JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

CONSOLIDATED NON-AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2007

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

Olaine, 2007

CONTENTS

General information

Name of the Parent Company	AS Olainfarm
Legal status of the Parent Company	Joint stock company
Unified registration number, place and date of registration	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders	SIA Olmafarm (49.51 %) A.Čaka iela 87 Riga, Latvia, LV-1011 Juris Savickis (31.23 %)
Board	Valērijs Maligins, Chairman of the Board (President) *Positions held in other companies:* SIA New Classic – Board Member, SIA Aroma – Chairman of the Board, SIA Olmafarm – Managing Director *Participation in other companies:* Latvian Academic Library Foundation (SO Latvijas Akadēmiskās bibliotēkas Atbalsta fonds), SO Vītkupe, Nature Restoration Foundation, SIA Remeks Serviss (33%), SIA Olfa Press (45%), SIA Carbochem (50%), SIA Aroma (100%), SIA Olmafarm (100%), SIA New Classic (100%) Jeļena Borcova (appointed 30/07/2006) *Positions held in other companies:* SIA Carbochem – Chairperson of the Board *Participation in other companies:* none Jurijs Kaplinovs, Deputy Chairman of the Board *Positions held and participation in other companies:* none Aleksandrs Černobrovijs *Positions held in other companies:* SIA Carbochem – Board Member *Participation in other companies:* none Andris Jegorovs *Positions held and participation in other companies:* none

Viktorija Žuka-Ņikuļina
Positions held in other companies:
SIA V.E.D. – Chairperson of the Board,
public non-governmental organisation Baltijas Juristu perspektīvas – Board Member
Participation in other companies:
SIA V.E.D. (100%),
public non-governmental organisation Baltijas Juristu perspektīvas

Inga Liščika
Positions held and participation in other companies: none

Council

Juris Savickis, Chairman of the Council
Positions held in other companies:
The Latvian Tennis Union (unregistered office),
AS Sibur Itera, Chairman of the Council,
AS Latvijas Gāze, Deputy Chairman of the Council,
AS VEF banka, Deputy Chairman of the Council,
SIA Itera Latvija, Chairman of the Board,
AS Nordeka, Deputy Chairman of the Council,
SIA Islande Hotel, Member of the Board,
Tennis club Altitūde, Chairman of the Board
Participation in other companies:
SIA Islande Hotel (75.31%),
SIA Daugmala (100%),
SIA Energo SG (50%),
SIA Nordeka Serviss (100%),
SIA Palasta nami (100%),
SIA Elssa-SIA (55%),
Company of apartment owners' Četri pluss (20%),
SIA SMS Elektro (34%),
AS Latvijas Krājbanka (1.02%),
SIA Hominus (25%),
SIA Bobrova nams (21.25%),
AS Nordeka (48.09%),
Tennis club Altitūde,
Tennis club Prezidents,
SIA Tenisa klubs JŪRA (100%)
SIA Blūza klubs (50%),
SIA Ajura (50%),
SIA SWH Sets (22.22%)

Ivars Kalviņš, Deputy Chairman of the Council
Positions held in other companies:
AS Latvijas zoovetapgāde, Chairman of the Council,
National research institution, non-profit organization the Latvian Institute of Organic Synthesis, Director,
AS Grindeks, Member of the Council,
Non-governmental organization the Foundation for Support to the latvian Academic Library, Chairman of the Board
Participation in other companies:
SIA OSI Laboratorijas (16%),
SIA Tetra (50%),
Non-governmental organization the Foundation for Support to the Latvian Academic Library,
Society of Quality Tests

Eļena Dudko
Positions held and participation in other companies: none

Guntis Belēvičs
Positions held in other companies:
SIA Blakenfeldes muiža, Member of the Board,
SIA Divezeri, Member of the Board,
SIA Centrālā laboratorija, Member of the Board,
SIA Baltic Pharma Service, Member of the Board,
SIA Juglas medicīnas centrs, Member of the Board,
SIA Genera, Member of the Council,
SIA Belēviču nekustāmie īpašumi, Member of the Board,
SIA Aptieku serviss, Member of the Board,
SIA Uniaptieka, liquidator,
SIA Dolli 91, liquidator,
Zemitāni farm in the Irši district, owner,
SIA Saules aptieka, Member of the Board,
Participation in other companies:
Zemitāni farm in the Irši district, owner,
SIA Blakenfeldes muiža (100%),
SIA Divezeri (100%),
SIA Genera (0,75%),
SIA Maltas aptieka,
SIA Aptieku serviss (50%),
SIA Belēviču nekustāmie īpašumi (20%),
SIA Centrālā laboratorija (51,74%),
SIA AA Active (25%),
SIA Baltic Pharma Service (40%)
the University of Agriculture Hunting Club,
Grindeļa brālība,
Brazīlijas Latviešu draugu biedrība,
Koknesei,
Open public foundation LTVF,
Riga Hansa Rotary Club

	Tatjana Lukina *Positions held in other companies:* Non-goverment organization Pharmaceutical Association, Chairperson of the Board, The People's Harmony Party, Member of the Board, *Shares in other companies: none*	
Movements in the Board during the period 1 March 2007 through 31 March 2007	none	
Movements in the Council during the period 1 March 2007 through 31 March 2007	none	
Subsidiaries	OOO Baltfarm Cheremushkinskaya 13/17 Moscow, Russia (100%)	
Core business activity	Manufacturing and distribution of chemical and pharmaceutical products	
Financial year	1 January – 31 March 2007	
Auditors	Diāna Krišjāne Sworn Auditor Certificate No. 124	SIA Ernst & Young Baltic Kronvalda bulvāris 3-5, Riga Latvia, LV – 1010 Licence No. 17

JSC „Olainfarm" report on the Management Board's responsibility to non-audited consolidated statement for 3 month of 2007

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

Middle-term financial statements are prepared based on justifying documents and represent true and clear overview on the Group's Assets and Equity and Liabilities, its financial standing and results of activity as wells as cash flow within the reporting period ended on March 31st, 2007.

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

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

AKCIJU SABIEDRĪBA «OLAINFARM» * LATVIJAS REPUBLIKA * OlainFarm

Chairman of the Management board
Valerijs Maligins

Consolidated income statement

	Notes	31.03.2007. LVL	31.03.2007. EUR	31.03.2006. LVL	31.03.2006. EUR
Net turnover	3	4 916 233	6 995 170	3 953 360	5 625 125
Changes in stock of finished goods and work in progress		729 974	1 038 659	528 702	752 275
Other operating income	4	133 988	190 648	57 378	81 642
Cost of materials:					
raw materials and consumables		(1 144 387)	(1 628 316)	(1 201 781)	(1 709 980)
other external costs		(580 702)	(826 265)	(370 495)	(527 167)
		(1 725 089)	(2 454 581)	(1 572 276)	(2 237 147)
Staff costs:					
Wages and salaries		(1 500 675)	(2 135 268)	(1 165 411)	(1 658 230)
Statutory social insurance contributions		(345 412)	(491 477)	(267 572)	(380 721)
	8	(1 846 087)	(2 626 745)	(1 432 983)	(2 038 951)
Depreciation/ amortisation and write-offs:					
depreciation and amortisation expense	10.11.	(534 299)	(760 239)	(513 267)	(730 313)
Other operating expense	5	(1 039 820)	(1 479 531)	(871 365)	(1 239 841)
Income frome sale of subsidiary		-	-	(32 660)	(46 471)
Interest receivable and similar income	6	2 855	4 062	9 630	13 702
Interest payable and similar expense	7	(136 546)	(194 287)	(102 683)	(146 105)
Profit before taxes		**501 209**	**713 156**	**23 836**	**33 916**
Corporate income tax		(15 992)	(22 755)	(1 931)	(2 748)
Profit for the reporting year		**485 217**	**690 402**	**21 905**	**31 168**
Attributable to:					
The holders of the Parent Company		485 217	690 402	21 905	31 168
Profit for the reporting year		**485 217**	**690 402**	**21 905**	**31 168**
Basic and diluted earnings per share	9	0,037	0,052	0,002	0,003

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

For the Board of the Group:

AKCIJU SABIEDRĪBA «OLAINFARM» OlainFarm LATVIJAS REPUBLIKA

Valērijs Maligins
Chairman of the Board
(President)

