JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

NON-AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2008

Prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU)

Olaine, 2008

CONTENTS

General information

Name of the company	Olainfarm
Legal status of the company	Joint stock company
Unified registration number, place and date of registration	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders	SIA Olmafarm (49.51 %) A. Čaka iela 87 Riga, Latvia, LV-1011 Juris Savickis (31.23 %)
Board	Valērijs Maligins, Chairman of the Board (President) Positions held in other companies: SIA Aroma – Chairman of the Board, SIA Olmafarm – Managing Director Participation in other companies: Latvian Academic Library Foundation (SO Latvijas Akadēmiskās bibliotēkas Atbalsta fonds), Nature Restoration Foundation, SO Vītkupe, SIA Remeks Serviss (33.3%), SIA Olfa Press (45%), SIA Carbochem (50%), SIA Aroma (100%), SIA Olmafarm (100%), Jeļena Borcova, Deputy Chairman of the Board Positions held in other companies: SIA Carbochem – Chairperson of the Board Participation in other companies: none Jurijs Kaplinovs Participation in other companies: none Andris Jegorovs (resigned on 26/09/2008) Participation in other companies: none Inga Liščika Participation in other companies: none Vjačeslavs Kuļikovs (appointed on 01/10/2008) Participation in other companies: none

Council	Juris Savickis, Chairman of the Council Positions held in other companies: Latvian Tennis Union (unregistered office), AS Sibur Itera - Chairman of the Council, AS Latvijas Gāze - Deputy Chairman of the Council, AS VEF banka - Deputy Chairman of the Council, SIA Itera Latvija - Chairman of the Board, AS Nordeka - Chairman of the Council, SIA Islande Hotel – Board Member, Tennis club Altitūde - Chairman of the Board Participation in other companies: SIA Islande Hotel (75.31%), SIA Daugmala (100%), SIA Energo SG (50%), SIA Nordeka Serviss (100%), SIA Palasta nami (100%), SIA Elssa-SIA (55%), Company of apartment owners Četri pluss (20%) SIA SMS Elektro (34%), AS Latvijas Krājbanka (1.02%), SIA Bobrova nams (21.25%), AS Nordeka (48.09%), Tennis club Altitūde, Tennis club Prezidents, SIA Blūza klubs (50%), SIA Ajura (50%), SIA SWH Sets (22.22%)
	Eļena Dudko, , Deputy Chairman of the Board (appointed on 11/04/2008) Positions held and participation in other companies: none
	Rolands Klincis Positions held in other companies: none Participation in other companies: Association of Latvian Securities Market Professionals
	Aleksandrs Raicis) Positions held in other companies: Latvian Association of Medical Wholesalers Participation in other companies: SIA VIP Pharma (50%), SIA Recesus (30%)

	Ivars Kalviņš, Deputy Chairman of the Council (resigned on 24/01/2008) Positions held in other companies: AS Latvijas zoovetapgāde - Chairman of the Council, National research institution, non-profit organization Latvian Institute of Organic Synthesis - Director, AS Grindeks - Council Member, Latvian Academic Library Foundation (SO Latvijas Akadēmiskās bibliotēkas Atbalsta fonds) – Chairman of the Board Participation in other companies: SIA OSI Laboratorijas (16%), SIA Tetra (50%), Latvian Academic Library Foundation (SO Latvijas Akadēmiskās bibliotēkas Atbalsta fonds), Society of Quality Tests
	Tatjana Lukina(appointed on 29/04/2008) Positions held in other companies: Association of Medicine Traders (SO Zāļu ražotāju asociācija) - Chairperson of the Board, The People's Harmony Party - Board Member Participation in other companies: none
Movements in the Board during the period 1 January 2008 through 30 September 2008	Andris Jegorovs (resigned on 26/09/2008) Vjačeslavs Kuļikovs (appointed on 01/10/2008)
Movements in the Council during the period 1 January 2008 through 30 September 2008	Ivars Kalviņš, resigned on 24/01/2008 Eļena Dudko, , Deputy Chairman of the Board (appointed on 11/04/2008) Tatjana Lukina(appointed on 29/04/2008)
Subsidiary	OOO Baltfarm 7 Kožuhovskaja iela, 20 Moscow, Russia (100%) until 26.06.2008 SIA "Reinolds" Dzegužu iela ½, LV-1007 from 30.08.008,
Core business activity	Manufacturing and distribution of chemical and pharmaceutical products
Financial period	1 January – 30 September 2008
Auditors	Diāna Krišjāne Latvian Sworn Auditor Certificate No. 124 SIA Ernst & Young Baltic Muitas iela 1, Riga Latvia, LV – 1010 Licence No. 17

Report on the Management Board's responsibility to non-audited JSC „Olainfarm" statement for the period ended 30 September 2008

Management Board of JSC „Olainfarm" (hereinafter – the Company) is responsible for preparation of consolidated middle-term financial statements of the Company and its subsidiaries (hereinafter – the Group). Middle-term financial statements are not audited.

Middle-term financial statements are prepared based on justifying documents and represent true and clear overview on the Group's Assets and Equity and Liabilities, its financial standing and results of activity as wells as cash flow within the reporting period ended on September 30, 2008.

Middle-term financial statements are prepared according to EU approved International standards of financial reports and observing principle of continuing business activity. Accounting principles used in preparation of middle-term financial statements have not been changed comparing to previous reporting period. During preparation of middle-term financial statements decisions taken by the management board and estimations made have been cautious and well-founded. The information included in the middle-term management's report is true.

The management board of the Company is responsible for ensuring the corresponding accounting system, securing the assets of the Group, as well as for prevention and exposure of fraud and other violation within the Group. The management board of the Company is responsible for observing legal requirements of the states were the Groups companies operate (Latvia and Russia).

AKCIJU SABIEDRĪBA «OLAINFARM» OlainFarm LATVIJAS REPUBLIKA

Deputy Chairman of the Board

Jeļena Borcova

28 November 2008

MANAGEMENT REPORT

General information

During the reporting period changes have been made to the composition of the Concern and the shares of the only daughter company OOO Baltfarm, engaged in distribution of medicines produced by Olainfarm were alienated as of June 4, 2008. This financial report includes results of performance of daughter company OOO Baltfarm up to the moment shares of capital were alienated.

On August 30th, JSC Olainfarm became a shareholder of SIA „Reinolds", which owns several patents related to the new products of Olainfarm.

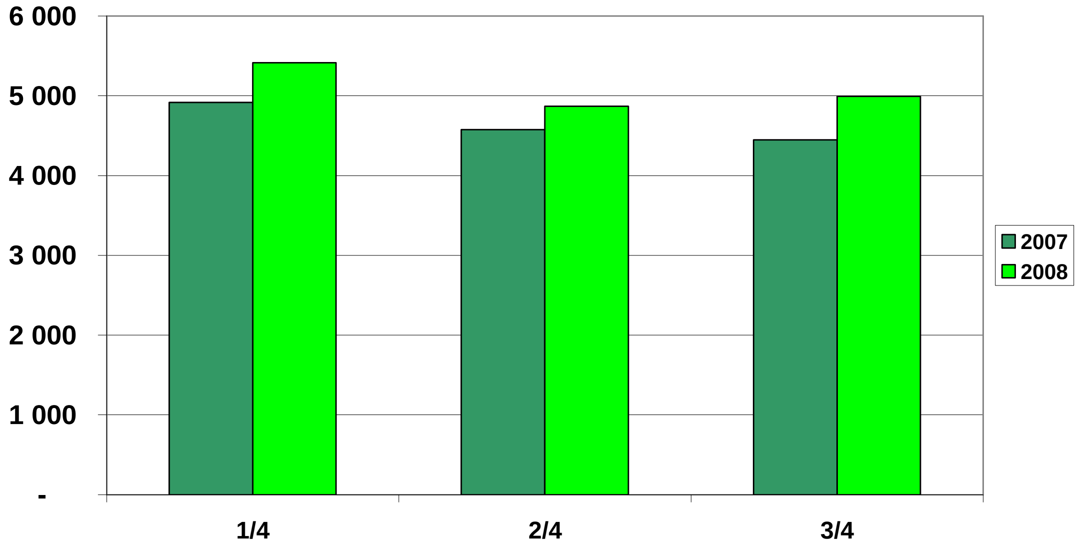
This financial report includes the performance results of the daughter company SIA „Reinolds" from the moment of purchasing its shares.

JSC Olainfarm is one of the biggest companies in the Baltic States with more than 35 years of experience in production of medicines and chemical and pharmaceutical products. The basic principle of Concern's operations is to produce reliable and effective top quality products for Latvia and the rest of the world. Currently the products of Concern are being exported to more than 30 countries worldwide, including the Baltics, Russia, CIS, Scandinavian and other Western European countries, Asia and the USA.

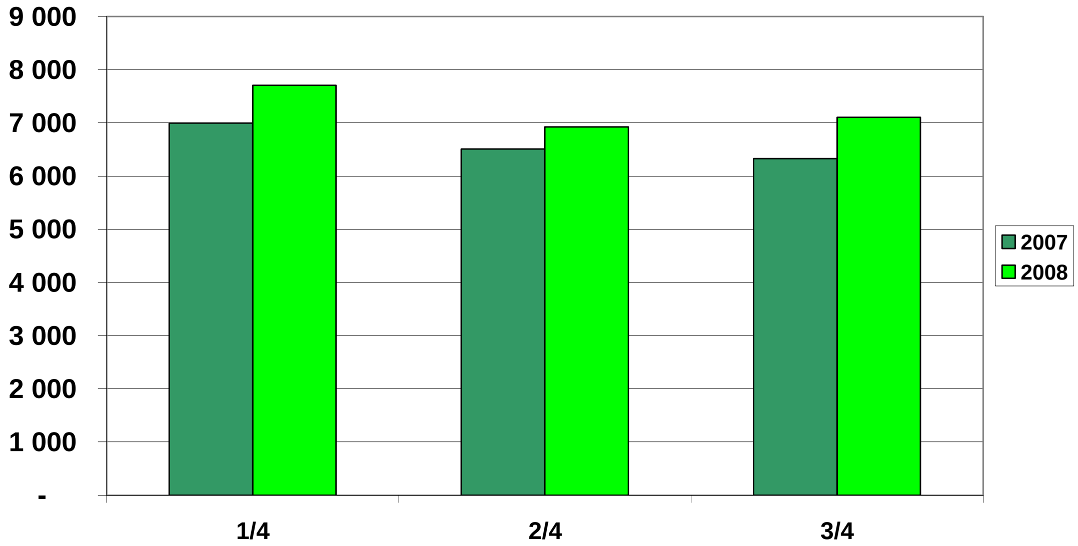
Financial performance

Net sales of Concern in nine months of 2008 reached 15 272 818 lats (21 731 262 Euro), i.e., an increase of 10% compared to the three quarters of 2007. Comparing the sales of third quarters of 2008 and 2007 separately one can see an increase of nearly 20%. Taking into consideration that there were several deals extraordinary by their nature concluded during the first half of 2007 (e.g. supply of an anti-tuberculosis medicine PASA Sodium salt to the national reserves of Kazakhstan), it is natural that the second half of 2008 is demonstrating even faster growth rates.

