JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

NON-AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(12^{th} financial year)

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

Olaine, 2009

CONTENTS

General information	**3**
Report on the Management Board’s responsibility	**6**
Management report	**7**
Income statement	**14**
Balance sheet	**15**
Balance sheet	**16**
Cash flow statement	**17**
Statement of changes in equity	**18**
Notes to the financial statements	**19**

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 (42.56 %) A. Čaka iela 87 Riga, Latvia, LV-1011 Juris Savickis (24.96 %)
Board	Valērijs Maligins, Chairman of the Board (President) Positions held in other companies: SIA Aroma – Chairman of the Board, SIA Olmafarm – Chairman of the Board. SIA „New Classic" Board Member (resigned on 08/08/2008.) Participation in other companies: Latvian Academic Library Foundation (SO Latvijas Akadēmiskās bibliotēkas Atbalsta fonds), Nature Restoration Foundation, SIA „Vega MS"(60%), SIA „Briz" (51%), 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 – Board Member 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 (28.75%), AS Nordeka (48.09%), Tennis club Altitūde, Tennis club Prezidents, SIA Blūza klubs (50%), SIA Ajura (50%), SIA SWH Sets (15.29%) SIA „Babbord" (33%) AS „Dinamo Rīga" (9,76%) AS „VEF banka" (9,99%)
	Eļena Dudko, , Deputy Chairman of the Board (appointed on 29/04/2008) Positions held and participation in other companies: none
	Rolands Klincis (resigned on 26/01/2009) 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(resigned on 30/11/2008) 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 31 December 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 December 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) Tatjana Lukina(resigned on 30/11/2008)
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 – 31 December 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 Group's statement for the period ended 31 December 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 December 31, 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).

Chairman of the Management board

Valērijs Maligins

27 February 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.

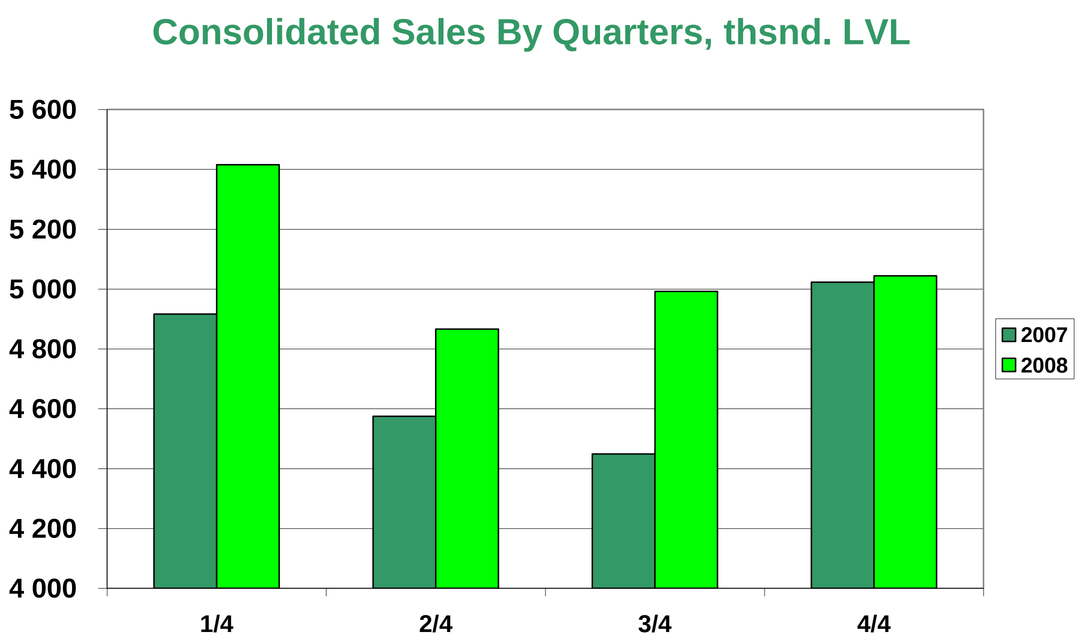
On August 30th, JSC Olainfarm became a shareholder of SIA „Reinolds", which owns several patents related to the new products of Olainfarm.

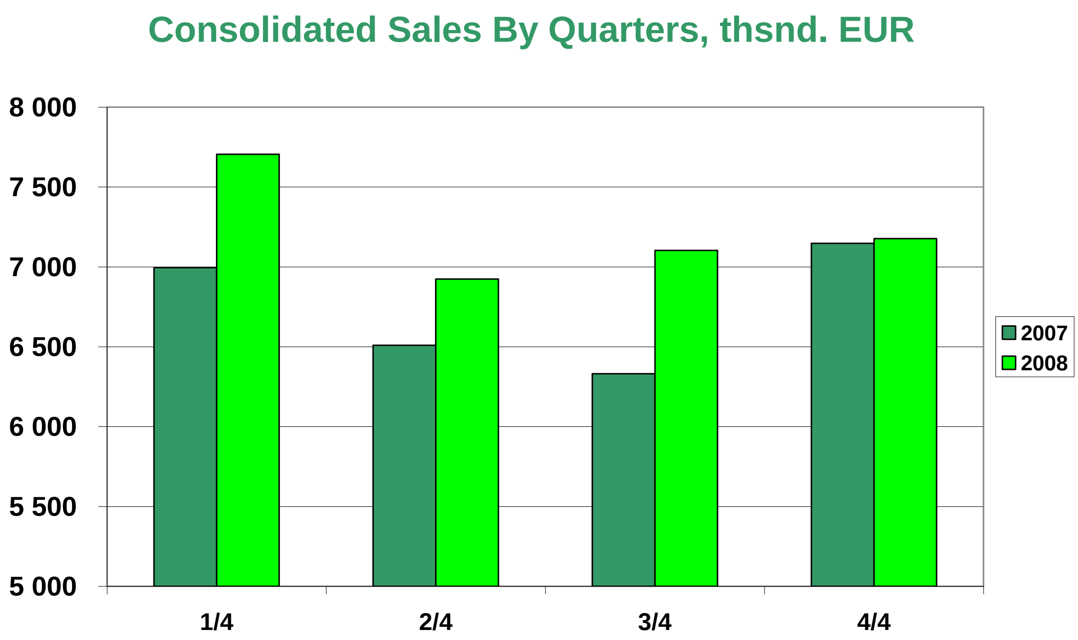
This financial report includes the performance results of the daughter company SIA „Reinolds" from the moment of purchasing its shares.

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

Sales of the Concern increased in 2008 to 20 316 841 lats (28 908 260 Euro), i.e. by more than 7% compared to sales of 2007. 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 would have only be natural if the second half of 2008 has demonstrated faster growth rates than the first half, but the exclusion of the figures of daughter company OOO „Baltfarm" from the consolidated figures has made this growth tredn more gradual.

