

**AS RĪGAS FONDU BIRŽA
CONSOLIDATED ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007**

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CONSOLIDATED FINANCIAL STATEMENTS
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REPORT OF THE MANAGEMENT

Type of operations

The main business operations of the OMX Riga Group – AS “Rīgas Fondu birža” (Riga Stock Exchange or RSE) and AS “Latvijas Centrālais Depozitārijs” (Latvian Central Depository or LCD), hereinafter commonly OMX Riga Group companies – are the development and maintenance of the infrastructure for the financial instruments (securities) market. The main business services of the RSE are organization of the securities market for financial instruments, provision of open and fair trading facilities for the financial instruments listed on the RSE, quotation of the financial instruments (equities, debt securities and other financial instruments) on a regular basis, dissemination of market information, fulfilment of any other functions assigned to a regulated market organizer by the Law on Financial Instruments Market. In addition, RSE actively takes part in implementation of privatization projects, as well as provides infrastructure for public offering for cash of state-owned property objects.

The main business services of the LCD are provision of securities custody, clearance and settlement, as well as development and maintenance of different data registers.

The entities of the OMX Riga Group are fully integrated in terms of personnel and structure on all corporate levels; however, the entities maintain segregate of core business operations.

OMX Riga Group financial performance during the accounting period

OMX Riga Group's net profit for 2007 is Ls 571 thousand, which is 15% higher than in 2006. The Group's net profit for 2006 was Ls 495 thousand.

The Group's revenue for 2007 is Ls 1,901 thousand, which is Ls 89 thousand or 4% less than in 2006. In 2007 the OMX Riga Group continued improvements in IT systems and in this connection IT systems operational expenses have increased by Ls 57 thousand or 47%. The total operating profit increased by 10% compared to 2006.

In 2007 the Group continued collaboration with IPAS “Parex Asset Management” to keep high safety of the financial assets.

At the end of the period the Group's equity was Ls 1,781 thousand or Ls 624.98 per share. In 2007 the Group paid dividend relating to 2006 in amount Ls 500 thousand (Ls 175.44 per share).

Investments

RSE has not made any new investments in terms of acquisitions, or establishing new companies. The RSE retains 100% control over LCD. At the end of the year RSE:

- Owns 370 LCD shares;
- Nominal value of a share is Ls 500;
- The total value of paid in shares is Ls 185,000;
- The ownership interest in LCD is 100%.

Employees

OMX Riga Group average number of employees in 2007 was 26.

Events after the end of the financial year

No events have occurred in the period between the end of the financial year and the day of signing this report that might have a material effect on OMX Riga Group financial or business performance, or on the result of the year.

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REPORT OF THE MANAGEMENT (continued)

Key events

The main focus during 2007 has been enhancement and development of quality of the services provided by RSE and LCD, implementation of European Union recommendations and requirements as well as further development of Joint Baltic market. Our activities have been in accordance with annual plan approved by RSE and LCD Councils and shareholders annual meeting.

Main accomplishments in 2007:

- Launch of Alternative market place and restructure of current securities lists;
- Development of new products: launch of company news system and futures on the tradable index OMX Baltic 10 (OMXB10) were introduced in OMX derivatives marketplace;
- Compliance of exchange trading model with requirements of MIFID;
- Implementation of cross border OTC DVP settlement between Baltic depositories;
- Compliance with Code of Conduct. Implementation of Phase II: introduction of Access and Interoperability Guidelines and participation in implementation of Phase III (Service unbundling and accounting separation);
- Joining European real time gross settlement system TARGET2 for Euro settlement;
- Participation in TARGET2 Securities project as a member of National User Group;
- Harmonization of corporate actions between Baltic depositories;
- Introduction of Market Practice Guide for Securities Settlement between Baltic Depositories;
- An active marketing and sales of core services promoting IPOs; attracting new members and information vendors; education in increasing the awareness of retail investors of the investment opportunities in stock-exchange listed products including CEO Meets Investors and Bachelor Theses competition.

Future prospects

It is expected that year 2008 is going to be as intensive and work consuming as the previous year. This is why the priorities of 2008 are to continue the developments started in 2007, related to:

- Increase of trading volume and further improvement of market quality – by being pro-active in bringing new equity, debt and fund unit listings to the market;
- Development of new products and services, including further development of Alternative market;
- Active marketing of the capital-raising opportunities offered by the stock exchange;
- Realization of Investor Awareness Program;
- Further implementation of TARGET 2 project;
- Work on implementation of joint clearing and settlement system in Baltic countries;
- Analyses of Euro currency introduction as joint trading and settlement currency in Baltic countries;
- Analyses of possibility to introduce securities borrowing and lending system in Baltic countries.



Daiga Auziņa-Melalksne
Chairman of Management Board

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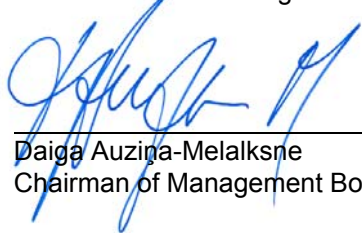
STATEMENT OF THE RESPONSIBILITIES OF THE MANAGEMENT

The Management of AS Rīgas Fondu birža is responsible for preparing the consolidated financial statements of AS Rīgas Fondu birža and its subsidiary undertaking (the Group) from the books of prime entry of the Group's companies for each financial period that present fairly the state of affairs of the Group as at the end of each financial period and the results of its operations.

The Management of AS Rīgas Fondu birža confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in preparation of these consolidated financial statements. The Management of AS Rīgas Fondu birža also confirms that applicable International Financial Reporting Standards have been followed and the consolidated financial statements have been prepared on a going concern basis.

The Management of AS Rīgas Fondu birža is responsible for maintenance of proper accounting records, for safeguarding the assets of the Group and for prevention and detection of fraud and other irregularities. The Management of AS Rīgas Fondu birža is responsible for compliance with the requirements of the Republic of Latvia legislation.