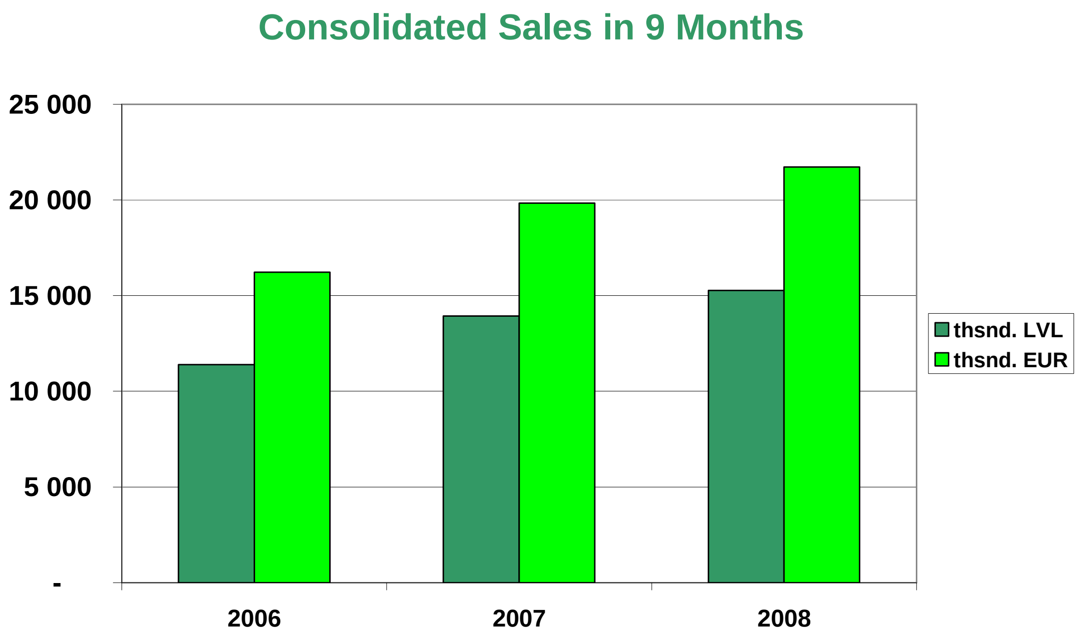
Consolidated Quarterly Sales , thsnd. LVL



Consolidated Quarterly Sales, thsnd EUR

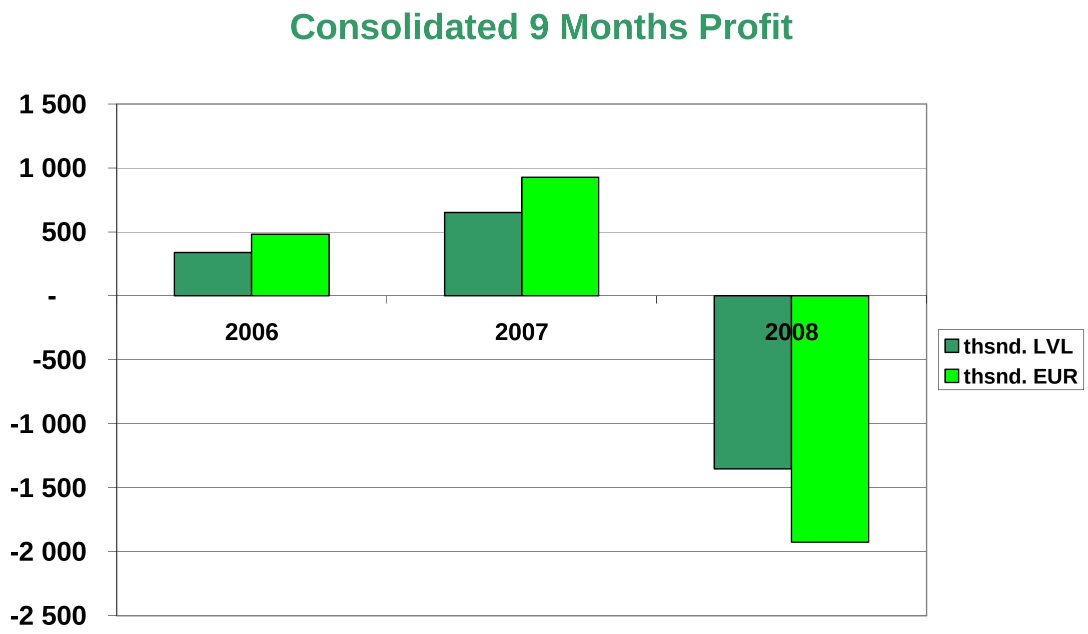


Marketing costs have continued to increase during the 3rd quarter of 2008 and therefore throughout the first nine months of this year. Compared to the nine months of 2007 they have nearly doubled to 3.4 million lats (4.8 million Euros), compared to 1.8 million lats (2.5 million Euro) in 2007. This is one of the main loss making items. It has resulted in Olainfarm making a net loss of 1 352 930 lats (1 925 046 Euro) during nine months, which is by 2 million lats (3 million Euro) worse figure than that of first nine months of 2007. Such figures are in compliance with management forecasts and derive from the well considered decision taken by the management of Olainfarm to significantly strengthen marketing and sales promotion effort in Russia, Ukraine and Belarus. The increase of overall sales and the increase of sales of promotable products in particular in the markets where the additional marketing effort is taken is a very positive one. Total sales to Belarus, Ukraine and Russia during 9 months of 2008 are exceeding the sales of the entire year of 2007. it is expected that the level of sales in Latvia will remain at the level of 2007. Only the sales to the Great Britain and Kazakhstan are falling behind this year, but that is related not to the failures in 2008 but to some successful deals of 2007 reported before. Decrease of sales volumes in these markets prevented the Concern from demonstrating even more impressive sales overall sales increase



Although the Concern is still loss making, the sales increase trend in the respective markets is a positive one and although sales increase is yet too small to allow profit, it is considerable enough to cover for marketing cost increases and should the sales keep increasing, it is expected that rather soon the Concern will turn profitable.

As far as results of full year of 2008 are concerned, although the Concern has slightly outperformed forecasts so far, meeting the forecasts for 2008 is as always largely dependent upon the sales volume during the last quarter of this year. Although the sales are considerably higher and growing, one shall keep in mind that the overall economic situation in many of the countries where „Olainfarm” sells its products has worsened. For the reasons stated above, the Concern admits that sales increase that will actually be achieved during 2008 might as well be insufficient to meet the previously forecast profit of 325 000 LVL (462 422 Euro).



The above mentioned decisions of the management and the related cost and sales developments have also influenced EBIT and EBITDA levels. During the first nine months of 2008 the EBIT was -834 350 lats (-1 187 173 Euro), while during the similar period of 2007 it was positive, namely 1 083 693 lats (1 541 956 Euro). EBITDA has also decreased in 9 months of 2008 by 69% to 1 067 331 lats ((2 707 584 Euro).

Main financial indicators	**30.09.2008.**	**30.09.2007.**	**% to the previous period**
Net sales (LVL)	15 272 818	13 939 679	110%
Net profit (LVL)	- 1 352 930	652 196	NA
EBITDA (LVL)	1 067 331	2 707 584	39%
EBIT (LVL)	-834 350	1 083 693	NA
Net sales (EUR)	21 731 262	19 834 376	110%
Net profit (EUR)	1 925 046	927 991	NA
EBITDA (EUR)	1 518 675	3 852 544	39%
EBIT (EUR)	-1 187 173	1 541 956	NA
EBITDA margin, %	7	19	
Net margin, %	-8,86	4,68	
EBIT margin, %	-5	11	
ROA, % (9 months)	-4,33	2,34	
ROE, % (9 months)	-9,12	3,95	
EPS, LVL (9 months)	0,10	0,05	
EPS, EUR (9 months)	0,14	0,07	

Worsening of the financial indicators shown above, is also reflected in the price Mother Company' shares on Riga Stock Exchange, as illustrated below.

Mother Company's share price in Riga Stock Exchange (9 months of 2008)

It has to be noted that the overall sentiment on Latvian financial market has also been rather negative and Riga Stock market Index OMX Riga has also lost a considerable portion of its value.

Rebased price of Mother Company's shares on Riga Stock Exchange compared to rebased OMX Riga Index (9 months of 2008)

-- OMR Riga
-- Olainfarm

Future development plans

Development strategy of JSC "Olainfarm" provides for optimization of the product portfolio, adding new final dosage forms to it and for sales promotion in existing and new sales markets. As a part of this strategy during the 1st quarter of 2008 several contracts have been signed on buying marketing services to promote the sales of „Olainfarm" products. In addition, clinical trials of selected products have started, which will result in launching of those products in selected CIS countries in a relatively near future. The work at generics program for the Baltic countries is also continuing and the MRP (mutual recognition procedures) and DCP – decentralized registration procedures for faster and easier registration of these products in the Baltic countries are under way. Agreements have also been signed on registration and distribution of Olainfarm's products in the markets of Western Europe and such registration procedures have been launched. In the very near future some of the new products will be launched to different markets of "Olainfarm" and these launches will reported by the Concern.

Reacting to the changes of economic situation JSC „Olainfarm" is introducing its program of cost optimization. The main items of this program are suspension of commencement large investment programs, limitation of increase to some cost items (personnel costs, marketing costs) and other activities targeted at shortening of the turnover period of stocks and receivables.

Events after the end of the reporting period

On November 20, 2008 a letter of resignation was received from the member of Supervisory Council of Mother Company Tatjana Lukina, whereby she announced her resignation from the post by November 30, 2008. Therefore the next General Meeting of Shareholders of the Mother Company will have to elect a new Supervisory Council.

Financial reports are approved by the Mother Company's Management Board, on behalf of which they are signed by

AKCIJU SABIEDRĪBA «OLAINFARM» OlainFarm LATVIJAS REPUBLIKA

Deputy Chairman of the Board

Jeļena Borcova

28 November 2008

Income statement

	Notes	30.09.2008.	30.09.2008.	30.09.2007.	30.09.2007.
		LVL	EUR	LVL	EUR
Net turnover	3	15 272 818	21 731 262	13 939 679	19 834 376
Changes in stock of finished goods and work in progress		462 369	657 892	1 684 442	2 396 745
Other operating income	4	381 726	543 147	353 752	503 344
Cost of materials:					
raw materials and consumables		(2 478 189)	(3 526 145)	(3 051 354)	(4 341 686)
other external costs		(1 395 726)	(1 985 939)	(1 137 305)	(1 618 238)
		(3 873 915)	(5 512 084)	(4 188 659)	(5 959 924)
Staff costs:					
Wages and salaries	8	(5 367 393)	(7 637 112)	(4 774 918)	(6 794 095)
Statutory social insurance contributions	8	(1 174 619)	(1 671 332)	(1 026 988)	(1 461 272)
		(6 542 012)	(9 308 444)	(5 801 906)	(8 255 368)
Depreciation/ amortisation and write-offs:					
depreciation and amortisation expense	10.11.	(1 901 681)	(2 705 848)	(1 623 891)	(2 310 588)
Other operating expense	5	(4 633 655)	(6 593 099)	(3 279 724)	(4 666 627)
Income frome sale of subsidiary		32 631	46 428	-	-
Interest receivable and similar income	6	31 668	45 060	11 754	16 724
Interest payable and similar expense	7	(492 525)	(700 800)	(416 627)	(592 806)
Profit before taxes		**(1 262 576)**	**(1 796 484)**	**678 820**	**965 874**
Corporate income tax		(90 354)	(128 562)	(26 624)	(37 882)
Profit for the reporting year		**(1 352 930)**	**(1 925 046)**	**652 196**	**927 992**
Basic and diluted earnings per share	9	(0.096)	(0.137)	0.049	0.070

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

For the Board:

AKCIJU SABIEDRĪBA «OLAINFARM» OlainFarm LATVIJAS REPUBLIKA

Deputy Chairman of the Board

Jeļena Borcova

28 November 2008

Balance sheet

		ASSETS			
	Notes	30.09.2008.	30.09.2008.	30.09.2007.	30.09.2007.
NON-CURRENT ASSETS		LVL	EUR	LVL	EUR
Intangible assets					
Goodwill		3 359 532	4 780 183	-	-
Other intangible assets	10	3 307 876	4 706 684	883 364	1 256 914
Prepayments for intangible assets		290 395	413 195	3 535 056	5 029 932
TOTAL		**6 957 803**	**9 900 062**	**4 418 420**	**6 286 845**
Property, plant and equipment					
Land, buildings and constructions	11	5 164 289	7 348 121	3 351 906	4 769 333
Equipment and machinery	11	4 349 199	6 188 353	4 477 145	6 370 403
Other fixtures and fittings, tools and equipment	11	283 881	403 926	317 302	451 480
Construction in progress	11	1 870 584	2 661 601	2 127 278	3 026 844
Prepayments for property, plant and equipment		283 874	403 916	385 047	547 873
TOTAL		**11 951 827**	**17 005 918**	**10 658 678**	**15 165 932**
Financial assets					
Investments in related companies	13	650	925	-	-
Other securities and investments		386	549	386	549
TOTAL		**1 036**	**1 474**	**386**	**549**
TOTAL NON-CURRENT ASSETS		**18 910 666**	**26 907 454**	**15 077 484**	**21 453 327**
CURRENT ASSETSI					
Inventories					
Raw materials		1 183 337	1 683 737	1 214 547	1 728 145
Work in progress		3 918 356	5 575 318	2 795 435	3 977 546
Finished goods and goods for resale		1 846 496	2 627 327	2 233 942	3 178 613
Prepayments for goods		63 823	90 812	154 982	220 520
TOTAL	12	**7 012 012**	**9 977 195**	**6 398 906**	**9 104 823**
Receivables					
Trade receivables	13	4 275 927	6 084 096	4 971 344	7 073 585
Receivables from related companies	14	94 223	134 067	30 461	43 342
Other receivables	15	602 226	856 890	163 137	232 123
Corporate income tax	22	235	334	37 058	52 729
Current loans to management	16	315 409	448 787	118 803	169 041
Prepaid expense	17	25 466	36 235	10 771	15 326
TOTAL		**5 313 486**	**7 560 408**	**5 331 574**	**7 586 146**
Cash	18	**31 238**	**44 448**	**1 092 476**	**1 554 453**
TOTAL CURRENT ASSETS		**12 356 736**	**17 582 051**	**12 822 957**	**18 245 423**
TOTAL ASSETS		**31 267 402**	**44 489 505**	**27 900 441**	**39 698 751**

