

**JOINT STOCK COMPANY
NASDAQ OMX Riga**

(UNIFIED REGISTRATION NUMBER 40003167049)

**ANNUAL CONSOLIDATED REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008**

(15 financial year)

PREPARED IN ACCORDANCE WITH
THE LAW OF THE REPUBLIC OF LATVIA ON ANNUAL CONSOLIDATED REPORTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Riga, 2009

INDEPENDENT AUDITORS' REPORT

To the shareholders of AS NASDAQ OMX Riga

Report on the Financial Statements

We have audited 2008 consolidated financial statements of AS NASDAQ OMX Riga and its subsidiaries (the "Group"), which are set out on pages 8 through 26 of the accompanying 2008 Annual Report and which comprise the consolidated balance sheet as at 31 December 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Company's 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 Consolidated 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.

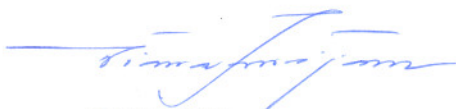
Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group 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 Consolidated 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 5 through 7 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
License No. 17



Diāna Krišjāne
Chairperson of the Board



Ivars Ragainis
Latvian Certified Auditor
Certificate No. 159

Rīga, 16 April 2009

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General information

Name of the company	NASDAQ OMX Riga	
Legal status of the company	Joint Stock Company	
Unified registration number, place and date of registration	40003167049 Riga, 7 December, 1993	
Registered office	Vaļņu iela 1 Riga, Latvia, LV-1050	
Shareholders	NASDAQ OMX Nordic Oy (92.98%) (the legal name was changed in 30, September, 2008)	
	AS "Rietumu banka" (3.51%)	
	AS "RB Securities" (3.51%)	
Management Board Members		
	Daiga Auziņa-Meļķe	Chairman of Management Board
	Indars Aščuks	Deputy Chairman of Management Board
	Liene Dubava	Member of Management Board
Council Members		
	Hans –Ole Jochumsen	Chairman of Council (till 22/04/2008)
	Henrik Elfving	Chairman of Council (from 22/04/2008)
	Johan Rúden	Deputy Chairman of Council (till 22/04/2008)
	Jacob Kaplan	Deputy Chairman of Council (from 22/04/2008)
	Elmārs Prikšāns	Member of Council
	Pekka Peiponen	Member of Council (till 22/04/2008)
	Teuvo Rossi	Member of Council
	Guntars Kokorevičs	Member of Council
	Kristaps Strazds	Member of Council
Subsidiary	AS "Latvijas Centrālais depozitārijs" Vaļņu iela 1, Rīga, LV-1050 (100%)	
Financial year	1 January – 31 December 2008	
Auditors	Ivars Ragainis Latvian Certified Auditor Certificate No. 159	SIA Ernst & Young Baltic Muitas iela 1, Riga Latvia, LV – 1010 Licence No. 17

Management report

16 April 2009

Core business activity

The main business operations of the NASDAQ OMX Riga Group – the joint stock company NASDAQ OMX Riga (the change of the legal name was registered on 10/01/2009) (NASDAQ OMX Riga) and AS Latvijas Centrālais Depozitārijs (LCD) (hereinafter jointly referred to as the NASDAQ OMX Riga Group companies) are development and maintenance of the infrastructure for the financial instruments (securities) market. The main business services of NASDAQ OMX Riga are organization of the securities market for financial instruments, provision of open and fair trading facilities for the financial instruments listed on NASDAQ OMX Riga, quotation of the financial instruments (equities, debt securities and other financial instruments) on a regular basis, dissemination of market information, fulfilment of any other functions assigned to a regulated market organizer by the Law on Financial Instruments Market. In addition, NASDAQ OMX Riga actively takes part in implementation of privatization projects, as well as provides infrastructure for public offering for cash of state-owned property objects.

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

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

Financial performance of the NASDAQ OMX Riga Group during the reporting year

The net profit of the NASDAQ OMX Riga Group for 2008 is LVL 473 thousand, which is by 17% less than in 2007, when the NASDAQ OMX Riga Group's net profit was LVL 571 thousand.

The net turnover of the NASDAQ OMX Riga Group in 2008 was LVL 1 746 138, which is by LVL 55 thousand, or 8%, less than in 2007. The cost of sales for the year amounted to LVL 484 thousand, which represents a decrease by LVL 8 thousand, or 2%, from the prior year. Therefore, gross profit for 2008 reduced by LVL 147 thousand, or 10%, compared to the year 2007.