On behalf of the Management of AS Rīgas Fondu birža:



Daiga Auziņa-Melalksne
Chairman of Management Board

Rīga, 4 March 2008

INDEPENDENT AUDITORS' REPORT

To the shareholders of AS Rīgas Fondu birža

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements on pages 8 to 38 of AS Rīgas Fondu birža and its subsidiary ("the Group") which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated 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 consolidated 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 consolidated 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.

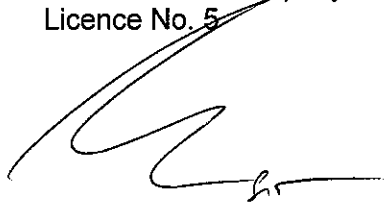
Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We have read the Management Report set out on pages 3 to 4 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the consolidated financial statements for 2007.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5



Juris Lapshe
Certified auditor in charge
Certificate No. 116

Member of the Board

Riga, Latvia
4 March 2008

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CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 Ls	2006 Ls
Revenue	3	1,901,138	1,989,820
Employee related expenses	4	(537,113)	(425,948)
Depreciation, amortisation	9, 10	(90,858)	(65,579)
IT system operational expenses		(178,257)	(121,024)
Received services for corporate projects		(16,750)	(228,453)
Other expenses	5	(517,675)	(536,432)
Other operating income/ (loss), net	6	103,029	(14,278)
Operating profit		663,514	598,106
Finance income	7	16,561	2,505
Finance costs	7	–	(6,370)
Finance (costs)/ income, net	7	16,561	(3,865)
Profit before income tax		680,075	594,241
Income tax expense	8	(109,119)	(99,662)
Profit for the year		570,956	494,579

The notes on pages 11 to 36 form an integral part of these consolidated financial statements.

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CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	31.12.2007 Ls	31.12.2006 Ls
ASSETS			
Non-current assets			
Property, plant and equipment	9	147,239	157,422
Intangible assets	10	55,123	79,701
Available-for-sale financial assets	11	73,205	70,148
Other investments		810	810
Other receivables	12	182,818	–
		459,195	308,081
Current assets			
Trade and other receivables	13	197,482	190,062
Prepaid current income tax		–	9,232
Financial assets at fair value through profit or loss	11	1,439,024	1,414,686
Term deposits		–	301,802
Cash and cash equivalents	14	1,147,679	682,343
		2,784,185	2,598,125
Total assets		3,243,380	2,906,206
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	15	712,500	712,500
Revaluation reserve of available-for-sale financial assets		5,639	2,582
Retained earnings		1,063,065	992,109
		1,781,204	1,707,191
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	16	7,055	7,058
		7,055	7,058
Current liabilities			
Trade and other payables	18	1,447,204	1,191,957
Current income tax liabilities		7,917	–
		1,455,121	1,191,957
Total liabilities		1,462,176	1,199,015
Total equity and liabilities		3,243,380	2,906,206

These consolidated financial statements have been approved for issue by the Management Board on 4 March 2008.

The notes on pages 11 to 36 form an integral part of these consolidated financial statements.



 Daiga Auziņa-Melalksne
 Chairman of Management Board

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
31 DECEMBER 2007**

	Share capital	Revaluation reserve of available-for-sale financial assets	Retained earnings	Total equity
	Ls	Ls	Ls	Ls
Balance at 1 January 2006	712,500	769	997,530	1,710,799
Dividend relating to 2005	–	–	(500,000)	(500,000)
Fair value gains on available- for-sale financial assets	–	1,813	–	1,813
Net profit for the year	–	–	494,579	494,579
Balance at 31 December 2006	712,500	2,582	992,109	1,707,191
Balance at 1 January 2007	712,500	2,582	992,109	1,707,191
Dividend relating to 2006	–	–	(500,000)	(500,000)
Fair value gains on available- for-sale financial assets	–	3,057	–	3,057
Net profit for the year	–	–	570,956	570,956
Balance at 31 December 2007	712,500	5,639	1,063,065	1,781,204

The notes on pages 11 to 36 form an integral part of these consolidated financial statements.

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 Ls	2006 Ls
Cash flows from operating activities			
Cash generated from operations	19	778,317	1,234,061
Income tax paid		<u>(91,973)</u>	<u>(118,735)</u>
Net cash generated from operating activities		686,344	1,115,326
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		4,729	1,158
Purchase of property, plant and equipment and intangible assets	9, 10	(58,200)	(110,252)
Purchase of financial assets	11	(1,411,196)	(787,005)
Placement of term deposits		–	(300,000)
Withdrawal of term deposit		300,000	–
Proceeds from disposal of financial assets	11	1,365,824	386,353
Interest received		<u>73,820</u>	<u>35,830</u>
Net cash generated from/ (used in) investing activities		274,977	(773,916)
Cash flows from financing activities			
Dividends paid to Company's shareholders		<u>(500,000)</u>	<u>(500,000)</u>
Net cash used in financing activities		(500,000)	(500,000)
Net increase/ (decrease) in cash and cash equivalents			
		461,321	(158,590)
Cash and cash equivalents at beginning of the year		682,343	847,303
Exchange gains/ (losses) on cash and cash equivalents		4,015	(6,370)
Cash and cash equivalents at end of the year	14	<u>1,147,679</u>	<u>682,343</u>

The notes on pages 11 to 36 form an integral part of these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The main business operations of the OMX Riga Group – AS “Rīgas Fondu birža” (Riga Stock Exchange or RSE) and AS “Latvijas Centrālais Depozitārijs” (Latvian Central Depository or LCD), hereinafter commonly OMX Riga Group companies – are development and maintenance of the infrastructure for the financial instrument (securities).

