JOINT STOCK COMPANY ***VENTSPILS NAFTA***

(UNIFIED REGISTRATION NUMBER 50003003091)

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

PREPARED IN ACCORDANCE WITH
THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL REPORTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Ventspils, 2009

INDEPENDENT AUDITORS' REPORT

To the shareholders of JSC Ventspils nafta

Report on the Financial Statements

We have audited the accompanying 2008 financial statements of JSC Ventspils nafta (the "Company"), which are set out on pages 9 through 39 of the accompanying 2008 Annual Report and which comprise the balance sheet as at 31 December 2008, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

Opinion
In our opinion the accompanying financial statements give a true and fair view of the financial position of JSC Ventspils nafta as of 31 December 2008 and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia on Annual Reports.

Report on Compliance of the Management Report

Furthermore, we have read the Management Report for the year ended 31 December 2008 (included on pages 6 through 8 of the accompanying 2008 Annual Report) and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2008.

SIA Ernst & Young Baltic, Licence No. 17

Diāna Krišjāne
Latvian Sworn Auditor
Certificate No. 124
Chairperson of the Board

Riga, 15 July 2009

CONTENTS

COUNCIL OF JSC VENTSPILS NAFTA

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

There have been no changes in the Council during the period from 1 January 2008 to 15 July 2009.

BOARD OF JSC VENTSPILS NAFTA

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

The changes in the Board during the period from 1 January 2008 to 15 July 2009 were as follows:

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

The Management Board of *JSC Ventspils nafta* (the Company) is responsible for the preparation of *JSC Ventspils nafta* financial statements for each financial year.

Accompanying financial statements, presented on pages 9 through 39, are prepared based on accounting records and give a true and fair view of the state of affairs of the Company, the cash flows and the results of the Company for the reporting years 2008 and 2007.

The financial statements have been prepared in accordance with the Law of the Republic of Latvia On annual reports, based on going concern principle. Suitable accounting policies have been selected and applied consistently. Reasonable and prudent judgments and estimates have been used while preparing the financial statements.

The Management Board of *JSC Ventspils nafta* is responsible for accounting records and for safeguarding the Company's assets and preventing and detecting of fraud and other irregularities in the Company. It is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

Riga, 15 July 2009

On behalf of the Council:

Vladimirs Solomatins
Chairman of the Council

On behalf of the Board:

Olga Pētersone
Chairperson of the Board

MANAGEMENT REPORT

Dear shareholders, customers and cooperation partners,

Due to global and national economic turmoil, year 2008 presented numerous challenges and complicated issues for the management of public *JSC Ventspils nafta* meanwhile forcing for immediate assessment and reevaluation of the company's further development scenarios for timely response and maximum efficiency and effectiveness - resulting in sustainable and optimal future growth model. As a result of a comprehensive risk analysis, Supervisory Council for *JSC Ventspils nafta* approved the Group's development strategy in December 2008 focusing specialization on development on transit industry related assets as oppose to functions previously pursued by the holding in wider industry range that *JSC Ventspils nafta Group* implemented for several years as a result of active business industry risk diversification policy. By optimizing and reorganizing core business focus *JSC Ventspils nafta Group* as of beginning of 2009 following end of previous reporting period, the Group manages investments into the transit area – transportation, storage, transshipment of crude oil and petroleum products and international shipping business.

The decision to refocus all attention to development of the historical core business of *JSC Ventspils nafta* in transit industry was made in accordance with recommendations of local and international experts and advisers with the main intention to ensure adequate return on investments in the interests of all shareholders of *JSC Ventspils nafta* in the conditions of global economic turmoil. The selected strategy enables *JSC Ventspils nafta* to focus on one industry area, focusing on growth and improvement of its assets, especially taking into account several decades of experience and success in this industry, as well as the international know-how, which has been actively acquired particularly in the recent years along with involvement of the international shareholder – oil and gas transport and trade conglomerate Vitol Group.

By selling *JSC Ventspils nafta* assets in the areas not related to transit business, the Company's long-term assets were transformed into assets of high liquidity, whereas the shareholders of *JSC Ventspils nafta* have gained significant profit, as the *JSC Ventspils nafta*, as a parent company's profit after tax reached 40 million lats while the turnover remained at the previous year level of 4,6 million lats.

In line with the approved strategy, following the end of the reporting year as of beginning of 2009, *JSC Ventspils nafta* is developing and retaining its investments into the subsidiary of crude oil and petroleum products transshipment company *Ventspils nafta termināls Ltd* (51%), the subsidiary being owner and operator of crude oil and petroleum products pipeline *LatRosTrans Ltd* (66%) and the associated company *JSC Latvian Shipping Company* (49.94%). Whereas it has sold investments into the subsidiary real property management company *Nekustamie īpašumi VN Ltd* (100%) and the subsidiary real property management company *Rīgas līcis VN Ltd* (100%), as well as real estate properties in Riga, Briāna Street 3; Ventspils, Talsu Street 75d, Jūrmala, Dubultu prospect 51 and Lejastiezumi at Renda civil parish, Kuldīga district. *JSC Ventspils nafta* has also disposed of its shareholdings in the subsidiary printing company *JSC Preses nams* (95.4%) and the subsidiary publisher *Mediju nams Ltd* (95.63%) with profit from sale of 38,7 million lats.

The year 2008 can be characterized by sharp recession and downturn of financial as well as economic results worldwide, and it has considerably influenced the Baltic stock exchange market, which comprises also the NASDAQ OMX stock exchange in Riga, in whose official list the shares of *JSC Ventspils nafta* are officially quoted. In the reporting period, the price of *JSC Ventspils Nafta* shares in the Riga Stock Exchange ranged from LVL 0.68 to LVL 2.40 (average price – LVL 1.92). In the reporting year, in total 1'440 thousand shares were sold in 2'344 transactions, reaching the annual turnover of 2'767 thousand lats, which is 62,6% less than in 2007. Share market capitalization of *JSC Ventspils nafta* was 73.1 million lats as at 31 December 2008.

The average price of *JSC Ventspils nafta* shares in 2008 was 69 santims lower than in 2007 when it reached LVL 2.61. The average market capitalization of *JSC Ventspils nafta* shares has decreased from 272.6 million lats in 2007 to 200.8 million lats in 2008, i.e. by 71.8 million lats or by 26.3% corresponding to decline in the average share price. The decline in share price is a result of general trends in the global financial instruments markets, the macroeconomic situation and high inflation

MANAGEMENT REPORT (Cont'd)

level in the reporting period in Latvia. However, it has to be taken into account that the average turnover in transactions with *JSC Ventspils nafta* shares per day in 2008 was only 7.6 thousand lats or 0.004% of the average share market capitalization amount. Therefore the market value calculation by usage of insignificant amount of public share market transactions is not representative, as the liquidity level is too low.

In the reporting period, *JSC Ventspils nafta* proved its ability of working also in conditions of the global economic downturn that has notably affected several *JSC Ventspils nafta* subsidiaries working in international markets. At the same time, the economic processes in 2008 globally and in Latvia have confirmed that the conservative planning of *JSC Ventspils nafta* has been prudent and adequate by regularly assessing and planning potential influence of external factors on the operations and financial results of the Group.

The Company has also paid special attention to the management of financial instruments and financial risk ensuring risk averse and up-to-date platform for managing effect of global financial market turmoil effect on the Company.

The *JSC Ventspils nafta* subsidiary *Ventspils nafta termināls Ltd* ensured stable cargo volume level in the reporting year by transshipping in total more than 11.6 million tons of crude oil and petroleum products. Similar to previous years the major proportion of cargos is formed by diesel representing 8.7 million tons delivered by rail and via petroleum products pipeline, followed by 1.4 million tons of gasoline of various grades delivered by rail and 1.1 million tons of crude oil and petroleum product cargos delivered by sea. Events in the global economy, the unfavorable global oil market situation in the last months of the reporting year and the international competition in the transit area have had and after the end of the reporting year still have a significant impact on operating results of Ventspils nafta termināls Ltd, which were affected several months in the reporting period also by the repair works of the main petroleum products pipeline Polotsk-Ventspils in the territory of Belarus, which resulted in a reduced diesel fuel flow in the direction of Ventspils.