In 2008, the NASDAQ OMX Riga Group companies continued their collaboration with the professional asset manager IPAS Parex Asset Management to keep high safety of the financial assets.

At the end of the year, the NASDAQ OMX Riga Group's consolidated equity was LVL 1 556 thousand, or LVL 546.01 per share. In 2008, the NASDAQ OMX Riga Group paid dividends for 2007 in amount of LVL 700 thousand (LVL 245.61 per share).

Investments

NASDAQ OMX Riga has not made any new investments in terms of acquisitions or establishment of new companies. NASDAQ OMX Riga retains 100% control over LCD. The situation at the end of the year was as follows:

- NASDAQ OMX Riga owns 370 LCD shares.
- The nominal value per share is LVL 500.
- The total value of paid-in shares is LVL 185 000.
- The ownership interest in LCD is 100%.

Key events

In 2008, NASDAQ OMX Riga jointly with LCD was actively working to supplement, improve and develop the range of their products and services.

The NASDAQ OMX Riga Group companies were operating in 2008 in accordance with the development and action plan approved by the Council and the general shareholders' meeting, which specifies strategic goals and major tasks for the year.

Management report (cont'd)

Main accomplishments in 2008 are as follows:

- Development of new products – solution for issuers' Internet web pages for the display of their share price information, and introduction of a module that gives a possibility to sign up for announcements published by the issuer;
- Launch of fund unit trading;
- Active marketing and sales of core services, promoting IPOs, attracting new members and information vendors, educating and increasing the awareness of retail investors of the investment opportunities in stock-exchange listed products including CEO Meets Investors and Bachelor and Master Theses competition;
- Launch of ISO 15022 standard based SWIFT messages in data exchange between Baltic CSDs in the context of Corporate Actions services;
- Implementation of the common Corporate Actions Practice Guide describing various CA procedures performed in all Baltic CSDs;
- Preparation tasks related to implementation of the renewed contract with the State Social Insurance Agency on account operator services for the 2nd level pension system;
- Implementation of the LCD IT systems, rules and regulations upgrades to be compliant with fixing of the record date in accordance with European recommendations;
- Participation of LCD in TARGET2-Securities project (system to be implemented as a platform for the cross-border and domestic settlement of securities against central bank money);
- Reduction of fees for Free of Payment-related transfers in OTC market;
- Active work on implementation of the common C&S platform in Latvian and Estonian CSDs in 2010.

Having analysed the operations of the NASDAQ OMX Riga Group in 2008, we may conclude that the year was successful. We were mostly focusing on the implementation of the Investor Awareness Programme and practical implementation of European projects, requirements and recommendations. Moreover, we continued working on setting up the unified Baltic securities market, which had been commenced in the previous years.

Financial risk management

Foreign currency risk

Considering the current structure of financial assets and liabilities of the NASDAQ OMX Riga Group companies denominated in foreign currencies, the risk exposure is not significant.

Credit risk

Financial assets that are likely to expose the NASDAQ OMX Riga Group companies to certain concentration of credit risk mainly comprise cash, trade receivables and investments in debt securities. According to the policy of the NASDAQ OMX Riga Group companies, services are provided only to customers having adequate credit histories. Trade receivables are stated at their recoverable amount. The partners of the NASDAQ OMX Riga Group companies in cash transactions are high quality local and foreign financial institutions. The policy of the NASDAQ OMX Riga Group companies prescribes certain limits for the credit risk exposure for each financial institution. The NASDAQ OMX Riga Group companies have fixed certain limits for investing activities.

Fair value

The carrying amounts of the Group's financial instruments as at 31 December 2008 approximated to their fair values.

Interest rate risk

The Group has no significant liabilities that would be exposed to interest rate risk. Fluctuations of interest rates affect the fair value of the Group's investments in debt securities.

Management report (cont'd)

Events after balance sheet date

As of the last day of the reporting year until the date of signing these financial statements there have been no significant events that might have a material effect on the financial or business performance of the NASDAQ OMX Riga Group companies, as well as their result for the year.

Future prospects

The year 2009 is expected to be as intensive and work consuming as the previous year. This is why the priorities of 2009 are to continue the developments started in 2008 related to:

- Implementation of the new trading platform INET by the end of 2009;
- Improvements of Baltic market infrastructure by extending trading hours;
- Active communication with existing customers, improvement of the quality of services and maintenance of customer satisfaction;
- Development of new alternative services, adapting to the existing situation on the financial markets;
- Realization of the Investors Awareness Programme;
- Deciding on implementation of the new clearing and settlement infrastructure for LCD;
- Introduction of the new service – OTC DVP settlement using the Euroclear Bank securities;
- Implementation of Euroclear Bank CCI (Common Communication Interface) in order to join SP Custody and Settlement.