The main business services of RSE are organization of the securities market for financial instruments, provision of open and fair trading facilities for the financial instruments listed on the RSE, quotation of the financial instruments (equities, debt securities and other financial instruments) on a regular basis, dissemination of market information, fulfillment of any other functions assigned to a regulated market organizer by the Law on Financial Instruments Market.

The main business services of LCD are provision of securities custody, clearance and settlement, as well as development and maintenance of different data registers.

The Parent company of the OMX Riga Group is AS “Rīgas Fondu birža” (hereinafter – the Company). 92.98% of shares of AS “Rīgas Fondu birža” are owned by OMX Nordic Exchange Group Oy, incorporated in Finland.

The Company is a joint stock company incorporated and domiciled in Latvia. The address of its registered office is Valņu 1, Riga LV-1050, Latvia.

These consolidated financial statements were authorised for issue by the Management on 4 March 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of OMX Riga Group have been prepared in accordance with International Financial Reporting Standards. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group’s accounting policies.

Standards, amendment and interpretations effective in 2007

- *IFRS 7, ‘Financial instruments: Disclosures’*, and the complementary amendment to IAS 1, ‘Presentation of financial statements – Capital disclosures’, introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group’s financial instruments, or the disclosures relating to taxation and trade and other payables.
- *IFRIC 8, ‘Scope of IFRS 2’*, requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group’s financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards, amendment and interpretations effective in 2007 (continued)

- *IFRIC 10, 'Interim financial reporting and impairment'*, prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- IFRS 4, 'Insurance contracts';
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies'; and
- IFRIC 9, 'Re-assessment of embedded derivatives'.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- *IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009)*. The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments and specifies how an entity should report such information. IFRS 8 is not relevant to the Group as it does not trade its debt or equity instruments in a public market and it does not plan to issue any class of instruments in a public market.
- *Puttable financial instruments and obligations arising on liquidation – IAS 32 and IAS 1 Amendment (effective from 1 January 2009)*. The amendment requires classification as equity of some financial instruments that meet the definition of a financial liability. The Group does not expect the amendment to affect its consolidated financial statements.
- *IAS 23, Borrowing Costs (revised March 2007; effective for annual periods beginning on or after 1 January 2009)*. The revised IAS 23 was issued in March 2007. The main change to IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalise such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009. Currently the revised standard is not applicable to the Group as there are no qualifying assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- *IAS 1, Presentation of Financial Statements (revised September 2007; effective for annual periods beginning on or after 1 January 2009).* The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The Group expects the revised IAS 1 to affect the presentation of its financial statements but to have no impact on the recognition or measurement of specific transactions and balances.
- *IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009).* The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.
- *IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).* The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or on the same basis as US GAAP (at fair value). The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill will be measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.
- *Vesting Conditions and Cancellations – Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2008).* The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by

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other parties, should receive the same accounting treatment. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- *IFRIC 13, 'Customer loyalty programmes'* (issued in June 2007; effective for annual periods beginning on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group's operations because no Group companies operate any loyalty programmes.
- *IFRIC 11, IFRS 2 – Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007).
- *IFRIC 12, Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008).
- *IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for annual periods beginning on or after 1 January 2008).

(b) Consolidation

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiary undertakings by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. For goodwill recognition see Note (e).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Latvian Lats (Ls), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency, using the exchange rates set by the Bank of Latvia prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The exchange rates of the principal foreign currencies applied by the Group at the balance sheet dates:

	31.12.2007	31.12.2006
	Ls	Ls
1 USD	0.4840	0.5360
1 EUR	0.702804	0.702804

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives using following rates set by management:

Equipment	20 – 50% per annum
Other fixtures and fittings	10 – 25% per annum

The assets residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of the net selling price and value in use of the asset.

Gains or losses on disposals are determined by comparing carrying amount with proceeds and are credited or charged to the income statement during the period in which they are incurred.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Other intangible assets

Other intangible assets are shown at historical cost. Patents, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives (3 – 5 years).

(f) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, available for sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' and 'term deposits' in the balance sheet. See Note (h).

(b) Financial assets at fair value through profit or loss

All investments in this category are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial assets (continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, as well as interest and dividend income on those assets, are presented in the income statement within 'other operating income/ (loss), net', in the period in which they arise.

Changes in the fair value of monetary securities classified as available for sale and non-monetary securities classified as available for sale are recognised in equity. The fair values of quoted investments are based on current bid prices.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(h) Trade receivables and term deposits

Trade receivables and term deposits (further – debtors) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of debtors. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the debtor is impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of provision is recognised in the income statement within 'other operating (loss)/ income, net'. Subsequent recoveries of amounts previously written off are credited against 'other operating (loss)/ income, net' in the income statement.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(j) Deferred income tax

Income tax is calculated in accordance with Latvian tax regulations and is based on the taxable income reported for the taxation period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability settled.

Deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiary undertakings, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(k) Employee benefits

Short-term employee benefits, including salaries and social security contributions, bonuses and paid vacation benefits, are included in Employee related expenses on accrual basis.

The Group pays social security contributions to the State Social Security Fund (the Fund) on behalf of its employees in accordance with local legal requirements. The Fund is used by the State to finance pension, unemployment and other benefits. The Group is required to pay fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions relating to employee service in the current and prior period. The social security contributions are recognised as an expense on an accrual basis and are included within staff costs.

(l) Revenue

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, estimated returns, rebates and discounts and after eliminated sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of services are recognised in the accounting period in which the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(n) Share capital and dividend distribution

Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(o) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where, in the opinion of the management, the fair values of financial assets and liabilities differ materially from their carrying values, such fair values are separately disclosed in the notes to the consolidated financial statements.