30 May 2007

Consolidated balance sheet

ASSETS

NON-CURRENT ASSETS	Notes	31.03.2007. LVL	31.03.2007. EUR	31.03.2006. LVL	31.03.2006. EUR
Intangible assets					
Intangible value		-	-	70 000	99 601
Other intangible assets	10	1 141 809	1 624 648	1 545 649	2 199 260
Prepayments for intangible assets		3 074 155	4 374 128	66 291	94 324
TOTAL		**4 215 964**	**5 998 776**	**1 681 940**	**2 393 185**
Property, plant and equipment					
Land, buildings and constructions	11	3 424 819	4 873 078	3 076 548	4 377 533
Equipment and machinery	11	4 504 441	6 409 242	3 912 308	5 566 713
Other fixtures and fittings, tools and equipment	11	208 111	296 115	197 014	280 326
Construction in progress	11	1 096 407	1 560 047	184 462	262 466
Prepayments for property, plant and equipment		643 464	915 567	162 462	231 163
TOTAL		**9 877 243**	**14 054 051**	**7 532 794**	**10 718 200**
Financial assets					
Other securities and investments		386	549	386	549
TOTAL		**386**	**549**	**386**	**549**
TOTAL NON-CURRENT ASSETS		**14 093 593**	**20 053 376**	**9 215 120**	**13 111 934**
CURRENT ASSETS					
Inventories					
Raw materials		1 123 175	1 598 134	742 464	1 056 431
Work in progress		2 108 540	3 000 182	1 758 721	2 502 435
Finished goods and goods for resale		1 973 999	2 808 748	1 437 767	2 045 758
Prepayments for goods		140 096	199 339	62 309	88 658
TOTAL	12	**5 345 810**	**7 606 402**	**4 001 262**	**5 693 281**
Receivables					
Trade receivables	13	5 822 035	8 284 009	3 821 555	5 437 584
Receivables from related companies	14	29 372	41 793	557 677	793 503
Other receivables	15	236 433	336 414	1 090 646	1 551 849
Current loans to management	16	56 863	80 909	381 987	543 519
Prepaid expense	17	48 045	68 362	20 077	28 567
TOTAL		**6 192 748**	**8 811 487**	**5 871 942**	**8 355 021**
Cash	18	**65 637**	**93 393**	**28 838**	**41 033**
TOTAL CURRENT ASSETS		**11 604 195**	**16 511 282**	**9 902 042**	**14 089 335**
TOTAL ASSETS		**25 697 789**	**36 564 660**	**19 117 162**	**27 201 271**

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

For the Board of the Group:

AKCIJU SABIEDRĪBA «OLAINFARM» OlainFarm LATVIJAS REPUBLIKA

Valērijs Maligins
Chairman of the Board
(President)

30 May 2007

EQUITY AND LIABILITIES

EQUITY	Notes	31.03.2007. LVL	31.03.2007. EUR	31.03.2006. LVL	31.03.2006. EUR
Share capital	19	13 209 055	18 794 792	10 252 365	14 587 801
Share premium		213 769	304 166	65 934	93 816
Retained earnings/ (accumulated deficit):					
brought forward		14 399	20 488	(739 656)	(1 052 436)
for the period		485 216	690 400	21 905	31 168
TOTAL EQUITY		**13 922 439**	**19 809 846**	**9 600 548**	**13 660 349**
LIABILITIES					
Non-current liabilities					
Deferred corporate income tax liabilities		259 256	368 888	36 446	51 858
Loans from credit institutions	20	5 284 011	7 518 470	3 629 983	5 165 000
Other loans	21	348 319	495 613	366 169	521 012
Taxes payable	23	740 588	1 053 762	938 078	1 334 765
TOTAL		**6 632 173**	**9 436 732**	**4 970 676**	**7 072 635**
Current liabilities					
Prepayment received for shares of the Parent Company		-	-	565 560	804 719
Loans from credit institutions	20	1 393 771	1 983 157	1 001 035	1 424 344
Other loans	21	200 456	285 223	158 097	224 952
Prepayments received from customers	22	463 881	660 043	154 936	220 454
Trade and other payables	25	1 928 330	2 743 766	1 676 414	2 385 322
Payables to related companies	27	133 592	190 084	235 681	335 344
Taxes payable	23	580 144	825 471	428 794	610 119
Accrued liabilities	24	443 003	630 336	325 421	463 032
TOTAL		**5 143 177**	**7 318 082**	**4 545 938**	**6 468 287**
TOTAL LIABILITIES		**11 775 350**	**16 754 814**	**9 516 614**	**13 540 922**
TOTAL EQUITY AND LIABILITIES		**25 697 789**	**36 564 660**	**19 117 162**	**27 201 271**

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

Commitments and contingencies: see Note 27.

For the Board of the Group:

AKCIJU SABIEDRĪBA «OLAINFARM» OlainFarm LATVIJAS REPUBLIKA

Valērijs Maligins
Chairman of the Board
(President)

30 May 2007

Consolidated cash flow statement

	31.03.07 LVL	31.03.07 EUR	31.03.06 LVL	31.03.06 EUR
Cash flows to/ from operating activities				
Profit before taxes	501 208	713 155	23 836	33 916
Adjustments for:				
Amortisation and depreciation	536 664	763 604	513 973	731 318
Disposal of tangible non-current assets and investments	12 408	17 655	(12 576)	(17 894)
(Decrease)/ increase in allowances	(42 621)	(60 644)	(4 986)	(7 095)
Increase in vacation reserve	(6 950)	(9 889)	-	-
Interest expenses	127 831	181 887	84 317	119 972
Interest income	(1 956)	(2 783)	(25)	(36)
Unrealised loss/ (profit) from fluctuations of currency exchange rates	7 816	11 121	8 761	12 466
Operating cash flows before working capital changes	**1 134 400**	**1 614 106**	**613 300**	**872 647**
(Increase) in inventories	(801 071)	(1 139 821)	(454 081)	(646 099)
(Increase)/ decrease in receivables and prepaid expense	1 639 692	2 333 072	(275 410)	(391 873)
Increase in payables	(887 523)	(1 262 831)	473 868	674 253
Cash generated from operations	**1 085 498**	**1 544 524**	**357 677**	**508 928**
Interest paid	(133 691)	(190 225)	(93 053)	(132 402)
Corporate income tax paid	(15 992)	(22 755)	(1 931)	(2 748)
Real estate tax paid	(20 258)	(28 825)	(9 412)	(13 392)
Naudas plūsma pirms ārkārtas posteņiem	**915 557**	**1 302 720**	**253 281**	**360 386**
Net cash flows to/ from operating activities	**915 557**	**1 302 720**	**253 281**	**360 386**
Cash flows to/ from investing activities				
Purchase of non-current assets	(1 504 518)	(2 140 736)	(352 830)	(502 032)
Income from non-current assets sales	-	-	129 840	184 746
Loans granted	468 403	666 477	661	941
Net cash flows to/ from investing activities	**(1 036 115)**	**(1 474 259)**	**(222 329)**	**(316 346)**
Cash flows to/ from financing activities				
Proceeds from issue of shares	-	-	55 560	79 055
Borrowings repaid	7 720 415	10 985 161	5 093 614	7 247 560
Proceeds from borrowings	(7 619 967)	(10 842 236)	(5 256 091)	(7 478 744)
Net cash flows to/ from financing activities	**100 448**	**142 925**	**(106 917)**	**(152 129)**
Change in cash	**(20 110)**	**(28 614)**	**(75 965)**	**(108 089)**
Cash at the beginning of the reporting year	**85 747**	**122 007**	**104 803**	**149 121**
Cash at the end of the reporting year	**65 637**	**93 393**	**28 838**	**41 033**

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

Consolidated statement of changes in equity

	Share capital	Share capital	Share premium	Share premium	Profit/ (Accumulated deficit)	Profit/ (Accumulated deficit)	Total share capital	Total share capital
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Balance as at 31 December 2005	**10 252 365**	**14 587 801**	**65 934**	**93 816**	**(763 298)**	**(1 086 075)**	**9 555 001**	**13 595 542**
Share premium	2 956 690	4 206 991	147 835	210 350	-	-	3 104 525	4 417 341
Profit for the reporting year	-	-	-	-	777 697	1 106 563	777 697	1 106 563
Balance as at 31 December 2006	**13 209 055**	**18 794 792**	**213 769**	**304 166**	**14 399**	**20 488**	**13 437 223**	**19 119 446**
Profit for the reporting year	-	-	-	-	485 216	690 400	485 216	690 400
Balance as at 31 March 2007	**13 209 055**	**18 794 792**	**213 769**	**304 166**	**499 615**	**710 888**	**13 922 439**	**19 809 846**

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

Notes to the consolidated financial statements

1. Corporate information

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

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

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

These consolidated financial statements were approved by the Board on 30 May 2007.