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

For the Board:

AKCIJU SABIEDRĪBA «OLAINFARM» OlainFarm LATVIJAS REPUBLIKA

Deputy Chairman of the Board

Jeļena Borcova

28 November 2008

Balance sheet

EQUITY AND LIABILITIES	Notes	30.09.2008.	30.09.2008.	30.09.2007.	30.09.2007.
EQUITY		**LVL**	**EUR**	**LVL**	**EUR**
Share capital	19	14 085 078	20 041 260	14 085 078	20 041 260
Share premium		1 759 708	2 503 839	1 759 708	2 503 839
Retained earnings/ (accumulated deficit):					
brought forward		350 275	498 396	14 399	20 488
for the period		(1 352 930)	(1 925 046)	652 196	927 991
TOTAL EQUITY		**14 842 131**	**21 118 450**	**16 511 382**	**23 493 579**
LIABILITIES					
Non-current liabilities					
Deferred corporate income tax liabilities		309 800	440 806	261 115	371 533
Loans from credit institutions	20	5 288 995	7 525 562	5 010 692	7 129 572
Other loans	21	298 065	424 108	290 792	413 760
Trade and other payables		2 400 000	3 414 892	-	-
Taxes payable	22	444 353	632 257	641 843	913 260
TOTAL		**8 741 213**	**12 437 626**	**6 204 442**	**8 828 125**
Current liabilities					
Loans from credit institutions	20	3 438 297	4 892 256	2 082 004	2 962 425
Other loans	21	182 636	259 868	206 534	293 871
Prepayments received from customers		235 865	335 606	298	424
Trade and other payables	24	2 222 447	3 162 257	1 764 697	2 510 938
Payables to related companies		303 972	432 513	194 660	276 976
Taxes payable	22	645 311	918 195	552 138	785 622
Accrued liabilities	23	655 530	932 735	384 285	546 788
TOTAL		**7 684 058**	**10 933 430**	**5 184 617**	**7 377 042**
TOTAL LIABILITIES		**16 425 271**	**23 371 055**	**11 389 059**	**16 205 167**
TOTAL EQUITY AND LIABILITIES		**31 267 402**	**44 489 505**	**27 900 441**	**39 698 751**

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

Off-balance sheet liabilities: see Note 25.

For the Board:

AKCIJU SABIEDRĪBA «OLAINFARM» OlainFarm LATVIJAS REPUBLIKA

Deputy Chairman of the Board

Jeļena Borcova

28 November 2008

Cash flow statement

	30.09.2008. LVL	30.09.2008. EUR	30.09.2007. LVL	30.09.2007. EUR
Cash flows to/from operating activities				
Profit before taxes	(1 262 576)	(1 796 484)	678 820	965 874
Adjustments for:				
Amortisation and depreciation	1 902 256	2 706 666	1 634 605	2 325 833
Disposal of tangible non-current assets and investments	27 839	39 611	74 343	105 781
(Decrease)/ increase in allowances	(183 927)	(261 705)	(26 718)	(38 016)
Increase in vacation reserve	-	-	(55 791)	(79 383)
Interest expences	509 845	725 444	416 628	592 808
Interest receivable	(31 666)	725 444	(6 159)	(8 763)
Unrealised loss/(profit) from fluctuations of currency exchange rates	(4 319)	(45 057)	5 594	7 960
Operating cash flows before working capital changes	**957 451**	**1 362 330**	**2 721 321**	**3 872 091**
(Increase) in inventories	(467 506)	(665 201)	(1 854 167)	(2 638 242)
(Increase)/ decrease in receivables and prepaid expence	732 430	1 042 154	2 474 687	3 521 162
(Increase)/ decrease in payables	202 133	287 609	(1 411 373)	(2 008 203)
Cash generated from operations	**1 424 508**	**2 026 892**	**1 930 468**	**2 746 808**
Interest paid	(509 766)	(725 332)	(410 469)	(584 045)
Corporate income tax paid	(162 895)	(231 779)	(26 624)	(37 883)
Real estate tax paid	(40 338)	(57 396)	(60 293)	(85 789)
Net cash flows to/ from operating activities	**711 508**	**1 012 385**	**1 433 082**	**2 039 092**
Cash flows to/from investing activities				
Purchase of non-current assets	(2 447 040)	(3 481 824)	(3 669 919)	(5 221 824)
Income from non-current assets sales	1 470	2 092	25 012	35 589
Interest receivable	23 350	33 224	-	-
Loans granted	(182 937)	(260 296)	408 602	581 388
Net cash flows to/from investing activities	**(2 605 157)**	**(3 706 804)**	**(3 236 305)**	**(4 604 847)**
Cash flows to/from financing activities				
Proceeds from issue of shares	-	-	1 545 939	2 199 673
Increase of share capital	-	-	876 023	1 246 468
Borrowings repaid	38 423 751	54 672 072	38 160 370	54 297 315
Proceeds from borrowing	(37 577 468)	(53 467 920)	(37 772 381)	(53 745 256)
Net cash flows to/from financing activities	**846 283**	**1 204 152**	**2 809 951**	**3 998 200**
Change in cash	**(1 047 366)**	**(1 490 268)**	**1 006 729**	**1 432 446**
Cash at the begining of the year	**1 078 604**	**1 534 715**	**85 747**	**122 007**
Cash at the and of the year	**31 238**	**44 448**	**1 092 476**	**1 554 453**

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

Statement of changes in equity

	Share capital	Share capital	Share premium	Share premium	Profit/ (Accumulated deficit)	Profit/ (Accumulated deficit)	Total share capital	Total share capital
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Balance as at 31 December 2007	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**350 275**	**498 396**	**16 195 061**	**23 043 496**
Profit for the reporting year	-	-	-	-	(1 352 930)	(1 925 046)	(1 352 930)	(1 925 046)
Balance as at 30 September 2008	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**(1 002 655)**	**(1 426 650)**	**14 842 131**	**21 118 450**

* See Note 19.

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

Notes to the financial statements

1. Corporate information

The principal activities of Olainfarm Group (hereinafter, the Group) are manufacturing and distribution of chemical and pharmaceutical products.

The Parent Company of the Group, AS Olainfarm (hereinafter, the Parent Company) was registered with the Republic of Latvia Enterprise Register on 10 June 1991 (re-registered on 27 March 1997) and with the Republic of Latvia Commercial Register on 4 August 2004.

The shares of the Parent Company are listed on Riga Stock Exchange, Latvia.

These consolidated financial statements were approved by the Board on 28 November 2008.

The Parent Company's shareholders have the power to amend the consolidated financial statements after the issue.

2. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in lats (LVL), the monetary unit of the Republic of Latvia.

The consolidated financial statements of AS Olainfarm and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

Consolidation

The consolidated financial statements comprise the financial statements of AS Olainfarm and its subsidiaries as at 31 December each year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

The financial statements of the Parent Company and its subsidiaries are consolidated in the Group's consolidated financial statements by adding together like items of assets and liabilities as well as income and expense. For the purposes of consolidation, unrealised internal profits, intra-group balances, intra-group shareholdings, dividends and other intra-group transactions are eliminated from the Group's financial statements. Minority interest is calculated with regard to those entities that are fully consolidated while not being fully owned by AS Olainfarm.

Changes in accounting policy and disclosures

During the reporting period, the following new and amended IFRS and IFRIC have come into effect:

- IFRS 7 Financial Instruments: Disclosures;
- Amendments to IAS 1: Capital Disclosures;
- IFRIC 7, IFRIC 8, IFRIC 9 and IFRIC 10.

Summary of significant accounting policies (cont'd)

Changes in accounting policy and disclosures (cont'd)

New interpretations adopted:

During the reporting period, the Group has adopted the following interpretations:

IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2007)

IFRS 7 requires disclosures that enable users 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. Adoption of IFRS 7 had no effect on the financial position or results of the Group.

Amendments to IAS 1 ("Capital Disclosures") (effective for annual periods beginning on or after 1 January 2007)

The amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in Note 30.

IFRIC 7 Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary Economies" (effective for annual periods beginning on or after 1 March 2006)

The interpretation provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period. This interpretation is not relevant to the Group.

IFRIC 8 Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006)

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. This interpretation is not relevant to the Group.

IFRIC 9 Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006)

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. This interpretation is not relevant to the Group.

IFRIC 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006)

This interpretation establishes that entity shall reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial instrument carried at cost. As the Group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Group.

IFRS 8 Operating Segments

This standard requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in Note 29, including revised comparative information.

The Group has not applied the following IFRSs and IFRIC interpretations that have been issued but are not yet effective:

IAS 23 Borrowing costs (revised, effective for annual periods beginning 1 January 2009, earlier application permitted)

Revised IAS 23 requires that all borrowing costs must be capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The choice to immediately recognize such costs as an expense is eliminated. The revised standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009. The Group is still estimating the impact of adoption of this revised standard on the financial statements.

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. This interpretation is not relevant to the Group.

Summary of significant accounting policies (cont'd)

Changes in accounting policy and disclosures (cont'd)

IFRIC 12 Service Concession Agreements (effective 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. This interpretation is not relevant to the Group.

IFRIC 13 Customer Loyalty Programmes

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This 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. This interpretation is not relevant to the Group.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions

IFRIC Interpretation 14 was issued in July 2007 and becomes effective 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 scheme that can be recognized as an asset under IAS 19 Employment Benefits. This interpretation is not relevant to the Group.

IFRS 2 Share-based payments – Vesting Conditions and Cancellations

This amendment to IFRS 2 Share-based payments was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. This standard is not relevant to the Group.

IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

IAS 1 Revised Presentation of Financial Statements

The revised IAS 1 Presentation of Financial Statements was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

Amendments to IAS 32 and IAS 1 Puttable Financial Instruments

Amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Group does not expect these amendments to impact the financial statements of the Group.

Estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying consolidated financial statements relate to capitalization of development costs, depreciation, allowances for doubtful receivables and inventories, and impairment evaluation. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates.

Summary of significant accounting policies (cont'd)

Estimates and assumptions (cont'd)

Development costs

Development costs are capitalized in accordance with the accounting policy described below. Initial capitalization of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining amounts to be capitalized management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Significant estimates and assumptions made by the management are disclosed in the following notes to the financial statements - Development costs and Impairment of non financial assets – see Note 11; for depreciation – see Note 12; for allowances for doubtful receivables – see Note 15; for allowances for doubtful inventories – see Note 14.

Foreign currency translation

The functional and reporting currency of companies of the Group is the Lat (LVL). All transactions denominated in foreign currencies are converted into Lats at the Bank of Latvia rate of exchange prevailing on the day the transaction took place. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. At the year end foreign currency financial assets and liabilities are translated at the Bank of Latvia rate of exchange ruling at 31 March, and all associated exchange differences are dealt with through the income statement.