Considering that the entire Baltic market of financial instruments represents only a small part of the total European market, the management of the NASDAQ OMX Riga Group companies is fully aware that it will be hard to remain competitive and develop successfully without establishing closer cooperation with other financial markets and the entire Europe. Looking to the future, the NASDAQ OMX Riga Group companies should consider also the fact that the European Community is focusing specifically on promoting trade transparency, more efficient and rapid clearing and settlement processes and process accounting, as well as cost reduction and, therefore, these issues are the focus of attention of all European market players and will affect directly also the business of the NASDAQ OMX Riga Group companies.



Daiga Auziņa-Melalksne
Chairman of the Board



Indars Aščuks
Deputy Chairman of the Board



Liene Ģubava
Member of the Board

The annual consolidated report was approved by the general shareholders' meeting on _____ 2009.


Income statement

	Notes	2008 Ls	2007 Ls
Net sales	3	1 746 138	1 901 138
Costs of sales	4	(483 580)	(491 684)
Gross profit		<u>1 262 558</u>	<u>1 409 454</u>
Administrative expenses	5	(758 292)	(822 983)
Other operating income	6	27 906	65 280
Other operating expenses	7	(16 551)	(25 943)
Interest receivable and similar income	8	88 174	85 891
Write-offs of the value on non-current financial assets and short-term securities	9	(51 488)	(31 581)
Interest payable and similar expenses	10	(2 639)	(43)
Profit before taxes		<u>549 668</u>	<u>680 075</u>
Corporate income tax	11	(80 748)	(109 122)
Deferred income tax	11	3 886	3
Current year's profit		<u>472 806</u>	<u>570 956</u>

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


 Daiga Auziņa-Melalksne
 Chairman of the Board


 Indars Aščuks
 Deputy Chairmen of the Board


 Liene Dubava
 Member of the Board

Balance sheet


ASSETS

	Notes	31.12.2008. Ls	31.12.2007. Ls
NON-CURRENT ASSETS			
Intangible assets			
Concessions, patents, licences and similar rights	13	13 591	16 755
Goodwill		38 368	38 368
TOTAL		51 959	55 123
Property, plant and equipment			
Property, plant and equipment	13	105 602	147 239
TOTAL		105 602	147 239
Non-current financial assets			
Other investments		810	810
Other receivables	14	182 818	182 818
Financial assets	15a	-	73 205
Deferred income tax assets			-
TOTAL		183 628	256 833
TOTAL NON-CURRENT ASSETS		341 189	459 195
CURRENT ASSETS			
Non-current assets held for sale	15b	1 608 682	1 439 024
Trade receivables			
Trade receivables	17	119 818	109 193
Receivables from related companies	25	18 170	12 121
Other receivables	18	58 744	13 600
Prepaid expenses	19	22 124	49 821
Accrued incomes		22 172	12 748
TOTAL		241 028	197 482
Cash and cash equivalents	20	934 026	1 147 679
TOTAL CURRENT ASSETS		2 783 736	2 784 185
TOTAL ASSETS		3 124 925	3 243 380

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



 Daiga Auziņa-Melalksne
 Chairman of the Board



 Indars Aščuks
 Deputy Chairmen of the Board



 Liene Dubava
 Member of the Board

Balance sheet


EQUITY AND LIABILITIES

	Notes	31.12.2008. Ls	31.12.2007. Ls
EQUITY			
Share capital	21	712 500	712 500
Revaluation reserve of available-for-sale financial assets	16	6 992	4 870
Retained earnings:			
brought forward		363 834	492 878
for the period		472 806	570 956
TOTAL EQUITY		1 556 132	1 781 204
LIABILITIES			
Non-current liabilities			
Deferred income tax liability	11	3 169	7 055
TOTAL		3 169	7 055
Current liabilities			
Trade and other payables	22	1 471 336	1 402 867
Payables to related companies	25	86	4 732
Taxes payable		-	7 917
Deferred income	23	44 955	3 063
Accrued liabilities	24	49 247	36 542
TOTAL		1 565 624	1 455 121
TOTAL LIABILITIES		1 568 793	1 462 176
TOTAL EQUITY AND LIABILITIES		3 124 925	3 243 380