(q) Critical accounting estimates and judgements

There are no assets or liabilities exposed to significant risk of material adjustments subject to the outcome of critical accounting estimate or judgement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3 REVENUE

	2007	2006
	Ls	Ls
Income for servicing of securities accounts	742,498	632,968
Income from securities issuers	377,256	353,704
Income from maintenance of registers	227,085	200,707
Income from services related to securities emissions	128,790	112,532
Income from stock exchange members	121,092	114,117
Income from sale of information	128,479	97,897
Income from corporate projects and privatisation	50,000	261,868
Commission income from transactions on stock exchange	58,113	158,219
Income from operations with securities	42,261	31,654
Annual membership fee for Latvian Central depository	17,000	18,000
Other income	8,564	8,154
	<u>1,901,138</u>	<u>1,989,820</u>

4 EMPLOYEE RELATED EXPENSES

Wages and salaries	403,035	320,681
Social security contributions *	89,100	76,107
Educational expenses	33,489	21,081
Insurance	11,489	8,079
	<u>537,113</u>	<u>425,948</u>

The average number of employees in 2007 was 26 (2006: 25).

* In accordance with the rulings of the Cabinet of Ministers of Latvia 74% (2006: 74%) of the Social Security contributions are used to fund the state defined contribution pension system.

5 OTHER EXPENSES

Rental expenses	83,738	75,234
Transportation expenses	20,391	19,819
Business trips expenses	35,985	38,866
Insurance	25,183	26,301
Representation expenses	41,616	28,181
Communication expenses	14,665	12,583
Audit expenses	13,500	12,299
Office equipment maintenance, stationary	17,825	17,408
Bank services	20,783	10,074
Purchase of information	7,195	6,223
Management fee	65,781	53,905
Cost of termination of lease agreement	–	68,421
Undeductable VAT	51,655	63,212
Change in provisions for impairment of receivables	2,277	4,886
Penalties paid	43	5
Other expenses	117,038	99,015
	<u>517,675</u>	<u>536,432</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6 OTHER OPERATING INCOME/ (LOSS), NET

	2007	2006
	Ls	Ls
Loss on revaluation of financial assets at fair value through profit or loss	(31,581)	(54,950)
Interest income from financial assets at fair value through profit or loss	69,330	37,854
Gain on disposal of property, plant and equipment	2,626	236
Compensated labour costs	36,881	–
Penalties received	6,599	–
Other income	19,174	2,582
	<u>103,029</u>	<u>(14,278)</u>

7 FINANCE INCOME/ COSTS

Net gain on foreign exchange	4,015	(6,370)
Interest income	12,546	2,505
	<u>16,561</u>	<u>(3,865)</u>

8 INCOME TAX EXPENSE

Current tax	109,122	94,079
Deferred tax (see Note 16)	(3)	5,583
Tax charge	<u>109,119</u>	<u>99,662</u>

Corporate income tax differs from the theoretically calculated tax amount that would arise applying the 15% rate stipulated by the law to profits before taxation of the consolidated companies:

Profit before tax	<u>680,075</u>	<u>594,241</u>
Theoretically calculated tax at a tax rate of 15%	102,012	89,136
Expenses not deductible for tax purposes	10,122	12,254
Non-taxable income	(3,015)	(1,728)
Tax charge	<u>109,119</u>	<u>99,662</u>

Income tax is charged at 15% of taxable profit for the period calculated in accordance with Latvian tax legislation.

Deferred income tax is calculated by using the enacted tax rate – 15%.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9 PROPERTY, PLANT AND EQUIPMENT

	Office equipment and furniture Ls	Vehicles Ls	Assets under construction Ls	Total Ls
At 1 January 2006				
Cost	254,363	40,840	19,915	315,118
Accumulated depreciation	(199,232)	(24,729)	–	(223,961)
Net book amount	55,131	16,111	19,915	91,157
Year ended 31 December 2006				
Opening net book amount	55,131	16,111	19,915	91,157
Additions	78,911	21,858	–	100,769
Disposals	(1,423)	–	–	(1,423)
Reclassification	19,915	–	(19,915)	–
Depreciation charge	(28,570)	(4,511)	–	(33,081)
Closing net book amount	123,964	33,458	–	157,422
At 31 December 2006				
Cost	351,766	62,698	–	414,464
Accumulated depreciation	(227,802)	(29,240)	–	(257,042)
Net book amount	123,964	33,458	–	157,422
Year ended 31 December 2007				
Opening net book amount	123,964	33,458	–	157,422
Additions	51,901	–	–	51,901
Disposals	(520)	(1,583)	–	(2,103)
Depreciation charge	(52,996)	(6,985)	–	(59,981)
Closing net book amount	122,349	24,890	–	147,239
At 31 December 2007				
Cost	356,378	53,199	–	409,577
Accumulated depreciation	(234,029)	(28,309)	–	(262,338)
Net book amount	122,349	24,890	–	147,239

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10 INTANGIBLE ASSETS

	Goodwill	Licenses	Total
	Ls	Ls	Ls
At 1 January 2006			
Cost	38,368	193,008	231,376
Accumulated amortisation and impairment	–	(128,440)	(128,440)
Net book amount	38,368	64,568	102,936
Year ended 31 December 2006			
Opening net book amount	38,368	64,568	102,936
Additions	–	9,479	9,479
Disposals	–	(216)	(216)
Amortisation charge	–	(32,498)	(32,498)
Closing net book amount	38,368	41,333	79,701
At 31 December 2006			
Cost	38,368	202,271	240,639
Accumulated amortisation and impairment	–	(160,938)	(160,938)
Net book amount	38,368	41,333	79,701
At 31 December 2007			
Opening net book amount	38,368	41,333	79,701
Additions	–	6,299	6,299
Amortisation charge	–	(30,877)	(30,877)
Net book amount	38,368	16,755	55,123
At 31 December 2007			
Cost	38,368	169,663	208,031
Accumulated amortisation and impairment	–	(152,908)	(152,908)
Net book amount	38,368	16,755	55,123

Goodwill relates to a single cash-generating unit (CGU) – the only subsidiary AS “Latvijas Centrālais depozitārijs”. The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period. The key assumptions used for value-in-use calculations are gross margin, growth rate and discount rate. Management determined budgeted gross margin based on past performance and its expectations for the market development. The growth rates used do not exceed the GDP growth forecasts published by the Bank of Latvia. The discount rate used is pre-tax and reflects risks specific to the CGU. Pre-tax discount rate applied to the cash flow projections is 11%.

