	(996)
Rīgas līcis VN Ltd	1 730	1 873	(143)	(163)

14. Investment in subsidiaries and associates (cont'd)

Information about operations of separate subsidiaries is provided below.

Ventspils nafta termināls Ltd

Ventspils nafta termināls Ltd has been in the transit business for five years already, providing services such as receiving crude oil and gas oil by pipelines, receiving gas oil, gasoline and other oil products delivered by rail and by sea, storing and reloading such products. *Ventspils nafta termināls Ltd* is the largest company of this type in the region. *Ventspils nafta termināls Ltd* has crude oil and oil product storage facilities with total capacity of 1.2 million cubic meters that has no match among any other companies doing similar business in the neighbouring countries..

In 2007, the situation with deliveries of oil products by rail and through the pipeline improved considerably, resulting in changes in the cash flow projections by the management of subsidiary *Ventspils nafta termināls Ltd*

Ventspils nafta termināls Ltd was able to more than double its results in 2007, when the international oil and gas transportation group *Vitol* became a shareholder of the Company. For the first time since 2003, the company's cargo turnover again rose above 10 million tons. Reloading by *Ventspils nafta termināls Ltd* grew by 133.3% as compared to 2006, reaching 13.3 million tons of crude oil and oil products delivered to the terminal by rail, by sea and the diesel fuel oil pipeline.

With the increase in the amount of cargos reloaded by *Ventspils nafta termināls Ltd*, the company's net turnover grew significantly in 2007 to LVL 51.2 million, which substantially improved the cash flow.

In 2007, *Ventspils nafta termināls Ltd* proceeded with measures to strengthen its competitiveness and divide business risks, along with performing activities aimed to improve the quality of services and cost optimization.

LatRosTrans Ltd

Sales of *LatRosTrans Ltd* for 2007 amount to LVL 9 850 thousand, and oil product transportation for the year has reached 6.5 million tons. The loss for the year 2007 amounts to LVL 6 626 thousand, which is due to a nearly 10% drop of the USD exchange rate, resulting in the currency exchange loss of LVL 1 273 thousand. Secondly, it was planned to generate revenue of LVL 1 024 thousand from oil transportation to Mazeikiai, which has not been renewed yet. The company is planning to derive revenues mostly from transportation of oil products also in 2008.

Based on a confirmation from *AK Transnefteprodukt*, in 2008 it is planned to transport oil products in the amount of 6.2 million tons.

Due to the decreased transportation capacity in the territory of Belarus for technical reasons since May 2007, oil product transportation for the year 2007 has not reached the prior year level, achieving only 6.5 million tons.

JSC Preses nams

During the reporting year *JSC Preses nams* continued the efforts started in previous years and aimed at organizational and functional restructuring of the company. In order to plan further development of the company, amendments to the Strategic Development Guidelines were prepared and approved by the Board and the Council at the end of 2007. During 2007 the company resumed active efforts on complete restructuring of the production by moving production capacities from the Riga city centre to two production facilities on the outskirts of the city. Implementation of the projects for construction of the new production facilities that were launched in 2005 continued successfully during the reporting year. As a result, a new book production facility is to be completed by summer-2008, and a new plant for production of periodicals is to be opened in 2009.

JSC Preses nams closed the year 2007 with loss after taxes in the amount of LVL 3.23 million. The main factors affecting the company's performance in 2007 were deviations from the initially set targets caused by objective external factors, increased competition in the Baltic printing market, negative tendencies of the overall development of the economy as well as high inflation rate and significant growth of production costs.

JSC Preses nams also continued investing in technologies and in 2007 acquired new production equipment that will be transferred to the new book production facility. In the meantime part of the new equipment has already been put into operation at the existing production facility at Balasta dambis 3, Riga. The new equipment will help the company to increase production capacity, improve product quality and become one of the first companies in the Baltics to produce books in integral binding in large industrial quantities. As a result of the new technology, the total weight of the books is reduced, which is especially important in case of text books, enabling the company to produce modern text books for children and youngsters meeting the statutory health standards. The new equipment will also enable the company to automate several processes, combining them into one production phase, which in turn makes it possible to produce complicated products with added value in industrial quantities and increases the competitiveness of *JSC Preses nams*.