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

2. Summary of significant accounting policies

Basis of preparation

For all periods up to and including the year ended 31 December 2005, the Group prepared its consolidated financial statements in accordance with local generally accepted accounting practice (Local GAAP)..Starting with year 2006 the Group has prepared financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

IASB has issued IFRS No. 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"). IFRS 1 requires that an entity's first IFRS financial statements are the first annual financial statements in which the entity adopts all IFRSs, by an explicit and unreserved statement in those financial statements of compliance with IFRS.

IFRS 1 requires that the Group recognize all assets and liabilities that meet the recognitions criteria of IFRS and measure these assets in accordance with each IFRS, with the prior period financial information recognised based on the same criteria.

The Group has prepared consolidated financial statements which comply with IFRS applicable for period beginning on or after 1 January 2006 as described in the accounting policies. In preparing these consolidated financial statements, the Group opening balance sheet was prepared as at 1 January 2005, the Group's date of transition to IFRS. There are no principal adjustments made by the Group in restating its Local GAAP balance sheet as at 1 January 2005 and its previously published Local GAAP consolidated financial statements for the year ended 31 December 2005.

IFRS 1 allows first-time adopters certain exemptions from the general requirements to apply IFRS as effective for December 2006 year end retrospectively. The Group has applied the following exemptions: IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries that occurred before 1 January 2005; Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2005.

The Group has not applied the following IFRS and Interpretations that have become effective but are not yet mandatory: IFRS 7 *Financial Instruments: Disclosures* (mandatory for financial years beginning on or after 1 January 2007), IFRS 8 *Operating Segments* (effective after endorsed by the European Union, but no earlier than 1 January 2009), Amendment to IAS 1 *Presentation of Financial Statements – Capital Disclosures* (mandatory for financial years beginning on or after 1 January 2007), IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* (mandatory for financial years beginning on or after 1 March 2006), IFRIC 8 *Scope of IFRS 2* (mandatory for financial years beginning on or after 1 May 2006), IFRIC 9 *Reassessment of Embedded Derivatives* (mandatory for financial years beginning on or after 1 June 2006), IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* (effective after endorsed by the European Union, but no earlier than 1 March 2007), IFRIC 10 Interim Financial Reporting and Impairment (effective from 1 November 2006), IFRIC 12 *Service Concession Arrangements* (effective after endorsed by the European Union, but no earlier than 1 January 2008), the amendments of IAS 23 *Borrowing costs* (mandatory for financial years beginning on or after 1 January 2009).

The Group expects that the adoption of the pronouncements listed above will have no significant impact on the Group's financial statements in the period of initial application, except for IFRS 7 *Financial Instruments: Disclosures*; IAS 1 amendment *Capital*

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

Basis of preparation (cont'd)

Disclosures, IFRS 8 *Operating Segments* and the amendments of IAS 23 *Borrowing costs*. The Group is still estimating the impact of adoption of these pronouncements on the financial statements.

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of available-for-sale investments. Balances disclosed as at 31 March 2007 reflect the position as at the close of business on that date.

Reporting currency and units of measurement

The monetary unit used in the consolidated financial statements is lat (LVL), the monetary unit of the Republic of Latvia.

Basis of consolidation

As at 31 March 2007, the Parent Company had investments in the following subsidiaries:

Name	Country	Business	Date of acquisition	Group's equity interest (%):
OOO Baltfarm	Russia	Distribution of products	2 January 2001	100

The financial statements are consolidated in the Group's financial statements on a line by line basis by adding together like items of assets and liabilities as well as income and expenses. The consolidated financial statements include subsidiaries that are controlled by the Parent Company. Control is presumed to exist where more than a half of the subsidiary's voting rights are controlled by the Parent Company or it otherwise has the power to exercise control over the operations. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date, plus any costs directly attributable to the acquisition. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. The excess of the cost over the fair value of the assets, liabilities and contingent liabilities acquired is recorded as goodwill (see Note 10).

For the purposes of consolidation, unrealised internal profits, intra-group balances, intra-group shareholdings, dividends and other intra-group transactions are eliminated from the Group's financial statements. Minority interest is calculated with regard to those entities that are fully consolidated while not being fully owned by AS Olainfarm.

Estimates and assumptions

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

Foreign currency translation

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

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

Foreign currency translation (cont'd)

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

	31/03/2007	31/03/2006
	LVL	
1EUR	0.702804	0.702804
1USD	0,528000	0,582000
1RUB	0,020300	0,021000

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

Intangible non-current assets

Intangible assets consist of goodwill recognised on the acquisition of Group subsidiaries and other intangible assets.

Positive goodwill resulting from acquisition of subsidiaries represents the excess of the cost of the acquisition over the total value of the assets, liabilities and contingent liabilities acquired.

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

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

Research and development costs

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

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

Property, plant and equipment

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

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

Depreciation is calculated starting with the following month after the tangible non-current asset is put into operation or engaged in commercial activity. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Group depreciates separately some parts of plant, property and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life. When tangible non-current assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

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

Property, plant and equipment (cont'd)

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Construction in progress represents property, plant and equipment under construction and is stated at historical cost or as appropriate. 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.

Inventories

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

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

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

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

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

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

Trade and other receivables

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

Cash

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

Accruals and deferrals

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

Provisions

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

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

Loans and borrowings

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

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

Leases

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

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

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

Factoring

Proceeds received in accordance with factoring agreements are recognised as advances from the factoring company when the Group remains exposed to the credit risk associated with the respective debtor. When the derecognizing criteria from IAS 39 are not met, the proceeds are directly netted against the respective debtor balance.

Revenue

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

Sale of goods

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

Rendering of services

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

Interest

Revenue is recognised on an accrual basis.

Corporate income tax

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

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

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

Related parties

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

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

Contingencies

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

Subsequent events

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

Earnings per share

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

3. Net sales

	31.03.2007.		31.03.2006.	
By business segments	**LVL**	**EUR**	**LVL**	**EUR**
Finished forms	4 424 954	6 296 142	3 554 556	5 057 678
Chemistry	491 279	699 028	398 804	567 446
TOTAL:	**4 916 233**	**6 995 170**	**3 953 360**	**5 625 124**

	31.03.2007.		31.03.2006.	
By geographical segments	**LVL**	**EUR**	**LVL**	**EUR**
CIS	3 114 210	4 431 122	2 448 599	3 484 042
Latvia	1 111 565	1 581 615	659 109	937 828
Europe	540 508	769 073	456 577	649 651
Baltic states (Lithuania and Estonia)	69 122	98 351	303 130	431 315
Other	80 829	115 009	85 945	122 289
TOTAL:	**4 916 233**	**6 995 170**	**3 953 360**	**5 625 125**

4. Other operating income

	31.03.2007.		31.03.2006.	
	LVL	**EUR**	**LVL**	**EUR**
Sale of current assets	35 950	51 153	683	972
Treatment of waste water	38 676	55 030	24 365	34 668
Catering services	12 422	17 674	9 113	12 967
Lease of premises	5 495	7 819	4 830	6 872
Incomes for analyses	32 461	46 188	6 877	9 785
Other operating income	8 984	12 783	11 510	16 377
TOTAL:	**133 988**	**190 648**	**57 378**	**81 642**

5. Other operating expense

	31.03.07		31.03.06	
	LVL	**EUR**	**LVL**	**EUR**
Marketing expense	391 184	556 605	278 342	396 045
Transportation expense	33 918	48 261	39 040	55 549
Expert analysis of medicines	3 068	4 365	2 197	3 126
Other distribution costs	90 780	129 168	109 419	155 689
Total distribution costs:	*518 950*	738 399	*428 998*	610 409
Business trips	32 268	45 913	33 898	48 233
Write-offs of current assets	42 158	59 986	57 156	81 325
Current repairs	23 327	33 191	29 411	41 848
New product research and development costs	61 734	87 840	4 487	6 384
Insurance	27 526	39 166	14 190	20 191
Legal and audit expense	18 954	26 969	22 254	31 665
Write-offs and disposal of tangible assets	11 919	16 959	9 927	14 125
Communications expense	20 145	28 663	26 833	38 179
Other taxes	20 258	28 825	9 645	13 724
Car fleet maintenance	11 986	17 055	7 707	10 966
Information and business consulting	18 927	26 931	27 019	38 445
Representation expense	10 793	15 357	13 238	18 836
Education	8 388	11 935	8 596	12 231
Social infrastructure	11 311	16 094	9 728	13 842
Allowances to staff	3 190	4 539	-	-
Flowers and gifts	4 646	6 611	8 568	12 191
Bank charges	5 223	7 432	5 147	7 324
Security	7 152	10 176	7 225	10 280
Hosting expense	24	34	13 753	19 569
Donations	7 266	10 339	6 111	8 695
Humanitarian aid	145	206	136	194
Office expense	9 707	13 812	10 210	14 528
Waste removal	2 363	3 362	1 505	2 141
Administrative offices maintenance	1 725	2 454	942	1 340
Laboratory tests	1 119	1 592	1 853	2 637
Visas, invitations	1 629	2 318	2 158	3 071
Membership fees	5 952	8 469	1 123	1 598
Unemployment risk duty	761	1 083	722	1 027
Other operating expense	150 272	213 818	108 825	154 845
TOTAL:	**1 039 820**	**1 479 531**	**871 365**	**1 239 841**