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11 FINANCIAL ASSETS

	Available-for-sale financial assets	Financial assets at fair value through profit or loss
	Ls	Ls
At 1 January 2007	68,335	1,074,151
Additions	–	787,005
Disposals	–	(386,353)
Gain on fair value changes and foreign exchange	1,813	(60,117)
At 31 December 2006	70,148	1,414,686
Non current portion	70,148	–
Current portion	–	1,414,686
	70,148	1,414,686
At 1 January 2007	70,148	1,414,686
Additions	–	1,411,196
Disposals	–	(1,365,824)
Gain/ (loss) on fair value changes and foreign exchange	3,057	(21,034)
At 31 December 2007	73,205	1,439,024
Non current portion	73,205	–
Current portion	–	1,439,024
	73,205	1,439,024

Available-for-sale financial assets include the following:

	31.12.2007 Ls	31.12.2006 Ls
Listed securities:		
- Investment funds	<u>73,205</u>	<u>70,148</u>

Financial assets at fair value through profit or loss include the following:

Listed securities:		
- Equity securities	474	607
- Investment funds	131,122	104,240
- Debentures with floating interest (3M Euribor plus 3% p.a. margin rate) and maturity date of 2 February 2010	65,319	–
- Debentures with fixed interest of 4.875% p.a. and maturity date of 18 April 2007	–	636,315
- Debentures with fixed interest of 5% p.a. and maturity date of 20 March 2008	273,809	–
- Debentures with fixed interest of 10.625% p.a. and maturity date of 27 June 2008	378,695	–
- Debentures with fixed interest of 4% p.a. and maturity date of 30 October 2008	–	63,685
- Debentures with fixed interest of 5.125% p.a. and maturity date of 14 February 2013	540,280	560,533
- Debentures with floating interest (6M EUR Libor plus 1.6% p.a. margin rate) and maturity date of 15 December 2011	49,325	49,306
	<u>1,439,024</u>	<u>1,414,686</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11 FINANCIAL ASSETS (continued)

Financial assets at fair value through profit or loss and available-for-sale financial assets are denominated in the following currencies:

	31.12.2007	31.12.2006
	Ls	Ls
Financial assets at fair value through profit or loss:		
- Latvian lats	611,490	615,284
- Euros	827,534	735,717
- US dollars	–	63,685
Available-for-sale financial assets:		
- Latvian lats	73,205	70,148
	1,512,229	1,484,834

On 12 October 2005 LCD signed the agreement with State Social Insurance Agency on rendering accounts administration services to the state-funded pension scheme participants starting 1 January 2006. In order to comply with the terms of the agreement and meet legal obligations, LCD contracted a guarantee agreement with AS "Hansabanka" and pledged financial assets with a carrying amount of Ls 73,205 as at 31 December 2007 (31.12.2006: Ls 70,148).

All financials assets at fair value through profit or loss are professionally managed by IPAS "Parex Asset Management" under custody agreements (Note 22).

The maximum exposure to credit risk at the reporting date is the fair value of the securities classified as financial assets at fair value through profit and loss and available-for-sale.

None of the financial assets are either past due or impaired.

12 OTHER RECEIVABLES

On 14 December 2007 LCD prolonged its collaboration with State Social Insurance Agency by signing an agreement for rendering of accounts administration services to the state-funded pension scheme participants starting 1 January 2009. In order to meet legal obligations, LCD entered a guarantee agreement with AS "Parex banka" and pledged its cash in carrying amount of Ls 182,818 as at 31 December 2007.

As at 31 December 2007 the carrying value of long-term receivable approximates to its fair value.

The effective interest rate on non-current receivables is 6.2% p.a.

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13 TRADE AND OTHER RECEIVABLES

	31.12.2007	31.12.2006
	Ls	Ls
Receivables from Latvian Central Depository members	64,697	100,988
Receivables from issuers	16,657	32,160
Receivables from related parties (see Note 22 (c))	12,121	3,347
Receivables from Riga Stock exchange members	14,418	14,135
Deferred expenses	49,821	35,797
Other receivables	54,297	26,437
	<u>212,011</u>	<u>212,864</u>
Provisions for impairment of receivables	(14,529)	(22,802)
	<u>197,482</u>	<u>190,062</u>

The carrying value less impairment provision of current trade receivables and other receivables approximates to their fair values.

Trade receivables from third parties that are less than 90 days past due are not considered impaired. As at 31 December 2007, trade receivables of Ls 2,805 (2006: Ls 5,285) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these third parties trade receivables is as follows:

	31.12.2007	31.12.2006
	Ls	Ls
Neither impaired nor past due on the reporting date	106,363	119,836
Not impaired, past due in the following periods as of the reporting date:		
- overdue less than 90 days	2,761	2,168
- overdue 90 – 180 days	–	160
- overdue 180 – 360 days	44	2,954
- overdue more than 360 days	–	3
	<u>109,168</u>	<u>125,121</u>

Credit quality of trade receivables from third parties that are neither past due or impaired on the reporting date is adequate. The Group's considers that the receivables are fully performing and will be recovered.