At the same time, *Ventspils nafta termināls Ltd* continued active implementation of modernization in 2008, by optimizing company's operational processes and procedures, increasing workforce efficiency and introducing higher requirements in terms of environment protection, thereby adapting to the new economic conditions and strengthening its positions in international market. The aim of modernization is to strengthen the positions of *Ventspils nafta termināls Ltd* as the major crude oil and petroleum products transshipment complex in the Baltic region, by developing its work by following similar principles as in other companies under the Vitol Group worldwide, such as EuroTank in Rotterdam and Amsterdam. For forming successful social dialogue and forming a good social partnership through collective agreement, *Ventspils nafta termināls Ltd* received the annual award Cooperation Partner 2008 from the Free Trade Union Confederation of Latvia in the nomination Private Enterprises.

The most remarkable contribution that *Ventspils nafta termināls Ltd* made into improvement of environment protection in the reporting year was launching the new, modern wastewater treatment plant that is unique in the Baltic region. The plant is fully compliant for treatment for any type of petroleum products and represents the typical operations of *Ventspils nafta termināls Ltd* that is characterized by variety of transshipped petroleum products – at the present moment, the terminal receives and transships more than 20 types of petroleum products. The company has invested about 1 million lats in the treatment plant.

According to the previous forecasts of *JSC Ventspils nafta*, in the reporting year, external circumstances still substantially affected another Group's company *LatRosTrans Ltd*, which is working in the sensitive transit area. Oil transportation in the direction of Lithuania via the pipeline owned by *LatRosTrans Ltd* is still not resumed due to the geopolitical situation, and technical reasons, such as repair works at the pipeline sections in the territory of Belarus and corresponding decrease in its capacity, influenced also transportation volumes of petroleum products in direction of Ventspils, as its total transshipment volume has reached 5 million tons in 2008.

MANAGEMENT REPORT (Cont'd)

According to the approved schedule, *LatRosTrans Ltd* continued renovation and repair works of the petroleum products pipeline in the reporting year. As before, *LatRosTrans Ltd* has actively worked on elimination of supernormative loss of petroleum products resulting from illegal activities by hiring a security company, regularly inspecting the pipeline, collaborating with the police, allocating considerable resources in recovery of the environment, as well as informing and trying to involve other state authorities in dealing with this issue.

During these financially and economically difficult times *LatRosTrans Ltd* has been continuously decreasing company's operating expenses for already several years, and decrease of 6.7% was achieved in the particular reporting year.

During 2009 the management will continue to peruse organization optimization and cost reduction for all Group companies with the ultimate goal to further increase profitability and ensure long term development sustainability thereby forming solid ground for growth and development in 2009 and following years.

During 2008 the associated company of *JSC Ventspils nafta* – *JSC Latvian Shipping Company* has been continuing to pursue its strategic goal – ensuring increase of the Group's value and retaining its position among the top ten medium range tanker owners in the world. According to the audited financial statements 2008, *JSC Latvian Shipping Company Group* worked with net profit of 58.7 million US dollars in the reporting year. In comparison with the result of analogue period in 2007, the last year's profit is 8.3 million US dollars or 12% lower, reflecting general unfavorable shipping market trends in the reporting period, especially in the end of it.

In the circumstances of global financial and economic turmoil, *JSC Ventspils nafta* is taking appropriate actions to reduce risks and ensure profit, by careful, focused and purposeful managing of assets owned by it as well as resourcefully planning to achieve goals set by shareholders.

The Management Board of JSC Ventspils nafta has proposed to transfer the net profit of 2008 to other reserves.

Riga, 15 July 2009

On behalf of the Council:

Vladimirs Solomatins
Chairman of the Council

On behalf of the Board:

Olga Pētersone
Chairperson of the Board

INCOME STATEMENT

	Notes	2008 LVL '000	2007 LVL '000
Net sales	3	4 581	4 653
Cost of sales	4	(1 481)	(2 573)
Gross profit		**3 100**	**2 080**
General and administrative expense	5, 10	(3 841)	(2 699)
Other operating income	6	8 029	593
Other operating expense	7	(1 412)	(628)
Result from operating activities		**5 876**	**(654)**
Income from securities forming non-current assets, net	8	32 829	26 694
Reversal of impairment of non-current financial assets	9	4 104	15 550
Financial income	11	2 911	2 604
Financial expense	12	(29)	(4 617)
Result before taxes		**45 691**	**39 577**
Corporate income tax	13	(5 630)	(103)
Other taxes	14	(15)	(25)
Net result		**40 046**	**39 449**

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

On behalf of the Council:

Vladimirs Solomatins
Chairman of the Council

On behalf of the Board:

Olga Pētersone
Chairperson of the Board

BALANCE SHEET

ASSETS

	Notes	31/12/2008 LVL'000	31/12/2007 LVL'000
NON-CURRENT ASSETS			
Property, plant and equipment			
Land and buildings	15	-	4 774
Equipment and machinery	15	-	1
Other property, plant and equipment	15	205	430
TOTAL		**205**	**5 205**
Investment properties	15	**-**	**608**
Investments			
Investments in subsidiaries	16	118 976	151 008
Investments in associates	17	34 993	34 993
Loan note	18	44 550	43 560
Receivables from related companies	18	41 557	-
TOTAL		**240 076**	**229 561**
TOTAL NON-CURRENT ASSETS		**240 281**	**235 374**
CURRENT ASSETS			
Inventories	19	**-**	**607**
Receivables			
Loans to related companies	18	547	977
Receivables from related companies	18	23 667	72
Other receivables	20	15	172
Other assets	21	158	286
TOTAL		**24 387**	**1 507**
Shares		**-**	**51**
Cash	22	**18 601**	**603**
TOTAL CURRENT ASSETS		**42 988**	**2 768**
TOTAL ASSETS		**283 269**	**238 142**

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

On behalf of the Council: On behalf of the Board:

Vladimirs Solomatins
Chairman of the Council

Olga Pētersone
Chairperson of the Board

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

	Notes	31/12/2008 LVL '000	31/12/2007 LVL '000
SHAREHOLDERS' EQUITY			
Share capital	23	104 479	104 479
Share premium		42 343	42 343
Other reserves		90 599	51 150
Current year unappropriated result		40 046	39 449
TOTAL SHAREHOLDERS' EQUITY		**277 467**	**237 421**
LIABILITIES			
Non-current liabilities			
Deferred corporate income tax	13	10	344
TOTAL		**10**	**344**
Current liabilities			
Trade payables	23	111	69
Payables to related companies		78	1
Taxes payable	24	5 356	105
Other liabilities	25	51	45
Accrued liabilities	26	196	157
TOTAL		**5 792**	**377**
TOTAL LIABILITIES		**5 802**	**721**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**283 269**	**238 142**

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

On behalf of the Council:

Vladimirs Solomatins
Chairman of the Council

On behalf of the Board:

Olga Pētersone
Chairperson of the Board

CASH FLOW STATEMENT

	2008 LVL '000	2007 LVL '000
Cash flows from/ (to) operating activities		
Result before taxes	45 691	39 577
Adjustments:		
Impairment reversal	(4 104)	(17 431)
Impairment of investments	-	1 881
Amortisation and depreciation	198	221
Interest income	(1 902)	(2 604)
Interest expense	29	-
Loss on disposal of tangible assets	(7 375)	5
Gain on sale of investments	(32 829)	(26 694)
Loss from fluctuations of currency exchange rates	(990)	4 596
Operating profit before changes in current assets and liabilities	***(1 282)***	***(449)***
Decrease in inventories	607	971
Decrease/ (increase) in trade receivables	(473)	3 314
Increase/ (decrease) in current liabilities	203	(47)
Net cash from/ (to) operating activities	***(945)***	***3 789***
Real estate tax paid	(15)	(26)
Corporate income tax paid	(751)	-
Cash flows before extraordinary items	***(1 711)***	***3 763***
Net cash from/ (to) operating activities	**(1 711)**	**3 763**
Cash flow from/ (to) investment activities		
Purchase of intangible and tangible assets	(12)	(10)
Gain on disposal of tangible assets	4 358	13
Reversal of impairment of investments	17 321	-
Investments in subsidiaries	(3 659)	(5 830)
Interest received	1 730	2 285
Net cash flow from/ (to) investment activities	**19 738**	**(3 542)**
Cash flow from/ (to) financing activities		
Interest payments	(29)	-
Net cash from/ (to) financing activities	**(29)**	**-**
Net increase in cash	**17 998**	**221**
Cash at the beginning of the year	**603**	**382**
Cash at the end of the year	**18 601**	**603**