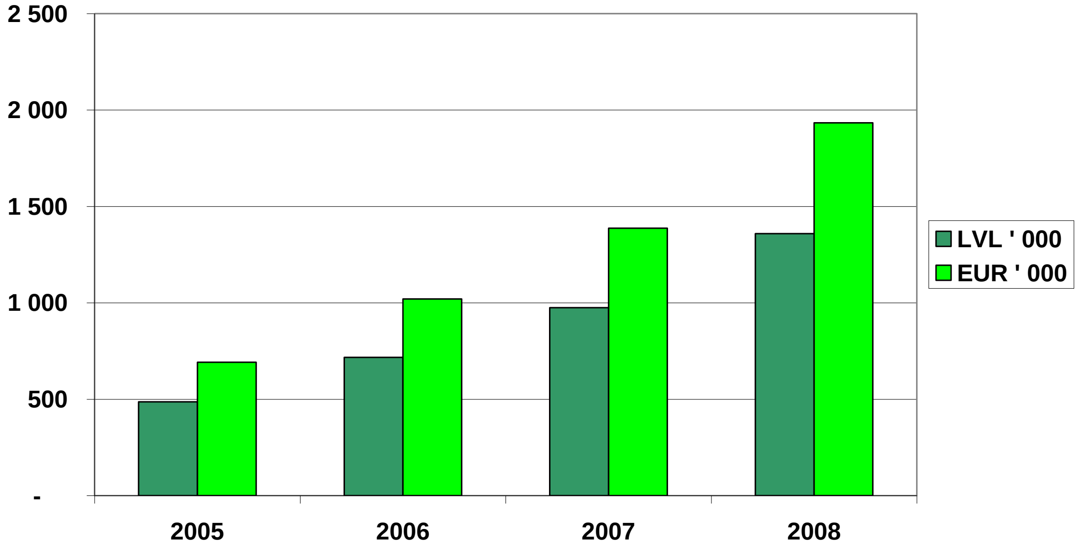




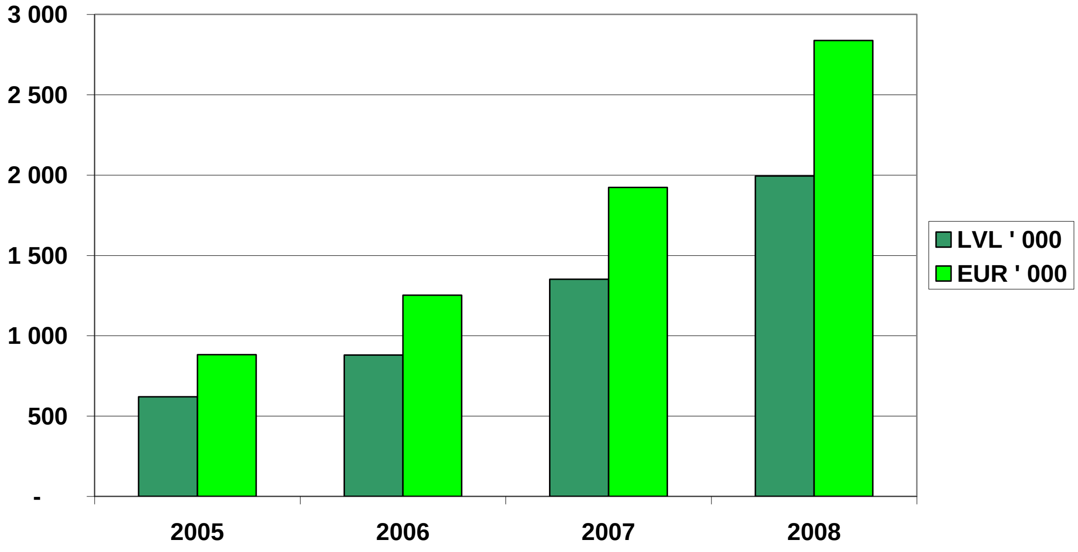
During the whole of 2008 the Concern has been investing considerable resources in marketing and sales promotion in many markets it regards as important. First returns of such investments became obvious in late 2008, when despite the first clear signs of global economic crisis and currency devaluations in Concern's key markets, the speed of sales growth remained unchanged, while Concern's branded products, particularly profitable for the Concern, demonstrated especially good growth. In total Concern's marketing expenditures in 2008 increased by more than 80% compared to 2007, i.e. they increased from 2.3 million lats (3.3 million Euro) in 2007 to 4.1 million lats (5.8 million Euro) in 2008.

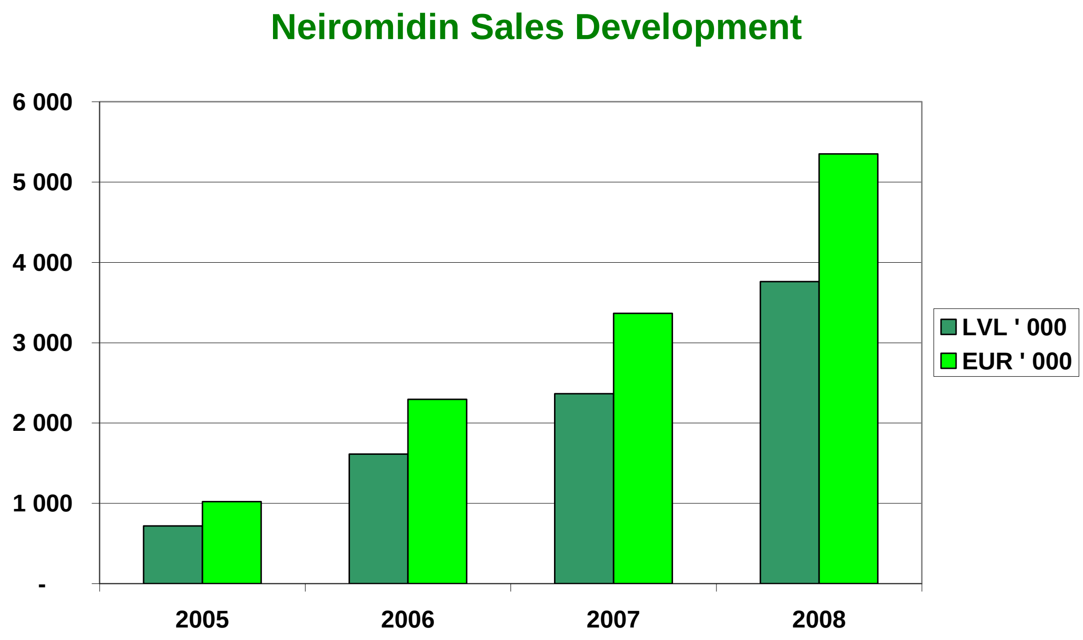
The charts shown below show the development of Concern's three major branded products. They demonstrate particularly strong growth in 2008, when the amount on investments into promotion of these products has been increased substantially.

Adaptol Sales Development

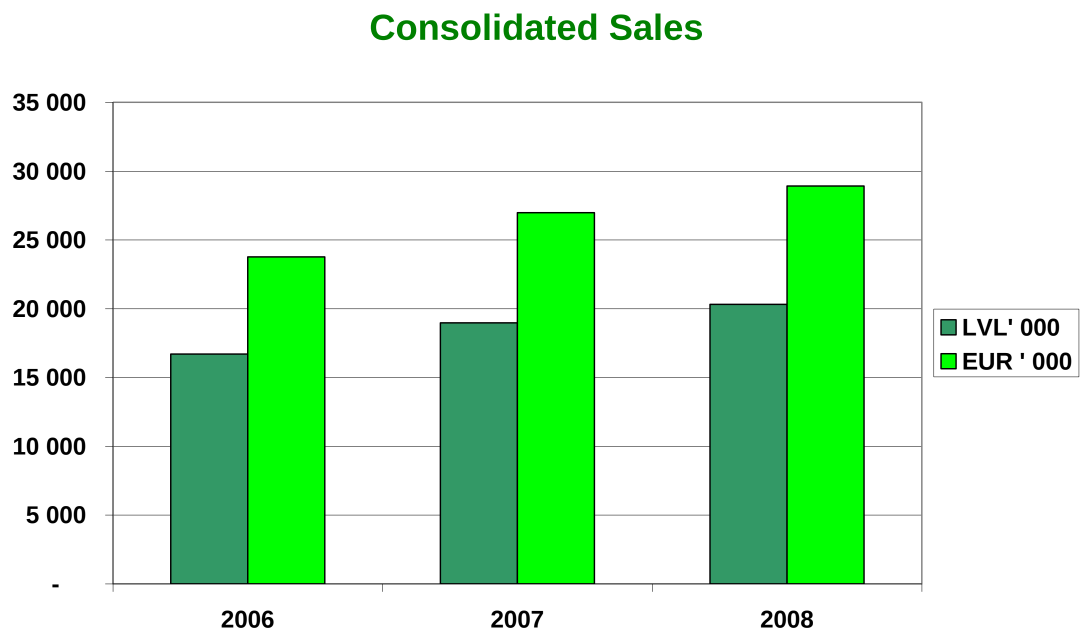


Furamag Sales Development



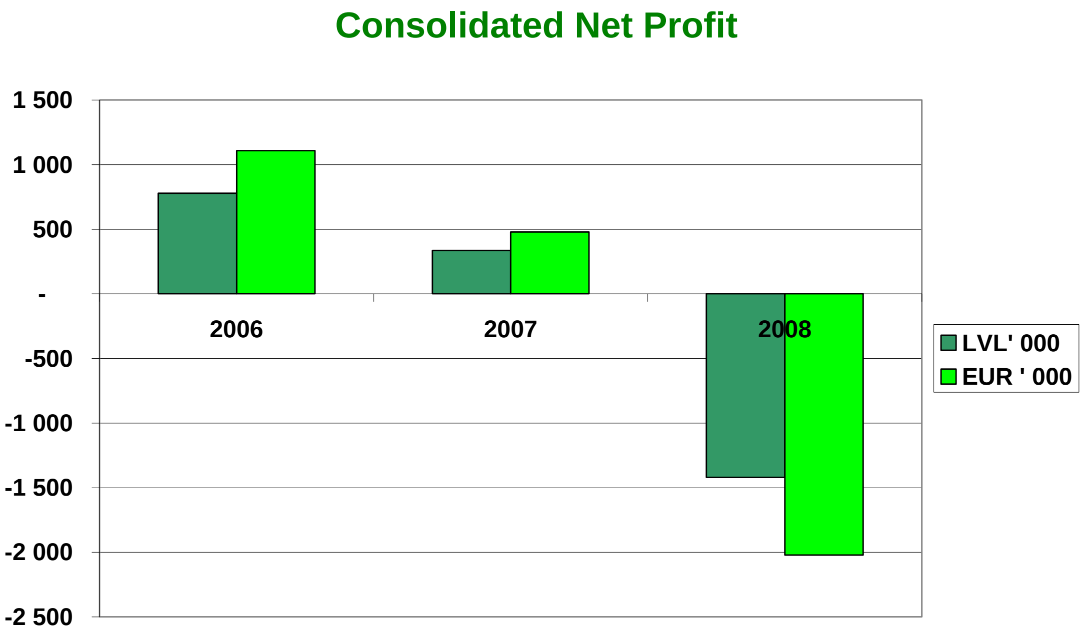


However, looking at the short term, increase of marketing costs has been one of the main reasons for loss making operations. It must be noted, however, that in 4th quarter of 2008 Concern produced operating profit, but many items, like annual discounts for main clients, provisions for stock and other assets, which, according to the opinion of the Concern's management may not lead to economic benefits in the nearest future, although relate to the whole year of 2008, are booked in 4th quarter. Financial results of the last quarter were also adversely influenced by the payments of redundancy benefits to employees made redundant within the personnel optimisation program. Overall influence of such factors was almost 455 000 LVL (647 000 Euro), while the Concern's loss of full 2008 are for only about 68 thousand lats (97 thous. Euro) bigger than the loss of 9 months.