14. Investment in subsidiaries and associates (cont'd)

JSC Preses nams (cont'd)

JSC Preses nams intends to ensure further development of production and increased competitiveness by improved production quality and efficiency, by full use of the new equipment and upgrading of the personnel's qualification as well as by planned marketing campaigns.

Rīgas līcis VN Ltd

In 2007 the operations of the subsidiary *Rīgas līcis VN Ltd* were accompanying real estate management and maintenance. There were no revenues gained from operating activities in 2007 because the construction and development of the real estate is discontinued. Currently, the real estate property is in the construction conservation stage and actual expenses arise from the management and maintenance of the real estate property as well as the operations of the management. *Rīgas līcis VN Ltd* closed the reporting year with loss of LVL 143 thousand.

In 2008 *Rīgas līcis VN Ltd* will continue to perform its operations in the level of 2007 and the management will pursue its work on the development and improvement of the operations of *Rīgas līcis VN Ltd* analysing the situation of the real estate market in Latvia, evaluating future development perspectives and determining future development strategy as well as optimising revenues and expenses.

Nekustamie īpašumi VN Ltd

In 2007, *Nekustamie īpašumi VN Ltd* continued performing the functions of a real estate holding company comprising operations of holding companies, provision of consulting, legal and management services to the Group and other related companies. The above functions include but are not limited to market research, strategy formulation, and performance of various calculations and research for the whole Group and separate Group companies, with the purpose of facilitating their sustainable development. Moreover, *Nekustamie īpašumi VN Ltd* provides an additional consolidation level offering information on total results of the respective type of operations.

Nekustamie īpašumi VN Ltd closed the reporting year with loss of LVL 366 thousand.

Mediju nams Ltd

Mediju nams Ltd continued its operations, strengthening its position on the printed media market in the situation when the market segment of daily newspapers continued to demonstrate an explicit trend towards stagnation. In 2007, the subscription to newspapers continued to decrease along with the decrease in the number of daily newspapers bought through retail outlets, which was a result of free newspapers strengthening their position on the market and the increasing Internet use. During the reporting period, the number of readers of daily newspapers in the Latvian language dropped by 7.4%, which produced a negative impact on attraction of advertisers for this kind of newspapers. In 2007, the newspaper advertising market decreased in terms of both volume (by 15.5%) and turnover (by 4.5%). Due to unfavourable market development, *Mediju nams Ltd* closed the year 2007 with a loss of LVL 1.36 million.

In 2007, both small-format daily newspapers were transformed into weekly magazines. As a result, the company now has weeklies Rīgas Balss and Saldā dzīve. Following the European press tendencies, Neatkarīgā Rīta Avīze was transformed into a tabloid. In addition, having analysed the demand, the company started issuing new magazines - Patiesie stāsti and 21.gadsimts – having radically different readers and advertisers, which enabled *Mediju nams Ltd* to expand its product line.

Following the demand tendencies observed on the media market, the company has started working on development of a unified Internet version for its products, with interactive access opportunities in the portal development.

14. Investment in subsidiaries and associates (cont'd)

The following table presents carrying values of investments in associated entities:

	Associates				
	JSC Latvijas kuģniecība	*Mediji un poligrāfija Ltd*	*Ventshoes Ltd under liquidation*	*Futbola klubs Ventspils Ltd*	**TOTAL:**
Acquisition value as at 31/12/2005	34 945	66	96	30	**35 137**
Additions in 2006	-	-	-	-	-
Acquisition value as at 31/12/2006	34 945	66	96	30	**35 137**
Accumulated impairment as at 31/12/2005	-	(18)	(96)	(30)	**(144)**
Accumulated impairment as at 31/12/2006	-	(18)	(96)	(30)	**(144)**
Net book value as at 31/12/2005	**34 945**	**48**	**-**	**-**	**34 993**
Net book value as at 31/12/2006	**34 945**	**48**	**-**	**-**	**34 993**
Acquisition value as at 31/12/2006	34 945	66	96	30	**35 137**
Additions in 2007	-	-	-	55	55
Acquisition value as at 31/12/2007	34 945	66	96	85	**35 192**
Accumulated impairment as at 31/12/2006	-	(18)	(96)	(30)	**(144)**
Impairment in 2007	-	-	-	(55)	**(55)**
Accumulated impairment as at 31/12/2007	-	(18)	(96)	(55)	**(169)**
Net book value as at 31/12/2006	**34 945**	**48**	**-**	**-**	**34 993**
Net book value as at 31/12/2007	**34 945**	**48**	**-**	**-**	**34 993**

JSC Latvijas kuģniecība

In order to ensure successful performance of *JSC Latvijas kuģniecība* (LASCO) in the future, LASCO Strategic Plan till 2015 has been developed and approved during the reporting year. The LASCO Strategic Plan contains the analysis of all the fleet segments and formulates their further development strategy.