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Other reserves	Current year's unappropriated result	**Total**
Balance as at 31 December 2006	**104 479**	**42 343**	**51 036**	**114**	**197 972**
Transfer of 2006 net result	-	-	114	(114)	-
Current year result	-	-	-	39 449	39 449
Balance as at 31 December 2007	**104 479**	**42 343**	**51 150**	**39 449**	**237 421**
Transfer of 2007 net result	-	-	39 449	(39 449)	-
Current year result	-	-	-	40 046	40 046
Balance as at 31 December 2008	**104 479**	**42 343**	**90 599**	**40 046**	**277 467**

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

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

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

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

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

- Transporting crude oil and oil products via pipelines (*LatRosTrans Ltd*),
- Storage and reloading of crude oil and oil products from/ to rail tank cars and vessels (*Ventspils nafta termināls Ltd*),
- Printing and publishing (*JSC Preses nams* and *Mediju nams Ltd*),
- Real estate management (*Rīgas līcis Ltd (until March 2009: Rīgas Līcis VN)*, *LASCO nekustamie īpašumi Ltd (until March 2009: Nekustamie īpašumi VN)* and its subsidiaries).

On 17 December 2008, the Company signed a share sales agreement with *LASCO Investment Ltd.*, the subsidiary of the Company's associate *JSC Latvijas kuģniecība* on the sale of the shares in the following subsidiaries: *JSC Preses nams, Rīgas līcis Ltd., LASCO nekustamie īpašumi Ltd.* and *Mediju nams Ltd.*.

Therefore, since 2009, the subsidiaries of *JSC Ventspils nafta* will continue operating in the area of oil and oil product transportation via pipelines, as well as in the areas of oil and oil product storage and reloading (see Note 16)

The following table summarizes ownership of the Company in subsidiaries:

Ownership, %	31/12/2008	31/12/2007	Registration number	Legal address
Subsidiaries				
LatRosTrans Ltd	66.00	66.00	40003190740	Balvu iela 7, LV-5043, Daugavpils, Latvija
Ventspils nafta termināls Ltd	51.00	51.00	41203019923	Talsu iela 75, LV-3602, Ventspils, Latvija
JSC Preses nams	-	95.39	40003000248	Balasta dambis 3, LV-1081, Rīga, Latvija
Mediju nams Ltd	-	94.23	40003610627	Cēsu iela 31/2, LV-1012, Rīga, Latvija
Rīgas līcis Ltd (until March 2009: Rīgas Līcis VN)	-	100.00	50003571641	Dubultu prospekts 51, LV-2015, Jūrmala, Latvija
LASCO nekustamie īpašumi Ltd (until March 2009: Nekustamie īpašumi VN Ltd)	-	100.00	50003612051	Elizabetes iela 1, LV-1807, Rīga, Latvija

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

The financial statements of the Company were authorized for issue in accordance with resolution of the Board of Directors on 7 July 2009. The Company's shareholders, in accordance with statutes, have the right to amend the financial statements after issue.

2. Significant accounting policies

Basis of preparation

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

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

The financial statements are prepared on a historical cost basis.

The financial statements cover the period 1 January 2008 through 31 December 2008.

Reporting currency and units of measurement

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

Changes in accounting policies

Accounting policies applied in the preparation of the accompanying financial statements are consistent with the prior year accounting policies, except as (if) indicated below.

Latvian Accounting Standard 9 *Investment Property* is mandatory for annual periods beginning on or after 1 January 2008. The introduction of this standard did not result in any material changes in the Company's accounting policies.

Foreign currency transactions

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

The major part of the Company's revenues from sale of oil and oil products and interest income is denominated in USD. Revenues from sale of long term assets are in Euro.

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

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

	31/12/2008	**31/12/2007**
USD	0.495000	0.484000
GBP	0.728000	0.963000
EUR	0.702804	0.702804

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

Significant accounting judgments, estimates and assumptions

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

2. Significant accounting policies (cont'd)

Property, plant and equipment

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

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

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

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

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

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

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

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

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

Investment properties

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

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

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

2. Significant accounting policies (cont'd)

Investments in subsidiaries and associates

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

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

Investments and other financial assets

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

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

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

<u>Loans and receivables</u>

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

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

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

Impairment of financial assets

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

<u>Assets carried at amortised cost</u>

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

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

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

2. Significant accounting policies (cont'd)

Inventories

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

Cash

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

Financial liabilities

Interest bearing loans and borrowings

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

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

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

Financial guarantee liabilities

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

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

Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

Financial liabilities

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

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

Accruals and deferrals

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

2. **Significant accounting policies** (cont'd)

Revenue

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

Sale of goods

Revenues from sale of goods mainly comprise revenue from sale of oil and oil products. Revenues are recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Similarly, revenue from sale of long term assets are recogised when all significant benefits and risks have been transferred in substance.

Rendering of services

Revenue is recognized in the period when the services are provided, by reference to the stage of completion.

Interest

Revenue is recognized as the interest accrues.

Dividends

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

Taxes

Current corporate income tax

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

In accordance with Latvian tax legislation current corporate income tax is applied at the rate of 15% on taxable income generated by the Company during the taxation period ending 31 December 2008.

Deferred income tax

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

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

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

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

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in income statement.

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

Related parties

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

Subsequent events

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

3. Net turnover

	2008	2007
Sale of crude oil and oil products	4 411	4 653
Management services	170	-
TOTAL:	**4 581**	**4 653**

Income from the sale of crude oil is derived in the European Union, while income from services – in Latvia.

4. Cost of sales

	2008	2007
Cost of crude oil and oil products sold	1 481	2 573
TOTAL:	**1 481**	**2 573**

The accompanied costs for management services provided mainly include renumeration for work, Statutory social insurance contributions and proffessional charges and legal costs . These costs are included in General and Administrative expenses (see Note 5).

5. General and administrative expense

	2008	2007
Remuneration for work (see also Note 10)	2 068	1 001
Professional charges and legal costs	447	403
Amortisation and depreciation	198	221
Lease of premises	188	172
Statutory social insurance contributions	163	116
Advertising and marketing	121	140
Vehicle maintenance expense	108	102
Acccruals for redundancy pay and similar expense	88	73
Bank charges	70	92
Insurance	70	59
Business trips	51	70
Representation expense	38	34
Audit fees	23	23
Communications	22	42
Conferences, seminars and training	16	13
Other expense	170	138
TOTAL:	**3 841**	**2 699**

6. Other operating income

	2008	2007
Gain on disposal of property, plant and equipment, net (see Note 15)	7 450	-
Lease of oil and oil products to *Ventspils nafta termināls Ltd* for ensuring technological processes (see Note 7)*	225	329
Assignment of property management rights	212	233
Other income	142	31
TOTAL:	**8 029**	**593**

* In 2006, the Company changed the settlement procedure for transactions with its subsidiary *Ventspils nafta termināls Ltd* concerning the use of technological reserves of oil and oil products and storage of oil and oil products. As a result, intra-company invoices were issued in 2008 and 2007. Decrease in 2008 is explained by the smaller amount of technological reserves exchanged.

7. Other operating expense

	2008	2007
Sponsorship *	912	18
Real estate development expense	275	275
Storage of oil and oil products (see also Note 6)	225	329
Other expense	-	6
TOTAL:	**1 412**	**628**

* According to the sponsorship agreement signed on 30 December 2008, an amount of LVL 900 thousand was donated to the *Latvian Olympic Committee* at the end of 2008.

8. Income from securities forming non-current assets, net

	2008	2007
Gain on sale of shares in subsidiaries	32 823	26 694
Income from increase in value of associate	6	-
TOTAL:	**32 829**	**26 694**

See also Note 16.