6. Financial income

	31.03.2007.		31.03.2006.	
	LVL	EUR	LVL	EUR
Interest accrued on bank account balances	137	195	25	36
Loan interest payments	1 819	2 588	-	
Currency exchange gain, net	899	1 279	9 605	13 667
TOTAL:	**2 855**	**4 062**	**9 630**	**13 702**

7. Financial expense

	31.03.2007.		31.03.2006.	
	LVL	EUR	LVL	EUR
Currency exchange loss, net	-	-	-	-
Loan interest payments	105 929	150 724	72 342	102 933
Penalties paid	21 902	31 163	11 975	17 039
Currency exchange commission	8 715	12 400	18 366	26 133
TOTAL:	**136 546**	**194 287**	**102 683**	**146 105**

8. Staff costs and number of employees

	31.03.2007.		31.03.2006.	
	LVL	EUR	LVL	EUR
Wages and salaries	1 220 554	1 736 692	996 632	1 418 079
Vacation pay reserve	347 602	494 593	209 438	298 003
Statutory social insurance contributions	277 931	395 460	226 913	322 868
TOTAL:	**1 846 087**	**2 626 745**	**1 432 983**	**2 038 951**

	31.03.2007.		31.03.2006.	
	LVL	EUR	LVL	EUR
Management of the Company				
Wages and salaries	127 241	181 048	119 649	170 245
Vacation pay reserve	35 452	50 443	19 874	28 278
Statutory social insurance contributions	30 738	43 737	29 118	41 431
Board Members				
Wages and salaries	67 373	95 863	85 448	121 582
Vacation pay reserve	53 581	76 240	33 796	48 087
Statutory social insurance contributions	9 685	13 780	13 845	19 699
Council Members				
Wages and salaries	40 200	57 199	21 900	31 161
Statutory social insurance contributions	9 684	13 779	4 963	7 061
TOTAL:	**373 955**	**532 090**	**328 593**	**467 546**

	31.03.2007.	31.03.2006.
Average number of employees during the reporting year	1 067	1 007

9. Basic and diluted earnings per share

	31.03.2007.		31.03.2006.	
	LVL	EUR	LVL	EUR
Net result attributable to shareholders	485 216	690 400	21 905	31 168
Weighted average number of ordinary shares	13 209 055	13 209 055	10 252 365	10 252 365
Earnings per share	**0.037**	**0.052**	**0.002**	**0.003**

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

10. Intangible assets

		Goodwill		Production technologies		Other intangible assets		TOTAL	
		LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2006		**70 000**	**99 601**	**2 201 088**	**3 131 866**	**374 713**	**533 169**	**2 645 801**	**3 764 636**
2007 I quarter	Additions	-	-	-	-	8 057	11 464	8 057	11 464
	Reclassification	-	-	-	-	426	606	426	606
	Write-offs of values	-	-	-	-	(17 001)	(24 190)	(17 001)	(24 190)
Acquisition value as at 31/03/2007		**70 000**	**99 601**	**2 201 088**	**3 131 866**	**366 195**	**521 049**	**2 637 283**	**3 752 516**
Accumulated amortisation as at 31/12/2006		**70 000**	**99 601**	**1 144 220**	**1 628 078**	**171 256**	**243 675**	**1 385 476**	**1 971 355**
2007 I quarter	Amortisation	-	-	109 416	155 685	17 530	24 943	126 946	180 628
	Liquidation	-	-	-	-	(16 948)	(24 115)	(16 948)	(24 115)
Accumulated amortisation as at 31/03/2007		**70 000**	**99 601**	**1 253 636**	**1 783 763**	**171 838**	**244 503**	**1 495 474**	**2 127 868**
Net carrying amount as at 31/12/2006		**-**	**-**	**1 056 868**	**1 503 788**	**203 457**	**289 493**	**1 260 325**	**1 793 281**
Net carrying amount as at 31/03/2007		**-**	**-**	**947 452**	**1 348 103**	**194 357**	**276 545**	**1 141 809**	**1 624 648**

		Goodwill		Production technologies		Other intangible assets		TOTAL	
		LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2005		**227 025**	**323 027**	**2 216 342**	**3 153 570**	**299 351**	**425 938**	**2 742 718**	**3 902 536**
2006 I quarter	Additions	-	-	-	-	12 228	17 400	12 228	17 400
	Write-offs of values	-	-	-	-	(512)	(729)	(512)	(729)
Acquisition value as at 31/03/2006		**227 025**	**323 027**	**2 216 342**	**3 153 570**	**311 068**	**442 609**	**2 754 434**	**3 919 207**
Accumulated amortisation as at 31/12/2005		**157 025**	**223 426**	**706 798**	**1 005 683**	**149 523**	**212 752**	**1 013 346**	**1 441 862**
2006 I quarter	Amortisation	-	-	110 817	157 679	15 134	21 534	125 952	179 213
	Liquidation	-	-	-	-	(512)	(729)	(512)	(729)
Accumulated amortisation as at 31/03/2006		**157 025**	**223 426**	**817 615**	**1 163 361**	**164 146**	**233 558**	**1 138 786**	**1 620 346**
Net carrying amount as at 31/12/2005		**70 000**	**99 601**	**1 509 544**	**2 147 887**	**149 828**	**213 186**	**1 729 372**	**2 460 674**
Net carrying amount as at 31/03/2006		**70 000**	**99 601**	**1 398 727**	**1 990 209**	**146 922**	**209 051**	**1 615 649**	**2 298 861**

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

Prepayments for intangible assets as at 31 March 2007, amounting to LVL 3 074 155 (31 March 2006: LVL 66 291), mostly represent payments for patent applications for two new products and registration of medicines abroad. The Parent Company expects to be issued patents in autumn 2007 and plans to begin production and sale of the respective products from 2010. The Group's management is certain that there are no obstacles to obtaining the patents and the production of the said products will begin in due time. According to the estimates by the management, full return on investments into one of the products is expected within the period of three years, and full return on investments into the other product is likely within five years from commencement of the production.

11. Property, plant and equipment

LVL

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2006		**55 928**	**9 127 464**	**10 102 964**	**450 309**	**639 956**	**20 376 621**
2007 I quarter	Additions	-	24 238	431 843	13 703	456 452	926 236
	Reclassification	-	(7 239)	(28 159)	(902)	-	(36 300)
	Liquidation	-	-	(1 651)	1 225	-	(426)
Acquisition value as at 30/03/2007		**55 928**	**9 144 463**	**10 504 997**	**464 335**	**1 096 408**	**21 266 131**
Accumulated depreciation as at 31/12/2006		**-**	**5 707 257**	**5 698 453**	**240 870**	**-**	**11 646 580**
2007 I quarter	Depreciation	-	70 663	322 812	16 243	-	409 718
	Depreciation of disposals	-	(2 348)	(20 709)	(888)	-	(23 945)
Accumulated depreciation as at 31/03/2007		**-**	**5 775 572**	**6 000 556**	**256 225**	**-**	**12 032 353**
Net carrying amount as at 31/12/2006		**55 928**	**3 420 207**	**4 404 511**	**209 439**	**639 956**	**8 730 041**
Net carrying amount as at 31/03/2007		**55 928**	**3 368 891**	**4 504 441**	**208 111**	**1 096 407**	**9 233 779**

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2005		**55 928**	**9 118 838**	**8 759 610**	**365 892**	**247 026**	**18 547 294**
2006 I quarter	Additions	-	115 838	45 490	11 030	53 835	226 193
	Reclassification	-		(41 728)	(945)	(116 399)	(159 072)
Acquisition value as at 31/03/2006		**55 928**	**9 234 676**	**8 763 372**	**375 977**	**184 462**	**18 614 415**
Accumulated depreciation as at 31/12/2005		**-**	**6 108 296**	**4 619 116**	**170 458**	**-**	**10 897 870**
2006 I quarter	Depreciation	-	105 759	272 887	9 375	-	388 021
	Depreciation of disposals	-		(40 938)	(870)	-	(41 808)
Accumulated depreciation as at 31/03/2006		**-**	**6 214 055**	**4 851 065**	**178 963**	**-**	**11 244 084**
Net carrying amount as at 31/12/2005		**55 928**	**3 010 541**	**4 140 494**	**195 433**	**247 026**	**7 649 422**
Net carrying amount as at 31/03/2006		**55 928**	**3 020 620**	**3 912 308**	**197 014**	**184 462**	**7 370 332**