Exchange rates against the USD and EUR in the last two years have been:

	30/09/2008	*30/09/2007*
EUR	*0.702804*	*0.702804*
USD	*0.486*	*0.497*

As at the reporting date, the assets and liabilities, both monetary and non-monetary, of the foreign subsidiary are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the year. Resulting exchange differences are classified as separate component of equity.

Research and development costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured and all other criteria of IAS 38 Intangible assets are met. Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Patents

Patents have been granted for a particular period by the relevant government agency. Accordingly, patents have been assigned finite period of useful life and are depreciated on straight line basis over the period of the patent. Please see Note 11 for details on acquired patents.

Other intangible non-current assets

Other intangible assets basically consist of the costs of acquisition of preparation production technologies, medicine registration fee and software. Other intangible assets are stated at cost and amortised over their estimated useful lives on a straight-line basis. The amortisation rate for other intangible assets is fixed as follows: 20% for production technologies and 20-25% for other intangible non-current assets.

The carrying values of intangible non-current assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable, except for goodwill which is not amortised but its impairment is being carried out annually. Losses from impairment are recognised where the carrying value of intangible non-current assets exceeds their recoverable amount.

Intangible assets with indefinite useful lives and intangible assets not in use are tested for impairment annually either individually or at the cash generating unit level.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing 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. In determining fair value less costs to sell, an appropriate valuation model is used.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset:

	% per annum
Buildings and constructions	*5*
Equipment and machinery	*10-15*
Computers and software	*25*
Other tangible assets	*20*

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 Group 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.

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 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.

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 are written down to their recoverable amount.

Construction in progress represents property, plant and equipment 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.

Summary of significant accounting policies (cont'd)

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized 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 Group assesses at each balance sheet date whether a financial asset of a group of financial assets is impaired.

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

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date when the Group 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.

Inventories

Inventories are valued at the lower of net realisable value and cost.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials – acquisition cost on an average weighed cost basis;

Finished goods and work-in-progress – cost of direct materials and labor plus indirect costs related to production. Indirect production costs consist of labour, energy, depreciation and other production-related expense calculated based on the ordinary production output.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

An allowance for obsolete inventories is established based on the review and analysis of individual items. Impairment of inventories caused by obsolescence and physical damage is assessed by the Group on a regular basis, and the respective losses are charged to the income statement as cost of sales. Where damaged inventories are physically destroyed, the value of inventories and the respective allowances are written off.

Trade and other receivables

Trade and other receivables are carried at original invoice amount less an allowance for any non-collectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable, evaluating each receivable separately. Bad debts are written off when recovery is deemed impossible.

Cash

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

Accruals and deferrals

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of provisions to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Summary of significant accounting policies (cont'd)

Loans and borrowings

All loans and borrowings are initially recognized at fair value, net of transaction costs incurred. After initial recognition, loans and borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method.

Gains and losses are recognised in the income statement as interest income/ expense when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial assets and liabilities

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

- the rights to receive cash flows from the asset have expired;
- the Group 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 Group 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 Group 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 recognized to the extent of Group's continuing involvement in the asset.

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments, by respective charge to current and non-current liabilities. Lease payments are apportioned between the finance charges and reduction of the principal lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The commitments undertaken by the Group with respect to operating lease contracts are recorded as off-balance sheet liabilities.

Revenue

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

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Rendering of services

The value of services rendered basically comprises revenue from water treatment services. Revenue is recognised in the period when the services are rendered.

Interest

Revenue is recognised on an accrual basis.

Summary of significant accounting policies (cont'd)

Corporate income tax

Corporate income tax includes current and deferred taxes. Current corporate income tax is applied at the rate of 15% on taxable income generated by the Company during the taxation period.

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred corporate income tax asset and liability are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. The principal temporary timing differences arise from differing rates of accounting and tax amortisation and depreciation on the non-current assets, the treatment of temporary non-taxable provisions and reserves, as well as tax losses carried forward for the subsequent five years.

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operating decisions. The related parties in this report consist of the Group's management, shareholders, and the entities belonging to the Group.

The pricing policy for the related parties does not differ materially from the usual pricing policy of the Group.

Contingencies

Contingent liabilities are not recognised in these financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in these financial statements but disclosed when an inflow of economic benefits is probable.

Subsequent events

Post-year-end events that provide additional information about the Group'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.

Earnings per share

Earnings per share are calculated by dividing the net profit after taxation for the year by the average number of ordinary shares in issue during the year. The average number of shares in issue during the year is weighted to take into account the timing of the issue of new shares.

2. Summary of significant accounting policies (cont'd)

Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the principal lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term on a straight-line basis.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Revenue

Revenue is recognised 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 recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Rendering of services

The value of services rendered basically comprises revenue from water treatment services. Revenue is recognised in the period when the services are rendered.

Interest

Revenue is recognised on an accrual basis.

Corporate income tax

Corporate income tax includes current and deferred taxes. Current corporate income tax is applied at the rate of 15% on taxable income generated by the Company during the taxation period.

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred corporate income tax asset and liability are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. The principal temporary timing differences arise from differing rates of accounting and tax amortisation and depreciation on the Company's non-current assets, the treatment of temporary non-taxable provisions and reserves, as well as tax losses carried forward for the subsequent five years.

Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operating decisions. The related parties in this report consist of the Company's management, shareholders, and the entities belonging to the Group.

The pricing policy for the related parties does not differ materially from the usual pricing policy of the Company.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

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.

3. Net turnover

	30.09.2008.		30.09.2007.	
By business segments	**LVL**	**EUR**	**LVL**	**EUR**
Finished forms	13 972 848	19 881 572	12 533 802	17 833 994
Chemistry	1 299 970	1 849 691	1 405 877	2 000 383
TOTAL:	**15 272 818**	**21 731 262**	**13 939 679**	**19 834 376**

	30.09.2008.		30.09.2007.	
By geographical segments	**LVL**	**EUR**	**LVL**	**EUR**
CIS	10 683 600	15 201 393	9 001 860	12 808 493
Latvia	2 326 538	3 310 365	3 013 788	4 288 234
Europe	1 651 201	2 349 447	1 405 600	1 999 989
Baltic states (Lithuania and Estonia)	419 750	597 250	217 139	308 961
Other	191 730	272 807	301 292	428 700
TOTAL:	**15 272 818**	**21 731 262**	**13 939 679**	**19 834 376**

4. Other operating income

	30.09.2008.		30.09.2007.	
	LVL	**EUR**	**LVL**	**EUR**
Sale of current assets	43 346	61 676	72 066	102 541
Treatment of waste water	118 058	167 981	108 123	153 845
Lease of premises	35 703	50 801	12 893	18 345
Incomes of non-current assets sale	1 470	2 092	-	-
Incomes of services	86 807	123 515	-	-
Catering services	33 226	47 276	33 068	47 052
Other operating income	63 116	89 806	127 602	181 561
TOTAL:	**381 726**	**543 147**	**353 752**	**503 344**

5. Other operating expense

	30.09.2008.		30.09.2007.	
	LVL	EUR	LVL	EUR
Marketing expense	3 133 197	4 458 138	1 574 903	2 240 885
Sales commissions	91 065	129 574	58 854	83 742
Transportation expense	90 151	128 273	98 155	139 662
Other distribution costs	71 844	102 225	51 425	73 171
Expert analysis of medicines	18 316	26 061	14 067	20 016
Exhibition expense	-	-	1 907	2 713
Total distribution costs:	*3 404 573*	4 844 271	*1 799 311*	2 560 189
Insurance	138 973	197 741	102 849	146 341
Other operating expense	121 971	173 549	214 127	304 675
Business trips	108 580	154 495	107 500	152 959
Information and business consulting	91 164	129 715	21 707	30 886
Write-offs of current assets	90 833	129 244	140 532	199 959
Representation expense	77 209	109 859	31 887	45 371
Car fleet maintenance	58 818	83 690	63 386	90 190
Communications expense	56 399	80 249	57 946	82 450
Current repairs	43 500	61 895	61 038	86 849
Other taxes	41 236	58 674	60 293	85 789
Allowances to staff	38 398	54 635	27 932	39 744
New product research and development costs	37 116	52 811	117 990	167 885
Social infrastructure	35 452	50 444	33 519	47 693
Flowers and gifts	34 945	49 722	17 476	24 866
Legal and audit expense	25 781	36 683	71 001	101 025
Security	23 839	33 920	23 497	33 433
Donations	21 314	30 327	35 741	50 855
Education	21 037	29 933	21 178	30 134
Bank charges	20 696	29 448	19 469	27 702
Permits for import and export of medicines	20 444	29 089	6 932	9 863
Membership fees	19 873	28 277	37 299	53 072
Hosting expense	19 525	27 782	13 448	19 135
Write-offs and disposal of tangible assets	18 277	26 006	96 921	137 906
Office expense	17 791	25 314	17 676	25 151
Waste removal	16 085	22 887	7 441	10 588
Laboratory tests	9 320	13 261	9 534	13 566
Administrative offices maintenance	7 108	10 114	6 423	9 139
Land lease for eco-field	5 972	8 497	1 278	1 818
Visas, invitations	3 857	5 488	5 053	7 190
Unemployment risk duty	2 488	3 540	2 306	3 281
Humanitarian aid	1 081	1 538	383	545
Audit of suppliers	-	-	46 650	66 377
TOTAL:	**4 633 655**	**6 593 099**	**3 279 724**	**4 666 627**

6. Interest receivable and similar income

	30.09.2008.		30.09.2007.	
	LVL	EUR	LVL	EUR
Interest accrued on bank account balances	18 534	26 372	6 159	8 763
Received penalties	4 818	6 855	-	-
Loan interest payments	8 316	11 833	-	-
Currency exchange gain, net	-	-	5 594	7 960
TOTAL:	**31 668**	**45 060**	**11 754**	**16 724**

7. Interest payable and similar expense

	30.09.2008.		30.09.2007.	
	LVL	EUR	LVL	EUR
Currency exchange loss, net	3 783	5 383	-	-
Loan interest payments	408 168	580 771	328 865	467 933
Penalties paid	39 186	55 757	42 882	61 016
Currency exchange commission	41 388	58 890	44 880	63 858
TOTAL:	**492 525**	**700 800**	**416 627**	**592 806**

8. Staff costs and number of employees

	30.09.2008.		30.09.2007.	
	LVL	EUR	LVL	EUR
Wages and salaries	5 043 032	7 175 588	4 534 158	6 451 526
Statutory social insurance contributions	1 096 480	1 560 150	298 761	425 099
Vacation pay reserve	402 500	572 706	968 989	1 378 747
TOTAL:	**6 542 012**	**9 308 444**	**5 801 906**	**8 255 368**

Including remuneration to the management:

8. Staff costs and number of employees (cont'd)

	30.09.2008.		30.09.2007.	
	LVL	EUR	LVL	EUR
Management of the Company				
Wages and salaries	399 057	567 807	351 309	499 868
Statutory social insurance contributions	91 705	130 484	70 262	99 974
Vacation pay reserve	37 439	53 271	31 943	45 451
Board Members				
Wages and salaries	277 532	394 892	184 017	261 833
Statutory social insurance contributions	9 027	12 844	20 767	29 549
Vacation pay reserve	37 401	53 217	63 231	89 970
Council Members				
Wages and salaries	114 955	163 566	80 463	114 489
Statutory social insurance contributions	18 657	26 547	14 421	20 519
TOTAL:	**985 773**	**1 402 629**	**816 412**	**1 161 650**

	30.09.2008.	30.09.2007.
Average number of employees during the reporting year	999	1 096

9. Basic and diluted earnings per share

Earnings per share are calculated by dividing the net result for the year after taxation attributable to shareholders by the weighted average number of shares in issue during the year. The table below presents the income and share data used in the computations of basic earnings per share:

	30.09.2008.		30.09.2007.	
	LVL	EUR	LVL	EUR
Net result attributable to shareholders	(1 352 930)	(1 925 046)	652 196	927 991
Weighted average number of ordinary shares	14 085 078	14 085 078	13 306 391	13 306 391
Earnings per share	**(0.096)**	**(0.137)**	**0.049**	**0.070**

* The average number of shares in issue during the year is weighted to take into account the timing of the issue of new shares.

The Parent Company has no potential dilutive ordinary shares and therefore diluted earnings per share are the same as the basic earnings per share.