9. Reversal of impairment of non-current financial assets

	2008	2007
Gain on reversal of impairment of subsidiary	4 019	15 605
Gain on reversal of impairment of associate/ (loss) on impairment of associate	85	(55)
TOTAL:	**4 104**	**15 550**

See also Note 16.

10. Personnel expense

	2008	2007
Average number of employees	34	35
TOTAL:	**34**	**35**

Remuneration for work and statutory social insurance contributions

	2008	2007
Remuneration for work	354	346
Statutory social insurance contributions	102	70
Management and Board Members		
Remuneration for work	860	347
Statutory social insurance contributions	29	20
Council Members		
Remuneration for work	925	368
Statutory social insurance contributions	49	39
TOTAL:	**2 319**	**1 190**

The total personnel expense is included in the income statement as follows:

	2008	2007
General and administrative expense	2 319	1 190
TOTAL:	**2 319**	**1 190**

11. Financial income

	2008	2007
Loan interest payments	1 889	2 528
Currency exchange gain, net	1 002	-
Interest accrued on bank account balances	13	76
Proceeds from purchase/ sale of foreign currency, net	7	-
TOTAL:	**2 911**	**2 604**

12. Financial expense

	2008	2007
Interest expense	29	-
Currency exchange loss, net	-	4 596
Loss on purchase/ sale of foreign currency, net	-	21
TOTAL:	**29**	**4 617**

13. Corporate income tax

	2008	2007
Current corporate income tax		
Current corporate income tax charge for the reporting year	(5 964)	(97)
Deferred corporate income tax		
Deferred corporate income tax due to changes in temporary differences	334	(6)
TOTAL:	**(5 630)**	**(103)**

Deferred corporate income tax:

	Balance sheet		Income statement	
Deferred corporate income tax liability	31/12/2008	31/12/2007	2008	2007
Accelerated depreciation for tax purposes	(24)	(353)	329	(15)
Gross deferred tax liability	(24)	(353)	329	(15)
Deferred corporate income tax asset				
Provisions established	14	9	5	9
Gross deferred income tax asset	14	9	5	9
Net deferred income tax liability	**(10)**	**(344)**	**334**	**(6)**

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

	2008	2007
Profit before tax	45 691	39 577
Real estate tax	(15)	(25)
Profit before corporate income tax	***45 676***	***39 552***
Corporate income tax at 15%	*6 852*	*5 933*
Reversal of impairment	(622)	(5 157)
Permanent differences, net	165	22
Utilisation of tax loss carried forward	-	(45)
Intra-group tax loss transfer	-	(918)
Impairment of investments	-	282
Sponsorship	(765)	(14)
Corporate income tax charged to the income statement:	**5 630**	**103**

14. Other taxes comprise real estate tax fo the reporting year in the amount of LVL 15 thousand (2007: LVL 25 thousand).

15. Property, plant and equipment and investment properties

		Investment properties*	Land and buildings**	Equipment and machinery	Other property, plant and equipment ***	Construction in progress	**TOTAL**
Cost value as at 31/12/2006		661	5 656	239	1 936	-	8 492
	Additions	-	-	-	-	10	10
2007	Disposals	-	-	(55)	(25)	-	(80)
	Transfers	-	-	-	10	(10)	-
Cost value as at 31/12/2007		661	5 656	184	1 921	-	8 422
Accumulated depreciation as at 31/12/2006		46	764	211	1 429	-	2 450
2007	Depreciation	7	118	9	87	-	221
	Depreciation of disposals	-	-	(37)	(25)	-	(62)
Accumulated depreciation as at 31/12/2007		53	882	183	1 491	-	2 609
Net book value as at 31/12/2006		**615**	**4 892**	**28**	**507**	**-**	**6 042**
Net book value as at 31/12/2007		**608**	**4 774**	**1**	**430**	**-**	**5 813**
Cost value as at 31/12/2007		661	5 656	184	1 921	-	8 422
	Additions	-	-	-	-	12	12
2008	Disposals	(661)	(5 656)	(150)	(1 059)	-	(7 526)
	Transfers	-	-	-	12	(12)	-
Cost value as at 31/12/2008		-	-	34	874	-	908
Accumulated depreciation as at 31/12/2007		53	882	183	1 491	-	2 609
2008	Depreciation	4	117	1	76	-	198
	Depreciation of disposals	(57)	(999)	(150)	(898)	-	(2 104)
Accumulated depreciation as at 31/12/2008		-	-	34	669	-	703
Net book value as at 31/12/2007		**608**	**4 774**	**1**	**430**	**-**	**5 813**
Net book value as at 31/12/2008		**-**	**-**	**-**	**205**	**-**	**205**

* In 2008, the Company sold its real estate (a building and the related land plot) located at Palasta iela 10, Riga, for the total amount of LVL 2 249 thousand. Before the sale, the aforementioned real had been hold to receive revenue from the lease of premise.

** At the end of the year, the Company's real estate properties located at Aristida Briāna iela 3, Riga (a representation building and the related land plot), Talsu iela 75D, Ventspils (a building of sports centre), *Lejastiezumi*, Rendas pag., Kuldīga district (a conference and leisure complex and the related land plot), and Dubultu prospekts 51, Jūrmala (buildings on a state owned land plot). The total income from the sale of the aforesaid properties amounted to LVL 10 548 thousand.

*** In December 2008, the Company's property, plant and equipment related to the sold real estate properties were sold for the amount of LVL 162 thousand.

As at 31 December 2008 and 2007, the cadastral value of the Company's builduings and land was as follows:

	31/12/2008	31/12/2007
Buildings	-	1 430
Land	-	234
TOTAL:	**-**	**1 664**

The total depreciation charge is included in General and administrative expense caption. See also Note 5.

16. Investments in subsidiaries

The following table summarises the Company's investments in subsidiaries as at 31 December 2007 and 2008, as well as the key performance indices, core business activities and registered offices of the subsidiaries:

	31/12/2008	31/12/2007	31/12/2008	31/12/2007	31/12/2008	31/12/2007	2008	2007		
	Shareholding, %		Investment, LVL 000's		Equity of subsidiary		Profit/(loss) of subsidiary		Business activity	Legal address
LatRosTrans Ltd.	66.00	66.00	79 494	79 494	101 002	108 776	(7 774)	(6 626)	Crude oil and oil product transportation by pipeline	Balvu iela 7, LV-5043, Daugavpils, Latvia
Ventspils nafta terminãls Ltd.	51.00	51.00	39 482	39 482	79 848	78 724	1 124	34 840	Crude oil and oil product reloading and storage	Talsu iela 75, LV-3602, Ventspils, Latvia
JSC Preses nams	-	95.39	-	16 927	-	13 276	(7 551)	(3 228)	Printing	Balasta dambis 3, LV-1081, Riga, Latvia
Mediju nams Ltd.	-	94.23	-	1 400	-	57	(1 857)	(1 362)	Publishing	Cēsu iela 31/2, LV-1012, Riga, Latvia
Rīgas līcis Ltd. *(until March 2009 Rīgas līcis VN Ltd.)*	-	100.00	-	2 590	-	1 730	(148)	(143)	Real estate management	Dubultu prospekts 51, LV-2015, Jūrmala, Latvia
LASCO nekustamie īpašumi Ltd. *(until March 2009 Nekustamie īpašumi VN Ltd)*	-	100.00	-	11 115	-	9 269	(239)	(366)	Real estate management	Elizabetes iela 1, Rīga, Latvia, LV-1807
		TOTAL:	**118 976**	**151 008**						

On 17 December 2008, the Company signed a share sales agreement with *LASCO Investment Ltd,* the subsidiary *of JSC Latvijas kuģniecība,* on the sale of the shares in *JSC Preses Nams* (and its subsidiary), *Rīgas līcis Ltd, LASCO nekustamie īpašumi Ltd* (and its subsidiaries), and *Mediju Nams Ltd* (and its subsidiaries). The total sales amount was LVL 72 447. As a result of the aforesaid transaction, *JSC Ventspils nafta* has gained a profit of LVL 36 842 (including the reversal of impairment of non-current assets of LVL 4 018 thousand). In 2008, the Company received a consideration for the above sales transaction in the amount of LVL 17 145, and the remaining sales amount is receivable in 2009 and 2010.