EUR

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2006		**79 578**	**12 987 211**	**14 375 223**	**640 732**	**910 575**	**28 993 320**
2007 I quarter	Additions	-	34 488	614 457	19 498	649 473	1 317 916
	Liquidation	-	(10 300)	(40 067)	(1 284)	-	(51 650)
	Reclassification	-	-	(2 349)	1 743	-	(606)
Acquisition value as at 31/03/2007		**79 578**	**13 011 399**	**14 947 264**	**660 690**	**1 560 048**	**30 258 979**
Accumulated depreciation as at 31/12/2006		**-**	**8 120 695**	**8 108 168**	**342 727**	**-**	**16 571 590**
2007 I quarter	Depreciation	-	100 544	459 320	23 112	-	582 977
	Depreciation of disposals	-	(3 341)	(29 466)	(1 264)	-	(34 071)
Accumulated depreciation as at 31/03/2007		**-**	**8 217 899**	**8 538 022**	**364 575**	**-**	**17 120 496**
Net carrying amount as at 31/12/2006		**79 578**	**4 866 516**	**6 267 055**	**298 005**	**910 575**	**12 421 729**
Net carrying amount as at 31/03/2007		**79 578**	**4 793 500**	**6 409 242**	**296 115**	**1 560 047**	**13 138 484**

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2005		**79 578**	**12 974 937**	**12 463 802**	**520 617**	**351 486**	**26 390 421**
2006 I	Additions	-	164 822	64 726	15 694	76 600	321 843
quarter	Reclassification	-		(59 374)	(1 345)	(165 621)	(226 339)
Acquisition value as at 31/03/2006		**79 578**	**13 139 760**	**12 469 155**	**534 967**	**262 465**	**26 485 926**
Accumulated depreciation as at 31/12/2005		**-**	**8 691 323**	**6 572 410**	**242 540**	**-**	**15 506 272**
2006 I	Depreciation	-	150 482	388 283	13 339	-	552 104
quarter	Depreciation of disposals	-		(58 250)	(1 238)	-	(59 487)
Accumulated depreciation as at 31/03/2006		**-**	**8 841 804**	**6 902 444**	**254 641**	**-**	**15 998 889**
Net carrying amount as at 31/12/2005		**79 578**	**4 283 614**	**5 891 392**	**278 077**	**351 486**	**10 884 147**
Net carrying amount as at 31/03/2006		**79 578**	**4 297 955**	**5 566 713**	**280 326**	**262 466**	**10 487 037**

** As depreciation of the property, plant and equipment in the cafe and the canteen was disclosed in the income statement as other operating expense, there is a difference between total depreciation and amortisation under the income statement (LVL 543 299) and the total depreciation and amortisation stated in Notes 10 and 11.

A number of property, plant and equipment items that have been fully depreciated are still used in operations. The total original cost value of this property and equipment at the end of the period was LVL 3 377 899 (31 March 2006: LVL 108 207).

The book value of the land owned by the Group is LVL 55 928, whereas the total cadastral value of land owned by the Group as at 31 March 2007 is LVL 567 062 (31 March 2006: LVL 581 467). The cadastral value of buildings owned by the Group companies as at 31 March 2007 had not been determined.

As at 31 March 2007, the net carrying amount of other tangible assets held under finance lease was LVL 662 279 (31 March 2006: LVL 596 547) (see Note 21).

As at 31March 2007, all the non-current and current assets owned by the Parent Company were pledged as a security for the loan and credit lines received (see Note 22). The pledge agreements were registered with the Commercial Pledge Register on 16 December 2003 and renewed on 29 June 2004 and 6 June 2006. In addition, major shareholders of the Parent Company guaranteed repayment of the loan by their shares in the Parent Company, and the president of the Parent Company pledged all his shares in SIA Olmafarm.

Prepayments for property, plant and equipment as at 31 March 2007, amounting to LVL 643 464 (31 March 2006: LVL 162 462), refer to payments made for property, plant and equipment intended to be used in the Group's operations.

12. Inventories

	31.03.2007.		31.03.2006.	
	LVL	**EUR**	**LVL**	**EUR**
Raw materials (at cost)	1 196 923	1 703 068	887 457	1 262 738
Work in progress (at cost)	2 266 646	3 225 147	1 829 001	2 602 434
Finished goods and goods for resale (at cost)*	2 062 519	2 934 699	1 526 142	2 171 504
Prepayments for goods	140 096	199 339	62 309	88 658
TOTAL:	5 666 184	8 062 252	4 304 910	6 125 334
Allowances for raw materials	(73 749)	(104 936)	(144 993)	(206 306)
Allowances for work in progress	(158 106)	(224 965)	(70 280)	(99 999)
Allowances for finished goods and goods for resale	(88 519)	(125 951)	(88 375)	(125 746)
TOTAL:	(320 374)	(455 851)	(303 648)	(432 052)
TOTAL:	**5 345 810**	**7 606 402**	**4 001 262**	**5 693 281**

* As at 31 March 2007, the Group's inventories comprised goods on consignment in the amount of LVL 173 663 (31 March 2006: LVL 167 343).

13. Trade receivables

	31.03.2007.		31.03.2006.	
	LVL	**EUR**	**LVL**	**EUR**
Trade receivables	5 892 071	8 383 662	3 832 172	5 452 690
Allowances for doubtful trade receivables	(70 036)	(99 653)	(10 616)	(15 105)
TOTAL:	**5 822 035**	**8 284 009**	**3 821 555**	**5 437 584**

The trade receivables are non-interest bearing and from foreign companies are generally on 118 days' terms, while for local companies - on 63 days' terms.

As at 31 March 2007, the analysis of trade receivables that was past due but not impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
31.03.2007.	5 822 035	4 294 775	935 947	241 230	72 629	92 162	185 292

Most of the trade receivables overdue for more than 90 days are originating from sales of products under the Russian Federal Program for Procurement of Medicines. Despite the fact that the payments are overdue, the settlement is guaranteed by the Russian Government and therefore there is no doubt that the receivables will be recovered. Main part of past due receivables were paid subsequent to the year end.

14. Receivables from related companies

	31.03.2007.		31.03.2006.	
Company	**LVL**	**EUR**	**LVL**	**EUR**
SIA Olmafarm*	31 835	45 297	548 678	780 698
Stimfarm Ltd.	-	-	28 643	40 755
SIA "Aroma"	-	-	9 000	12 806
Allowances for doubtful receivables	(2 463)	(3 504)	(28 643)	(40 755)
TOTAL:	**29 372**	**41 793**	**557 677**	**793 503**

*The debt are composed of remainder no-interest loan which has been issued by the Parent Company of the Group to its biggest shareholder SIA „Olmafarm".

15. Other receivables

	31.03.2007.		31.03.2006.	
	LVL	**EUR**	**LVL**	**EUR**
Receivables from the sale of technologies and equipment	-	-	1 787 599	2 543 524
VAT receivable (see also Note 23)	109 351	155 593	80 756	114 905
Overpayment CIT	38 677	55 032	78 229	111 309
Representation office expense	34 985	49 779	3 888	5 532
Advances to employees	21 376	30 415	39 215	55 798
Employees insurance	24 948	35 498	7 469	10 628
Other receivables	10 736	15 276	13 836	19 687
Provisions for advances to employees and other receivables	(3 639)	(5 178)	(920 346)	(1 309 534)
TOTAL:	**236 433**	**336 414**	**1 090 646**	**1 551 849**

16. Current loans to management

Current loans to the management comprise the loan and accumulated interest to Board Chairman Valērijs Maligins in the amount of LVL 33 348 (31 March 2006: LVL 362 640) and loans to other employees in the amount of LVL 23 515 (31 March 2006: LVL 19 347). The average interest on these loans is 5 % per annum. The maturity dates for the loans to other employees are 31 December 2007.

17. Prepaid expense

	31.03.2007.		31.03.2006.	
	LVL	**EUR**	**LVL**	**EUR**
Insurance payments	14 333	20 395	14 944	21 264
Expenses related to the share issue*	30 000	42 686	-	-
Membership fee to Riga Stock Exchange	-	-	1 875	2 668
Subscription to the printed media	480	682	-	-
Other prepaid expense	3 232	4 599	3 258	4 636
TOTAL:	**48 045**	**68 362**	**20 077**	**28 567**

* Expense in the amount of LVL 30 000 was incurred under the agreement signed with a/s Parex banka. The Parent Company's Board resolved to recommend to the shareholders that 4 000 000 shares should be issued. The share issue is planned during 2007, and placement of the newly-issued shares is one of the services provided for under the above-mentioned agreement with a/s Parex banka.