The LASCO Group's net profit for the twelve months of 2007 is USD 67.0 million (LVL 34.4 million). The LASCO Group's net profit for the respective period of 2006 was USD 33.7 million (LVL 18.9 million).

As at the end of 2007 the fleet under LASCO commercial management was comprised of 45 vessels - 37 tankers, including 3 tankers time chartered from other shipowners, 2 LPG carriers, 5 reefer vessels and 1 Ro-Ro/general type vessel.

In 2007 LASCO Tanker Fleet Renewal Programme was continued. In the framework of the programme, 10 tanker newbuildings have been ordered from *3. Maj* shipyard in Croatia and 4 tanker newbuildings from *Hyundai Mipo Dockyard* in Korea. During 2007, LASCO took the delivery of four out of 10 newbuildings ordered from *3. Maj* shipyard as well as of all the four tankers ordered at *Hyundai Mipo Dockyard*. Completing the implementation of this Tanker Fleet Renewal programme LASCO will take the delivery of three more newbuildings from *3. Maj* shipyard during 2008.

Other associates

In December 2006 the Company received part of the property of *Ventshoes Ltd under liquidation* amounting to LVL 51 thousand and written off during the previous periods. *Ventshoes Ltd* was removed from the Commercial Register on 12 January 2007.

In 2007 the Company acquired additional 550 shares in *Futbola klubs Ventspils Ltd* by a contribution of LVL 55 thousand to the share capital of *Futbola klubs Ventspils Ltd* made on 7 May 2007.

15. Loans to related companies and receivables from related companies

	Maturity	Interest rate	31/12/2007	31/12/2006
Non-current loans:				
Receivable from *Euromin Holdings (Cyprus) Limited* for *Ventspils nafta termināls Ltd* shares [a)]	15/10/2016	3m USD Libor+1% (max 9.99%)	43 560	-
Receivable from *Ventspils nafta termināls Ltd* for borrowed crude oil [b)]	28/02/2008	USD 2000 monthly	-	676
		TOTAL:	**43 560**	**676**
Current loans:				
Receivable from *Ventspils nafta termināls Ltd* for borrowed crude oil [b)]	28/02/2008	USD 2000 monthly	542	-
Receivable from *Ventspils nafta termināls Ltd* for purchase of assets	31/12/2007	6 m USD LIBOR + 1.9%	-	1 182
Loan to *Rīgas līcis VN Ltd*	On demand	6%	435	435
Other receivables from related companies:				
Receivable from *Namserviss VN Ltd* for development compensation	-	-	3	62
Receivable from *Rīgas līcis VN Ltd* in relation to loan interest payments	On demand	-	58	30
Receivable from *Mediju nams Ltd* in relation to loan interest payments	On demand	-	11	-
		TOTAL:	**1 049**	**1 709**

a) On 2 March 2007, an agreement for purchase of *Ventspils nafta termināls Ltd* shares was signed with *Euromin Holdings (Cyprus) Limited*. Under this agreement, 49% of shares in *Ventspils nafta termināls Ltd* were sold for USD 90 000 thousand. According to the terms of the Loan Note issued under the agreement for purchase of *Ventspils nafta termināls Ltd* shares and dated 1 June 2007, *Euromin Holdings (Cyprus) Limited* has to pay *JSC Ventspils nafta* the principal of USD 90 000 thousand (ninety million US dollars) and the interest at the rate of 3-month USD LIBOR +1% or 9.99% per annum (whichever is the lower), starting from 2 March 2007. Under the Loan Note, *Euromin Holdings (Cyprus) Limited* has to repay the principal on 15 October 2016 at the latest.

b) On 17 June 2004, the Company lent to subsidiary *Ventspils nafta termināls Ltd* 25 thousand metric tons of crude oil which were later sold for cash. *Ventspils nafta termināls Ltd* returned to the Company 12 thousand metric tons of oil in 2005, 6 thousand metric tons in 2006 and 1 thousand metric tons in 2007. The receivable from *Ventspils nafta termināls Ltd* is recorded as USD 1 019 thousand based on the oil price of USD 169.84 per metric ton. The borrowing bears monthly interest of USD 2 000 and its maturity date was set as 28 February 2008. On 28 December 2007, both parties signed an agreement under which *Ventspils nafta termināls Ltd* has to sell borrowed oil and settle payments with *JSC Ventspils nafta*.