10. Intangible assets

		Production technologies		Other intangible assets		TOTAL	
		LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2006		**2 201 088**	**3 131 866**	**374 713**	**533 169**	**2 575 801**	**3 665 035**
2007 III quarter	Additions	-	-	41 827	59 514	41 827	59 514
	Reclassification	-	-	426	606	426	606
	Write-offs of values	(252 900)	(359 844)	(49 616)	(70 597)	(302 516)	(430 441)
Acquisition value as at 30/09/2007		**1 948 188**	**2 772 022**	**367 350**	**522 692**	**2 315 539**	**3 294 715**
Accumulated amortisation as at 31/12/2006		**1 144 220**	**1 628 078**	**171 256**	**243 675**	**1 315 476**	**1 871 754**
2007 III quarter	Amortisation	307 174	437 069	51 173	72 813	358 347	509 882
	Liquidation	(194 555)	(276 827)	(47 094)	(67 009)	(241 649)	(343 836)
Accumulated amortisation as at 30/09/2007		**1 256 839**	**1 788 321**	**175 335**	**249 479**	**1 432 175**	**2 037 801**
Net carrying amount as at 31/12/2006		**1 056 870**	**1 503 791**	**203 455**	**289 490**	**1 260 325**	**1 793 281**
Net carrying amount as at 30/09/2007		**691 350**	**983 702**	**192 015**	**273 213**	**883 364**	**1 256 915**

		Production technologies		Patents		Other intangible assets		TOTAL	
		LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2007		**1 710 896**	**2 434 386**	**950 000**	**1 351 728**	**375 480**	**534 260**	**3 036 376**	**4 320 374**
2008 III quarter	Additions	-	-	1 900 000	2 703 456	143 135	203 662	2 043 135	2 907 119
	Write-offs of values	-	-	-	-	(42 615)	(60 636)	(42 615)	(60 636)
Acquisition value as at 30/09/2008		**1 710 896**	**2 434 386**	**2 850 000**	**4 055 185**	**476 000**	**677 287**	**5 036 896**	**7 166 857**
Accumulated amortisation as at 31/12/2007		**1 170 439**	**1 665 385**	**-**	**-**	**185 150**	**263 445**	**1 355 589**	**1 928 829**
2008 III quarter	Depreciation	239 578	340 889	108 830	154 851	67 639	96 241	416 047	591 981
	Liquidation	-	-	-	-	(42 615)	(60 636)	(42 615)	(60 636)
Accumulated depreciation as at 30/09/2007		**1 410 017**	**2 006 273**	**108 830**	**154 851**	**210 174**	**299 050**	**1 729 021**	**2 460 175**
Net carrying amount as at 31/12/2006		**540 457**	**769 001**	**950 000**	**1 351 728**	**190 330**	**270 815**	**1 680 787**	**2 391 544**
Net carrying amount as at 30/09/2007		**300 879**	**428 112**	**2 741 170**	**3 900 334**	**265 826**	**378 236**	**3 307 876**	**4 706 684**

* Production technologies comprise chemical and pharmaceutical product technologies acquired by the Group. Despite introduction of those technologies being behind the initial schedule due to objective reasons and the fact that so far only one product has been delivered, the Group's management believes that implementation of those projects and economic benefits to result from them are likely.

** The patent has been received by the Group for derivation and use of a chemical molecule. Currently, the Group is working on optimisation of the production technology for the product to prepare all the necessary documentation for the product registration, which is to be submitted at the beginning of the year 2009. As the product is a derivative from the existing product, the Group's management believes that there are no impediments for the product registration. It is planned to commence the production of the new product from the year 2010.

As at 31 December 2007, the Group had made prepayments for two other patents in the total amount of LVL 1 900 000. Patents were transferred to intangible assets in January 2008. The Group plans to begin production and sale of the respective products from the year 2010. The Group's management believes that the production of the said products will begin in due time. According to the estimates by the management, full return on investments into one of the products is expected within the period of three years, and full return on investments into the other product is likely within five years from commencement of the production.

Impairment test has been performed for the patents based on a value in use calculation using cash flow projections from financial budgets. The pre-tax discount rate applied to cash flow projections is 15%. As the outcome of the testing, no impairment has been recognised for the patents.

Because of the underperformance by OOO Baltfarm the shares were sold for the total of 1604,4 Lats (2282,9 Euro). The transaction was concluded on June 4, 2008.

On August 30, 2008 JSc Olainfarm purchased 100% shares of SIA „Reinolds". SIA „Reinolds: owns an intellectual property, that represents certain interest for „Olainfarm". Purchase price of the said shares was based upon the valuation conducted by intependets valuators.

11. Tangible assets

LVL

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2006		**55 928**	**9 127 464**	**10 064 770**	**450 309**	**639 956**	**20 338 427**
2007 III quarter	Additions	-	117 140	1 091 533	162 768	1 487 322	2 858 763
	Liquidation	-	(80 303)	(78 247)	(11 678)	-	(170 228)
	Reclassification	-	-	(2 750)	2 324	-	(426)
Acquisition value as at 30/09/2007		**55 928**	**9 164 301**	**11 075 306**	**603 722**	**2 127 278**	**23 026 535**
Accumulated depreciation as at 31/12/2006		**-**	**5 707 257**	**5 660 259**	**240 870**	**-**	**11 608 386**
2007 III quarter	Depreciation	-	212 656	1 006 472	57 129	-	1 276 257
	Depreciation of disposals	-	(51 591)	(68 570)	(11 579)	-	(131 740)
Accumulated depreciation as at 30/09/2007		**-**	**5 868 324**	**6 598 161**	**286 420**	**-**	**12 752 905**
Net carrying amount as at 31/12/2006		**55 928**	**3 420 207**	**4 404 511**	**209 439**	**639 956**	**8 730 041**
Net carrying amount as at 30/09/2007		**55 928**	**3 295 977**	**4 477 145**	**317 302**	**2 127 278**	**10 273 631**

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2007		**55 928**	**10 562 122**	**11 286 226**	**652 428**	**1 187 133**	**23 743 837**
2008 III quarter	Additions	-	713 669	1 041 832	85 576	683 452	2 524 529
	Liquidation	-	(46 945)	(288 084)	(19 528)	-	(354 557)
	Reclassification	-	-	111 387	(111 387)	-	-
Acquisition value as at 30/09/2008		**55 928**	**11 228 846**	**12 151 361**	**607 089**	**1 870 585**	**25 913 809**
Accumulated depreciation as at 31/12/2007		**-**	**5 857 445**	**6 926 328**	**277 799**	**-**	**13 061 572**
2008 III quarter	Depreciation	-	291 973	1 146 169	71 391	-	1 509 533
	Depreciation of disposals	-	(28 933)	(276 903)	(19 412)	-	(325 248)
	Reversed impairment	-	-	6 568	(6 568)	-	-
Accumulated depreciation as at 30/09/2008		**-**	**6 120 485**	**7 802 162**	**323 210**	**-**	**14 245 857**
Net carrying amount as at 31/12/2007		**55 928**	**4 704 677**	**4 359 898**	**374 630**	**1 187 133**	**10 682 266**
Net carrying amount as at 30/09/2008		**55 928**	**5 108 361**	**4 349 199**	**283 881**	**1 870 585**	**11 667 953**

11. Tangible assets (cont'd)

EUR

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2006		**79 578**	**12 987 211**	**14 320 878**	**640 732**	**910 575**	**28 938 974**
2007 III quarter	Additions	-	166 675	1 553 112	231 598	2 116 269	4 067 653
	Liquidation	-	(114 261)	(111 335)	(16 616)	-	(242 213)
	Reclassification	-	-	(3 913)	3 307	-	(606)
Acquisition value as at 30/09/2007		**79 578**	**13 039 626**	**15 758 741**	**859 019**	**3 026 844**	**32 763 808**
Accumulated depreciation as at 31/12/2006		**-**	**8 120 695**	**8 053 823**	**342 727**	**-**	**16 517 245**
2007 III quarter	Depreciation	-	302 582	1 432 081	81 287	-	1 815 950
	Depreciation of disposals	-	(73 407)	(97 566)	(16 475)	-	(187 449)
Accumulated depreciation as at 30/09/2007		**-**	**8 349 873**	**9 388 337**	**407 539**	**-**	**18 145 749**
Net carrying amount as at 31/12/2006		**79 578**	**4 866 516**	**6 267 055**	**298 005**	**910 575**	**12 421 729**
Net carrying amount as at 30/09/2007		**79 578**	**4 689 753**	**6 370 403**	**451 480**	**3 026 844**	**14 618 059**

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2007		**79 578**	**15 028 546**	**16 058 853**	**928 321**	**1 689 138**	**33 784 436**
2008 III quarter	Additions	-	1 015 460	1 482 393	121 764	972 465	3 592 081
	Liquidation	-	(66 797)	(409 907)	(27 786)	-	(504 489)
	Reclassification	-	-	158 489	(158 489)	-	-
Acquisition value as at 30/09/2008		**79 578**	**15 977 208**	**17 289 829**	**863 810**	**2 661 603**	**36 872 028**
Accumulated depreciation as at 31/12/2007		**-**	**8 334 393**	**9 855 277**	**395 272**	**-**	**18 584 943**
2008 III quarter	Depreciation	-	415 440	1 630 852	101 581	-	2 147 872
	Depreciation of disposals	-	(41 168)	(393 997)	(27 621)	-	(462 786)
	Reversed impairment	-	-	9 345	(9 345)	-	-
Accumulated depreciation as at 30/09/2008		**-**	**8 708 665**	**11 101 476**	**459 887**	**-**	**20 270 029**
Net carrying amount as at 31/12/2007		**79 578**	**6 694 152**	**6 203 576**	**533 049**	**1 689 138**	**15 199 494**
Net carrying amount as at 30/09/2008		**79 578**	**7 268 543**	**6 188 353**	**403 926**	**2 661 602**	**16 602 002**

As depreciation of the property, plant and equipment in the cafe and the canteen was disclosed in the income statement as other operating expense, there is a difference of LVL 3 841 (30/09/2007 – LVL 3 335) between the total depreciation and amortisation under the income statement and the total depreciation and amortisation stated in Notes 10 and 11.

As at 30 September 2008, tangible non-current assets included assets with the total original cost value of LVL 3 666 085 (30/09/2007: LVL 3 435 079) that were fully depreciated but still remained in active use by the Group.

As at 30 September 2008, the cadastral value of the land was LVL 567 062 (30/09/2007: LVL 567 062). The cadastral value of the buildings owned by the Group as at 30 September 2008 was LVL 4 712 867 (30/09/2007: N/A).

As at 30 September 2008, the net carrying amount of the tangible non-current assets held under finance lease was LVL 595 260 (30/09/2007: LVL 618 475) (see Note 21 for finance lease liabilities).

As at 30 September 2008, all the non-current and current assets owned by the Group were pledged as a security for the loan and credit lines received (see Note 20). The pledge agreements were registered with the Commercial Pledge Register. In addition, major shareholders guaranteed repayment of the loan by their shares in the Group, and the Group's president pledged all his shares in SIA Olmafarm.

12. Inventories

	30.09.2008.		30.09.2007.	
	LVL	EUR	LVL	EUR
Raw materials (at cost)	1 294 846	1 842 400	1 288 297	1 833 082
Work in progress (at cost)	4 060 035	5 776 909	2 953 541	4 202 510
Finished goods and goods for resale (at cost)*	1 904 513	2 709 878	2 322 461	3 304 564
Prepayments for goods	63 823	90 812	154 982	220 520
TOTAL:	7 323 217	10 419 999	6 719 281	9 560 677
Allowances for raw materials	(111 509)	(158 662)	(73 750)	(104 937)
Allowances for work in progress	(141 679)	(201 591)	(158 106)	(224 965)
Allowances for finished goods and goods for resale	(58 017)	(82 551)	(88 519)	(125 951)
TOTAL:	(311 205)	(442 804)	(320 375)	(455 853)
TOTAL:	**7 012 012**	**9 977 195**	**6 398 906**	**9 104 823**

As at 30 September 2008, the Group's inventories comprised goods on consignment in the amount of LVL 212 806 (30/09/2007: LVL 224 300).