See also Notes 8, 9, and 18.

16. Investments in subsidiaries (cont'd)

The investments in the subsidiaries can be specified as follows:

	Subsidiaries						
	LatRos Trans Ltd	*Ventspils nafta termināls Ltd*	*JSC Preses nams*	*Mediju nams Ltd*	*Rīgas līcis Ltd*	*Lasco nekustamie īpašumi Ltd*	**TOTAL:**
Net carrying amount as at 31/12/2006	**79 494**	**43 237**	**13 952**	**1 826**	**2 590**	**9 715**	**150 814**
Acquisition cost as at 31/12/2006	80 250	77 830	13 952	4 019	2 590	9 715	**188 356**
Additions/ (disposals) in 2007	-	(38 137)	2 975	1 400	-	1 400	**(32 362)**
Acquisition cost as at 31/12/2007	80 250	39 693	16 927	5 419	2 590	11 115	**155 994**
Accumulated impairment as at 31/12/2006	(756)	(34 593)	-	(2 193)	-	-	**(37 542)**
Reversal of impariment as a result of disposals	-	16 951	-	-	-	-	**16 951**
Reversal of impairment/(impariment) in 2007	-	17 431	-	(1 826)	-	-	**15 605**
Accumulated impairment as at 31/12/2007	(756)	(211)	-	(4 019)	-	-	**(4 986)**
Net carrying amount as at 31/12/2006	**79 494**	**43 237**	**13 952**	**1 826**	**2 590**	**9 715**	**150 814**
Net carrying amount as at 31/12/2007	**79 494**	**39 482**	**16 927**	**1 400**	**2 590**	**11 115**	**151 008**
Acquisition cost as at 31/12/2007	80 250	39 693	16 927	5 419	2 590	11 115	**155 994**
Additions in 2008	-	-	1 724	1 850	-	-	**3 574**
(Disposals) in 2008	-	-	(18 651)	(7 269)	(2 590)	(11 115)	**(39 625)**
Acquisition cost as at 31/12/2008	80 250	39 693	-	-	-	-	**119 943**
Accumulated impairment as at 31/12/2007	(756)	(211)	-	(4 019)	-	-	**(4 986)**
Reversal of impariment as a result of disposals	-	-	-	4 019	-	-	**4 019**
Reversal of impairment/(impariment) in 2008	-	-	-	-	-	-	**-**
Accumulated impairment as at 31/12/2008	(756)	(211)	-	-	-	-	**(967)**
Net carrying amount as at 31/12/2007	**79 494**	**39 482**	**16 927**	**1 400**	**2 590**	**11 115**	**151 008**
Net carrying amount as at 31/12/2008	**79 494**	**39 482**	**-**	**-**	**-**	**-**	**118 976**

Information on changes during the reporting year

In 2008, the Company made the remaining contribution of LVL 1 724 thousand to the share capital of its subsidiary *JSC Preses nams* completing the increase of the subsidiary's share capital commenced in 2007.

In 2008, the share capital of *Mediju names Ltd* was increased by the contribution of LVL 1 850 thousand made by *JSC Ventspils nafta*. As a result, *JSC Ventspils nafta* owns 95.63% of the shares in *Mediju names LTD*.

As disclosed above, on 17 December 2008, *JSC Ventspils nafta* signed a share sales agreement with *LASCO Investment Ltd,* the subsidiary of *JSC Latvijas kuģniecība*, on the sale of 95.39% of the shares in *JSC Preses nams*, 100% of the shares in *Rīgas līcis Ltd* (formerly *Rīgas līcis VN Ltd*) 100, 100% of the shares in *LASCO nekustamie īpašumi Ltd* (formerly *Nekustamie īpašumi VN Ltd), and* 95.63% of the shares in *Mediju nams Ltd*.

Information on the recoverable amount of the non-current investments in subsidiaries

The Company's non-current investments in the subsidiaries are tested for impairment on an annual basis. The total net carrying value of the Company's non-current investments in its subsidiaries tested for impairment is LVL 118 976 thousand (31 December 2007: LVL 151 008 thousand). In 2008 and 2007, based on the cash flow projections, no additional impairment loss on non-current assets was recognized.

16. Investments in subsidiaries (cont'd)

Information on the recoverable amount of the non-current investments in subsidiaries *(cont'd)*

LatRosTrans Ltd[I had some comments on this section in the consolidated accounts. So anything we change or add there will be reflected here, I'm sure]

As at 31 December 2008, the net carrying amount of the Company's investment in *LatRosTrans Ltd* (66% shareholding) was LVL 79 million, and the value of 66% of *LatRosTrans Ltd* shares estimated in the result of the impairment test totaled LVL 81 million.

The impairment test of the Company's 66% shareholding in *LatRosTrans Ltd* as at 31 December 2008 has been performed by assuming that the Company will continue as a going concern for the following 20 plus 20 years. The cash flow analysis has been carried out by projecting revenues, expenses, and capital investments and considering the net estimates of the free assets and liabilities.

In making the investment's impairment assessment, as at 31 December 2008 *LatRosTrans Ltd* business including the non-current assets are considered as two separate cash generating units (CGU), for which cash inflows are largely independent. Cash generating unit A represents land use rights and property, plant and equipment related to oil product pipeline Polotsk – Ventspils. Cash generating unit B represents land use rights and property, plant and equipment related to oil pipeline Polotsk – Ventspils and oil pipeline Polotsk - Mažeikiai.

Cash generating unit A

The recoverable amount of CGU A is determined based on the value in use calculation using discounted cash flow projections approved by the management and covering a twenty-year period plus the following 20 years considering the required investments. Two cash flows are considered - from the main operations and supplementary cash flow from the alternative use on the non-current assets.

The following describes the major key assumption on which the management of *LatRosTrans Ltd* has based its cash flow projections in relation to the cash flow from the main operations:

- Oil product flow in 2009 to 2011 is planned in the amount of 6 000 thousand tons, further increasing to 6 500 thousand tons in 2012 and 2013, and to 7 000 thousand tons in from 2014 onwards;
- The weighted average cost of capital rate applied to the cash flow projections is 16% in 2009 to 2011, and 11% from 2012 onwards;
- The growth rate used to extrapolate future revenue due to the increased reloading tariffs equals inflation rate;
- The inflation rate used is 0% for 2009 and 2010, and 2.5% from 2011 onwards;
- The projected investments in 2028 total LVL 20 556 thousand.

Cash flow projections in relation to cash flow from the alternative use of specific non-current assets are based on the assumptions and calculations defined by the strategic committee of *LatRosTrans Ltd*. The specific cash flows are dependent upon future actions of *LatRosTrans Ltd* and external unrelated parties.

The following describes major key assumption on which the management of *LatRosTrans Ltd* has based its cash flow projections in relation to alternative use cash flows:

- Cash flow projections cover twenty-year period plus the following 20 years;
- The weighted average cost of capital rate applied to the cash flow projections is 16% in 2010 to 2011, and 11% from 2012 onwards;
- The growth rate used to extrapolate future revenue due to the increased tariffs equals inflation rate;
- The inflation rate used is 0% for 2010, and 2.5% from 2011 onwards;
- The projected investments in 2028 total LVL 14 003 thousand.

16. Investments in subsidiaries (cont'd)

Information on the recoverable amount of the non-current investments in subsidiaries *(cont'd)*

LatRosTrans Ltd (cont'd)

Cash generating unit B

LatRosTrans Ltd has decided to sell part of CGU B assets - technological oil and therefore the recoverable amount of CGU B is determined based on the fair value less cost to sell calculation. Total fair value less cost to sell defined for CGU B amounts to approximately LVL 34 318 thousand.

The following describes major key assumption on which the management of *LatRosTrans Ltd* has estimated the fair value less cost to sell:

- As at 31 December 2008, the asset held for sale was accounted as a contingent asset;
- Since the asset to be sold is accounted as a contingent asset, there is a remote possibility that the fact of sale might trigger future legal claims from third parties.

If alternative cash inflows are not identified in respect of CGU B after the sale considered above, then major part of CGU B might be impaired after the sale.