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



 Daiga Auzina-Melalksne
 Chairman of the Board



 Indars Aščuks
 Deputy Chairmen of the Board



 Liene Dubava
 Member of the Board

Cash flow statement

		Ls	Ls
Cash flows to/from operating activities			
Profit before tax		549 668	680 075
Adjustments for:			
Depreciation of tangible assets	13	53 579	59 981
Amortisation of intangible assets	13	11 479	30 877
Increase/ (decrease) in provisions		10 509	(8 273)
Unrealised (gain)/ loss from fluctuations of currency exchange rates	10	2 574	(4 015)
Interest income	8; 10	(73 433)	(81 876)
Proceeds from sale of equipment		-	(2 626)
Loss on changes in fair value of financial instruments	9	51 488	31 581
<i>Operating profit or loss before working capital changes</i>		<i>605 864</i>	<i>705 724</i>
(Increase)/ decrease in receivables		(178 779)	(185 232)
Increase/ (decrease) in payables		99 184	257 825
<i>Cash generated from operations</i>		<i>526 269</i>	<i>778 317</i>
Corporate income tax paid	25	(129 603)	(91 973)
Net cash flows to/ from operating activities		396 666	686 344
Cash flows to/ from investing activities			
Withdrawal of term deposits		-	300 000
Purchase of property, plant and equipment	13	(20 290)	(58 200)
Proceeds from sale of property, plant and equipment		-	4 729
Purchase of financial assets	15b	(1 450 527)	(1 411 196)
Proceeds from disposal of financial assets		1 336 311	1 365 824
Interest received		43 943	73 820
Net cash flows to/ from investing activities		(90 563)	274 977
Cash flows to/ from financing activities			
Dividends paid		(700 000)	(500 000)
Net cash flows to/ from financing activities		(700 000)	(500 000)
Change in cash		(211 079)	461 321
Net foreign exchange difference		(2 574)	4 015
Cash at the beginning of the year		1 147 679	682 343
Cash at the end of the year	20	934 026	1 147 679

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

Statement of changes in equity

	Share capital	Non-current asset revaluation	Retained earnings	Profit for the year	Total
Balance as at 31 December 2006	712 500	1 813	498 299	494 579	1 707 191
Dividends paid	-	-	(500 000)		(500 000)
Fair value gains on available-for-sale financial assets	-	3 057	-		3 057
Transfer of prior year result			494 579	(494 579)	-
Profit for the reporting year	-	-		570 956	570 956
Balance as at 31 December 2007	712 500	4 870	492 878	570 956	1 781 204
Dividends paid	-	-	(700 000)		(700 000)
Fair value gains on available-for-sale financial assets	-	2 122	-		2 122
Transfer of prior year result			570 956	(570 956)	-
Profit for the reporting year	-	-		472 806	472 806
Balance as at 31 December 2008	712 500	6 992	363 834	472 806	1 556 132

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

Notes to the financial statements

1. Corporate information

The registered office of the joint stock company NASDAQ OMX Riga is at Valņu iela 1, Riga. The Parent Company was registered with the Commercial Register under unified registration number 4000 316 7049. The major shareholder of the Parent Company is its parent NASDAQ OMX Nordic Oy, which owns 92.98% of the Parent Company's shares, and other shareholders are AS Rietumu banka and AS RB Securities, each owning 3.51% of the Parent Company's shares. The Board of the Parent Company includes Daiga Auziņa-Melalksne (Chairperson of the Board), Indars Aščuks (Deputy Chairman of the Board), and Liene Dubava (Board Member). The auditor of the Parent Company is the commercial company of certified auditors SIA Ernst & Young Baltic, and the responsible certified auditor is Ivars Ragainis.

2. Summary of significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with the Laws of the Republic of Latvia on Accounting, on Consolidated Annual Reports, and on Annual Reports as well as 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 monetary unit used in the financial statements is lat (LVL), the monetary unit of the Republic of Latvia. The financial statements cover the period 1 January 2008 through 31 December 2008.

The income statement has been prepared in accordance with the function of expense method.

The cash flow statement has been prepared in accordance with the indirect method.

The accounting and measurements methods applied by the Group are consistent with those of the prior year.

Changes in accounting policies

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 Group's accounting policies.

Basis of consolidation

Subsidiaries, which are all entities over which the Group has the power to govern the financial and operating policies directly or indirectly, are consolidated in these financial statements.

Subsidiaries are consolidated from the date on which the Group obtains control until the date that such control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the fair value of the net assets of the subsidiary acquired over the cost of acquisition is recorded as goodwill (see *Goodwill* below). Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated in full. Unrealised losses are also eliminated except when such losses cannot be recovered. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Revenue and net sales

Net sales comprise the total value of services provided during the year, less any discounts granted and value added tax. Revenue from provision of services is recognised in the period when the services are provided. Revenue from penalties and late payment charges is recognised when received.