13. Trade receivables

	30.09.2008.		30.09.2007.	
	LVL	EUR	LVL	EUR
Trade receivables	4 295 438	6 111 858	5 040 753	7 172 345
Allowances for doubtful trade receivables	(19 512)	(27 763)	(69 409)	(98 760)
TOTAL:	**4 275 927**	**6 084 096**	**4 971 344**	**7 073 585**

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

	Individually impaired		Collectively impaired		Total	
	LVL	EUR	LVL	EUR	LVL	EUR
As at 31 December 2007	6 300	8 964	-	-	6 300	8 964
Charge for the year	13 212	18 799	-	-	13 212	18 799
Unused amounts reversed	-	-	-	-	-	-
As at 30 September 2008	**19 512**	**27 763**	**-**	**-**	**19 512**	**27 763**

The analysis of trade receivables that was past due but not impaired is as follows:

		Total	Neither past due not impaired	Past due but not impaired				
				< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
30.09.2008.	**LVL**	4 275 926	3 558 359	370 137	162 268	21 994	102 729	60 439
30.09.2007.	**LVL**	4 971 344	3 759 890	682 701	203 130	68 816	77 639	179 168
30.09.2008.	**EUR**	6 084 095	5 063 089	526 658	230 887	31 295	146 170	85 997
30.09.2007.	**EUR**	7 073 585	5 349 841	971 396	289 028	97 916	110 470	254 933

14. Receivables from related companies

Company	30.09.2008. LVL	30.09.2008. EUR	30.09.2007. LVL	30.09.2007. EUR
SIA "Carbochem"	61 476	87 473	-	-
SIA "Olmafarm" *	30 086	42 809	30 461	43 342
SIA "Olfa Pres"	431	614	-	-
SIA "Vega MS"	2 230	3 173	-	-
KOPA:	**94 223**	**134 067**	**30 461**	**43 342**

As at 30 September 2008, the analysis of receivables from related companies that was past due but not impaired is as follows:

	Total	Neither past due not impaired	Past due but not impaired				
			< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
30.09.2008.	94 223	29 685	372	319	319	956	62 574
30.09.2007.	30 461	30 461	-	-	-	-	-

15. Other receivables

	30.09.2008. LVL	30.09.2008. EUR	30.09.2007. LVL	30.09.2007. EUR
VAT receivable	145 693	207 302	55 789	79 381
Payment to bailiff*	104 187	148 245	-	-
Representation office expense	82 571	117 488	79 651	113 333
Advances paymants for services	129 061	183 637	-	-
Employees insurance	8 021	11 413	9 179	13 061
Advances to employees	10 209	14 526	15 704	22 345
Other receivables	122 484	174 279	6 454	9 183
Provisions for advances to employees and other receivables	-	-	(3 639)	(5 178)
TOTAL:	**602 226**	**856 890**	**163 137**	**232 123**

* In January 2007, the Company complied with the judgment of the Republic of Latvia Supreme Court Department of Civil Cases in the case I. Maligina against AS Olainfarm and paid LVL 104 187 to the bailiff's account. The cassation appeal by AS Olainfarm was heard by the Supreme Court Senate on 28 March 2007, which ruled to annul the judgment made by the Supreme Court Department of Civil Cases. As a result, the Company reversed previously booked expenses and recorded the claim against the bailiff for the amount previously paid.

16. Current loans to management and employees

	30.09.2008.		30.09.2007.	
	LVL	EUR	LVL	EUR
Valērijs Maligins (Chairman of Board)*	315 409	448 787	90 584	128 889
Other loans	-	-	28 219	40 152
TOTAL	**315 409**	**448 787**	**118 803**	**169 041**

17. Prepaid expense

	30.09.2008.		30.09.2007.	
	LVL	EUR	LVL	EUR
Insurance payments	19 542	27 806	5 040	7 171
Subscription to the printed media	404	575	568	808
Distribution costs	346	492	-	-
Information expense	67	95	-	-
Other prepaid expense	5 109	7 269	5 163	7 346
TOTAL:	**25 466**	**36 235**	**10 771**	**15 326**

18. Cash

	30.09.2008.		30.09.2007.	
Cash by currency profile:	Foreign currency	LVL	Foreign currency	LVL
RUB	-	-	1470650	29265
LVL	-	27 168	-	1 038 533
EUR	2 390	1 680	2 093	1 471
USD	4 917	2 390	46 694	23 207
KOPĀ:	**-**	**31 238**	**-**	**1 092 476**

19. Share capital

The share capital of the Company is LVL 14 085 078 (30/09/2007: LVL 14 085 078) and consists of 14 085 078 (30/09/2007: 14 085 078) shares. The par value of each share is LVL 1.

All 14 085 078 shares are ordinary publicly traded dematerialised voting shares to bearer.

The regular meeting of shareholders held on 13 April 2007 resolved to increase the share capital by issue of 4 million dematerialised voting shares to bearer. Subscription for the share issue was closed on 12 June 2007. The share issue was subscribed for only partially – applications for 876 023 shares were received and paid. As a result, the share capital was increased by LVL 876 023.

20. Loans from credit institutions

Non-current:	Amount		Effective interest rate (%)	Maturity	30.09.2008. LVL	30.09.2008. EUR	30.09.2007. LVL	30.09.2007. EUR
Loan from AS SEB Unibanka	6 950 000	EUR	EUR LIBOR (3 mēn.)+1.3%	08.12.2011.	2 252 738	3 205 357	2 793 395	3 974 643
Loan from AS SEB Unibanka	4 000 000	EUR	EUR LIBOR (3 mēn.)+1,3%	23.05.2013.	1 742 162	2 478 873	2 217 297	3 154 929
Loan from AS SEB Unibanka	2 000 000	EUR	EUR LIBOR (3 mēn.)+1,3%	10.10.2012.	1 019 755	1 450 980	-	-
Loan from AS SEB Unibanka	445 000	EUR	EUR LIBOR (3 mēn.)+1,3%	30.01.2015.	274 340	390 351	-	-
				TOTAL:	**5 288 995**	**7 525 562**	**5 010 692**	**7 129 572**

Current:	Amount		Effective interest rate (%)	Maturity	30.09.2008. LVL	30.09.2008. EUR	30.09.2007. LVL	30.09.2007. EUR
Loan from AS SEB Unibanka	6 950 000	EUR	EUR LIBOR (3 mēn.)+1.3%	08.12.2011.	540 657	769 286	540 657	769 286
Loan from AS SEB Unibanka	4 000 000	EUR	EUR LIBOR (3 mēn.)+1,3%	23.05.2013.	475 135	676 056	475 135	676 056
Loan from AS SEB Unibanka	2 000 000	EUR	EUR LIBOR (3 mēn.)+1,3%	10.10.2012.	330 731	470 588	-	-
Loan from AS SEB Unibanka	445 000	EUR	EUR LIBOR (3 mēn.)+1,3%	30.01.2015.	32 921	46 842	-	-
Credit line from AS SEB Unibanka	500 000	USD	USD LIBOR (3 mēn.)+1,3%	05.12.2007.	-	-	217 083	308 882
Credit line from AS SEB Unibanka	1 196 000	EUR	EUR LIBOR (3 mēn.)+1,3%	05.12.2007.	-	-	834 530	1 187 430
Credit line from AS SEB Unibanka	3 000 000	EUR	LVL Unibor (3 mēn.)+1,3%	05.12.2008.	2 058 852	2 929 483	-	-
Loan from AS SEB Unibanka			EUR LIBOR (3 mēn.)+1,3%	28.02.2008.	-	-	14 598	20 771
				TOTAL:	**3 438 297**	**4 892 256**	**2 082 004**	**2 962 425**

Interest payable is normally settled quarterly throughout the financial year.

On 11 October 2007, the Company signed a new non-current loan agreement for EUR 2 000 000 in relation with renovation of production facilities. The principal amount has to be used by 11 August 2008. As at 31 March 2008, the loan amount of LVL 1 144 755 had been used.

In 2003, the Company concluded several credit line agreements with AS SEB Latvijas Unibanka with the maturity fixed on 5 December 2005. In 2005 and 2006, the aforementioned credit line agreements were extended to mature on 5 December 2006 and 5 December 2007 respectively. During the reporting year, two of the credit lines were fully repaid, with the maturity of one remaining credit line extended until 5 December 2008 under the same terms.

As at 30 September 2008, all the non-current and current assets owned by the Company were pledged as a security for the loan and credit lines received (see Note 10). The pledge agreements were registered with the Commercial Pledge Register. In addition, major shareholders of the Company guaranteed repayment of the loan by their shares in the Company, and the Chairman of the Board of the Company pledged all his shares in SIA Olmafarm.

21. Other loans

	30.09.2008. LVL		30.09.2008. EUR		30.09.2007. LVL		30.09.2007. EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA Hanza Līzings, LVL	-	10 690	-	15 210	10 690	15 364	15 210	21 861
Finance lease liabilities to SIA SEB Unilīzings, LVL	344	1 980	489	2 817	2 324	1 845	3 307	2 625
Finance lease liabilities to SIA SEB Unilīzings, EUR	240 886	162 396	342 749	231 068	270 207	176 941	384 470	251 764
Finance lease liabilities to SIA "Parex Līzings", EUR	-	7 571	-	10 772	7 571	12 385	10 773	17 622
Other loans	56 836	-	80 870	-	-	-	-	-
TOTAL:	**298 065**	**182 636**	**424 108**	**259 868**	**290 792**	**206 534**	**413 760**	**293 871**

The interest rate on the finance leases ranges from 6.5% to 7,78%. Interest payable is normally settled quarterly throughout the financial year. The net carrying amount of the tangible non-current assets held under finance lease is disclosed in Note 11.

Future minimum lease payments for the above finance leases can be specified as follows:

	30.09.2008.		30.09.2008.		30.09.2007.		30.09.2007.	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR
Within one year	197 113	182 636	280 467	259 868	227 701	206 534	323 989	293 871
Between one and five years	253 601	241 229	360 842	343 238	309 012	290 792	439 684	413 760
Total minimum lease payments	450 714	423 865	641 308	603 106	536 713	497 326	763 674	707 631
Less amounts representing finance charges	(26 849)	-	(38 203)	-	(39 387)	-	(56 043)	-
Present value of minimum lease payments	**423 865**	**423 865**	**603 106**	**603 106**	**497 326**	**497 326**	**707 631**	**707 631**

22. Taxes payable

LVL

	30.09.2008.	Calculated	Paid/ refunded	Transfer of VAT overpaid	31.12.2007.
Personal income tax	(475 711)	(1 221 647)	1 292 835	-	(546 899)
Statutory social insurance contributions	(559 178)	(1 844 352)	1 105 619	742 743	(563 188)
Real estate tax	(49 516)	(41 298)	53 090	-	(61 308)
Natural resource tax	(2 995)	(11 047)	11 744	-	(3 692)
CIT	(46)	(90 739)	163 280	-	(72 587)
VAT	(2 218)	(2 218)	-	-	-
Prepared VAT	143 903	1 614 354	(889 011)	(742 743)	161 303
TOTAL:	(945 761)				(1 086 371)
Total liabilities:	(1 089 664)				(1 247 674)
Total assets:	143 903				161 303

22. Taxes payable (cont'd)

EUR

	30.09.2008.	Calculated	Paid/ refunded	Transfer of VAT overpaid	31.12.2007.
Personal income tax	(676 876)	(1 738 247)	1 839 539	-	(778 167)
Statutory social insurance contributions	(795 639)	(2 624 277)	1 573 154	1 056 828	(801 344)
Real estate tax	(70 455)	(58 762)	75 540	-	(87 233)
Natural resource tax	(4 261)	(15 718)	16 711	-	(5 253)
CIT	(65)	(129 109)	232 326	-	(103 282)
VAT	(3 156)	(3 156)	-	-	-
Prepared VAT	204 756	2 297 019	(1 264 949)	(1 056 828)	229 513
TOTAL:	(1 345 696)				(1 545 767)
Total liabilities:	(1 550 452)				(1 775 280)
Total assets:	204 756				229 513

According to Cabinet Order No. 127 of 25 February 2005, the Company was granted extension of the payment term of delayed statutory social insurance contributions, personal income tax, and real estate tax (accrued till 1 November 2003), without late payment penalties being charged as defined in the Law on Taxes and Duties and applicable tax laws.