Despite the fact that increase in sales in substantial, especially in situation of economic downturn, it is mostly a downturn that prevented sales from being as big as planned and thus insufficient to end 2008 with the net annual profit. However, sales growth in a stagnant market and favourable adjustments to sales structure are good reasons to expect that should such a trend remain, then in the 1st quarter of 2009 Company may demonstrate positive net profit.

Company finished 2008 with the net loss of 1 421 061 lats (2 021 988 Euro), while 2007 was ended with the net profit of 335 876 lats (477 908 Euro).



The above mentioned decisions of the management and the related development of expenditures and sales have also influenced the levels of EBIT and EBITDA. EBIT of 2008 was -861 170 lats (-1 225 335 Euro), while it was positive in 2007, namely 1 073 488 lats (1 527 436 Euro). EBITDA was reduced in 2008 by 45% to 1 804 889 lats (2 568 126 Euro).

Main financial indicators	**31.12.2008.**	**31.12.2007.**	**% to the previous period**
Net sales (LVL)	20 316 841	18 962 669	107%
Net profit (LVL)	-1 421 061	335 876	NA
EBITDA (LVL)	1 804 889	3 274 825	55%
EBIT (LVL)	-861 170	1 073 488	NA
Net sales (EUR)	28 908 260	26 981 447	107%
Net profit (EUR)	- 2 021 988	477 909	NA
EBITDA (EUR)	2 568 126	4 659 656	55%
EBIT (EUR)	-1 225 335	1 527 436	NA
EBITDA margin	8,9%	17,3%	
Net margin	-7%	1,8%	
EBIT margin	-4,2%	5,7%	
ROA	-4,6%	1,2%	

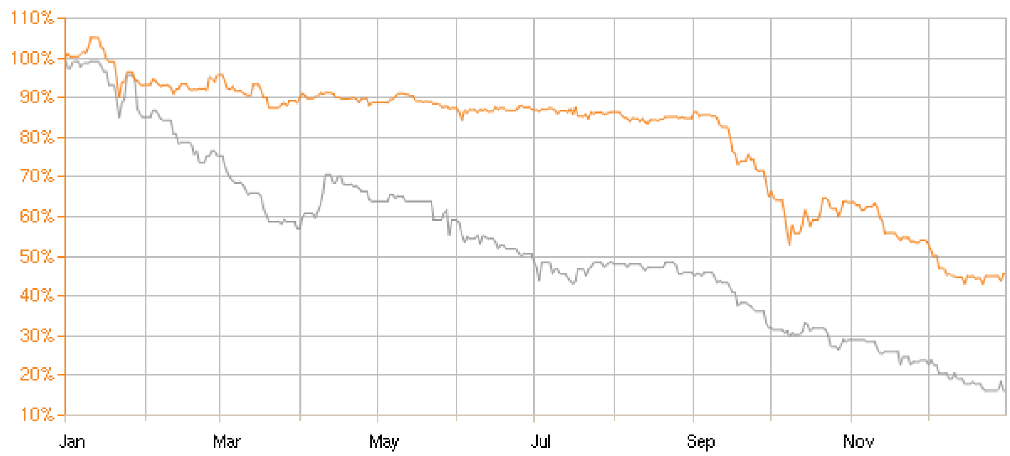
ROE	-9,6%	2,1%	
EPS, LVL	-0,1	0,02	NA
EPS, EUR	-0,14	0,03	NA

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

Parent Company's share price in Riga Stock Exchange (2008)

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

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



-- OMR Riga
-- Olainfarm

Future development plans

Development strategy of the Concern 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 Concern's 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 Concern's products in the markets of Western Europe and such registration procedures have been launched. In the end of 2008 the first product of Baltic Generics Program has been registered in Latvia. It is *Tamosin*, a medicine for urological indications. It is expected that during 2009 several new products will be registered as part of the said Program.

Reacting to the changes of economic situation the Concern has introduced cost optimisation program and continues its work to conduct further cost reductions. These activities include more precise and detailed production planning, shortening the turnover periods for stock and receivables, limitation of personnel costs and redundancies or predominantly non-production related personnel (construction workers, assisting workers). Most of these activities were conducted in 2008, but because introduction of many of these activities themselves is causing temporary extra expenses (purchases for bigger size batches, redundancy benefits for dismissed employees, etc.), there was no direct impact of such activities on Concern's profit of 2008. Concern's management has estimated that the said activities will allow the company to make the monthly savings of up to 150 000 lats (213 000 Euro).

Events after the end of the reporting period

In 2009 the work was started at the registration of Parent Company's representative office in Vietnam. It is planned to make the first shipment of Concern's products to this market in 2009.

On January 26, 2009, the application of resignation was received from the member of Parent Company's Supervisory Council Mr. Rolands Klincis. However, since Mrs. Tatjana Lukina has resigned from the position of member of Parent Company's Supervisory Council on November 30, 2008, the nearest Shareholders' Meeting will have to elect a new Supervisory Council anyway.

In February 2009, another product of Baltic Generics Program was registered. The second product of the program in Latvia is *Amlodipin,* which has cardiologic indications.

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

Chairman of the Management board
Valērijs Maligins

AKCIJU SABIEDRĪBA «OLAINFARM» Olainfarm LATVIJAS REPUBLIKA

27 February 2009

Income statement

	Notes	**31.12.2008. LVL**	**31.12.2008. EUR**	**31.12.2007. LVL**	**31.12.2007. EUR**
Net turnover	3	20 316 841	28 908 260	18 962 669	26 981 447
Changes in stock of finished goods and work in progress		874 978	1 244 982	2 087 788	2 970 655
Other operating income	4	522 250	743 095	643 719	915 930
Cost of materials:					
raw materials and consumables		(3 286 014)	(4 675 577)	(4 282 367)	(6 093 259)
other external costs		(1 893 140)	(2 693 696)	(1 601 539)	(2 278 785)
		(5 179 154)	(7 369 272)	(5 883 906)	(8 372 044)
Staff costs:					
Wages and salaries	8	(6 961 242)	(9 904 955)	(6 467 606)	(9 202 574)
Statutory social insurance contributions	8	(1 508 002)	(2 145 694)	(1 357 089)	(1 930 964)
		(8 469 244)	(12 050 649)	(7 824 695)	(11 133 538)
Depreciation/ amortisation and write-offs:					
depreciation and amortisation expense	10.11.	(2 666 059)	(3 793 460)	(2 201 337)	(3 132 220)
Other operating expense	5	(6 260 782)	(8 908 292)	(4 710 750)	(6 702 793)
Income frome sale of subsidiary		32 631	46 428	-	-
Interest receivable and similar income	6	47 997	68 294	39 678	56 457
Interest payable and similar expense	7	(640 519)	(911 376)	(585 061)	(832 467)
Profit before taxes		**(1 421 061)**	**(2 021 988)**	**528 105**	**751 426**
Corporate income tax		-	-	(192 229)	(273 517)
Profit for the reporting year		**(1 421 061)**	**(2 021 988)**	**335 876**	**477 908**
Basic and diluted earnings per share	9	(0.101)	(0.144)	0.025	0.035

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

For the Board:

Chairman of the Management board

Valērijs Maligins

27 February 2009

Balance sheet

	Notes	31.12.2008. LVL	31.12.2008. EUR	31.12.2007. LVL	31.12.2007. EUR
ASSETS					
NON-CURRENT ASSETS					
Intangible assets					
Goodwill		3 359 532	4 780 183	-	-
Other intangible assets	10	3 101 095	4 412 461	1 680 787	2 391 544
Prepayments for intangible assets		289 678	412 175	2 083 100	2 963 984
TOTAL		**6 750 305**	**9 604 819**	**3 763 887**	**5 355 529**
Property, plant and equipment					
Land, buildings and constructions	11	6 980 756	9 932 721	4 760 605	6 773 731
Equipment and machinery	11	4 052 292	5 765 892	4 359 898	6 203 576
Other fixtures and fittings, tools and equipment	11	262 939	374 128	416 429	592 525
Construction in progress					
	11	88 779	126 321	1 187 133	1 689 138
Prepayments for property, plant and equipment		229 546	326 615	323 412	460 174
TOTAL		**11 614 312**	**16 525 677**	**11 047 477**	**15 719 144**
Financial assets					
Investments in related companies					
Other securities and investments		386	549	386	549
		-	-	**540 950**	769 703
TOTAL		**1 036**	**1 474**	**541 336**	**770 252**
TOTAL NON-CURRENT ASSETS		**18 365 653**	**26 131 970**	**15 352 700**	**21 844 924**
CURRENT ASSETSI					
Inventories					
Raw materials		957 158	1 361 913	1 023 295	1 456 018
Work in progress		3 680 630	5 237 065	3 009 642	4 282 335
Finished goods and goods for resale		2 311 948	3 289 606	2 318 420	3 298 814
Prepayments for goods		16 785	23 883	69 448	98 816
TOTAL	12	**6 966 521**	**9 912 466**	**6 420 805**	**9 135 982**
Receivables					
Trade receivables	13	4 527 321	6 441 797	5 133 995	7 305 017
Receivables from related companies	14	98 695	140 430	209 818	298 544
Other receivables	15	790 967	1 125 445	315 880	449 457
Corporate income tax		141 199	200 908	-	-
Current loans to management	16	210 921	300 114	144 136	205 087
Prepaid expense	17	90 456	128 707	34 819	49 543
TOTAL		**5 859 559**	**8 337 401**	**5 838 648**	**8 307 648**
Cash	18	**37 071**	**52 747**	**1 078 604**	**1 534 715**
TOTAL CURRENT ASSETS		**12 863 151**	**18 302 615**	**13 338 057**	**18 978 345**
TOTAL ASSETS		**31 228 804**	**44 434 585**	**28 690 757**	**40 823 269**