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

Foreign currency translation

The accounting currency of the Group is Latvian lats. All transactions in foreign currencies are translated into Latvian lats at the official currency rate ruling at the date of the 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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

	31/12/2008	31/12/2007
	LVL	LVL
USD 1	0.495	0.484
EUR 1	0.702804	0.702804

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are stated at cost value less accumulated amortisation/ depreciation and any impairment in value. Cost value includes costs directly attributable to the acquisition of assets. The cost value of software licences includes the costs incurred to acquire and bring to use the specific software. Amortisation/ depreciation is calculated on a straight-line basis over the estimated useful life of the asset to write the cost value of the relevant asset down to the residual value at the end of the useful life, applying the following rates as established by the management:

Office equipment	3 - 5 years
EDP	3 - 5 years
Cars	5 years
Licences and software	3 - 5 years

Where the carrying value of any asset exceeds its recoverable amount, the asset is immediately written down to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Such costs are depreciated over the remaining useful life of the related asset.

Expenses such as repair and maintenance costs are normally charged to the income statement in the period when incurred.

The gain or loss arising from the derecognition of the asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is included in profit or loss when the item is derecognised.

Receivables and term deposits

Receivables and term deposits (hereinafter – receivables) are stated in the balance sheet at amortised cost less provisions for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying value and the recoverable amount of a receivable. The provision is recognised in the income statement.

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

Operating lease – the Group as lessee

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

Financial instruments

The Group classifies its financial assets in the following categories: held-for-trading financial assets, available-for-sale financial assets, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Loans and receivables

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

Held-for-trading financial assets

Financial assets are classified as held-for-trading if they are acquired mainly for the purpose of selling in the near term. Such assets are stated at fair value as current assets. Any gain or loss on revaluation and trading is recognised in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any other category. They are stated as non-current assets, except for those assets that the management has an intention to sell during 12 months after the balance sheet date.

All purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchasing the asset. All assets not at fair value through profit or loss are recognised initially at fair value plus directly attributable transaction costs. Financial assets at fair value through profit or loss are initially recognised at fair value, with all directly attributable transaction costs being charged to the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Loans and borrowings are stated at amortised cost using the effective interest rate method.

Any gain or loss from the changes in the fair values of held-for-trading financial assets, including interest and dividend income, is recognised in the income statement in the period when occurred.

The changes in the value of monetary and non-monetary assets classified as available-for-sale are taken to equity. The fair value of traded investments is determined by reference to market quotations.

When available-for-sale financial assets are derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is recognised in profit or loss.

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

Available-for-sale financial assets (cont'd)

Interest income from available-for-sale securities is calculated using the effective interest rate method and recognised in profit or loss. Dividends from available-for-sale securities are recognised in the income statement when the right to receive the payment is established.

The Group assesses at each reporting date whether objective evidence of impairment exists for financial assets individually or collectively for those assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the impairment loss is recognised in the income statement.

Taxation

Corporate income tax charge is disclosed in the consolidated financial statements based on the calculations performed by the management in accordance with the Republic of Latvia tax legislation for each Group's entity individually.

Deferred corporate income tax arising from temporary differences between the tax base of assets or liabilities and their carrying amount in these financial statements is calculated using the liability method. Deferred income tax is determined using tax rates that have been enacted by the balance sheet date and are expected to apply when the deferred income tax asset is realised or the deferred income tax liability is settled. The principal temporary timing differences arise from differing rates for depreciation on property, plant and equipment, vacation pay reserve and other accrued liabilities. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Vacation pay reserve

The vacation pay reserve is estimated by multiplying the average daily remuneration expense over the last six months of the reporting year by the total number of vacation days earned but not taken as at the year end.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank and other short-term highly liquid investments with original maturities of 90 days or less.

Related parties

Related parties are defined as shareholders of the Parent Company, Members of the Board and the Council, their close members of the families, and entities over which these persons exercise significant influence or control.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the assets of the acquired subsidiary at the acquisition date. Goodwill is carried as an intangible asset and stated at acquisition cost less any impairment losses. Goodwill is tested for impairment annually. If goodwill is determined to have been impaired, the loss from impairment is calculated on the basis of the recoverable amount of goodwill. The impairment loss is determined using the management's judgment, including assumptions regarding future cash flows arising from business plans of the respective cash-generating unit's management, discounted applying the respective discount rate. Identifiable intangible assets arising upon acquisition and for which the fair value may be determined reliably are recognised separately from goodwill and amortised over their useful lives on a straight-line basis. Management's judgment and, where appropriate, estimates of attributable costs or future cash flows from the asset owned by the Group discounted applying the respective discount rate are used to identify such assets and measure them at fair value.