Tax liabilities by maturity profile as at 30 September 2008 can be specified as follows:

	30.09.2008. LVL		30.09.2008. EUR		30.09.2007. LVL		30.09.2007. EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Personal income tax	234 734	240 979	333 996	342 882	339 059	232 001	482 437	330 108
Statutory social insurance contributions	175 134	384 041	249 194	546 441	252 971	243 925	359 945	347 074
Real estate tax	34 485	15 031	49 068	21 387	49 812	15 548	70 876	22 123
VAT	-	2 218	-	3 156	-	58 556	-	83 318
CIT	-	46	-	65	-	-	-	-
Natural resource tax	-	2 995	-	4 262	-	2 109	-	3 001
TOTAL:	**444 353**	**645 311**	**632 257**	**918 195**	**641 843**	**552 138**	**913 260**	**785 622**

In 2005, the previously charged late payment penalty of LVL 560 160 was annulled. The aforementioned amount comprised late payment penalty for outstanding statutory social insurance contributions, personal income tax, and real estate tax in the amount of LVL 191 688, LVL 298 830, and LVL 70 142 respectively. The charging of late payment penalties shall be renewed in the event of the Group failing to observe the schedule of the principal debt repayment whereby payments are to be commenced starting from January 2006 and finished in December 2011. As at 30 September 2008, the accruals for the above expected late payment penalties were reduced by LVL 14 959, due to payment of the respective penalties to the state budget.

Repayment schedule of the principal amount of delayed tax payments (accrued till 1 November 2003) can be specified as follows:

Year	Amount
2008	49 373
2009	197 490
2010	197 490
2011	197 491
Total	**641 844**

23. Accrued liabilities

	30.09.2008.		30.09.2008.	
	LVL	EUR	LVL	EUR
Provisions for penalties related to taxes	65 483	93 174	85 428	121 553
Vacation pay reserve	402 850	573 203	298 856	425 234
Provisions for audit expense	187 197	266 357	-	-
TOTAL:	**655 530**	**932 735**	**384 285**	**546 788**

24. Trade and other payables

	30.09.2008.		30.09.2007.	
	LVL	EUR	LVL	EUR
Trade payables	1 326 495	1 887 433	1 302 191	1 852 851
Paybles for long-term investments	389 050	553 568	-	-
Wages and salaries	436 916	621 676	442 710	629 920
Other liabilities	69 986	99 581	19 795	28 166
TOTAL:	**2 222 447**	**3 162 257**	**1 764 697**	**2 510 938**

Terms and conditions of the above liabilities:

Trade payables are non-interest bearing and are normally settled on 67 day terms;
Wages and salaries are non-interest bearing and have an average term of one month;
Other payables are non-interest bearing and have an average term of one month.

25. Commitments and contingencies

Tax late payment penalties

The charging of tax late payment penalties on taxes shall be renewed in the event of the Parent Company failing to observe the schedule of the principal tax debt repayment whereby payments are to be commenced starting from January 2006 and finished in December 2011 (see also Note 23).

Operating lease

The Group concluded several agreements on operating lease of vehicles. Future minimum lease commitments can be presented as follows:

	30.09.2008.		30.09.2007.	
	LVL	EUR	LVL	EUR
Within one year	12 008	17 086	45 865	65 260
After one year but not more than five years	25 597	36 421	148 549	211 366
TOTAL:	**37 605**	**53 507**	**194 414**	**276 626**

Capital investment commitments

As of September 30th, 2008 the Group had no capital investment commitments.

26. Related party disclosures

Related parties are defined as subsidiaries and associates of the Company as well as shareholders that have the ability to control the Company or exercise significant influence over the Company in making financial and operating decisions, members of the key management personnel of the Company or its parent company, and close members of the families of any individual referred to previously, and entities over which these persons exercise significant influence or control.

Related party	Type of services		Purchases from related parties, LVL	Purchases from related parties, EUR	Sales to related parties, LVL	Sales to related parties, EUR	Amounts owed by related parties, LVL	Amounts owed by related parties, EUR	Amounts owed to related parties, LVL	Amounts owed to related parties, EUR
SIA Olmafarm (shareholder)	The loan and finished goods sale	31.12.2006.	49 322	70 179	1 719 331	2 446 388	2 219 300	3 157 779	-	-
SIA Olmafarm (shareholder)	The loan and finished goods sale	30.09.2007.	2 191 603	3 118 370	2 765	3 934	30 462	43 343	-	-
SIA Olmafarm (shareholder)	The loan and finished goods sale	31.12.2007.	2 192 885	3 120 194	3 535	5 029	29 950	42 615	-	-
SIA Olmafarm (shareholder)	The loan and finished goods sale	30.09.2008.	2 173	3 092	2 308	3 284	30 085	42 808	-	-
Stimfarm Ltd.	Finished goods and chemistry sale	31.12.2006.	2 753	3 917	-	-	25 890	36 838	-	-
Stimfarm Ltd.	Finished goods and chemistry sale	30.09.2007.	25 890	36 838	-	-	-	-	-	-
Stimfarm Ltd.	Finished goods and chemistry sale	31.12.2007.	-	-	-	-	-	-	-	-
Stimfarm Ltd.	Finished goods and chemistry sale	30.09.2008.	-	-	-	-	-	-	-	-
V. Maligins (shareholder of SIA Olmafarm)	The loan	31.12.2006.	76 551	108 922	153 358	218 209	425 024	604 755	-	-
V. Maligins (shareholder of SIA Olmafarm)	The loan	30.09.2007.	441 378	628 024	106 938	152 160	90 584	128 889	-	-
V. Maligins (shareholder of SIA Olmafarm)	The loan	31.12.2007.	451 128	641 897	146 715	208 757	120 610	171 613	-	-
V. Maligins (shareholder of SIA Olmafarm)	The loan	30.09.2008.	116 555	165 842	311 353	443 016	315 409	448 786	-	-
I. Liščika (board member)	The loan	31.12.2006.	-	-	-	-	88 868	126 448	-	-
I. Liščika (board member)	The loan	30.09.2007.	88 868	126 448	-	-	-	-	-	-
I. Liščika (board member)	The loan	31.12.2007.	-	-	-	-	-	-	-	-
I. Liščika (board member)	The loan	30.09.2008.	-	-	-	-	-	-	-	-
SIA Carbochem (V.Maligins share 50%)	Intermediary on sale of chemical products	31.12.2006.	8 992	12 794	59 363	84 466	-	-	12 280	17 473
SIA Carbochem (V.Maligins share 50%)	Intermediary on sale of chemical products	30.09.2007.	11 201	15 938	8 186	11 648	-	-	15 295	21 763
SIA Carbochem (V.Maligins share 50%)	Intermediary on sale of chemical products	31.12.2007.	16 359	23 277	186 673	265 612	177 000	251 849	18 967	26 988
SIA Carbochem (V.Maligins share 50%)	Intermediary on sale of chemical products	30.09.2008.	214747.2	305 558	118190.15	168 169	61 476	87 473	-	-
SIA Remeks (V. Maligins share 33%)	Building services	31.12.2006.	22 379	31 842	21 046	29 946	-	-	1 333	1 897
SIA Remeks (V. Maligins share 33%)	Building services	30.09.2007.	402 677	572 958	284 647	405 016	-	-	119 362	169 837
SIA Remeks (V. Maligins share 33%)	Building services	31.12.2007.	-	-	-	-	-	-	-	-
SIA Remeks (V. Maligins share 33%)	Building services	30.09.2008.	-	-	-	-	-	-	-	-
SIA OLFA Press (V. Maligins share 45%)	Printing services	31.12.2006.	592 243	842 686	556 221	791 431	-	-	222 068	315 974
SIA OLFA Press (V. Maligins share 45%)	Printing services	30.09.2007.	386 755	550 303	548 820	780 901	-	-	60 003	85 377
SIA OLFA Press (V. Maligins share 45%)	Printing services	31.12.2007.	540 902	769 635	678 154	964 926	1 452	2 066	85 360	121 456
SIA OLFA Press (V. Maligins share 45%)	Printing services	30.09.2008.	495 098	704 461	434 015	617 548	431	614	145 422	206 917
SIA Vega MS (SIA Aroma share 60%, V. Maligins share in Aroma 100%)	Security services, manufacture of windows	31.12.2006.	82 024	116 710	82 024	116 710	-	-	-	-
SIA Vega MS (SIA Aroma share 60%, V. Maligins share in Aroma 100%)	Security services, manufacture of windows	30.09.2007.	78 761	112 067	78 761	112 067	-	-	-	-
SIA Vega MS (SIA Aroma share 60%, V. Maligins share in Aroma 100%)	Security services, manufacture of windows	31.12.2007.	102 600	145 987	101 184	143 972	1 416	2 015	-	-
SIA Vega MS (SIA Aroma share 60%, V. Maligins share in Aroma 100%)	Security services, manufacture of windows	30.09.2008.	68 600	97 609	69 414	98 768	2 230	3 173	-	-
	TOTAL:	**31.12.2006.**	**834 264**	**1 187 051**	**2 591 343**	**3 687 149**	**2 759 082**	**3 925 820**	**235 681**	**335 344**
	TOTAL:	**30.09.2007.**	**3 627 133**	**5 160 945**	**1 030 117**	**1 465 725**	**121 046**	**172 232**	**194 660**	**276 977**
	TOTAL:	**31.12.2007.**	**3 303 874**	**4 700 990**	**1 116 261**	**1 588 296**	**330 428**	**470 157**	**104 327**	**148 444**
	TOTAL:	**30.09.2008.**	**897 173**	**1 276 562**	**935 281**	**1 330 785**	**409 631**	**582 854**	**145 422**	**206 917**

27. Segment information

For management purposes Group is organized into business units based on its products, and has two reportable operating segments as follows:

The finished form medicine segment represents tablets, capsules, ampoules and sachets, namely the products ready for final consumption by end users.

The chemicals segment is sales of chemicals to the clients of the Group for further processing, eventually into finished form medicines. Production of both segments is separated.

Under the segment „Chemicals" the Group has stated revenues from sale of chemical and pharmaceutical substances only to customers outside the company. However, most of the chemicals are used to produce the final dosage forms within the company and revenues generated by them do cover the resources invested into fixed assets used for chemical production. The Group does not keep separate books by segments.

27. Segment information (cont'd)

LVL

	Finished form medicine		Chemicals		Unallocated		Total	
	30.09.2008.	30.09.2007.	30.09.2008.	30.09.2007.	30.09.2008.	30.09.2007.	30.09.2008.	30.09.2007.
Assets								
Goodwill	-	-	-	-	3 359 532	-	3 359 532	-
Intangible assets	482 437	2 865 253	2 920 543	1 489 235	195 291	63 932	3 598 271	4 418 420
Tangible assets	8 776 578	6 304 373	2 155 881	3 276 741	1 019 369	1 077 564	11 951 827	10 658 678
Financial assets	-	-	-	-	1 036	386	1 036	386
Inventories	5 577 836	4 047 289	1 370 141	2 103 606	64 034	248 011	7 012 012	6 398 906
Receivables	4 588 337	4 078 914	226 106	410 817	499 043	841 843	5 313 486	5 331 574
Cash	-	-	-	-	31 239	1 092 476	31 238	1 092 476
Total assets	**19 425 187**	**17 295 829**	**6 672 671**	**7 280 399**	**5 169 544**	**3 324 212**	**31 267 402**	**27 900 441**
Equity and liabilities								
Total equity	-	-	-	-	14 842 131	16 511 382	14 842 131	16 511 382
Deffered income tax liability	-	-	-	-	309 800	261 115	309 800	261 115
Loans from credit institution	7 006 270	4 671 986	1 721 022	2 420 710	-	-	8 727 292	7 092 696
Other loans	340 279	327 241	83 586	170 085	56 836	-	480 701	497 326
Taxes payable	872 565	811 766	214 337	382 215	2 761	-	1 089 664	1 193 981
Prepayments received from customers	193 293	298	42 572	-	-	-	235 865	298
Trade payables	4 166 610	1 161 171	455 837	603 526	-	-	4 622 447	1 764 697
Payables to related companies	244 029	128 086	59 943	66 574	-	-	303 972	194 660
Accrued liabilities	-	-	-	-	655 530	384 286	655 530	384 285
Total equity and liabilities	**12 823 045**	**7 100 548**	**2 577 298**	**3 643 110**	**15 867 058**	**17 156 783**	**31 267 402**	**27 900 441**
Income statement								
Net turnover	13 972 848	12 533 802	1 299 970	1 405 877	-	-	15 272 818	13 939 679
Changes in stock of finished goods and work in progress	371 190	1 108 363	91 179	576 079	-	-	462 369	1 684 442
Other operating income	-	-	-	-	381 726	353 752	381 726	353 752
Cost of materials	(3 151 030)	(2 756 138)	(722 886)	(1 432 521)	-	-	(3 873 915)	(4 188 659)
Staff costs	(5 262 487)	(3 817 654)	(1 279 525)	(1 984 252)	-	-	(6 542 012)	(5 801 906)
Depreciation/ amortisation and write-offs	(1 527 314)	(1 068 520)	(374 367)	(555 371)	-	-	(1 901 681)	(1 623 891)
Other operating expense	(3 698 316)	(2 158 058)	(894 104)	(1 121 666)	(41 236)	-	(4 633 655)	(3 279 724)
Interest receivable and similar income	-	-	-	-	32 631	-	32 631	-
Interest receivable and similar income	-	-	-	-	31 668	11 754	31 668	11 754
Interest payable and similar expense	-	-	-	-	(492 525)	(416 627)	(492 525)	(416 627)
Taxes	-	-	-	-	(90 354)	(26 624)	(90 354)	(26 624)
Net profit for the year	**704 891**	**3 841 794**	**(1 879 732)**	**(3 111 854)**	**(178 090)**	**(77 745)**	**(1 352 930)**	**652 196**