18. Cash in foreign currency and lats according to the exchange rate established by the Bank of Latvia

	31/03/2007		31/03/2006	
Cash by currency profile:	Foreign currency	LVL	Foreign currency	LVL
RUR	392 087	7 959	1 062 134	22 305
LVL	-	31 582	-	4 602
EUR	36 261	25 485	2 445	1 718
USD	1 157	611	366	213
TOTAL:		**65 637**		**28 838**

Cash at banks earns interest at average 0, 25% based on bank account service agreement.

19. Share capital

The share capital of the Parent Company is LVL 13 209 055 and consists of 13 209 055 shares. The par value of each share is LVL 1. The shares are divided into the following categories: 10 214 155 shares are ordinary registered dematerialised voting shares and 2 994 900 shares are ordinary publicly traded dematerialised voting shares to bearer.

20. Loans from credit institutions

Non-current:	Amount		Effective interest rate (%)	Maturity	31.03.2007. LVL	31.03.2007. EUR	31.03.2006. LVL	31.03.2006. EUR
Loan from AS SEB Unibanka	6950000	EUR	EUR LIBOR (3 mēn.)+1.95%	08.12.2011.	3 063 723	4 359 286	3 629 983	5 165 000
Loan from AS SEB Unibanka	4000000	EUR	EUR LIBOR (3 mēn.)+1,95%	23.05.2013.	2 220 288	3 159 185	-	-
				TOTAL:	**5 284 011**	**7 518 470**	**3 629 983**	**5 165 000**

Current:	Amount		Effective interest rate (%)	Maturity	31.03.2007. LVL	31.03.2007. EUR	31.03.2006. LVL	31.03.2006. EUR
Loan from AS SEB Unibanka **	6 950 000	EUR	EUR LIBOR (3 mēn.)+1.95%	08.12.2007.	540 657	769 286	463 851	660 000
Credit line from AS SEB Unibanka	200 000	LVL	LVL Unibor (3 mēn.)+1,95%	05.12.2007.	180 860	257 340	198 935	283 059
Credit line from AS SEB Unibanka	200 000	EUR	EUR LIBOR (3 mēn.)+1,95%	05.12.2007.	33 928	48 275	47 487	67 569
Credit line from AS SEB Unibanka	500 000	USD	USD LIBOR (3 mēn.)+1,95%	05.12.2007.	263 310	374 656	290 761	413 716
Loan from AS SEB Unibanka	4 000 000	EUR	EUR LIBOR (3 mēn.)+1,95%	23.05.20013.	356 351	507 042	-	-
Ohter credit lines "Baltfarm"	1 000 000	RUB	22%	30.06.2007.	18 666	26 559	-	-
				TOTAL:	**1 393 771**	**1 983 157**	**1 001 035**	**1 424 344**

* According to the terms of the loan agreement, the maturity of the loan shall be extended until 9 December 2013 provided the Parent Company complies with the terms of the agreement (see below).

** Average interest rate for the year 2005 was EUR LIBOR + 3 %. On 23 March 2006, the amendments to the loan agreement were signed whereby the fixed portion of the interest rate was reduced from 3% to 1.95% per annum. Fluctuating part of the interest rate is reviewed once in a quarter.
Due to the necessity to implement the standards of Good Manufacturing Practice (GMP), the Parent Company obtained a non-current loan from AS SEB Unibanka in the end of 2003. On 22 June 2004, the loan agreement was amended, with the total amount of the loan available being increased to EUR 6 950 000. On 23 March 2006, the amendments to the loan agreement were signed whereby the fixed portion of the interest rate was reduced from 3% to 1.95% per annum. For the duration of the loan agreement, the Parent Company has to ensure that its equity is positive, and the ratio of equity to total assets should not be less than 35%.
On 25 May 2006 the Parent Company signed a new non-current loan agreement for EUR 4 000 000 in relation to purchase of production equipment, renovation of production facilities and acquisition of intangible assets.

For the duration of the loan agreement, the Parent Company shall meet the following financial terms:
- Its equity must be positive;
- Adjusted ratio of equity to total assets should be no less than 35% (thirty-five per cent). Adjusted equity is calculated as equity less loans issued to shareholders, management, other related parties, intangible assets and goodwill, non-current assets revaluation reserve and plus subordinated loans for which subordination agreement have been signed with AS SEB Unibanka;
- The ratio of net liabilities to EBITDA should not exceed 2, where net liabilities are all interest-bearing liabilities (loans+financial leases+guarantees) less short-term deposits and EBITDA is earnings before interest, taxes, depreciation and amortisation. This ratio is calculated on a quarterly basis for the preceding 12-month period, starting with the third quarter of 2006;
- DSCR of at least 2, calculated as EBITDA dividend by all interest and loan principal payments that the Borrower must make under the agreements (loans+financial leases+guarantees). This ratio is calculated on a quarterly basis for the preceding 12-month period, starting with the third quarter of 2006.

20. Loans from credit institutions (cont'd)

In 2003, the Parent Company concluded several credit line agreements with AS SEB Unibanka with the maturity fixed on 5 December 2005. In 2005 the aforementioned credit line agreements were extended until 5 December 2006 under the same terms (except for that defining the fixed portion of the interest rate which was reduced from 4.5% to 1.95% per annum). During the reporting year those credit lines were extended until 5 December 2007 under the same terms.

As at 31 March 2007, all the non-current and current assets owned by the Parent Company were pledged as a security for the loan and credit lines received (see Note 11). The pledge agreements were registered with the Commercial Pledge Register on 16 December 2003 and renewed on 29 June 2004 and 6 June 2006. In addition, major shareholders of the Parent Company guaranteed repayment of the loan by their shares in the Parent Company, and the chairman of the Board of the Parent Company (President) pledged all his shares in SIA Olmafarm.

21. Other loans

	31.03.2007 LVL		31.03.2007 EUR		31.03.2006 LVL		31.03.2006 EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA ''Parex Līzings'', EUR	13 855	12 024	19 714	17 108	-	-	-	-
Finance lease liabilities to SIA Hanza Līzings, LVL	-	-	-	-	-	4 519	-	6 431
Finance lease liabilities to SIA Hanza Līzings, EUR	18 470	14 974	26 280	21 306	33 444	14 225	47 587	20 240
Finance lease liabilities to SIA SEB Unilīzings, LVL	3 262	1 780	4 641	2 533	-	-	-	-
Finance lease liabilities to SIA SEB Unilīzings, EUR	312 732	171 677	444 977	244 275	332 725	139 353	473 425	198 282
TOTAL:	**348 319**	**200 456**	**495 613**	**285 223**	**366 169**	**158 097**	**521 012**	**224 952**

The interest rate on the finance leases ranges from 5.63% to 6.85%. Fluctuating part of the interest rate is reviewed once in a quarter. The finance lease liabilities are repayable till June 2010. The net carrying amount of the property, plant and equipment held under finance lease is disclosed in Note 11.

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

	31.03.2007.		31.03.2007.		31.03.2006.		31.03.2006.	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR
Within one year	224 063	200 456	318 813	285 223	181 256	158 097	257 903	224 952
Between one and five years	369 722	348 319	526 068	495 613	391 587	366 169	557 178	521 012
Total minimum lease payments	593 785	548 775	844 881	780 836	572 843	524 266	815 082	745 963
Less amounts representing finance charges	(45 010)	-	(64 044)	-	(48 577)	-	(69 118)	-
Present value of minimum lease payments	**548 775**	**548 775**	**780 836**	**780 836**	**524 266**	**524 266**	**745 963**	**745 963**

22. Prepayments received from customers

For the most part, prepayments received from customers which as at 31 March 2007 amounted to LVL 463 881 (31 March 2006: LVL 154 936) represent advances received from third parties under the factoring agreements. The effective interest rate on advances received from third parties under the factoring agreements is RIGIBOR (3-mon)+3.00%.