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

For the Board:

Chairman of the Management board

Vālērijs Maligins

27 February 2009

Balance sheet

EQUITY AND LIABILITIES

EQUITY	Notes	31.12.2008. LVL	31.12.2008. EUR	31.12.2007. LVL	31.12.2007. EUR
Share capital	20	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		(1 421 061)	(2 021 988)	335 876	477 908
TOTAL EQUITY		**14 774 000**	**21 021 508**	**16 195 061**	**23 043 496**
LIABILITIES					
Non-current liabilities					
Deferred corporate income tax liabilities		309 800	440 806	314 008	446 793
Loans from credit institutions	21	4 944 134	7 034 869	5 287 420	7 523 321
Other loans	22	216 828	308 518	318 420	453 071
Long-term Debt for the Long-term investment		1 256 836	1 788 317	-	-
Taxes payable	23	394 981	562 007	592 471	843 010
TOTAL		**7 122 579**	**10 134 517**	**6 512 319**	**9 266 195**
Current liabilities					
Prepayment received for shares of the Parent Company					
Loans from credit institutions	21	3 482 417	4 955 033	2 549 709	3 627 909
Other loans	22	172 536	245 497	225 215	320 452
Prepayments received from customers		356 829	507 722	113 717	161 805
Trade and other payables		3 295 409	4 688 945	1 569 006	2 232 494
Payables to related companies	29	344 786	490 586	102 156	145 355
Taxes payable	23	927 621	1 319 886	633 225	900 998
Corporate income tax		16 870	24 004	75 636	107 620
Accrued liabilities	24	735 757	1 046 888	714 713	1 016 945
TOTAL		**9 332 225**	**13 278 560**	**5 983 377**	**8 513 578**
TOTAL LIABILITIES		**16 454 804**	**23 413 077**	**12 495 696**	**17 779 774**
TOTAL EQUITY AND LIABILITIES		**31 228 804**	**44 434 585**	**28 690 757**	**40 823 269**

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

Off-balance sheet liabilities: see Note 25.

For the Board:

Chairman of the Management board

Valērijs Maligins

AKCIJU SABIEDRĪBA «OLAINFARM» Olainfarm LATVIJAS REPUBLIKA

27 February 2009

Cash flow statement

	31.12.2008. LVL	31.12.2008. EUR	31.12.2007. LVL	31.12.2007. EUR
Cash flows to/from operating activities				
Profit before taxes	(1 421 061)	(2 021 988)	528 105	751 426
Adjustments for:				
Amortisation and depreciation	2 668 974	3 797 608	2 214 412	3 150 824
Disposal of tangible non-current assets and investments	68 167	96 993	24 222	34 465
(Decrease)/ increase in allowances	(60 314)	(85 820)	102 145	145 339
Increase in vacation reserve	-	-	47 948	68 224
Impairment of non-current assets	328	467	4 059	5 775
Loss from investments into subsidiaries	32 631	46 430	-	-
Interest expences	607 094	863 817	460 209	654 818
Interest receivable	(37 492)	(53 346)	-	-
Unrealised loss/(profit) from fluctuations of currency exchange rates	105 298	149 826	-	-
Operating cash flows before working capital changes	**1 963 624**	**2 793 986**	**3 381 100**	**4 810 872**
(Increase) in inventories	(611 155)	(869 595)	(1 876 066)	(2 669 401)
(Increase)/ decrease in receivables and prepaid expence	135 849	193 296	1 528 115	2 174 312
(Increase)/ decrease in payables	857 107	1 219 553	(959 764)	(1 365 621)
Cash generated from operations	**2 345 425**	**3 337 240**	**2 073 385**	**2 950 161**
Interest paid	(596 552)	(848 817)	(458 901)	(652 957)
Corporate income tax paid	(196 893)	(280 153)	-	-
Real estate tax paid	(68 717)	(97 775)	-	-
Net cash flows to/ from operating activities	**1 483 263**	**2 110 494**	**1 614 484**	**2 297 204**
Cash flows to/from investing activities				
Purchase of non-current assets	(2 720 665)	(3 871 158)	(4 553 334)	(6 478 811)
Investments in to related companies	(283 000)	(402 673)	-	-
Income from non-current assets sales	1 708	2 430	175 000	249 003
Interest receivable	26 374	37 527	-	-
Prepayment for financial investments	-	-	(540 950)	(769 703)
Loans	(338 565)	(481 735)	(134 000)	(190 665)
Loans granted	279 163	397 213	517 555	736 414
Net cash flows to/from investing activities	**(3 034 985)**	**(4 318 395)**	**(4 535 729)**	**(6 453 761)**
Cash flows to/from financing activities				
Proceeds from issue of shares	-	-	2 584 268	3 677 082
Borrowings (repaid)	(41 187 977)	(58 605 211)	(1 001 002)	(1 424 298)
Borrowings proceeds	41 698 166	59 331 145	2 330 836	3 316 481
Net cash flows to/from financing activities	**510 189**	**725 934**	**3 914 102**	**5 569 265**
Change in cash	**(1 041 533)**	**(1 481 967)**	**992 857**	**1 412 708**
Cash at the begining of the year	**1 078 604**	**1 534 715**	**85 747**	**122 007**
Cash at the and of the year	**37 071**	**52 747**	**1 078 604**	**1 534 715**

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	-	-	-	-	(1 421 061)	(2 021 988)	(1 421 061)	(2 021 988)
Balance as at 31 December 2008	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**(1 070 786)**	**(1 523 591)**	**14 774 000**	**21 021 508**

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 27 February 2009.

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 10; for depreciation – see Note 11; for allowances for doubtful receivables – see Note 13; for allowances for doubtful inventories – see Note 12.

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:

	31/12/2008	*31/12/2007*
EUR	*0.702804*	*0.702804*
USD	*0.495*	*0.484*

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

	31.12.2008.		31.12.2007.	
By business segments	**LVL**	**EUR**	**LVL**	**EUR**
Finished forms	18 725 075	26 643 381	16 986 482	24 169 586
Chemistry	1 591 766	2 264 879	1 976 187	2 811 861
TOTAL:	**20 316 841**	**28 908 260**	**18 962 669**	**26 981 447**

	31.12.2008.		31.12.2007.	
By geographical segments	**LVL**	**EUR**	**LVL**	**EUR**
CIS	14 428 602	20 530 051	12 805 442	18 220 502
Latvia	3 219 004	4 580 230	3 469 340	4 936 426
Europe	1 853 838	2 637 774	1 968 883	2 801 468
Baltic states (Lithuania and Estonia)	558 532	794 719	305 398	434 542
Other	256 865	365 486	413 605	588 507
TOTAL:	**20 316 841**	**28 908 260**	**18 962 669**	**26 981 447**

4. Other operating income

	31.12.2008.		31.12.2007.	
	LVL	**EUR**	**LVL**	**EUR**
Sale of current assets	52 893	75 261	61 404	87 370
Treatment of waste water	152 781	217 388	148 445	211 218
Lease of premises	54 702	77 835	31 018	44 135
Incomes of non-current assets sale	1 708	2 430	113 925	162 101
Incomes of services	44 882	63 862	46 127	65 633
Catering services	118 749	168 965	-	-
Other operating income	96 533	137 354	242 799	345 472
TOTAL:	**522 250**	**743 095**	**643 719**	**915 930**

5. Other operating expense

	31.12.2008.		31.12.2007.	
	LVL	**EUR**	**LVL**	**EUR**
Marketing expense	4 074 944	5 798 123	2 260 237	3 216 028
Sales commissions	109 984	156 493	168 522	239 785
Other distribution costs	127 945	182 049	67 900	96 613
Transportation expense	108 524	154 416	124 651	177 362
Expert analysis of medicines	22 332	31 776	20 808	29 607
Exhibition expense	668	950	15 436	21 963
Total distribution costs:	*4 425 504*	*6 296 925*	*2 657 554*	*3 781 359*
Other operating expense	285 613	406 391	289 243	411 556
Business trips	150 477	214 109	135 196	192 367
Insurance	143 702	204 469	116 686	166 029
Information and business consulting	122 330	174 060	32 433	46 148
New product research and development costs	108 215	153 976	155 009	220 558
Permits for import and export of medicines	85 268	121 326	7 525	10 707
Communications expense	75 785	107 833	71 543	101 797
Car fleet maintenance	72 699	103 441	90 074	128 164
Representation expense	69 426	98 784	51 155	72 787
Other taxes	53 685	76 387	79 199	112 690
Flowers and gifts	62 633	89 119	94 641	134 662
Current repairs	57 883	82 361	82 748	117 740
Write-offs and disposal of tangible assets	56 844	80 882	127 838	181 897
Social infrastructure	48 742	69 354	47 125	67 053
Allowances to staff	44 842	63 804	38 932	55 395
Audit expense	40 887	58 177	34 500	49 089
Write-offs of current assets	104 636	148 883	159 769	227 331
Legal expense	33 830	48 136	57 264	81 479
Security	31 122	44 282	28 627	40 733
Bank charges	26 819	38 160	27 004	38 423
Donations	26 747	38 058	39 768	56 585
Education	24 535	34 910	23 603	33 584
Hosting expense	20 031	28 502	44 544	63 380
Office expense	20 077	28 567	19 365	27 554
Waste removal	19 024	27 068	7 956	11 320
Membership fees	15 437	21 965	38 090	54 197
Laboratory tests	11 917	16 957	10 941	15 568
Administrative offices maintenance	7 763	11 046	8 112	11 542
Visas, invitations	5 163	7 346	6 455	9 185
Land lease for eco-field	4 775	6 794	1 278	1 818
Unemployment risk duty	3 289	4 680	3 110	4 425
Humanitarian aid	1 081	1 538	2 986	4 249
Allowances for doubtful receivables, established/ recovered*	-	-	9 052	12 880
Audit of suppliers	-	-	46 650	66 377
Provisions for slow-moving items	-	-	37 759	53 726
Inventorying of buildings	-	-	22 828	32 481
Impairment of tangible assets	-	-	4 188	5 959
TOTAL:	**6 260 782**	**8 908 292**	**4 710 750**	**6 702 793**