27. Segment information (cont'd)

EUR

	Finished form medicine		Chemicals		Unallocated		Total	
	30.09.2008.	30.09.2007.	30.09.2008.	30.09.2007.	30.09.2008.	30.09.2007.	30.09.2008.	30.09.2007.
Assets								
Goodwill	-	-	-	-	4 780 183	-	4 780 183	-
Intangible assets	686 446	4 076 888	4 155 559	2 118 991	277 874	90 967	5 119 879	6 286 845
Tangible assets	12 487 946	8 970 315	3 067 542	4 662 382	1 450 431	1 533 235	17 005 918	15 165 932
Financial assets	-	-	-	-	1 474	549	1 474	549
Inventories	7 936 546	5 758 773	1 949 535	2 993 162	91 112	352 888	9 977 195	9 104 823
Receivables	6 528 615	5 803 772	321 720	584 540	710 075	1 197 835	7 560 408	7 586 146
Cash	-	-	-	-	44 449	1 554 453	44 448	1 554 453
Total assets	**27 639 552**	**24 609 748**	**9 494 356**	**10 359 075**	**7 355 599**	**4 729 928**	**44 489 505**	**39 698 751**
Equity and liabilities								
Total equity	-	-	-	-	21 118 450	23 493 579	21 118 450	23 493 579
Deffered income tax liability	-	-	-	-	440 806	371 533	440 806	371 533
Loans from credit institution	9 969 024	6 647 637	2 448 794	3 444 360	-	-	12 417 818	10 091 997
Other loans	484 173	465 622	118 932	242 009	80 870	-	683 976	707 631
Taxes payable	1 241 548	1 155 039	304 974	543 843	3 929	-	1 550 452	1 698 882
Prepayments received from customers	275 031	424	60 574	-	-	-	335 606	424
Trade payables	5 928 551	1 652 197	648 598	858 740	-	-	6 577 149	2 510 938
Payables to related companies	347 222	182 250	85 292	94 726	-	-	432 513	276 976
Accrued liabilities	-	-	-	-	932 735	546 790	932 735	546 788
Total equity and liabilities	**18 245 549**	**10 103 170**	**3 667 164**	**5 183 679**	**22 576 790**	**24 411 903**	**44 489 505**	**39 698 751**
Income statement								
Net turnover	19 881 571	17 833 994	1 849 691	2 000 383	-	-	21 731 262	19 834 376
Changes in stock of finished goods and work in progress	528 156	1 577 058	129 736	819 687	-	-	657 892	2 396 745
Other operating income	-	-	-	-	543 147	503 344	543 147	503 344
Cost of materials	(4 483 512)	(3 921 631)	(1 028 574)	(2 038 294)	-	-	(5 512 084)	(5 959 924)
Staff costs	(7 487 845)	(5 432 032)	(1 820 599)	(2 823 336)	-	-	(9 308 444)	(8 255 368)
Depreciation/ amortisation and write-offs	(2 173 171)	(1 520 367)	(532 677)	(790 222)	-	-	(2 705 848)	(2 310 588)
Other operating expense	(5 262 229)	(3 070 640)	(1 272 195)	(1 595 987)	(58 674)	-	(6 593 099)	(4 666 627)
Interest receivable and similar income	-	-	-	-	46 428	-	46 428	-
Interest receivable and similar income	-	-	-	-	45 060	16 724	45 060	16 724
Interest payable and similar expense	-	-	-	-	(700 800)	(592 806)	(700 800)	(592 806)
Taxes	-	-	-	-	(128 562)	(37 882)	(128 562)	(37 882)
Net profit for the year	**1 002 969**	**5 466 380**	**(2 674 617)**	**(4 427 769)**	**(253 399)**	**(110 621)**	**(1 925 046)**	**927 992**

28. Financial risk management

The Group's principal financial liabilities comprise bank loans and credit lines, finance leases and trade payables. The main purpose of these financial liabilities is to ensure financing for the Group's operations. The Group has various financial assets such as trade receivables and cash and short term deposits, which arise directly from its operations. The Company might also issue loans to shareholders and management on a short-term basis.

Financial risks

The main financial risks arising from the C Group's financial instruments are foreign currency risk, interest rate risk, liquidity risk and credit risk.

Foreign currency risk

The Group's financial assets and liabilities, which are exposed to foreign currency risk, comprise cash, trade receivables, trade payables, as well as current and non-current loans and borrowings. The Group is mainly exposed to foreign currency risk of US dollar.

The Group's currency risk as at 30 September 2008 may be specified as follows:

	LVL	USD	EUR	Other	Total LVL
Trade receivables	529 360	169 436	3 577 130	-	4 275 926
Receivables from related companies	67 752	26 471	-	-	94 223
Prepayments for intangible assets	117 507	39 758	133 130	-	290 395
Prepayments for tangible assets	103 255	-	180 619	-	283 874
Prepayments for investments	-	-	-	-	-
Prepayments for goods	28 880	3 484	31 459	-	63 823
Other receivables	203 549	3 484	395 194	-	602 226
Current loans to management and employees	15 746	222 355	77 308	-	315 409
Prepaid expense	25 466	-	-	-	25 466
Cash	27 168	2 390	1 680	-	31 238
Total assets, LVL	**1 118 683**	**467 377**	**4 396 520**	**-**	**5 982 580**
Loans from credit institutions	-	-	8 727 292	-	8 727 292
Other loans	59 160	-	421 541	-	480 701
Taxes payable	1 089 664	-	-	-	1 089 664
Prepayments received from customers	192 842	-	43 023	-	235 865
Trade payables	3 782 787	121 156	715 342	3 163	4 622 447
Payables to related companies	145 422	-	158 550	-	303 972
Accrued liabilities	655 530	-	-	-	655 530
TotalL equity and liabilities, LVL	**5 925 404**	**121 156**	**10 065 747**	**3 163**	**16 115 470**
Neto, LVL	(4 806 722)	346 221	(5 669 227)	(3 163)	(10 132 890)

A significant part of the Group's revenues is derived in Latvian lats and euros; the major part of expenses is in Latvian lats.

The Group has no officially approved policy of foreign currency risk management.

Since 1 January 2005, the Bank of Latvia has stated a fixed currency exchange rate for Latvian lat against euro, i.e. 0.702804. From this moment the Bank of Latvia will also ensure that the market rate will not differ from the official rate by more than 1%. Therefore, the Group's future profit or loss due to fluctuations of the euro exchange rate will not be material as far as the Bank of Latvia maintains the above mentioned fixed rate.

Increase or decrease in the exchange rate USD/ LVL below 10% points would not make material impact on the profit of the Group.

Interest rate risk

The Group is exposed to interest rate risk mainly through its current and non-current borrowings. The average interest rate payable on the Group's borrowings is disclosed in Notes 21 and 22.

The Group does not have any policies for managing interest rate risks.

28. Financial risk management (cont'd)

Liquidity risk

The Group 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 table below summarises the maturity profile of the Group's financial liabilities at 30 September 2008 based on contractual undiscounted payments.

Period ended 30 September 2008		On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest bearing loans	('000 LVL)	-	2 404	1 035	5 146	143	8 727
Finance lease liabilities	('000 LVL)	-	58	125	241	-	424
Lease %	('000 LVL)	-	4	10	12	-	26
Trade accounts payable	('000 LVL)	-	2 207	814	2 561	-	5 582
		-	-	-	-	-	-
Interest bearing loans	('000 EUR)	-	3 420	1 472	7 323	203	12 418
Finance lease liabilities	('000 EUR)	-	83	178	343	-	603
Lease %	('000 EUR)	-	6	14	17	-	37
Trade accounts payable	('000 EUR)	-	3 141	1 158	3 644	-	7 942

Period ended 30 September 2007		On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest bearing loans	('000 LVL)	-	1 143	925	4 018	993	7 078
Finance lease liabilities	('000 LVL)	-	50	156	291	-	497
Lease %	('000 LVL)	-	6	15	18	-	39
Trade accounts payable	('000 LVL)	-	1 939	169	82	-	2 190
		-	-	-	-	-	-
Interest bearing loans	('000 EUR)	-	1 626	1 316	5 717	-	10 071
Finance lease liabilities	('000 EUR)	-	71	222	414	-	707
Lease %	('000 EUR)	-	9	21	26	-	55
Trade accounts payable	('000 EUR)	-	2 759	240	117	-	3 115

Credit risk

The Group is exposed to credit risk through its trade receivables, issued loans, as well as cash. The Group manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is minimised.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group does not have a policy for monitoring capital. From time to time, the management monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations. Capital includes equity attributable to the equity holders of the parent less the net unrealised gains reserve.

28. Financial risk management (cont'd)

	30.09.2008. LVL	30.09.2007. LVL	30.09.2008. EUR	30.09.2007. EUR
Interest bearing loans and borrowings	9 151 157	7 575 424	13 020 923	10 778 857
Trade and other payables	4 926 419	1 959 357	7 009 663	2 787 914
Less cash and cash equivavelnts	31 238	1 092 476	44 448	1 554 453
Net debt	**14 108 814**	**10 627 257**	**20 075 034**	**15 121 224**
Equity	**14 085 078**	**14 085 078**	**20 041 260**	**20 041 260**
Total capital	**28 193 892**	**24 712 335**	**40 116 294**	**35 162 485**
Gearing ratio (%)	**50**	**43**	**50**	**43**

29. Financial instruments

Fair value

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value		Carrying amount		Fair value	
	30.09.2008. ('000 LVL)	30.09.2007. ('000 LVL)	30.09.2008. ('000 LVL)	30.09.2007. ('000 LVL)	30.09.2008. ('000 EUR)	30.09.2007. ('000 EUR)	30.09.2008. ('000 EUR)	30.09.2007. ('000 EUR)
Financial assets								
Cash	31	1 093	31	1 093	44	1 554	44	1 554
Loans and trade receivables	5 314	5 332	5 314	5 332	7 560	7 586	7 560	7 586
Financial liabilities								
Interest bearing loans (floating rate)	8 727	7 078	8 727	7 078	12 418	10 071	12 418	10 071
Finance lease liabilities	424	497	424	497	603	708	603	708

The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

30. Events after the balance sheet date

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On November 20, 2008 a letter of resignation was received from the member of Supervisory Council of Mother Company Tatjana Lukina, whereby she announced her resignation from the post by November 30, 2008. Therefore the next General Meeting of Shareholders of the Mother Company will have to elect a new Supervisory Council.