23. Taxes payable/ receivable

	31.03.2007 LVL	31.03.2007 EUR	31.03.2006 LVL	31.03.2006 EUR
Personal income tax*	(616 448)	(877 126)	(688 852)	(980 148)
Statutory social insurance contributions	(549 661)	(782 097)	(582 864)	(829 341)
Real estate tax	(92 458)	(131 556)	(88 130)	(125 398)
Natural resource tax	(5 057)	(7 195)	(4 483)	(6 379)
VAT	(57 109)	(81 259)	(2 543)	(3 618)
Corporate income tax	38 677	55 032	78 229	111 310
Value added tax	109 351	155 593	80 756	114 905
TOTAL:	(1 172 703)	(1 668 605)	(1 207 887)	(1 718 668)
Total liabilities*:	(1 320 732)	(1 879 232)	(1 366 872)	(1 944 884)
Total assets:	148 029	210 626	158 985	226 215

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

Tax liabilities by maturity profile as at 31 March 2007 can be specified as follows:

	31.03.2007		**31.03.2007**		**31.03.2006**		**31.03.2006**	
	LVL		**EUR**		**LVL**		**EUR**	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Personal income tax	391 222	225 226	556 659	320 468	495 548	193 304	705 102	275 047
Statutory social insurance contributions	291 890	257 771	415 322	366 775	369 727	213 137	526 074	303 267
Real estate tax	57 476	34 981	81 781	49 774	72 803	15 327	103 589	21 808
VAT	-	57 109	-	81 259	-	2 543	-	3 618
Natural resource tax	-	5 057	-	7 195	-	4 483	-	6 379
TOTAL:	**740 588**	**580 144**	**1 053 762**	**825 471**	**938 078**	**428 794**	**1 334 765**	**610 119**

In 2005, the previously charged late payment penalty of LVL 560 160 was annulled. The aforementioned amount comprised late payment penalty for outstanding statutory social insurance contributions, personal income tax and real estate tax in the amount of LVL 191 688, LVL 298 830 and LVL 70 142 respectively..

24. Accrued liabilities

	31.03.2007.		**31.03.2006.**	
	LVL	**EUR**	**LVL**	**EUR**
Provisions for penalties related to taxes	95 400	135 743	115 984	165 030
Vacation pay reserve	347 602	494 593	209 438	298 003
TOTAL:	**443 003**	**630 336**	**325 421**	**463 032**

25. Trade and other payables

	31.03.2007.		31.03.2006.	
	LVL	EUR	LVL	EUR
Trade payables	1 459 017	2 075 994	1 308 271	1 861 501
Wages and salaries	418 981	596 156	307 627	437 714
Other liabilities	50 332	71 617	60 518	86 109
TOTAL:	**1 928 330**	**2 743 767**	**1 676 414**	**2 385 322**

Terms and conditions of the above liabilities:

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

26. Commitments and contingencies

Tax late payment panalties

The charging of tax late payment penalties on taxes shall be renewed in the event of the Parent Company failing to observe the schedule of the principal tax debt repayment whereby payments are to be commenced starting from January 2006 and finished in December 2011 (see also Note 24).

Operating lease

The Group has entered into commercial leases on certain motor vehicles. These leases have an average life of between 3 and 5 years with no renewal option included in the contracts.

Future minimum rentals payable under non-cancellable operating leases as at 31 March 2007 are as follows:

	31.03.2007.		31.03.2006.	
	LVL	EUR	LVL	EUR
Within one year	4 951	7 044	8 015	11 404
After one year but not more than five years	8 664	12 328	21 630	30 777
TOTAL:	**13 615**	**19 372**	**29 645**	**42 181**

Legal claims

On 3 November 2006, the Republic of Latvia Supreme Court Chamber of Civil Cases heard the appellate claim by I. Maligina against the Riga Regional Court judgment dated 24 March 2005 rejecting her claim against a/s Olainfarm for collection of a debt in the amount of LVL 99 820.18. The Supreme Court Chamber of Civil Cases ruled that the claim by I. Maligina should be satisfied in full. AS Olainfarm filed a cassation appeal against this judgment by the Supreme Court Chamber of Civil Cases. The Supreme Court Senate activity meeting on 26 January 2007 resolved to accept the cassation appeal and send it for hearing at the Senate meeting under the cassation procedure, suspending the execution of the judgment in the given case. As the judgment of the court of second instance took effect upon its declaration and the claimant started collection activities already on 15 November 2006, but the Senate activity meeting took place only at the end of January 2007, AS Olainfarm had to comply with the court judgment. The Parent Company complied with the court judgment in full at the beginning of 2007 as confirmed by the calculation No. 18-797-2006/07 issued by worn bailiff on 15 January 2007. The cassation appeal by AS Olainfarm was heard by the Supreme Court Senate at the meeting on 28 March 2007, which ruled to annul the judgment made by the Supreme Court Chamber of Civil Cases. At 31 March 2007, the Company has not made accruals regarding the above claim.

27. Related party disclosures

Related party	Type of services		Purchases from related parties, LVL	Purchases from related parties, EUR	Sales to related parties, LVL	Sales to related parties, EUR	Amounts owed by related parties, LVL	Amounts owed by related parties, EUR	Amounts owed to related parties, LVL	Amounts owed to related parties, EUR
SIA Olmafarm (shareholder)	Loan and debt assignment	31.12.06	49 322	70 179	1 719 331	2 446 388	2 219 300	3 157 779	-	-
		31.03.07	2 187 465	3 112 482	-	-	31 835	45 298	-	-
Stimfarm Ltd. (subsidiary)	Sale of finished goods and chemistry	31.12.06	2 753	3 917	-	-	25 890	36 838	-	-
		31.03.07	25 890	36 838	-	-	-	-	-	-
V. Maligins ** (shareholder of SIA Olmafarm)	Loan	31.12.06	76 551	108 922	153 358	218 209	425 024	604 755	-	-
		31.03.07	437 215	622 101	45 540	64 798	33 349	47 451	-	-
I. Liscika ** (Board member)	Loan	31.12.06	-	-	-	-	88 868	126 448	-	-
		31.03.07	89 219	126 947	351	499	-	-	-	-
SIA Carbochem (V. Maligins share 50%)	Intermediation in sale of chemical products	31.12.06	8 992	12 794	59 363	84 466	-	-	12 280	17 473
		31.03.07	3 589	5 107	7 761	11 043	-	-	8 108	11 537
SIA Remeks (V. Maligins share 33%)	Construction services	31.12.06	22 379	31 842	21 046	29 946	-	-	1 333	1 897
		31.03.07	50 917	72 448	1 333	1 896	-	-	50 917	72 449
SIA OLFA Press (V. Maligins share 45%)	Printing services	31.12.06	592 243	842 686	556 221	791 431	-	-	222 068	315 974
		31.03.07	162 190	230 775	310 056	441 169	-	-	74 202	105 580
SIA Vega MS (SIA Aroma share 60%, V. Maligins share in Aroma 100%)	Security services, production of windows	31.12.06	82 024	116 710	82 024	116 710	-	-	-	-
		31.03.07	33 030	46 998	32 666	46 479	-	-	364	518
	KOPĀ:	**31.12.06**	834 264	1 187 051	2 591 343	3 687 149	2 759 082	3 925 820	235 681	335 344
	KOPĀ:	**31.03.07**	2 989 515	4 253 696	397 707	565 886	65 184	92 749	133 592	190 084

* The major shareholder of the Parent Company is SIA Olmafarm (49.51 %). The shareholder of SIA Olmafarm (100%) is Valērijs Maligins.

The second major shareholder of the Parent Company is Juris Savickis (31.23%).

27. Related party disclosures

Terms and conditions of transactions with related parties

Outstanding balances at the end of reporting period are unsecured and interest free (except for loan to Valērijs Maligins) and settlement occurs in cash (except for loan to Valērijs Maligins). There have been no guarantees provided or received for any related party receivables or payables and the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

28. Segment information

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected by differences in the product produced. The finished form medicine segment represents tablets, capsules, ampoules and sachets, namely the products ready for final consumption by end users. The second is chemicals segment which is sold to the clients of the Group for further processing, eventually into finished form medicines. Production of both segments is separated.

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

Secondary information is reported geographically. The geographical segments, based on location of the Group's assets, are not presented, as major part of the Group assets (approx. 99.6%) are located in Latvia. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers; see Note 3 (Net turnover).