6. Interest receivable and similar income

	31.12.2008.		31.12.2007.	
	LVL	EUR	LVL	EUR
Interest accrued on bank account balances	21 501	30 593	35 054	49 877
Received penalties	4 818	6 855	-	-
Loan interest payments	11 175	15 901	4 624	6 579
Currency exchange gain, net	10 503	14 945	-	-
TOTAL:	**47 997**	**68 294**	**39 678**	**56 457**

7. Interest payable and similar expense

	31.12.2008.		31.12.2007.	
	LVL	EUR	LVL	EUR
Currency exchange loss, net	-	-	-	-
Loan interest payments	555 163	789 926	460 209	654 818
Penalties paid	51 955	73 925	53 761	76 495
Currency exchange commission	33 401	47 526	71 091	101 153
TOTAL:	**640 519**	**911 377**	**585 061**	**832 466**

8. Staff costs and number of employees

	31.12.2008.		31.12.2007.	
	LVL	EUR	LVL	EUR
Wages and salaries	6 636 880	9 443 429	6 143 245	8 741 050
Statutory social insurance contributions	1 429 864	2 034 514	1 278 950	1 819 782
Vacation pay reserve	402 500	572 705	402 500	572 706
TOTAL:	**8 469 244**	**12 050 649**	**7 824 695**	**11 133 538**

Including remuneration to the management:

	31.12.2008.		31.12.2007.	
	LVL	EUR	LVL	EUR
Management of the Company				
Wages and salaries	508 287	723 227	538 847	766 710
Statutory social insurance contributions	108 708	154 678	241 364	343 430
Vacation pay reserve	37 349	53 142	37 439	53 271
Board Members				
Wages and salaries	375 235	533 912	410 786	584 496
Statutory social insurance contributions	9 027	12 844	1 160	1 651
Vacation pay reserve	37 401	53 217	37 401	53 217
Council Members				
Wages and salaries	153 855	218 915	160 918	228 966
Statutory social insurance contributions	22 607	32 167	23 107	32 878
TOTAL:	**1 252 469**	**1 782 103**	**1 451 022**	**2 064 618**

	31.12.2008.	31.12.2007.
Average number of employees during the reporting year	1003	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:

	31.12.2008.		31.12.2007.	
	LVL	EUR	LVL	EUR
Net result attributable to shareholders	(1 421 061)	(2 021 988)	335 876	477 908
Weighted average number of ordinary shares	14 085 078	14 085 078	13 489 674	13 489 674
Earnings per share	**(0,101)**	**(0,144)**	**0,025**	**0,035**

* 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*		Patenty**		Other intangible assets		TOTAL	
		LVL	EUR	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	Additions	7 058	10 043	950 000	1 351 728	58 010	82 541	1 015 068	1 444 312
	Write-offs of values	(497 250)	(707 523)	-	-	(57 243)	(81 449)	(554 493)	(788 972)
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	Additions	-	-	1 900 000	2 703 456	183 831	261 568	2 083 831	2 965 024
		(322 795)	(459 296)	-	-	322 795	459 296	-	-
	Write-offs of values	(297 489)	(423 289)	-	-	(63 325)	(90 103)	(360 814)	(513 392)
Acquisition value as at 31/12/2008		**1 090 612**	**1 551 801**	**2 850 000**	**4 055 185**	**818 781**	**1 165 020**	**4 759 393**	**6 772 006**
Accumulated amortisation as at 31/12/2006		**1 144 220**	**1 628 078**	**-**	**-**	**171 256**	**243 675**	**1 315 476**	**1 871 754**
2007	Amortisation	404 037	574 893	-	-	68 668	97 706	472 705	672 599
	Liquidation	(377 818)	(537 587)	-	-	(54 774)	(77 936)	(432 592)	(615 523)
Accumulated amortisation as at 31/12/2007		**1 170 439**	**1 665 385**	**-**	**-**	**185 150**	**263 445**	**1 355 589**	**1 928 829**
2008	Depreciation	420 963	598 976	148 018	210 611	91 485	130 171	660 466	939 758
		(204 901)	(291 548)	-	-	204 901	291 548	-	-
	Liquidation	(295 889)	(421 012)	-	-	(61 866)	(88 027)	(357 755)	(509 040)
Accumulated depreciation as at 31/12/2008		**1 090 612**	**1 551 800**	**148 018**	**210 611**	**419 670**	**597 137**	**1 658 300**	**2 359 548**
Net carrying amount as at 31/12/2007		**540 457**	**769 001**	**950 000**	**1 351 728**	**190 330**	**270 815**	**1 680 787**	**2 391 544**
Net carrying amount as at 31/12/2008		**-**	**-**	**2 701 982**	**3 844 574**	**399 113**	**567 887**	**3 101 095**	**4 412 461**

* Production technologies comprise chemical and pharmaceutical product technologies acquired by the Company.

** The patent protects the synthesis and application of derivative of chemical molecule and was received in 2008. Company worked at optimization of the production technology of the respective products in order to develop more cost effective synthesis. Since these products are derivatives of the existing products, the Management does not see any obstacles to registration of these products. Pilot series of the new products are planned to be produced in 1st quarter of 2009, while bigger industrial series are planned for late 2009. Registration of the respective products in several potential markets is planned for late 2010 or early 2011.

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**	**10 102 964**	**450 309**	**639 956**	**20 376 621**
	Additions	-	1 635 363	1 338 504	294 760	2 279 019	5 547 646
2007	Liquidation	-	(200 705)	(117 048)	(12 718)	-	(330 471)
	Reclassification	-	-	-	-	(1 731 842)	(1 731 842)
Acquisition value as at 31/12/2007		**55 928**	**10 562 122**	**11 324 420**	**732 351**	**1 187 133**	**23 861 954**
	Additions	-	2 664 844	1 148 099	87 585	1 854 894	5 755 422
2008	Liquidation	-	(203 827)	(318 253)	(105 855)	-	(627 935)
	Reclassification	-	-	110 401	(111 387)	(2 953 248)	(2 954 234)
Acquisition value as at 31/12/2008		**55 928**	**13 023 139**	**12 264 667**	**602 694**	**88 779**	**26 035 207**
Accumulated depreciation as at 31/12/2006		**-**	**5 707 257**	**5 698 453**	**240 870**	**-**	**11 646 580**
	Depreciation	-	291 732	1 364 291	87 513	-	1 743 536
2007	Depreciation of disposals	-	(141 544)	(96 517)	(12 460)	-	(250 521)
	Reversed impairment	-	-	(1 705)	-	-	(1 705)
Accumulated depreciation as at 31/12/2007		**-**	**5 857 445**	**6 964 522**	**315 923**	**-**	**13 137 890**
	Depreciation	-	399 665	1 537 900	94 307	-	2 031 872
2008	Depreciation of disposals	-	(158 798)	(296 615)	(63 906)	-	(519 319)
	Reversed impairment	-	-	6 568	(6 568)	-	-
Accumulated depreciation as at 31/12/2008		**-**	**6 098 312**	**8 212 375**	**339 756**	**-**	**14 650 443**
Net carrying amount as at 31/12/2007		**55 928**	**4 704 677**	**4 359 898**	**416 429**	**1 187 133**	**10 724 065**
Net carrying amount as at 31/12/2008		**55 928**	**6 924 828**	**4 052 291**	**262 941**	**88 778**	**11 384 766**

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**	**14 375 223**	**640 732**	**910 575**	**28 993 320**
	Additions	-	2 326 912	1 904 520	419 406	3 242 752	7 893 589
2007	Liquidation	-	(285 577)	(166 544)	(18 096)	-	(470 218)
	Reclassification	-	-	-	-	(2 464 189)	(2 464 189)
Acquisition value as at 31/12/2007		**79 578**	**15 028 546**	**16 113 198**	**1 042 042**	**1 689 138**	**33 952 502**
	Additions	-	3 791 731	1 633 598	124 622	2 639 276	8 189 228
2008	Liquidation	-	(290 020)	(452 833)	(150 618)	-	(893 471)
	Reclassification	-	-	157 086	(158 489)	(4 202 093)	(4 203 496)
Acquisition value as at 31/12/2008		**79 578**	**18 530 257**	**17 451 049**	**857 556**	**126 321**	**37 044 762**
Accumulated depreciation as at 31/12/2007		**-**	**8 334 393**	**9 909 622**	**449 518**	**-**	**18 693 533**
	Depreciation	-	568 672	2 188 235	134 187	-	2 891 093
2008	Depreciation of disposals	-	(225 949)	(422 045)	(90 930)	-	(738 924)
	Reversed impairment	-	-	9 345	(9 345)	-	-
Accumulated depreciation as at 31/12/2008		**-**	**8 677 116**	**11 685 157**	**483 429**	**-**	**20 845 702**
Net carrying amount as at 31/12/2007		**79 578**	**6 694 152**	**6 203 576**	**592 525**	**1 689 138**	**15 258 970**
Net carrying amount as at 31/12/2008		**79 578**	**9 853 143**	**5 765 891**	**374 131**	**126 320**	**16 199 062**

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 5 264 (31/12/2007 – LVL 4 607) between the total depreciation and amortisation under the income statement and the total depreciation and amortisation stated in Notes 10 and 11.