Sensitivity to changes in key assumptions

For *LatRosTrans Ltd* there are reasonably possible changes in key assumptions, which could cause the carrying value of the unit to exceed its recoverable amount, as discussed below.

Cash generating unit A

Discounted cash flows from the main operations are the most sensitive to increase in oil product flow, expected cost savings and weighted average cost of capital rate applied. Discounted cash flows from the alternative use of specific non-current assets are the most sensitive to volumes of expected alternative use services and weighted average cost of capital rate applied.

Should oil product flow volumes and / or cost savings and / or alternative services volumes be less as expected or average weighted cost of capital be higher as expected, significant impairment loss on CGU A will result.

Both - discounted cash flows from the main operations and discounted cash flows from the alternative use of specific non-current assets - are also sensitive to level of future capital investments. Should required capital investments be higher as expected, significant impairment loss on CGU A will result.

Cash generating unit B

As indicated above, estimated recoverable amount, defined as fair value less cost to sell, approximates to net carrying value of non-current assets considered as CGU B. Should the cost to sell be considerably higher as used in the estimate, impairment loss on CGU B will result. Besides, as indicated before, if alternative cash inflows are not identified in respect of CGU B after the sale considered above, then major part of CGU B might be impaired after the sale.

16. Investments in subsidiaries (cont'd)

Information on the operations of the subsidiaries

Ventspils nafta termināls Ltd

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

In 2008, *Ventspils nafta termināls Ltd* ensured a stable reloading level, by reloading 11.6 million tons of oil and oil products, which was by 1.7 tons less than in 2007. Traditionally, the major share of the transported cargos represents gas oil delivered by railway and via the oil product pipeline in the amount of 8.7 million tons, gasoline of various grades transported by rail – 1.4 million tons, and crude oil and oil products delivered by sea – 1.1 million tons. The above decrease was due to the significant fall in gas oil supplies via the pipelines (see also information on *LatRosTrans Ltd*).

Notwithstanding the decrease in the volumes reloaded by *Ventspils nafta termināls Ltd* from 2007, the company's net turnover in 2008 slightly increased and totaled LVL 51.5 million, while the net profit for the reporting period amounted to LVL 1.12 million.

In 2008, *Ventspils nafta termināls Ltd* proceeded with measures to strengthen its competitiveness and divide business risks, along with performing activities aimed to improve the quality of services and cost optimization.

LatRosTrans Ltd

The sales of *LatRosTrans Ltd* in 2008 amounted to LVL 7 223 thousand, and oil product transportation for the year reached 5 million tons which is by 1.5 million less if compared to the year 2007. The fall of oil product transportation was caused by the decrease in transportation capacity due to the poor technical condition of the pipelines and the repairs carried out in the territory of Belarus. *LatRosTrans Ltd* closed the year 2008 with a net loss of LVL 7 775 thousand.

LatRosTrans Ltd is also planning to gain profit mainly from the oil product transportation. Bases on the signed service agreement with Ventspils Tank Services SA, the company intends to reach the transported oil product volumes of 6 million tons. The Company has commenced the reorganization process by considerably reducing its costs, as well as by looking for alternative use of the oil pipeline and additional income sources in order to considerably improve its financials in the foreseeable future

JSC Preses nams (the subsidiary of JSC *Ventspils nafta* until December 2008)

During the reporting year *JSC Preses nams* continued the efforts started in previous years and aimed at organizational and functional restructuring of the company. According to the amendments to the Strategic Development Guidelines prepared and approved by the Board and the Council at the end of 2007, the new book production plant in Riga region, Ropaži district, Silakrogs, Jāņsili, was completed during the reporting year. The new book production plant commenced operations in August 2008 enabling to considerably increase book production capacity both in hard and soft binding segments, improve the production quality, and reduce costs.

JSC Preses nams closed the year 2008 with a considerable loss of LVL 7.55 million. The main factors affecting the operations of *JSC Preses nams* comprise the deviations from the time schedule set for the initially stated objectives caused by external factors, the increase of competition on the Baltic printing market, the adverse economic development trends, the increase of inflation and costs in the country, as well as the additionally established provisions for doubtful receivables and impairment of non-current assets.

Mediju names Ltd (the subsidiary of JSC *Ventspils nafta* until December 2008)

Mediju nams Ltd continued its operations, strengthening its position on the printed media market in the situation when the market segment of daily newspapers continued to demonstrate an explicit trend towards stagnation. In 2008, the subscription to newspapers continued to decrease along with the decrease in the number of daily newspapers bought through retail outlets, which was a result of the general exonomic situation in the country and the increasing Internet use. During the reporting period, the number of readers of daily newspapers in the Latvian language dropped by 220 thousand which produced a negative impact on attraction of advertisers for this kind of newspapers. During 2008, the daily newspaper advertising market decreased in terms of turnover by 18.1%). Due to the unfavourable market development, *Mediju nams Ltd* closed the year 2008 with a loss of LVL 1.89 million

In 2008, the company optimized its product line. Following the demand tendencies observed on the media market, the company has also developed an interactive Internet portal combining all its products. In June 2008, the company acquired 51% of the shares in *F/64.Photo Agency Ltd,* which together with another subsidiary *4.vara Ltd* have been included in the *Mediju nams* Ltd Group.

16. Investments in subsidiaries (cont'd)

*Rīgas līcis Ltd (*formerly *Rīgas Līcis VN Ltd,* the subsidiary of JSC *Ventspils nafta* until December 2008)

In 2008, the operations of the subsidiary *Rīgas līcis VN Ltd* were accompanying real estate management and maintenance. There were no revenues gained from operating activities in 2008 because the construction and development of the real estate is discontinued. Currently, the real estate property is in the construction conservation stage and actual expenses arise from the management and maintenance of the real estate property as well as the operations of the management. *Rīgas līcis VN Ltd* closed the reporting year with loss of LVL 148 thousand.

LASCO nekustamie īpašumi Ltd (formerly *Nekustamie īpašumi VN Ltd,* the subsidiary of JSC *Ventspils nafta* until December 2008)

In 2008, *LASCO nekustamie īpašumi Ltd* continued performing the functions of a real estate holding company comprising operations of holding companies, provision of consulting, legal and management services to the Group and other related companies. The above functions include but are not limited to market research, strategy formulation, and performance of various calculations and research for the whole Group and separate Group companies, with the purpose of facilitating their sustainable development. Moreover, *LASCO nekustamie īpašumi Ltd* provides an additional consolidation level offering information on total results of the respective type of operations.

LASCO nekustamie īpašumi Ltd closed the reporting year with a net loss of LVL 321 thousand.

17. Investments in associates

The following table presents the investments in the associates:

	31/12/2008	31/12/2007	Legal address
	Shareholding, %		
JSC Latvijas kuģniecība	49.94	49.94	Elizabetes iela 1, LV-1807, Riga, Latvia
Mediji un poligrāfija Ltd under liquidation	32.70	32.70	Balasta dambis 3, LV-1081, Riga, Latvia
Futbola klubs Ventspils Ltd	-	42.50	Dzintaru iela 20a, LV-3602, Ventspils, Latvia

The investments in the associates can be specified as follows:

	Associates				
	JSC Latvijas	*Mediji un poligrāfija Ltd under liquidation*	*Ventshoes Ltd under liquidation*	*Futbola klubs Ventspils Ltd*	**TOTAL:**
Acquisition cost as at 31/12/2006	34 945	66	96	30	**35 137**
Additions in 2007	-	-	-	55	**55**
Acquisition cost as at 31/12/2007	34 945	66	96	85	**35 192**
Accumulated impairment as at 31/12/2006	-	(18)	(96)	(30)	**(144)**
Impairment in 2007	-	-	-	(55)	**(55)**
Accumulated impairment as at 31/12/2007	-	(18)	(96)	(85)	**(199)**
Net carrying amount as at 31/12/2006	**34 945**	**48**	**-**	**-**	**34 993**
Net carrying amount as at 31/12/2007	**34 945**	**48**	**-**	**-**	**34 993**
Acquisition cost as at 31/12/2007	34 945	66	-	85	**35 096**
Impairment in 2008	-	-	-	85	**85**
Increase in value of 2008	-	-	-	6	**6**
(Disposals) in 2008	-	-	-	(176)	**(176)**
Acquisition cost as at 31/12/2008	34 945	66	-	-	**35 011**
Accumulated impairment as at 31/12/2007	-	(18)	-	(85)	**(103)**
Impairment in 2008	-	-	-	85	**85**
Accumulated impairment as at 31/12/2008	-	(18)	-	-	**(18)**
Net carrying amount as at 31/12/2007	**34 945**	**48**	**-**	**-**	**34 993**
Net carrying amount as at 31/12/2008	**34 945**	**48**	**-**	**-**	**34 993**

17. Investments in associates (cont'd)

In April 2008, the liquidation process of *Mediji un poligrāfija Ltd* was commenced. The liquidation process will be completed in 2009.