As at 31 December 2007, trade receivables of Ls 14,529 (2006: Ls 24,277) were impaired and provided for. The amount of the provision was Ls 14,529 as at 31 December 2007 (2006: Ls 22,802). The individually impaired receivables mainly relate to issuers, which are in unexpected difficult economic situations. The ageing of these receivables is as follows:

	31.12.2007	31.12.2006
	Ls	Ls
Overdue 90 – 180 days	–	–
Overdue 180 – 360 days	–	2,950
Overdue more than 360 days	14,529	21,327
	<u>14,529</u>	<u>24,277</u>

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13 TRADE AND OTHER RECEIVABLES (continued)

Movements on the provision for impairment of trade receivables are as follows:

	2007	2006
	Ls	Ls
At 1 January	22,802	17,916
Provision for receivables impairment	2,277	4,886
Receivables written off during the year as uncollectible	(10,550)	–
At 31 December	<u>14,529</u>	<u>22,802</u>

The creation of provision for impaired receivables has been included in Other expenses in the income statement (Note 5).

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	31.12.2007	31.12.2006
	Ls	Ls
Latvian lats	152,613	156,429
Swedish krona	2,434	–
Euro	40,915	30,878
US dollars	1,520	2,755
	<u>197,482</u>	<u>190,062</u>

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Group does not hold any collateral as security.

14 CASH AND CASH EQUIVALENTS

Cash at bank	1,042,992	678,828
Cash in hand	407	3,515
Short term bank deposit	104,280	–
	<u>1,147,679</u>	<u>682,343</u>

Cash at bank and in hand are unsecured in nature and bear no interest.

Cash and cash equivalents are denominated in the following currencies:

Latvian lats	1,060,402	605,438
Euros	83,457	73,560
US dollars	1,581	1,078
Estonian kroon	1,128	1,125
Lithuanian litas	1,111	1,142
	<u>1,147,679</u>	<u>682,343</u>

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15 SHARE CAPITAL

The total authorised number of ordinary shares of the Parent company is 2,850 shares (2006: 2,850) with a par value of Ls 250 per share (2006: Ls 250 per share). All issued shares are fully paid.

16 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2007	2006
	Ls	Ls
Deferred tax assets:		
– Deferred tax asset to be recovered within 12 months	(5,481)	(4,287)
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	6,352	11,345
– Deferred tax liability to be recovered within 12 months	6,184	–
	12,536	11,345
Deferred tax liability (net)	7,055	7,058

The gross movement on the deferred income tax account is as follows:

At beginning of year	7,058	1,475
Income statement (income)/ charge (Note 8)	(3)	5,583
At end of year	7,055	7,058

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

	31.12.2007	31.12.2006
	Ls	Ls
Temporary difference of property, plant and equipment depreciation	12,536	11,345
Temporary difference on accruals for unused annual leave	(1,834)	(3,994)
Temporary difference on other accruals	(3,647)	(293)
	7,055	7,058

17 DIVIDENDS PER SHARE

In 2007 the Company paid dividends in amount of Ls 500,000 (Ls 175.44 per share). In 2006 the Company paid dividends relating to 2005 in amount of Ls 500,000 (Ls 175.44 per share).

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18 TRADE AND OTHER PAYABLES

	31.12.2007	31.12.2006
	Ls	Ls
Payables to owners of securities *	1,391,896	983,936
Payables to related parties (see Note 22 (f))	4,732	53,905
Deferred income	3,063	70,553
Accruals for unused annual leave	11,654	23,279
Other accruals	13,189	8,339
Other payables	22,670	51,945
	<u>1,447,204</u>	<u>1,191,957</u>

* The Group acts as intermediary for dividend payments by Latvian companies to the shareholders. Payables to owners of securities represent those dividends of Latvian companies. They are due generally on demand. Dividends payable to owners of securities carry no interest and are denominated in Latvian lats.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	31.12.2007	31.12.2006
	Ls	Ls
Latvian lats	1,442,179	1,138,052
Swedish krona	4,732	–
Lithuanian litas	293	–
Euro	–	53,905
	<u>1,447,204</u>	<u>1,191,957</u>

The carrying values of financial liabilities approximate to their fair value.

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19 CASH GENERATED FROM OPERATIONS

	Notes	2007 Ls	2006 Ls
Net profit		570,956	494,579
<i>Adjustments for:</i>			
Tax	8	109,119	99,662
Depreciation and amortisation	9, 10	90,858	65,579
Interest on securities and deposits	6, 7	(81,876)	(40,361)
Fair value losses on financial assets at fair value through profit or loss	6	31,581	54,950
Accruals for unused annual leave		(11,625)	15,956
Profit on disposal of property, plant and equipment	6	(2,626)	(236)
Foreign exchange (gains)/ losses	7	(4,015)	6,370
<i>Changes in working capital</i>			
- Trade and other receivables increase		(185,512)	(25,885)
- Trade and other payables increase		261,457	563,447
Cash generated from operations		<u>778,317</u>	<u>1,234,061</u>

20 OPERATING LEASE COMMITMENTS – GROUP COMPANY AS LESSEE

The Group leases a vehicle under cancellable lease agreement and premises under non-cancellable lease agreement.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31.12.2007 Ls	31.12.2006 Ls
No later than 1 year	46,845	62,460
Later than 1 year and no later than 5 years	–	46,845
	<u>46,845</u>	<u>109,305</u>

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21 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

Since the Group does not operate internationally and its prime economic environment is Baltic countries and Latvia, most transactions are carried out in local currency (Latvian lats) and euros. The lats is pegged to euro meaning that the lats value against the euro is fixed. This eliminates most of foreign exchange risk, however minor foreign exchange risk still arises from commercial transactions and recognised assets and liabilities denominated in US dollars and other currencies. To manage foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group can decide on use of forward contracts. There were no derivative contracts outstanding at any balance sheet date presented. The Group has no investments in foreign operations, whose net assets would be exposed to foreign currency translation risk.

For exposure of various currencies at reporting dates see Notes 11, 13, 14 and 18.