As at 31 December 2008, tangible non-current assets included assets with the total original cost value of LVL 3 640 925 (31/12/2007: LVL 3 464 794) that were fully depreciated but still remained in active use by the Group.

11. Tangible assets (cont'd)

As at 31 December 2008, the cadastral value of the land was LVL 3 862 654 (31/12/2007: LVL 567 062). The cadastral value of the buildings owned by the Group as at 31 December 2008 was LVL 4 465 908 (31/12/2007: 4 712 867 LVL).

As at 31 December 2008, the net carrying amount of the tangible non-current assets held under finance lease was LVL 458 550 (31/12/2007: LVL 683 520) (see Note 21 for finance lease liabilities).

As at 31 December 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

	31.12.2008.		31.12.2007.	
	LVL	**EUR**	**LVL**	**EUR**
Raw materials (at cost)	1 068 667	1 520 576	1 134 804	1 614 681
Work in progress (at cost)	3 825 352	5 442 985	3 151 321	4 483 926
Finished goods and goods for resale (at cost)*	2 369 964	3 372 156	2 405 783	3 423 120
Goods in transit	-	-	-	-
Prepayments for goods	16 785	23 883	69 448	98 816
TOTAL:	7 280 768	10 359 600	6 761 356	9 620 542
Allowances for raw materials	(111 509)	(158 662)	(111 509)	(158 663)
Allowances for work in progress	(144 722)	(205 921)	(141 679)	(201 591)
Allowances for finished goods and goods for resale	(58 017)	(82 551)	(87 364)	(124 308)
TOTAL:	(314 247)	(447 134)	(340 552)	(484 562)
TOTAL:	**6 966 521**	**9 912 466**	**6 420 805**	**9 135 982**

As at 31 December 2008, the Group's inventories comprised goods on consignment in the amount of LVL 231 737 (31/12/2007: LVL 244 311).

13. Trade receivables

	31.12.2008.		31.12.2007.	
	LVL	**EUR**	**LVL**	**EUR**
Trade receivables	4 598 705	6 543 368	5 151 571	7 330 025
Allowances for contract's discounts	(30 722)	(43 714)	-	-
Allowances for doubtful trade receivables	(40 662)	(57 857)	(17 576)	(25 008)
TOTAL:	**4 527 321**	**6 441 797**	**5 133 995**	**7 305 017**

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	90-180 days	> 180 days
31.12.2008.	**LVL**	4 527 321	3 790 801	518 020	98 690	21 791	87 093	10 924
31.12.2007.	**LVL**	5 133 995	4 385 059	256 510	23 197	167 671	152 817	148 741
31.12.2008.	**EUR**	6 441 797	5 393 825	737 077	140 423	31 006	123 923	15 544
31.12.2007.	**EUR**	7 305 017	6 239 377	364 981	33 007	238 574	217 439	211 639

14. Receivables from related companies

	31.12.2008.		31.12.2007.	
Company	LVL	EUR	LVL	EUR
SIA "Carbochem"	61 583	87 624	177 000	251 848
SIA "Olmafarm" *	29 996	42 681	29 950	42 615
SIA "Olfa Pres"	4 220	6 005	1 452	2 066
SIA "Vega MS"	2 896	4 120	1 416	2 015
TOTAL:	**98 695**	**140 430**	**209 818**	**298 544**

As at 31 December 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	90-180 days	> 180 days
31.12.2008.	**LVL**	98 695	34 517	471	301	248	797	62 361
31.12.2007.	**LVL**	209 818	54 933	54 937	41 559	58 107	212	71
31.12.2008.	**EUR**	140 430	49 114	670	428	353	1 133	88 732
31.12.2007.	**EUR**	298 544	78 162	78 168	59 132	82 679	302	101

15. Other receivables

	31.12.2008.		31.12.2007.	
	LVL	EUR	LVL	EUR
VAT receivable (see also Note 23)	91 146	129 689	164 731	234 391
Payment to bailiff*	104 166	148 215	104 187	148 245
Representation office expense	27 169	38 658	34 484	49 066
Current loans to employees	26 262	37 367	-	-
Advances to employees	2 255	3 209	1 699	2 417
Other receivables	539 968	768 306	10 779	15 337
TOTAL:	**790 967**	**1 125 445**	**315 880**	**449 457**

* 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

	31.12.2008.		31.12.2007.	
	LVL	EUR	LVL	EUR
Valērijs Maligins (Chairman of Board)*	210 921	300 114	121 760	173 249
Other loans	-	-	2 376	3 381
Salvis Lapiņš	-	-	20 000	28 457
TOTAL	**210 921**	**300 114**	**144 136**	**205 087**

17. Prepaid expense

	31.12.2008.		31.12.2007.	
	LVL	EUR	LVL	EUR
Insurance payments	22 780	32 412	21 964	31 252
Insurance to employees	50 229	71 470	-	-
Subscription to the printed media	985	1 402	1 341	1 908
Privatisation Agency	2 158	3 071	296	421
Distribution costs	3 132	4 456	1 573	2 238
Other prepaid expense	11 171	15 896	9 645	13 724
TOTAL:	**90 456**	**128 707**	**34 819**	**49 543**

18. Cash

	31.12.2008.		31.12.2007.	
Cash by currency profile:	Foreign currency	LVL	Foreign currency	LVL
RUB	-	-	702487	13839
LVL	-	28 267	-	1 018 857
EUR	11 383	8 000	50 925	35 790
USD	1 625	804	20 805	10 118
KOPĀ:	**-**	**37 071**	**-**	**1 078 604**

19. Share capital

The share capital of the Company is LVL 14 085 078 (31/12/2007: LVL 14 085 078) and consists of 14 085 078 (31/12/2007: 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.

20. Loans from credit institutions

Non-current:	Amount		Interest rate (%) as at 31/12/2008	Maturity	**31.12.2008. LVL**	**31.12.2008. EUR**	**31.12.2007. LVL**	**31.12.2007. EUR**
Loan from AS SEB banka	6 950 000	EUR	EUR LIBOR (3 month)+1.3%	08.12.2011.	2 117 574	3 013 036	2 658 231	3 782 322
Loan from AS SEB banka	4 000 000	EUR	EURIBOR (3 month)+1.3%	23.05.2013.	1 623 378	2 309 859	2 098 513	2 985 915
Loan from AS SEB banka	2 000 000	EUR	EURIBOR (3 month)+1.3%	10.10.2012.	937 072	1 333 333	530 676	755 084
Loan from AS SEB banka	445 000	EUR	EURIBOR (3 month)+1.3%	30.01.2015.	266 110	378 640	-	-
				TOTAL:	**4 944 134**	**7 034 869**	**5 287 420**	**7 523 321**

Current:	Amount		Interest rate (%) as at 31/12/2008	Maturity	**31.12.2008. LVL**	**31.12.2008. EUR**	**31.12.2007. LVL**	**31.12.2007. EUR**
Loan from AS SEB banka	6 950 000	EUR	EUR LIBOR (3 month)+1.3%	08.12.2011.	541 655	770 705	540 657	769 286
Loan from AS SEB banka	4 000 000	EUR	EURIBOR (3 month)+1.3%	23.05.2013.	475 978	677 255	475 135	676 056
Loan from AS SEB banka	2 000 000	EUR	EURIBOR (3 month)+1.3%	10.10.2012.	331 389	471 523	137 805	196 080
Loan from AS SEB banka	445 000	EUR	EURIBOR (3 month)+1.3%	30.01.2015.	33 014	46 975	-	-
Credit line from AS SEB banka	3 000 000	EUR	EURIBOR (3 month)+2,5%	31.01.2009.	2 100 382	2 988 574	1 396 112	1 986 488
				TOTAL:	**3 482 417**	**4 955 033**	**2 549 709**	**3 627 909**

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 31 December 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

	31.12.2008. LVL		31.12.2008. EUR		31.12.2007. LVL		31.12.2007. EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA Hanza Līzings, EUR	-	8 106	-	11 534	6 724	15 562	9 567	22 143
Finance lease liabilities to SIA SEB Unilīzings, LVL	-	2 023	-	2 878	1 842	1 877	2 621	2 671
Finance lease liabilities to SIA SEB Unilīzings, EUR	216 828	156 939	308 518	223 304	305 496	195 206	434 682	277 753
Finance lease liabilities to SIA ''Parex Līzings'', EUR	-	5 468	-	7 780	4 358	12 570	6 201	17 885
TOTAL:	**216 828**	**172 536**	**308 518**	**245 497**	**318 420**	**225 215**	**453 071**	**320 452**