In April 2008, the share capital of *Futbola klubs Ventspils Ltd* was increased by contribution of LVL 85 thousand made by JSC *Ventspils nafta*. As a result, the shareholding of JSC *Ventspils nafta* in *Futbola klubs Ventspils Ltd* was maintained at the level of 42.5%. In December 2008, 42.5% of the shares of *Futbola klubs Ventspils Ltd* owned by *JSC Ventspils nafta* were invested in the newly established subsidiary *Ventspils futbola sabiedrība Ltd* as a contribution in kind totaling LVL 176 thousand. In December 2008, *JSC Ventspils nafta* signed a sales agreement with *Ventspils nafta termināls Ltd* on the sale of 100% of the shares in *Ventspils futbola sabiedrība Ltd* for the total amount of LVL 176 thousand.

Information on the operations of associate

JSC Latvijas Kuģniecība

In order to ensure successful performance of *JSC Latvijas kuģniecība* (LASCO) in the future, LASCO Strategic Plan till 2015 was developed and approved in 2007. The LASCO Strategic Plan contains the analysis of all the fleet segments and formulates their further development strategy.

The LASCO Group's net profit for the year 2008 was USD 58 600 thousand (LVL 28 100 thousand). The LASCO Group's net profit for the year 2007 was USD 67 000 thousand (LVL 34 400 thousand). The LASCO Group's equity as at 31 December 2008 was USD 542 084 thousand (2007: USD 487 590 thousand).

As at the end of 2008, the fleet under LASCO commercial management consisted of 37 vessels - 34 tankers, including 3 tankers time chartered from other shipowners, 2 LPG carriers, and 1 Ro-Ro/general type vessel.

In 2008, LASCO Tanker Fleet Renewal Programme was completed. In the framework of the programme, 10 tanker newbuildings have been ordered from *3. Maj* shipyard in Croatia and 4 tanker newbuildings from *Hyundai Mipo Dockyard* in Korea. During 2008, LASCO took the delivery of the last three of 10 newbuildings ordered from *3. Maj* shipyard. In addition to the fleet renewal program project mentioned above, there are four medium range 52 000 DWT tankers being built at *Hyundai Mipo Dockyard Co., Ltd* in Korea in accordance with the tanker fleet development scenario foreseen in the LASCO Strategic Plan for the period till year 2015.

18. Loans to related companies and receivables from related companies

Non-current loans:	31/12/2008	31/12/2007
Receivable from *Euromin Holdings (Cyprus) Limited* for *Ventspils nafta termināls Ltd* shares	44 550	43 560
TOTAL non-current loans:	**44 550**	**43 560**

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

Current loans:	Maturity	Interest rate	31/12/2008	31/12/2007
Receivable from *Ventspils nafta termināls Ltd* for borrowed crude oil	28/02/2008	USD 2 000 monthly	-	542
Loan to *Rīgas līcis Ltd*	On demand	6%	435	435
Loan to *Rīgas līcis Ltd*	On demand	7%	112	-
TOTAL current loans:			**547**	**977**

18. Loans to related companies and receivables from related companies (cont'd)

On 17 June 2004, the Company lent to subsidiary *Ventspils nafta termināls Ltd* 25 thousand tons of crude oil which were later sold. As at 31 December 2007, the receivable from *Ventspils nafta termināls Ltd* was recorded in the amount of USD 1 019 thousand based on the oil price of USD 169.84 per ton. The borrowing bears monthly interest of USD 2 000. In 2008, *Ventspils nafta termināls Ltd* fully settled the above liabilities.

Receivables from related companies:	Maturity	Interest rate	31/12/2008	31/12/2007
Non-current:				
Receivable from *LASCO Investment Ltd* for sold assets	15/04/2010	3M EUR Libor+2.75%	41 557	-
TOTAL non-current receivables from related companies:			**41 557**	**-**
Receivable from *LASCO Investment Ltd* for sold assets			21 065	-
Receivable from *JSC Latvijas kuģniecība* for sold assets			1 311	-
Receivable from *Ventspils nafta termināls Ltd* for sold oil products			1 203	-
Receivable from *Rīgas līcis Ltd* in relation to loan interest payments			88	58
Receivable from *Mediju names Ltd* in relation to loan interest payments			-	11
Receivable from *LASCO Housing Service Ltd* in relation to development fee			-	3
TOTAL current receivables from related companies:			**23 667**	**72**

LASCO Investment Ltd

On 17 December 2008, the Company signed a share sales agreement with *LASCO Investment Ltd,* the subsidiary *of JSC Latvijas kuģniecība,* on the sale of the shares in the following subsidiaries of *JSC Ventspils Nafta: JSC Preses Nams, Mediju Nams Ltd*, *LASCO nekustamie īpašumi Ltd* (*until March 2009 - Nekustamie īpašumi VN Ltd), Rīgas Līcis Ltd (until March 2009 - Rīgas Līcis VN Ltd),* as well as on the sale of its the real estate located at Aristida Briāna iela 3, Riga, Talsu iela 75D, Ventspils, and Lejastiezumi, Rendas pag., Kuldīga district, and its movable property. The total transaction amount is LVL 81 550 thousand.

According to the above mentioned agreement, the Company received the first payment of LVL 18 927 thousand at the end of December 2008. In February 2009, the Company received the second payment from *LASCO Investment Ltd* for the shares and property, plant and equipment sold in the amount of LVL 21 065 thousand.

LASCO Investment Ltd shall make the final payment of LVL 41 557 during 2010.

For the outstanding second and third payments the buyer pays interest to the seller on the actually outstanding amount at the annual rate of EUR 3-month LIBOR plus 2.75%.

JSC Latvijas kuģniecība

On 17 December 2008, the Company signed a sales agreement with *JSC Latvijas kuģniecība* on the sale of the real property located at Dubultu prospekts 51, Jūrmala, for the amount of LVL 1 637 thousand. According to the agreement, the Company received the first payment of LVL 327 thousand at the end of December 2008.

In February 2009, the Company received the final payment of LVL 1 311 thousand.

19. Inventories

	31/12/2008	31/12/2007
Oil and oil products	-	607
TOTAL:	**-**	**607**

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

20. Other receivables

	31/12/2008	31/12/2007
Statutory social insurance contributions receivable	10	-
Advances for services to be provided	5	5
Value added tax receivable (see Note 24)	-	167
TOTAL:	**15**	**172**

21. Other assets

	31/12/2008	31/12/2007
Accrued interest	141	252
Prepaid expense – insurance	9	6
Other prepaid expense	8	28
TOTAL:	**158**	**286**

22. Cash

	31/12/2008	31/12/2007
Current bank accounts	18 601	603
TOTAL:	**18 601**	**603**

The Company has signed an agreement with AS Swedbank on an automated overnight deposit whereby the Company authorises the bank to transfer the cash balance in the Company's LVL, USD and EUR accounts at the end of the day to the overnight deposit which earns interest. Interest rate is determined by the Bank for each cash placement individually. The agreement has been signed for an indefinite period of time.

23. Share capital, reserves and profit per share

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

	Registered shares	Bearer shares	**Total**
31 December 2007	43 881 398	60 598 121	**104 479 519**
31 December 2008	43 881 398	60 598 121	**104 479 519**

All shares are authorized, issued and fully paid.

The nominal value of each share is LVL 1.