(ii) Price risk

The Group is exposed to equity and investment fund securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group has signed agreements with IPAS "Parex Asset Management" and delegated its financial asset management function. Diversification of the portfolio is done in accordance with the limits set by the Group and agreed with IPAS "Parex Asset Management" (further – the Fund). Under the custody agreement, the Fund trades financial instruments in the equity and bond markets in Latvia and EU countries. The Fund is also permitted to buy and sell derivatives. It may do so within defined limits and according to strategies approved by Group's management. The investments position is monitored on regular basis by the Fund and reported on monthly basis to the Group. The diversification of investment portfolio is designed in a way to offset market price risk.

At 31 December, the overall market exposures were as follows:

	At 31 December			
	2007		2006	
	Fair value	Share of	Fair value	Share of
	total assets		total assets	
	Ls	%	Ls	%
Equities	474	0%	607	0%
Investment funds	204,327	6%	174,388	6%
Government bonds	918,975	28%	1,196,848	41%
Corporate bonds	339,128	10%	63,685	2%
Corporate mortgage bonds	49,325	2%	49,306	2%
	1,512,299	47%	1,484,834	51%

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21 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

As the Group has significant investments in debt securities, it is exposed to cash flow and fair value interest rate risk of changes in market interest rates. The Group holds investments in bonds with fixed and variable interest rates. Bonds carrying fixed interest rates do not expose the Group to cash flow interest rate risk, however are subject to fair value interest rate risk. The Group analyses its interest rate risk exposure on a dynamic basis and diversifies its portfolio.

The Group does not possess any interest-bearing borrowings or other liabilities therefore the Group is only exposed to cash flow interest rate risk arising from acquired bonds with variable interest rates. The Group is subject to cash inflow risk due to fluctuations in the prevailing levels of lats and euro interest rates.

Sensitivity analysis for market risks to which the entity is exposed as at 31 December 2007, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date, is presented in the table below:

In Latvian lats (Ls)	Fair value interest rate risk (IR)				Foreign exchange rate risk				Price risk				
	+4 pp of Ls IR		-4 pp of Ls IR		+10%		-10%		+22% Equity FVTPL	-22% Equity FVTPL			
									+4% Investment funds FVTPL	-4% Investment funds FVTPL			
									+4% Investment funds AFS	-4% Investment funds AFS			
	Carrying amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial assets													
Cash and cash equivalents	1,147,679	-	-	-	-	158	-	(158)	-	-	-	-	-
Accounts receivable	330,479	-	-	-	-	152	-	(152)	-	-	-	-	-
Equity securities (FVTPL)	474	-	-	-	-	-	-	-	-	104	-	(104)	-
Investment funds (FVTPL)	131,122	-	-	-	-	-	-	-	-	5,245	-	(5,245)	-
Bonds (FVTPL)	1,307,428	(82,254)	-	102,342	-	-	-	-	-	-	-	-	-
Investment funds (AFS)	73,205	-	-	-	-	-	-	-	-	-	2,928	-	(2,928)
Impact on financial assets before tax		(82,254)	-	102,342	-	310	-	(310)	-	5,349	2,928	(5,349)	(2,928)
Tax charge of 15%		12,338	-	(15,351)	-	(47)	-	47	-	(802)	(439)	802	439
Impact on financial assets after tax		(69,916)	-	86,991	-	264	-	(264)	-	4,547	2,489	(4,547)	(2,489)
Financial liabilities													
Payables	1,452,058	-	-	-	-	-	-	-	-	-	-	-	-
Total increase/(decrease)		(69,916)	-	86,991	-	264	-	(264)	-	4,547	2,489	(4,547)	(2,489)

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21 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

The sensitivity disclosure analysis at 31 December 2006 is as follows:

In Latvian lats (Ls)	Carrying amount	Fair value interest rate risk (IR)				Foreign exchange rate risk				Price risk			
		+2 pp of Ls IR		-2 pp of Ls IR						+1% Equity FVTPL		-1% Equity FVTPL	
		+1 pp of EUR IR		-1 pp of EUR IR						+5% Investment funds FVTPL		-5% Investment funds FVTPL	
		+1 pp of USD IR		-1 pp of USD IR		+10%		-10%		+3% Investment funds AFS		-3% Investment funds AFS	
		Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Financial assets													
Cash and cash equivalents	682,343	-	-	-	-	108	-	(108)	-	-	-	-	-
Short-term deposit	301,802	-	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	154,265	-	-	-	-	276	-	(276)	-	-	-	-	-
Equity securities (FVTPL)	607	-	-	-	-	-	-	-	-	6	-	(6)	-
Investment funds (FVTPL)	104,240	-	-	-	-	-	-	-	-	5,212	-	(5,212)	-
Bonds (FVTPL)	1,309,839	(72,692)	-	38,709	-	-	-	-	-	-	-	-	-
Investment funds (AFS)	70,148	-	-	-	-	-	-	-	-	-	2,104	-	(2,104)
Impact on financial assets before tax		(72,692)	-	38,709	-	384	-	(384)	-	5,218	2,104	(5,218)	(2,104)
Tax charge of 15%		10,904	-	(5,806)	-	(58)	-	58	-	(783)	(316)	783	316
Impact on financial assets after tax		(61,788)	-	32,903	-	326	-	(326)	-	4,435	1,788	(4,435)	(1,788)
Financial liabilities													
Payables	1,121,404	-	-	-	-	-	-	-	-	-	-	-	-
Total increase/ (decrease)		(61,788)	-	32,903	-	326	-	(326)	-	4,435	1,788	(4,435)	(1,788)

Based on historical movements and volatilities in these market variables, and management's knowledge and experience of the financial markets, the Group believes the movements are reasonably possible over a 12 month period.