16. Inventories

	31/12/2007	31/12/2006
Oil and oil products	607	1 578
TOTAL:	**607**	**1 578**

The value of oil and oil products included in the inventory caption includes the oil and oil products held in the technological facilities and pipeline of the Company's subsidiary *Ventspils nafta termināls Ltd*, used to ensure oil and oil product transportation process.

17. Trade receivables

	31/12/2007	31/12/2006
Trade receivables	992	3 025
Provisions for doubtful receivables	(992)	(992)
TOTAL:	**-**	**2 033**

Movements in the provision for impairment of receivables were as follows:

	Individually impaired
As at 1 January 2006	992
Charge for the year	-
As at 31 December 2006	992
Charge for the year	-
As at 31 December 2007	**992**

All provisions are individually assessed. No collective assessment has been done.

As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due but not impaired				
	Total	Neither past due nor impaired	up to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	More than 180 days
31/12/2006:	2 033	2 033	-	-	-	-	-
31/12/2007:	-	-	-	-	-	-	-

18. Other receivables

	31/12/2007	31/12/2006
VAT receivable (Note 24)	167	39
Advances for services to be provided	5	4
Corporate income tax receivable (Note 24)	-	225
Statutory social insurance contributions receivable	-	17
Personal income tax receivable (Note 24)	-	3
TOTAL:	**172**	**288**

19. Other assets

	31/12/2007	31/12/2006
Accrued income (interest accrued on the receivable from *Euromin Holdings* for December)	252	-
Prepaid expense – insurance	6	60
Other prepaid expense	28	12
TOTAL:	**286**	**72**

20. Shares

	31/12/2007	31/12/2006
Other shares	51	51
TOTAL:	**51**	**51**

21. Cash

	31/12/2007	31/12/2006
Current bank accounts	603	382
TOTAL:	**603**	**382**

22. Share capital, reserves and earnings per share

The following table represents the distribution between bearer shares in the public offering and registered shares:

	Registered shares	Bearer shares	**Total**
31 December 2006	43 881 398	60 598 121	**104 479 519**
31 December 2007	43 881 398	60 598 121	**104 479 519**

On 5 October 2006, all *JSC Ventspils nafta* shares (38.62% of total share capital) owned by the State, were sold in the public auction. During the auction, 34.75% of *JSC Ventspils nafta* shares were acquired by *Euromin Holdings (Cyprus) Limited*, a company of *Vitol Group.*

All shares are authorized, issued and fully paid.

The nominal value of each share is LVL 1.

23. Trade and other payables

	2007	2006
Trade payables for services	69	85
TOTAL:	**69**	**85**

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Interest payable is normally settled quarterly throughout the financial year.

24. Taxes receivable/ (payable)

	31/12/2007	(Calculated)	Paid	(Refunded)/ transferred	31/12/2006
Statutory social insurance contributions	(5)	(179)	137	20	17
Personal income tax	(19)	(287)	244	21	3
Corporate income tax [a)]	(81)	(97)	1	(210)	225
Value added tax	167	169	-	(41)	39
Real estate tax	-	(25)	25	-	-
TOTAL:	**62**	**(419)**	**407**	**(210)**	**284**
TOTAL PAYABLE:	**(105)**				**-**
TOTAL RECEIVABLE:	**167**				**284**

[a)] Under the effective tax legislation of the Republic of Latvia, corporate income tax calculated in accordance with the specific methodology has to be paid advance. After the end of the reporting year, when the actual income tax charge has been calculated, the amount of the tax payable or receivable is established.