The interest rate on the finance leases ranges from 5,285% to 11,69%. 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:

	31.12.2008.		31.12.2008.		31.12.2007.		31.12.2007.	
	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	192 109	172 536	273 346	245 497	243 715	225 215	346 775	320 452
Between one and five years	232 230	216 828	330 434	308 518	340 880	318 420	485 029	453 071
Total minimum lease payments	424 339	389 364	603 780	554 015	584 595	543 635	831 804	773 523
Less amounts representing finance charges	(34 975)	-	(49 765)	-	(40 960)	-	(58 281)	-
Present value of minimum lease payments	**389 364**	**389 364**	**554 015**	**554 015**	**543 635**	**543 635**	**773 523**	**773 523**

22. Taxes payable

LVL

	31.12.2008.	**Calculated**	**Paid/ refunded**	**Transfer of VAT overpaid**	**31.12.2007.**
Personal income tax	(563 970)	(1 608 250)	1 593 124	-	(548 844)
Statutory social insurance contributions	(708 945)	(2 390 101)	1 310 624	933 797	(563 265)
Real estate tax	(46 190)	(55 195)	70 312	-	(61 307)
Natural resource tax	(3 237)	(14 354)	14 808	-	(3 692)
CIT	(16 870)	(141 855)	197 573	-	(72 588)
Prepaid CIT	141 199	-	141 199	-	-
VAT	(251)	(5 731)	5 933	-	(454)
VAT	91 146	(1 172 523)	2 035 919	(933 797)	161 547
TOTAL:	(1 107 117)	-	-	-	(1 088 602)
Total liabilities:	(1 339 469)	-	-	-	(1 250 149)
Total assets:	232 352	-	-	-	161 547

22. Taxes payable (cont'd)

EUR

	31.12.2008.	Calculated	Paid/ refunded	Transfer of VAT overpaid	31.12.2007.
Personal income tax	(802 456)	(2 288 333)	2 266 811	-	(780 934)
Statutory social insurance contributions	(1 008 737)	(3 400 807)	1 864 850	1 328 673	(801 454)
Real estate tax	(65 723)	(78 535)	100 045	-	(87 233)
Natural resource tax	(4 606)	(20 423)	21 070	-	(5 253)
CIT	(24 003)	(201 842)	281 121	-	(103 283)
VAT	(24 003)				
VAT	200 908	-	200 908	-	-
Prepared VAT	129 689	(1 668 350)	2 896 851	(1 328 673)	229 861
TOTAL:	(1 575 286)				(1 548 941)
Total liabilities:	(1 905 893)				(1 778 802)
Total assets:	330 607				229 861

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 31 December 2008 can be specified as follows:

	31.12.2008. LVL		**31.12.2008. EUR**		**31.12.2007. LVL**		**31.12.2007. EUR**	
	Non-current	Current	Non-current	Current	Ilgtermiņa	Īstermiņa	Ilgtermiņa	Īstermiņa
Personal income tax	208 652	355 318	296 885	505 572	312 978	241 693	445 328	343 898
Statutory social insurance contributions	155 675	553 277	221 505	787 242	233 512	333 170	332 258	474 058
Real estate tax	30 654	15 537	43 616	22 107	45 981	15 774	65 425	22 444
VAT	-	251	-	357	-	38 896	-	55 344
Natural resource tax	-	3 238	-	4 607	-	3 692	-	5 253
TOTAL:	**394 981**	**927 621**	**562 007**	**1 319 886**	**592 471**	**633 225**	**843 010**	**900 998**

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 19 945, 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
2009	197 490
2010	197 490
2011	197 491
Total	**592 471**

23. Accrued liabilities

	31.12.2008.		31.12.2007.	
	LVL	EUR	LVL	EUR
Provisions for penalties related to taxes	60 497	86 080	80 442	114 459
Vacation pay reserve	402 850	573 203	402 500	572 706
Provisions for other liabilities	272 410	387 605	231 771	329 780
TOTAL:	**735 757**	**1 046 888**	**714 713**	**1 016 945**

24. Trade and other payables

	31.12.2008.		31.12.2007.	
	LVL	EUR	LVL	EUR
Wages and salaries	319 620	454 778	395 360	562 547
Trade and other payables	1 669 739	2 375 825	1 173 646	1 669 948
Other liabilities	1 306 050	1 858 342	-	-
TOTAL:	**3 295 409**	**4 688 944**	**1 569 006**	**2 232 494**

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 22).

Operating lease

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

	31.12.2008.		31.12.2007.	
	LVL	EUR	LVL	EUR
Within one year	13 049	18 567	16 959	24 130
After one year but not more than five years	22 595	32 150	32 392	46 090
TOTAL:	**35 644**	**50 717**	**49 351**	**70 220**

Capital investment commitments

At 31 December 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	31.12.2007.	2 192 885	3 120 194	3 535	5 029	29 950	42 615	-	-
		31.12.2008.	192 573	274 007	45 485	64 719	29 996	42 681	147 134	209 353
Stimfarm Ltd.	Finished goods and chemistry sale	31.12.2007.	26 180	37 251	290	413	-	-	-	-
		31.12.2008.	-	-	-	-	-	-	-	-
V. Maligins (shareholder of SIA Olmafarm)	The loan	31.12.2007.	451 128	641 897	146 715	208 757	120 610	171 613	-	-
		31.12.2008.	285 226	405 841	375 537	534 341	210 921	300 113	-	-
S. Lapiņš	The loan	31.12.2007.	10 000	14 229	-	-	20 000	28 457	-	-
		31.12.2008.	-	-	-	-	20 000	28 457	-	-
I. Liščika (board member)	The loan	31.12.2007.	105 032	149 447	16 164	22 999	-	-	-	-
		31.12.2008.	-	-	-	-	-	-	-	-
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	26 987
		31.12.2008.	214800,3	305 633	118349,45	168 396	61 583	87 625	-	-
SIA Remeks (V. Maligins share 33%)	Building services	31.12.2007.	402 677	572 958	404 010	574 854	-	-	-	-
		31.12.2008.	-	-	-	-	-	-	-	-
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
		31.12.2008.	666 391	948 189	556 868	792 351	4 220	6 005	197 652	281 233
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	-	-
		31.12.2008.	79 284	112 811	80 764	114 917	2 896	4 120	-	-
	TOTAL:	**31.12.2007.**	**3 847 763**	**5 474 874**	**1 536 725**	**2 186 562**	**350 428**	**498 614**	**104 327**	**148 443**
	TOTAL:	**31.12.2008.**	**1 438 276**	**2 046 482**	**1 177 003**	**1 674 725**	**329 616**	**469 002**	**344 786**	**490 587**

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	
	31.12.2008.	31.12.2007.	31.12.2008.	31.12.2007.	31.12.2008.	31.12.2007.	31.12.2008.	31.12.2007.
Assets								
Intangible assets	497 166	106 643	2 706 714	3 587 172	3 546 425	70 072	6 750 305	3 763 887
Tangible assets	8 290 105	6 960 714	2 316 478	3 377 492	1 007 729	709 271	11 614 312	11 047 477
Financial assets	-	-	-	-	1 036	541 336	1 036	541 336
Inventories	5 444 868	4 319 182	1 521 442	2 095 763	211	5 860	6 966 521	6 420 805
Receivables	5 024 524	4 507 480	451 927	825 051	383 107	506 117	5 859 559	5 838 648
Cash	-	-	-	-	37 071	1 078 604	37 071	1 078 604
Total assets	**19 256 664**	**15 894 020**	**6 996 561**	**9 885 477**	**4 975 579**	**2 911 260**	**31 228 804**	**28 690 756**
Equity and liabilities								
Total equity	-	-	-	-	14 774 000	16 195 061	14 774 000	16 195 061
Deffered income tax liability	-	-	-	-	309 800	314 008	309 800	314 008
Loans from credit institution	6 586 192	5 276 739	1 840 359	2 560 390	-	-	8 426 551	7 837 129
Other loans	304 327	366 029	85 037	177 606	-	-	389 364	543 635
Taxes payable	1 046 178	840 059	292 330	407 615	964	53 659	1 339 472	1 301 333
Prepayments received from customers	326 420	85 100	30 410	28 322	-	295	356 830	113 717
Trade payables	2 394 079	425 709	472 920	643 639	1 685 246	499 658	4 552 245	1 569 006
Payables to related companies	270 643	77 801	75 625	37 751	(1 482)	(13 396)	344 786	102 156
Accrued liabilities	-	-	-	-	735 757	714 713	735 757	714 713
Other liabilities	1 270 624	285 697	355 046	138 626	(1 625 670)	(424 323)	-	-
Total equity and liabilities	**10 927 839**	**7 071 438**	**2 796 680**	**3 855 323**	**15 878 615**	**17 763 998**	**31 228 805**	**28 690 758**
Income statement								
Net turnover	18 477 738	15 707 419	1 591 766	1 976 187	247 337	1 279 063	20 316 841	18 962 669
Changes in stock of finished goods and work	683 883	1 405 708	191 095	682 080	-	-	874 978	2 087 788
Other operating income	-	-	-	-	522 250	643 719	522 250	643 719
Cost of materials	(3 883 479)	(3 363 389)	(1 085 148)	(1 631 990)	(210 527)	(888 527)	(5 179 154)	(5 883 906)
Staff costs	(6 173 027)	(4 844 053)	(1 724 909)	(2 350 441)	(571 308)	(630 201)	(8 469 244)	(7 824 695)
Depreciation/ amortisation and write-offs	(2 059 081)	(1 490 222)	(575 363)	(723 089)	(31 615)	11 974	(2 666 059)	(2 201 337)
Other operating expense	(4 753 714)	(3 012 760)	(1 328 315)	(1 461 858)	(178 753)	(236 132)	(6 260 782)	(4 710 750)
	-	-	-	-	32 631	-	32 631	-
Interest receivable and similar income	-	-	-	-	47 997	39 678	47 997	39 678
Interest payable and similar expense	-	-	-	-	(640 519)	(585 061)	(640 519)	(585 061)
Taxes	-	-	-	-	-	(192 229)	-	(192 229)
Net profit for the year	**2 292 320**	**4 402 702**	**(2 930 874)**	**(3 509 110)**	**(782 507)**	**(557 716)**	**(1 421 061)**	**335 876**