3. Net sales

	2008	2007
Income for servicing of securities accounts	602 570	742 498
Income from securities issuers	322 993	377 256
Income from maintenance of registers	247 880	227 085
Income from services related to securities emissions	142 522	128 790
Income from stock exchange members	129 242	121 092
Income from sale of information	163 592	128 479
Income from corporate projects and privatisation	-	50 000
Commission income from transactions on stock exchange	51 919	58 113
Income from operations with securities	39 250	42 261
Annual membership fee for Latvian Central depository	22 208	17 000
Other income	23 962	8 564
TOTAL:	1 746 138	1 901 138

4. Costs of sales

	2008	2007
Rental expenses	86 088	83 738
IT systems maintenance	201 473	178 257
Amortisation and depreciation	65 061	90 858
Undeductable VAT	38 462	51 655
Services received for corporate projects	-	16 750
Other project expenses	-	7 721
Other expenses	92 496	62 705
TOTAL:	483 580	491 684

5. Administrative expenses

	2008	2007
Wages and salaries	442 263	414 524
Social security contributions	99 349	89 100
Transportation expenses	26 504	20 391
Bank services	27 158	20 783
Business trips expenses	29 344	35 985
Representation expenses	22 278	41 616
Insurance	27 823	25 183
Educational expenses	18 259	33 489
Office equipment maintenance, stationary	15 108	17 825
Communication expenses	15 769	14 665
Audit expenses	14 599	13 500

Purchase of information	7 627	7 195
Management fee	-	65 781
Other expenses of administration	12 211	22 946
TOTAL:	758 292	822 983

6. Other operating income

	2008	2007
Compensated labour costs	21 377	36 881
Gain on disposal of property, plant and equipment	-	2 626
Penalties received	-	6 599
Other income	6 529	19 174
TOTAL:	27 906	65 280

7. Other operating expenses

	2008	2007
Accruals for doubtful debt	4 162	2 277
Employee entertainment	5 463	17 276
Other expenses	6 926	6 390
TOTAL:	16 551	25 943

8. Interest receivable and similar income

	2008	2007
Interest income	65 277	69 330
Net gain on foreign exchange	-	4 015
Other interest income	22 897	12 546
TOTAL:	88 174	85 891

9. Write-offs of the value of non-current financial assets and short-term securities

	2008	2007
Loss on revaluation of financial assets at fair value through profit or loss	51 488	31 581
TOTAL:	51 488	31 581

10. Interest payable and similar expenses

	2008	2007
Net loss on foreign exchange	2 574	-
Penalties paid	65	43
TOTAL:	2 639	43

11. Corporate income tax

	2008	2007
Current corporate income tax charge for the reporting year	80 748	109 122
Deferred corporate income tax due to changes in temporary differences	(3 886)	(3)
Corporate income tax charged to the income statement:	(76 862)	109 119

Deferred corporate income tax:

	Balance sheet		Income statement	
	31.12.2008.	31.12.2007.	2008	2007
Deferred corporate income tax liability				
Accelerated depreciation for tax purposes	10 557	12 536	(1 979)	1 191
Gross deferred tax liability	10 557	12 536	(1 979)	1 191
Deferred corporate income tax asset				
Vacation pay reserve	(5 917)	(3 726)	(2 191)	(294)
Other	(1 471)	(1 755)	284	(900)
Gross deferred tax asset	(7 388)	(5 481)	(1 907)	(1 194)
Net deferred tax liability/ asset	3 169	7 055	(3 886)	(3)

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

	2008	2007
Profit/ (loss) before tax	549 668	680 075
Tax at the applicable tax rate of 15%	82 450	237 012
Permanent differences	(4 568)	(127 043)
Tax rebate on donations	(1 020)	(850)
Actual corporate income tax for the reporting year:	76 862	109 119

12. Staff costs and number of employees

	2008	2007
Wages and salaries	442 263	414 524
Statutory social insurance contributions	99 349	89 100
TOTAL:	541 612	503 624

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

Key management personnel compensation

	2008	2007
Board Members		
Wages and salaries	136 692	142 966
Statutory social insurance contributions	30 954	27 625
TOTAL:	<u>167 646</u>	<u>170 591</u>

Council members do not receive compensation.