25. Other liabilities

		31/12/2007	31/12/2006
Remuneration for work		44	27
Other liabilities		1	-
	TOTAL:	**45**	**27**

26. Accrued liabilities

		31/12/2007	31/12/2006
Accrued bonuses and related statutory social insurance contributions		74	88
Vacation pay reserve		65	38
Other accrued liabilities		18	80
	TOTAL:	**157**	**206**

27. Related party transactions

Related party		Sales to related parties	Purchases from related parties	Receivables at year-end	Payables at year-end
Ventspils nafta termināls Ltd	01/01/2007 – 31/12/2007	370	330	542	-
	01/01/2006 – 31/12/2006	5 356	7 098	1 858	10
Euromin Holdings (Cyprus) Limited	01/01/2007 – 31/12/2007	50 080	-	43 560	-
	01/01/2006 – 31/12/2006	-	-	-	-
Namserviss VN Ltd	01/01/2007 – 31/12/2007	233	370	3	1
	01/01/2006 – 31/12/2006	233	392	62	-
Rīgas līcis VN Ltd	01/01/2007 – 31/12/2007	28	-	493	-
	01/01/2006 – 31/12/2006	26	-	465	-
Mediju nams Ltd	01/01/2007 – 31/12/2007	20	5	11	-
	01/01/2006 – 31/12/2006	-	4	-	-
TOTAL:	**01/01/2007 – 31/12/2007**	**50 731**	**705**	**44 609**	**1**
TOTAL:	**01/01/2006 – 31/12/2006**	**5 615**	**7 494**	**2 385**	**10**

28. Total fee to commercial company of certified auditors *Ernst & Young Baltic Ltd* for:

		2007	2006
Audit of financial statements		22 560	18 400
Tax and other consulting		16 720	19 270
	TOTAL:	**39 280**	**37 670**

29. Off balance sheet liabilities

On 13 March 2008, the Company provided a letter of financial support to its subsidiary *JSC Preses nams* to the extent that is required to meet its obligations as they fall due.

On 13 March 2008, the Company provided a letter of financial support to its subsidiary *Mediju nams Ltd* to ensure adequate financing for the subsidiary to continue operating as a going concern at least till 13 March 2009.

30. Financial instruments

The main financial instruments of the Company are issued loans and cash. The main purpose of these financial instruments is to ensure the financing of the operations of the Company. The Company also deals with several other financial instruments which are a result of its operations, for example, trade accounts receivable and other debtors, trade payables and other payables

The following table shows the classification of financial instruments in accordance with the categories specified under IAS 39:

	31/12/2007			
Financial assets	**Loans and receivables**	**Available for sales**	**Financial assets and liabilities at amortized cost**	**Total**
Non-current portion of loan	43 560	-	-	43 560
Current portion of loan	977	-	-	977
Trade accounts receivable	72	-	-	72
Accrued income	252	-	-	252
Available for sale financial assets	-	51	-	51
Cash and cash equivalents	-	-	603	603
Total financial assets:	**44 861**	**51**	**603**	**45 515**
Trade accounts payable	-	-	69	69
Total financial liabilities:	**-**	**-**	**69**	**69**

	31/12/2006			
Financial assets	**Loans and receivables**	**Available for sales**	**Financial assets and liabilities at amortized cost**	**Total**
Non-current portion of loan	676	-	-	676
Current portion of loan	1 617	-	-	1 617
Trade accounts receivable	2 125	-	-	2 125
Available for sale financial assets	-	51	-	51
Cash and cash equivalents	-	-	382	382
Total financial assets:	**4 418**	**51**	**382**	**4 851**
Trade accounts payable	-	-	95	95
Total financial liabilities:	**-**	**-**	**95**	**95**

31. Financial risk management

Credit risk

The Company is exposed to insignificant credit risk through its trade receivables as cash and cash equivalents. The Company manages credit risk arising out of cash and cash equivalents by investing in EU-registered credit institutions. The credit risk arising out of trade receivables is managed through entering into transactions with reliable business partners.

Foreign currency risk

The Company's financial assets and liabilities exposed to foreign currency risk comprise cash and cash equivalents, trade receivables, current and non-current loans, trade payables.

A significant part of the revenues of sales of oil products are derived in US dollars whilst the major part of expenses is in Latvian Lats. In order to manage its foreign currency risk the Company balances the currencies of current and non-current borrowings with the currencies of future cash flows from operations and enters into contracts on substantial capital investments and services in U.S. dollars.

The Company does not use any financial instruments to manage their exposure to foreign currency risk.

The Company is mainly exposed to foreign currency risk of US dollar. The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Company's equity.