27. Segment information (cont'd)

EUR

	Finished form medicine		Chemicals		Unallocated		Total	
	31.12.2008.	31.12.2007.	31.12.2008.	31.12.2007.	31.12.2008.	31.12.2007.	31.12.2008.	31.12.2007.
Assets								
Intangible assets	707 404	151 739	3 851 308	5 104 086	5 046 108	99 703	9 604 819	5 355 529
Tangible assets	11 795 757	9 904 204	3 296 051	4 805 738	1 433 869	1 009 202	16 525 677	15 719 144
Financial assets	-	-	-	-	1 474	770 252	1 474	770 252
Inventories	7 747 349	6 145 643	2 164 817	2 982 001	300	8 338	9 912 466	9 135 982
Receivables	7 149 254	6 413 567	643 034	1 173 941	545 112	720 140	8 337 401	8 307 648
Cash	-	-	-	-	52 747	1 534 715	52 747	1 534 715
Total assets	**27 399 764**	**22 615 153**	**9 955 210**	**14 065 767**	**7 079 611**	**4 142 350**	**44 434 584**	**40 823 268**
Equity and liabilities								
Total equity	-	-	-	-	21 021 508	23 043 496	21 021 508	23 043 496
Deffered income tax liability	-	-	-	-	440 806	446 793	440 806	446 793
Loans from credit institution	9 371 307	7 508 123	2 618 595	3 643 107	-	-	11 989 902	11 151 230
Other loans	433 018	520 813	120 997	252 710	-	-	554 015	773 523
Taxes payable	1 488 577	1 195 296	415 948	579 984	1 372	76 350	1 905 897	1 851 630
Prepayments received from customers	464 453	121 087	43 269	40 298	-	420	507 723	161 804
Trade payables	3 406 468	605 729	672 904	915 816	2 397 889	710 949	6 477 261	2 232 495
Payables to related companies	385 090	110 701	107 605	53 715	(2 109)	(19 061)	490 586	145 355
Accrued liabilities	-	-	-	-	1 046 888	1 016 945	1 046 888	1 016 945
Other liabilities	1 807 935	406 510	505 185	197 247	(2 313 120)	(603 757)	-	-
Total equity and liabilities	**15 548 914**	**10 061 749**	**3 979 317**	**5 485 630**	**22 593 234**	**25 275 892**	**44 434 586**	**40 823 271**
Income statement								
Net turnover	26 291 453	22 349 644	2 264 879	2 811 861	351 929	1 819 943	28 908 260	26 981 447
Changes in stock of finished goods and work in progress	973 078	2 000 142	271 904	970 513	-	-	1 244 982	2 970 655
Other operating income	-	-	-	-	743 095	915 930	743 095	915 930
Cost of materials	(5 525 693)	(4 785 671)	(1 544 027)	(2 322 113)	(299 553)	(1 264 260)	(7 369 272)	(8 372 044)
Staff costs	(8 783 426)	(6 892 466)	(2 454 325)	(3 344 376)	(812 898)	(896 695)	(12 050 649)	(11 133 538)
Depreciation/ amortisation and write-offs	(2 929 809)	(2 120 395)	(818 667)	(1 028 862)	(44 983)	17 037	(3 793 460)	(3 132 220)
Other operating expense	(6 763 925)	(4 286 772)	(1 890 022)	(2 080 036)	(254 343)	(335 986)	(8 908 290)	(6 702 793)
	-	-	-	-	46 430	-	46 430	-
Interest receivable and similar income	-	-	-	-	68 294	56 457	68 294	56 457
Interest payable and similar expense	-	-	-	-	(911 376)	(832 467)	(911 376)	(832 467)
Taxes	-	-	-	-	-	(273 517)	-	(273 517)
Net profit for the year	**3 261 677**	**6 264 481**	**(4 170 258)**	**(4 993 014)**	**(1 113 407)**	**(793 559)**	**(2 021 987)**	**477 908**

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 31 December 2008 may be specified as follows:

	LVL	USD	EUR	Other	Total LVL
Trade receivables	722 006	221 043	3 584 271	-	4 527 321
Receivables from related companies	71 109	27 585	-	-	98 695
Prepayments for intangible assets	114 449	59 423	115 007	799	289 678
Prepayments for tangible assets	48 927	-	180 619	-	229 546
Prepayments for investments	-	-	-	-	-
Prepayments for goods	16 660	-	125	-	16 785
Other receivables	15 160	-	775 807	-	790 967
Current loans to management and employees	13 850	197 070	-	-	210 921
Prepaid expense	90 456	-	-	-	90 456
Cash	28 267	804	8 000	-	37 071
Total assets, LVL	1 120 885	505 926	4 663 829	799	6 291 439
Loans from credit institutions	-	-	8 426 551	-	8 426 551
Other loans	2 023	-	387 341	-	389 364
Taxes payable	1 322 602	-	-	-	1 322 602
Prepayments received from customers	300 878	-	55 951	-	356 829
Trade payables	3 799 865	140 199	603 771	8 411	4 552 245
Payables to related companies	197 652	-	147 134	-	344 786
Accrued liabilities	735 757	-	-	-	735 757
Total financial liabilities	6 358 776	140 199	9 620 748	8 411	16 128 135
Neto, LVL	(5 237 892)	365 726	(4 956 919)	(7 611)	(9 836 696)

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 20 and 21.

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 31 December 2008 based on contractual undiscounted payments.

Period ended 31 December 2008		On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest bearing loans	('000 LVL)		257	2 904	5 229	36	8 427
Finance lease liabilities	('000 LVL)		61	112	217	-	389
Lease %	('000 LVL)		7	12	15	-	35
Trade accounts payable	('000 LVL)		980	3 304	1 347	-	5 632
Interest bearing loans	('000 EUR)		366	4 132	7 441	51	11 990
Finance lease liabilities	('000 EUR)		86	159	309	-	554
Lease %	('000 EUR)		10	17	22	-	50
Trade accounts payable	('000 EUR)		1 395	4 702	1 917	-	8 013

Period ended 31 December 2007		On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest bearing loans	('000 LVL)		260	2 294	5 087	196	7 835
Finance lease liabilities	('000 LVL)		52	154	345	-	551
Lease %	('000 LVL)		6	13	15	-	34
Trade accounts payable	('000 LVL)		1 303	290	69	-	1 662
Interest bearing loans	('000 EUR)		370	3 264	7 238	279	11 151
Finance lease liabilities	('000 EUR)		73	219	491	-	783
Lease %	('000 EUR)		8	18	21	-	47
Trade accounts payable	('000 EUR)		1 854	413	99	-	2 365

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)

	31.12.2008. LVL	31.12.2007. LVL	31.12.2008. EUR	31.12.2007. EUR
Interest bearing loans and borrowings	8 815 916	8 289 717	12 543 918	11 795 205
Trade and other payables	5 632 788	1 662 162	8 014 735	2 365 043
Less cash and cash equivavelnts	37 071	1 078 604	52 747	1 534 715
Net debt	14 485 775	11 030 483	20 611 401	15 694 963
Equity	14 085 078	14 085 078	20 041 260	20 041 260
Total capital	28 570 853	25 115 561	40 652 661	35 736 224
Gearing ratio (%)	**51**	**44**	**51**	**44**

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	
	31.12.2008. (tūkst. Ls)	31.12.2007. (tūkst. Ls)	31.12.2008. (tūkst. Ls)	31.12.2007. (tūkst. Ls)	31.12.2008. (tūkst. EUR)	31.12.2007. (tūkst. EUR)	31.12.2008. (tūkst. EUR)	31.12.2007. (tūkst. EUR)
Financial assets								
Cash	37	1 078	37	1 078	53	1 534	53	1 534
Loans and trade receivables	5 860	5 732	5 860	5 732	8 337	8 156	8 337	8 156
Financial liabilities								
Interest bearing loans (floating rate)	8 427	7 843	8 427	7 843	11 990	11 160	11 990	11 160
Finance lease liabilities	389	544	389	544	554	774	554	774

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

On January 26, 2009 a letter of resignation was received from the member of Supervisory Council of Olainfarm Rolands Klincis. Because of this and also because another member of the Supervisory Council Mrs. Tatjana Lukina submitted her resignation in 2008 the next General Meeting of Shareholders of Olainfarm will have to elect a new Supervisory Council.