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21 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

OMX Riga Group is subject to a low credit risk, i.e. the unexpected loss of payment funds or income. The financial assets constituting a certain financial risk concentration for the OMX Riga Group are: investments in securities, cash and accounts receivable and other receivables. The Group has set limits for maximum exposure to various types of investments. The OMX Riga Group business policy is that the services are provided to customers with adequate credit history. The Group's partners in cash transactions are domestic and foreign financial institutions with adequate credit history. There is no particular concentration of credit risks as regards customers.

No credit limits are set for Group counterparties however Group's management carries out credit risk assessment prior to conduct cash related transactions with other parties.

The geographical classification of securities at reporting date is shown in the table below:

	31.12.2007	31.12.2006
	Ls	Ls
Latvia	859,725	754,526
EU countries, except Latvia	652,504	666,623
Non-EU countries	–	63,685
	<u>1,512,229</u>	<u>1,484,834</u>

(b) Liquidity risk

The liquidity risk, i.e. the risk that the Group cannot meet its financial obligations, is limited by the creation of the necessary financial flexibility and by effective cash management. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of accounts payable to security owners and ability to realise its investments.

In accordance with the custody agreement, the Fund manages and monitors the Group's investment portfolio's credit position on regular basis.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

The maturity analysis of financial liabilities at 31 December 2007 is as:

	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months
	Ls	Ls	Ls
Payables to owners of securities	1,391,896	–	–
Accruals for services	–	13,188	–
Accruals for unused annual leave	11,654	–	–
Other financial liabilities	27,403	–	7,917
	<u>1,430,953</u>	<u>13,188</u>	<u>7,917</u>

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21 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

The maturity analysis of financial liabilities at 31 December 2006 is as:

	On demand and less than 1 month Ls	From 1 to 3 months Ls	From 3 to 12 months Ls
Payables to owners of securities	983,936	–	–
Accruals for services	–	8,339	–
Accruals for unused annual leave	23,279	–	–
Other financial liabilities	29,626	–	76,224
	1,036,841	8,339	76,224

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-capital ratio. This ratio shows the proportion of a company's debt to its total capital, which consists of the sum of its debt and equity combined. Debt includes all short-term and long-term obligations. Total capital includes the Group's debt and shareholders' equity. The debt-to-capital ratio is regularly used to measure a company's capital structure and its financial solvency.

The debt-to-capital ratio as at 31 December 2007 and 2006 were as follows:

	31.12.2007 Ls	31.12.2006 Ls
Total debt	1,462,176	1,199,015
Less: cash and cash equivalents	(1,147,679)	(682,343)
Net debt	314,497	516,672
Total equity and debt	2,095,701	2,223,863
Debt-to-capital ratio	15%	23%

There are no externally imposed capital requirements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21 FINANCIAL RISK MANAGEMENT (continued)

(d) Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The Group does not possess any financial instruments measured at fair value that are not traded in an active market.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

22 RELATED PARTY TRANSACTIONS

The Group is 92.98% owned by OMX Nordic Exchange Group Oy incorporated in Finland. The ultimate parent company of the Group is OMX AB incorporated in Sweden. The shares of OMX AB are widely held.

All other entities disclosed below are subsidiaries of OMX AB Group.

The following transactions were carried out with related parties:

(a) Purchase of goods and services

	2007	2006
	Ls	Ls
OMX Nordic Exchange Group Oy (marketing projects)	992	–
Tallinna Börs AS (IT services, marketing projects)	17,818	14,896
Eesti Väärtpaberikeskus AS (fees for securities accounts, seminars, other expenses)	1,546	3,031
OMX Nordic Exchange Helsinki Oy (trading data)	9,361	–
OMX AB (insurance, personnel costs)	6,439	–
OMX Technology AB. (SAXESS trading system's service)	44,030	45,006
OMX Nordic Exchange Stockholm AB (management fees)	65,782	48,916
	<u>145,968</u>	<u>111,849</u>

(b) Sales of goods and services

OMX AB (change of brand)	–	2,424
OMX Nordic Exchange Group Oy (information disclosure system)	34,326	–
Tallinna Börs AS (trading data, member fees, marketing projects, training, maintenance services, income from sale of tangible asset, other services)	15,606	528
Eesti Väärtpaberikeskus AS (fees for securities accounts and settlements fees, training and other services)	9,467	4,885
OMX Nordic Exchange Helsinki Oy (trading data)	102,870	73,799
Vilniaus vertybinių popierių birža AS (marketing projects, trading data, training)	5,590	528
	<u>167,859</u>	<u>82,164</u>

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22 RELATED PARTY TRANSACTIONS (continued)

(c) Trade and other receivable from related parties

	31.12.2007	31.12.2006
	Ls	Ls
Vilniaus vertybinių popierių birža AS	1,301	528
Tallinna Börs AS	3,605	–
OMX AB	–	2,424
OMX Nordic Exchange Helsinki Oy	6,773	–
Eesti Väärtpaberite Keskdepositooriumi AS	442	395
	<u>12,121</u>	<u>3,347</u>

The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest.

(d) Accounts payable to related parties

OMX Nordic Exchange Stockholm AB	–	53,905
OMX Technology AB	4,732	–
	<u>4,732</u>	<u>53,905</u>

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

(e) Key management compensation

	2007	2006
	Ls	Ls
Salaries and other short-term benefits	<u>218,459</u>	<u>102,707</u>

(f) Transactions with professional asset management company

On 13 October 2006 the Group signed agreements with IPAS “Parex Asset Management” and delegated its financial asset management function. The investments have been structured in a way that high safety of the assets is maintained. As of 31 December 2007 Ls 1,543 thousand have been handed under management. In 2007 the Group paid Ls 6,769 for investment portfolios management services. The Chairman of the Board of IPAS “Parex Asset Management” is also the Member of the Council of the subsidiary of the Group.

23 SUBSEQUENT EVENTS

There are no subsequent events, which would have a significant effect on the financial position of the Group or its operations as of 31 December 2007.