	Increase/ decrease in US dollar rate	Effect on profit before tax (LVL '000)	Effect on equity (LVL '000)
2007			
	+5%	2 184	(2 184)
	-5%	(2 184)	2 184
2006			
	+5%	104	(104)
	-15%	(312)	312

31. Financial risk management (cont'd)

Liquidity risk

The Company manages its liquidity risk by arranging an adequate amount of committed credit facilities with banks, planning of terms of payment of trade payables, developing and analyzing future cash flows comprising both the existing and planned loans and interest on such loans. The budgeting system which is being successfully applied by the Company is of great use for liquidity risk management and control.

Risk analysis and designing of risk management plans are conducted at the top management level.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2007 based on contractual undiscounted payments.

Year ended 31 December 2007	On demand (LVL '000)	< 3 months (LVL '000)	3 to 12 months (LVL '000)	1 to 5 years (LVL '000)	> 5 years (LVL '000)	Total (LVL '000)
Trade payables	-	69	-	-	-	69
Total:	**-**	**69**	**-**	**-**	**-**	**69**

Year ended 31 December 2006	On demand (LVL '000)	< 3 months (LVL '000)	3 to 12 months (LVL '000)	1 to 5 years (LVL '000)	> 5 years (LVL '000)	Total (LVL '000)
Trade payables	-	95	-	-	-	95
Total:	**-**	**95**	**-**	**-**	**-**	**95**

Interest rate risk

The Company is exposed to the interest rate risk mainly through its current loans. The interest rate receivable on the loans is disclosed in Note 15.

	2007		2006	
	Increase/ decrease in basis points	Effect on profit before tax (LVL '000)	Increase/ decrease in basis points	Effect on profit before tax (LVL' 000)
US dollar - LIBOR	+0.25%	109	-	-
	-1.0%	(436)	-	-
Latvian Lats - RIGIBOR	-	-	+8%	94
	-	-	-0.5%	(6)

31. Financial risk management (cont'd)

Fair value

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments, including those classified under discontinued operations, that are carried in the financial statements:

	Carrying amount		Fair value	
	2007	2006	2007	2006
Financial assets				
Cash	603	382	603	382
Loan note	43 560	-	43 560	-
Available-for-sale investments	51	51	not assessed	not assessed
Loans and receivables	1 301	4 418	1 301	4 418
Financial liabilities				
Other liabilities	69	95	69	95

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy debt to equity ratio in order to support its business growth in line with strategic development guidelines, ensure continuity of operations, maintain low credit risk and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions in Latvia and the European Union, the capital market trends and interest rate fluctuations. To maintain optimum capital structure, the Company may use share capital increase or decrease, distribution of dividends or various forms of borrowed capital. The Company's capital management objectives, policies and procedures have not been changed in 2006 and 2007.

The Company manages its capital structure by using the gearing ratio of net debt against total capital. Total capital is the sum of net debt and equity. Net debt is calculated as the sum of interest-bearing loans and other non-current liabilities less cash and cash equivalents. Equity includes share capital with share premium, reserves and retained earnings or accumulated deficit. The Company's policy is to maintain the gearing ratio not exceeding 25 percent in medium term.

	2007	2006
Borrowings	-	-
Less cash and cash equivalents	(603)	(382)
Net debt	*(603)*	*(382)*
Equity	237 421	197 972
Total capital	236 818	197 590
GEARING RATIO:	**0%**	**0%**

32. Events after balance sheet date

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

STATEMENT OF MANAGEMENT RESPONSIBILITY

The Management of JSC *Ventspils nafta* (hereinafter – the Company) is responsible for preparation of consolidated financial statements of the Company.

The financial statements set out on pages 9 to 40 are prepared in accordance with source documents and fairly present the financial position of the Company and operating results, changes in shareholders' equity and cash flows in 2006 and 2007.

The aforementioned financial statements are prepared in accordance with the Law of the Republic of Latvia on Financial Statements of Companies on on-going concern basis. During the reporting period, appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates have been made by the Management in the preparation of the financial statements.

The Management of JSC *Ventspils nafta* is responsible for maintenance of proper accounting records, safeguarding of the Company's assets and prevention and detection of fraud and other irregularities in the Company.

On behalf of the Council:

Vladimirs Solomatins
Chairman of the Council

On behalf of the Board:

Olga Pētersone
Chairperson of the Board