Earnings per share of LVL 0.38 (2007: LVL 0.38) are calculated by dividing the net profit for the year of LVL 40 046 thousand (2007: LVL 39 449 thousand) by the weighted average number of shares in issue of 104 479 thousand (2007: 104 479 thousand) during the year.

24. Taxes receivable/ (payable)

	31/12/2008	(Calculated)	Paid	(Refunded)/ transferred	31/12/2007
Statutory social insurance contributions	10	(216)	121	110	(5)
Personal income tax	(23)	(521)	346	171	(19)
Corporate income tax	(5 296)	(5 966)	751	-	(81)
Value added tax	(37)	70	7	(281)	167
Real estate tax	-	(15)	15	-	-
TOTAL:	**(5 346)**	**6 648**	**1 240**	**-**	**62**
TOTAL PAYABLE:	**(5 356)**				**(105)**
TOTAL RECEIVABLE:	**10**				**167**

25. Other liabilities

	31/12/2008	31/12/2007
Remuneration for work	48	44
Other liabilities	3	1
TOTAL:	**51**	**45**

26. Accrued liabilities

	31/12/2008	31/12/2007
Vacation pay reserve	94	65
Accrued personnel expense	88	74
Other accrued liabilities	14	18
TOTAL:	**196**	**157**

27. Related party disclosures

Related party		Sales to related parties	Purchases from related parties	Receivables at year-end	Payables at year-end
Ventspils nafta termināls Ltd	2008	227	508	1 203	8
	2007	370	330	542	-
Euromin Holdings' (Cyprus)Ltd	2008	1 816	-	44 550	-
	2007	50 080	-	43 560	-
Vitol S.A Ltd	2008	2 853	-	-	-
LASCO Housing Office Ltd	2008	212	398	-	70
	2007	233	370	3	1
Rīgas līcis VN Ltd	2008	31	-	635	-
	2007	28	-	493	-
Mediju names Ltd	2008	42	3	-	-
	2007	20	5	11	-
LASCO Investment Ltd	2008	81 550	-	62 622	-
	2007	-	-	-	-
JSC Latvijas Kuģniecība	2008	1 808	-	1 311	-
	2007	-	-	-	-
TOTAL:	**2008**	**88 539**	**909**	**110 321**	**78**
TOTAL:	**2007**	**50 731**	**705**	**44 609**	**1**

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

	2008	2007
Audit of financial statements	23	22
Tax and other consulting	19	17
TOTAL:	**42**	**39**

29. Financial instruments

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

	31/12/2008			
Financial assets	**Loans and receivables**	**Available for sales**	**Financial assets and liabilities at amortised cost**	**Total**
Non-current portion of loan note and receivable from related	86 107	-	-	86 107
Current portion of loan to related companies	547	-	-	547
Receivables from related parties	23 667	-	-	23 667
Other assets	173	-	-	173
Cash and cash equivalents	-	-	18 601	18 601
Total financial assets:	**110 494**	**-**	**18 601**	**129 095**
Trade payables	-	-	111	111
Payables to related companies	-	-	78	78
Total financial liabilities:	**-**	**-**	**189**	**189**

	31/12/2007			
Financial assets	**Loans and receivables**	**Available for sales**	**Financial assets and liabilities at amortised cost**	**Total**
Non-current portion of loan	43 560	-	-	43 560
Current portion of loan	977	-	-	977
Trade accounts receivable	72	-	-	72
Other assets	458	-	-	458
Available for sale financial assets	-	51	-	51
Cash and cash equivalents	-	-	603	603
Total financial assets:	**45 067**	**51**	**603**	**45 721**
Trade payables	-	-	69	69
Payables to related companies	-	-	1	1
Total financial liabilities:	**-**	**-**	**70**	**70**

30. Financial risk management

Foreign currency risk

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

The revenues from the sales of oil products are derived in US dollars. In addition, a significant part of the Company's revenues in 2008 was derived in euros (from the sale of shares), whilst the major part of expenses is in Latvian Lats. In order to manage its foreign currency risk the Company balances the currencies of current and non-current borrowings with the currencies of future cash flows from operations and enters into contracts on substantial capital investments and services in U.S. dollars and euros.

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

The Company's currency risk in U.S. dollars and euros as at 31 December 2008 and 2007 may be specified as follows:

		31/12/2008	31/12/2007
Financial assets denominated in EUR		117 164	-
Financial liabilities denominated in EUR		-	-
	Net balance sheet position in EUR	**117 164**	**-**
	Net balance sheet position in LVL	**82 343**	**-**
Financial assets denominated in USD		92 706	90 252
Financial liabilities denominated in USD		-	-
	Net balance sheet position in USD	**92 706**	**90 252**
	Net balance sheet position in LVL	**45 889**	**43 682**

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 Company'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.

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

	Increase/ decrease in US dollar rate	Effect on profit before tax (LVL '000)	Effect on equity (LVL '000)
2008			
	+20%	9 178	(9 178)
	-5%	(2 294)	2 294
2007			
	+5%	2 184	(2 184)
	-5%	(2 184)	2 184

30. Financial risk management (cont'd)

Liquidity risk

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

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

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2007 and 2008 based on contractual undiscounted payments.

2008	On demand (LVL '000)	< 3 months (LVL '000)	3 to 12 months (LVL '000)	1 to 5 years (LVL '000)	> 5 years (LVL '000)	Total (LVL '000)
Trade payables	-	111	-	-	-	111
Payables to related companies	78	-	-	-	-	78
TOTAL:	**78**	**111**	**-**	**-**	**-**	**189**

2007	On demand (LVL '000)	< 3 months (LVL '000)	3 to 12 months (LVL '000)	1 to 5 years (LVL '000)	> 5 years (LVL '000)	Total (LVL '000)
Trade payables	-	69	-	-	-	69
Payables to related companies	1	-	-	-	-	1
TOTAL:	**1**	**69**	**-**	**-**	**-**	**70**

Credit risk

The Company is exposed to credit risk through its non-current loan to *Euromin Holdings (Cyprus) Limited* and the receivable from *LASCO Investment Ltd,* as well as through cash and cash equivalents. The Company manages credit risk arising out of cash and cash equivalents by investing in EU-registered credit institutions. The credit risk arising out of non-current loans and receivables from related parties is managed through entering into transactions with reliable business partners. See also Notes 18 and 22.

Interest rate risk

The Company is exposed to the interest rate risk mainly through its current loans. The interest rate receivable on the loans is disclosed in Note 18.

	2008		2007	
	Increase/ decrease in basis points	Effect on profit before tax (LVL '000)	Increase/ decrease in basis points	Effect on profit before tax (LVL' 000)
US dollar - LIBOR	+0.25%	111	+0.25%	109
	-0.50%	(223)	-1.0%	(436)
EUR - LIBOR	+0.75%	470	-	-
	-0.75%	(470)	-	-

30. Financial risk management (cont'd)

Fair value

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

	Carrying amount		Fair value	
	2008	2007	2008	2007
Financial assets				
Cash	18 601	603	18 601	603
Non-current portion of loan note and receivable from related	86 107	43 560	86 107	43 560
Available-for-sale investments	-	51	-	N/a
Loans and receivables	24 214	1 049	24 214	1 049
Other assets	173	458	173	458
Financial liabilities				
Other liabilities	189	70	189	70

Capital management

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions in Latvia and the European Union, the capital market trends and interest rate fluctuations. To maintain optimum capital structure, the Company may use share capital increase or decrease, distribution of dividends or various forms of borrowed capital. The Company's capital management objectives, policies and procedures have not been changed in 2007 and 2008.

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

	2008	2007
Borrowings	-	-
Less cash and cash equivalents	(18 601)	(603)
Net debt	*(18 601)*	*(603)*
Equity	277 451	237 421
Total capital	258 850	236 818
GEARING RATIO:	**0%**	**0%**

31. Events after balance sheet date

As of 24 March 2009, the liquidation process for associated company Mediji un Poligrafija Ltd has been concluded, as the result the Comapny has received its liquidation quota in total amount of LVL 43 thousand.

In May 2009 the the shareholders' of the Company's subsidiary *Ventspils Nafta Terminals Ltd* decided to pay out dividends in total amount of 1 300 thousand lats, out of which 663 thousand lats are attributable to *JSC Ventspils Nafta*.

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