	2008	2007
Average number of employees during the reporting year	25	26
TOTAL:	<u>25</u>	<u>26</u>

The total staff costs are included in the following income statement captions:

	2008	2007
Administrative expense	541 612	503 624
TOTAL:	<u>541 612</u>	<u>503 624</u>

13. Intangible and tangible assets

	Licenses	Licenses	Office equipment and furniture	Vehicles	Total
As at 1 January 2007					
Cost	197 151	38 368	335 131	44 422	615 072
Accumulated amortisation and dep.	(155 818)	-	(211 167)	(10 964)	(377 949)
Carrying amount as at 31 Decen	41 333	38 368	123 964	33 458	237 123
Year 2007					
Carrying amount as at 1 January	41 333	38 368	123 964	33 458	237 123
Additions	6 299	-	51 901	-	58 200
Disposals	(38 907)	-	(47 289)	(9 499)	(95 695)
Accumulated depreciation of disposals	38 907	-	46 769	7 916	93 592
Depreciation charge	(30 877)	-	(52 996)	(6 985)	(90 858)
Carrying amount as at 31 Decen	16 755	38 368	122 349	24 890	202 362
As at 31 December 2007					
Cost	164 543	38 368	339 743	34 923	577 577
Accumulated amortisation and dep.	(147 788)	-	(217 394)	(10 033)	(375 215)
Carrying amount as at 31 Decen	16 755	38 368	122 349	24 890	202 362
Year 2008					
Carrying amount as at 1 January	16 755	38 368	122 349	24 890	202 362
Additions	8 315	-	11 975	-	20 290
Disposals	(17 631)	-	(23 774)	-	(41 405)
Accumulated depreciation of disposals	17 631	-	23 741	-	41 372
Depreciation charge	(11 479)	-	(46 594)	(6 985)	(65 058)
Carrying amount as at 31 Decen	13 591	38 368	87 697	17 905	157 561
As at 31 December 2008					
Cost	155 227	38 368	327 944	34 923	556 462
Accumulated amortisation and dep.	(141 636)	-	(240 247)	(17 018)	(398 901)
Carrying amount as at 31 Decen	13 591	38 368	87 697	17 905	157 561

Fully depreciated assets

A number of assets that have been fully depreciated are still in active use. The total original cost value of these assets as at the end of the year was Ls 289 239 (2007: LVL: Ls 231 440).

Depreciation

The total depreciation costs are included in the following income statement captions:

	31.12.2008.	31.12.2007.
Costs of sale	65 058	90 858
TOTAL:	65 058	90 858

14. Other receivables

On 14 December 2007 LCD prolonged its collaboration with State Social Insurance Agency by signing an agreement for rendering of accounts administration services to the state-funded pension scheme participants starting 1 January 2009. In order to meet legal obligations, LCD entered a guarantee agreement with AS "Parex banka" and pledged its cash in carrying amount of Ls 182,818 as at 31 December 2008.

15. Financial assets

(a) Available-for-sale financial assets:

	2008	2007
At beginning of year	73 205	70 148
Fair value gains on available-for-sale financial assets	2 122	3 057
Reclasification to short term assets	(75 327)	
At end of year	–	73 205
Including		
– long term	–	73 205
– short term	–	–

Available-for- sale financial assets include the following:

	2008	2007
Listed securities:		
Investment funds	–	73 205
TOTAL:	–	73 205

Available-for-sale financial assets are denominated in the Latvian lats.

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

	2008	2007
At beginning of year	1 439 024	1 414 686
Additions	1 450 527	1 411 196
Reclasification from long term assets	75 327	–
Annulment and coupons received	(1 369 988)	(1 425 295)
Fair value changes and accumulated interest recognised in the income statement	13 792	38 437
At end of year	1 608 682	1 439 024
Including		
– long term	–	–
– short term	1 608 682	1 439 024

15. Financial assets (cont'd)

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

	2008	2007
Listed securities:		
Equity securities	–	474
Investment funds	75 327	131 122
Debentures with fixed interest of 5% p.a. and maturity date of 20 March 2008	–	273 809
Debentures with floating interest (3M Euribor plus 3% p.a. margin rate) and maturity date of 2 February 2010	–	65 319
Debentures with floating interest (6M EUR Libor plus 1.6% p.a. margin rate) and maturity date of 15 December 2011	–	49 325
Debentures with fixed interest of 10.625% p.a. and maturity date of 27 June 2008	–	378 695
Debentures with fixed interest of 4.625% and maturity date of 15 June 2009.	72 452	–
Debentures with fixed interest of 3.500% and maturity date of 12 July 2009	284 629	–
Debentures with fixed interest of 5% and maturity date of 28 January 2009	386 539	–
Debentures with maturity date of 6 February 2009	435 620	–
Debentures with maturity date of 8 May 2009	13 431	–
Debentures with fixed interest of 5.125% p.a. and maturity date of 14 February 2013	340 684	540 280
TOTAL:	<u>1 608 682</u>	<u>1 439 024</u>