LVL

	Finished form medicine		Chemicals		Unallocated		Total	
	31.03.2007.	31.03.2006.	31.03.2007.	31.03.2006.	31.03.2007.	31.03.2006.	31.03.2007.	31.03.2006.
Assets								
Intangible assets	2 743 749	1 044 054	1 472 215	567 886	-	70 000	4 215 964	1 681 940
Property, plant and equipment	5 994 564	4 456 498	3 216 505	2 423 999	666 174	652 297	9 877 243	7 532 794
Financial assets	-	-	-	-	386	386	386	386
Inventories	3 355 017	2 502 640	1 800 203	1 361 247	190 590	137 375	5 345 810	4 001 262
Receivables	5 212 666	3 422 987	682 638	56 695	297 444	2 392 260	6 192 748	5 871 942
Cash	-	-	-	-	65 637	28 838	65 637	28 838
Total assets	**17 305 996**	**11 426 178**	**7 171 561**	**4 409 828**	**1 220 231**	**3 281 156**	**25 697 789**	**19 117 162**
Liabilities								
Equity	-	-	-	-	13 922 439	9 600 548	13 922 439	9 600 548
Provisions for expected taxes	-	-	-	-	259 256	36 446	259 256	36 446
Loans from credit institutions	4 333 753	2 999 510	2 325 362	1 631 508	18 667	-	6 677 782	4 631 018
Prepayments received for shares of the Parent Company	-	-	-	-	-	565 560	-	565 560
Other loans	357 143	339 567	191 632	184 699	-		548 775	524 266
Taxes payable	810 875	877 081	435 092	477 066	74 765	12 725	1 320 732	1 366 872
Prepayments received from customers	463 578	154 214	-		303	722	463 881	154 936
Trade payables and other payables	1 163 223	959 215	624 150	544 295	140 956	172 904	1 928 330	1 676 414
Payables to related	86 942	152 651	46 649	83 030	-	-	133 592	235 681
Accrued liabilities	-		-	-	443 003	325 421	443 003	325 421
Total liabilities	**7 215 513**	**5 482 238**	**3 622 886**	**2 920 598**	**14 859 389**	**10 714 326**	**25 697 789**	**19 117 162**
Income Statement								
Net sales	4 176 420	3 309 742	491 279	398 803	248 534	244 815	4 916 233	3 953 360
Changes in stock of finished goods and work in progress	475 067	342 440	254 907	186 262	-	-	729 974	528 702
Other operating income	-	-	-	-	133 988	57 378	133 988	57 378
Cost of materials	-	-	-	-	-	(32 660)	-	(32 660)
Staff costs	(996 958)	(837 183)	(534 938)	(455 365)	(193 193)	(279 728)	(1 725 089)	(1 572 276)
Depreciation/ amortization	(1 174 460)	(900 309)	(630 180)	(489 700)	(41 447)	(42 974)	(1 846 087)	(1 432 983)
Other operating expense	(346 506)	(330 400)	(185 925)	(179 713)	(1 869)	(3 154)	(534 299)	(513 267)
Financial income	(659 713)	(541 050)	(353 982)	(294 291)	(26 125)	(36 024)	(1 039 820)	(871 365)
Financial expense	-	-	-	-	2 855	9 630	2 855	9 630
Corporate income tax	-	-	-	-	(136 546)	(102 683)	(136 546)	(102 683)
Profit for the reporting y	-	-	-	-	(15 992)	(1 931)	(15 992)	(1 931)
	1 473 851	**1 043 240**	**(958 840)**	**(834 004)**	**(29 795)**	**(187 331)**	**485 217**	**21 905**

EUR

	Finished form medicine		Chemicals		Unallocated		Total	
	31.03.2007.	31.03.2006.	31.03.2007.	31.03.2006.	31.03.2007.	31.03.2006.	31.03.2007.	31.03.2006.
Assets								
Intangible assets	3 904 004	1 485 554	2 094 773	808 030	-	99 601	5 998 776	2 393 185
Property, plant and equipment	8 529 496	6 341 025	4 576 675	3 449 040	947 880	928 135	14 054 051	10 718 200
Financial assets	-	-	-	-	549	549	549	549
Inventories	4 773 759	3 560 935	2 561 458	1 936 881	271 185	195 467	7 606 402	5 693 281
Receivables	7 416 956	4 870 472	971 306	80 670	423 225	3 403 879	8 811 487	8 355 021
Cash	-	-	-	-	93 393	41 033	93 393	41 033
Total assets	**24 624 214**	**16 257 987**	**10 204 212**	**6 274 620**	**1 736 232**	**4 668 664**	**36 564 660**	**27 201 271**
Liabilities								
Equity	-	-	-	-	19 809 846	13 660 349	19 809 846	13 660 349
Provisions for expected taxes	-	-	-	-	368 888	51 858	368 888	51 858
Loans from credit institutions	6 166 375	4 267 919	3 308 692	2 321 426	26 560	-	9 501 627	6 589 344
Prepayments received for shares of the Parent Company	-	-	-	-	-	804 719	-	804 719
Other loans	508 168	483 160	272 668	262 803	-	-	780 836	745 964
Taxes payable	1 153 772	1 247 974	619 080	678 804	106 382	18 106	1 879 233	1 944 884
Prepayments received from customers	659 612	219 427	-	-	431	1 027	660 043	220 454
Trade payables and other payables	1 655 117	1 364 840	888 085	774 462	200 563	246 020	2 743 766	2 385 322
Payables to related	123 707	217 202	66 376	118 142	-	-	190 084	335 344
Accrued liabilities	-	-	-	-	630 336	463 032	630 336	463 032
Total liabilities	**10 266 751**	**7 800 522**	**5 154 902**	**4 155 637**	**21 143 007**	**15 245 112**	**36 564 660**	**27 201 271**
Income Statement								
Net sales	5 942 510	4 709 339	699 027	567 446	353 633	348 340	6 995 170	5 625 125
Changes in stock of finished goods and work in progress	675 960	487 249	362 700	265 027	-	-	1 038 659	752 275
Other operating income	-	-	-	-	190 648	81 642	190 648	81 642
Cost of materials	-	-	-	-	-	(46 471)	-	(46 471)
Staff costs	(1 418 543)	(1 191 205)	(761 148)	(647 926)	(274 889)	(398 017)	(2 454 581)	(2 237 147)
Depreciation/ amortization	(1 671 106)	(1 281 024)	(896 666)	(696 781)	(58 974)	(61 146)	(2 626 745)	(2 038 951)
Other operating expense	(493 034)	(470 117)	(264 547)	(255 709)	(2 658)	(4 491)	(760 239)	(730 313)
Financial income	(938 687)	(769 845)	(503 671)	(418 738)	(37 173)	(51 258)	(1 479 531)	(1 239 841)
Financial expense	-	-	-	-	4 062	13 702	4 062	13 702
Corporate income tax	-	-	-	-	(194 287)	(146 105)	(194 287)	(146 105)
Profit for the reporting year	-	-	-	-	(22 755)	(2 748)	(22 755)	(2 748)
	2 097 100	**1 484 397**	**(1 364 306)**	**(1 186 681)**	**(42 392)**	**(266 551)**	**690 402**	**31 168**

29. Financial risk management

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

Financial risks

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

Foreign currency risk

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

The Group's currency risk as at 31 March 2007 may be specified as follows:

	LVL	USD	EUR	Other	Total LVL
Trade receivables	818 083	119 661	4 450 108	434 183	5 822 035
Receivables from related companies	2 411	29 424	(2 463)	-	29 372
Other receivables	195 196	900	34 985	5 352	236 433
Current loans to management	20 000	33 349	3 514	-	56 863
Prepaid expense	27 353	79	17 667	2 946	48 045
Cash	31 582	611	25 485	7 959	65 637
Total financial assets in LVL	1 094 625	184 025	4 529 295	450 440	6 258 385
Loans from credit institutions	180 860	263 310	6 214 947	18 666	6 677 783
Other loans	5 042	-	543 732	-	548 775
Taxes payable	1 245 967	-	-	74 765	1 320 732
Prepayments received from customers	463 578	-	-	303	463 881
Trade payables and other payables	1 342 567	240 738	253 465	91 560	1 928 330
Payables to related companies	133 592	-	-	-	133 592
Accrued liabilities	443 003	-	-	-	443 003
Total financial liabilities in LVL	3 814 608	504 048	7 012 144	185 294	11 516 094
Net, LVL	(2 719 983)	(320 023)	(2 482 849)	265 146	(5 257 709)

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

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

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

Interest rate risk

The Group is exposed to interest rate risk mainly through its current and non-current borrowings. The average interest rate payable on the Group's borrowings is disclosed in Notes 20 and 21.

Liquidity risk

The Group manages its liquidity risk by arranging an adequate amount of committed credit facilities with banks.

Credit risk

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

Attention should be paid to credit risk concentration with the Russian business partners, together representing 39% of all trade receivables as at 31 December 2006. The Company's management is taking measures to reduce this risk and the percentage of those receivables has decreased by 9% from 2005. In addition, a possibility of using non-recourse factoring transactions is considered to reduce the risk.

30. Events after balance sheet date

After the end of the reporting period shareholders' meeting upon proposal of the management board has decided to carry out issue of 4 millions bearer's shares and offer those to local and foreign investors. At the moment of approval of the financial statement signing up for the shares has not concluded.