Financial assets at fair value through profit or loss are denominated in the following currencies:

	31.12.2008.	31.12.2007.
Latvian lats	865 062	611 490
Euros	743 620	827 534
TOTAL:	<u>1 608 682</u>	<u>1 439 024</u>

16. Non-current asset revaluation reserve

As at 31 December 2006	1 813
Fair value gains on available-for-sale financial assets	3 057
As at 31 December 2007	4 870
Fair value gains on available-for-sale financial assets	2 122
As at 31 December 2008	6 992

17. Trade receivable

	31.12.2008.	31.12.2007.
Receivables from Latvian Central Depository members	44 504	64 697
Receivables from issuers	26 118	16 657
Receivables from Riga Stock exchange members	3 489	14 418
Other receivables	58 006	27 950
Provisions for impairment of receivables	(12 299)	(14 529)
TOTAL:	119 818	109 193

18. Other receivable

	31.12.2008.	31.12.2007.
Overpayment of taxes	50 172	5 990
Other receivables	8 572	7 610
TOTAL:	58 744	13 600

19. Prepaid expenses

	31.12.2008.	31.12.2007.
VSAA project expenses	6 090	16 597
Insurance	8 060	25 383
Other	7 974	7 841
TOTAL:	22 124	49 821

20. Cash and cash equivalents

	31.12.2008.	31.12.2007.
Cash at bank	928 202	1 147 272
Cash on hand	5 824	407
TOTAL:	934 026	1 147 679

21. Share capital

The total authorised number of ordinary shares of the Parent company is 2,850 shares (2007: 2,850). All issued shares are fully paid.

In 2008 the Company paid dividends in amount of Ls 700,000 (Ls 245.61 per share). In 2007 the Company paid dividends relating to 2006 in amount of Ls 500,000 (Ls 175.44 per share).

22. Trade and other payables

	31.12.2008.	31.12.2007.
Payables to owners of securities	1 455 848	1 391 896
Other	15 488	10 971
TOTAL:	1 471 336	1 402 867

23. Deferred income

	31.12.2008.	31.12.2007.
Income from securities issuers	44 955	3 063
TOTAL:	44 955	3 063

All deferred revenues will be received at 2009.

24. Accrued liabilities

	31.12.2008.	31.12.2007.
Vacation pay reserve	12 176	11 654
Provisions for payables	9 804	11 699
Other provisions	27 267	13 189
TOTAL:	49 247	36 542

25. Related party disclosures

The Group is 92.98% owned by NASDAQ OMX Nordic Oy incorporated in Finland.

The following transactions were carried out with these parties: NASDAQ OMX Nordic Oy, NASDAQ OMX Helsinki Oy, OMX Technology AB, NASDAQ OMX Tallinna AS, Eesti Väärtpaberikeskus AS, NASDAQ OMX Vilnius AS un IPAS Parex Asset Management.

Related party		Sales to related parties	Purchases from related parties	Sale of tangible assets	Amounts owed by related parties	Amounts owed to related parties
Parent company	2008	21 377	340	-	-	-
	2007	34 326	992	-	-	-
Other related parties	2008	165 393	88 375	-	18 170	86
	2007	131 843	144 976	4 732	12 121	4 732
TOTAL 2008:		165 393	88 715	-	18 170	86
TOTAL 2007:		166 169	145 968	4 732	12 121	4 732

On 13 October 2006 the Group signed agreements with IPAS "Parex Asset Management" and delegated its financial asset management function. The investments have been structured in a way that high safety of the assets is maintained. As of 31 December 2008 Ls 1,533 thousand have been handed under management. In 2008 the Group paid Ls 6,662 for investment portfolios management services. The Chairman of the Board of IPAS "Parex Asset Management" is also the Member of the Council of the subsidiary of the Group.

26. Commitments and contingencies

Operating leases

The Company as a lessee has entered into vehicle lease agreements:

	2008	2007
Less than one year	10 111	11 451
1 – 5 years	20 735	30 846
TOTAL:	30 846	42 297

27. Events after balance sheet date

There are no subsequent events, which would have a significant effect on the financial position of the Group or its operations as of 31 December 2008.