JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

NON-AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2008

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

Olaine, 2008

CONTENTS

General information

Name of the company	Olainfarm
Legal status of the company	Joint stock company
Unified registration number, place and date of registration	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders	SIA Olmafarm (49.51 %) A. Čaka iela 87 Riga, Latvia, LV-1011 Juris Savickis (31.23 %)
Board	Valērijs Maligins, Chairman of the Board (President) Positions held in other companies: SIA 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 (33.3%), SIA Olfa Press (45%), SIA Carbochem (50%), SIA Aroma (100%), SIA Olmafarm (100%), SIA New Classic (100%) Jeļena Borcova, Deputy Chairman of the Board Positions held in other companies: SIA Carbochem – Chairperson of the Board Participation in other companies: none Jurijs Kaplinovs Participation in other companies: none Andris Jegorovs Participation in other companies: none Inga Liščika Participation in other companies: none

Council	Juris Savickis, Chairman of the Council Positions held in other companies: Latvian Tennis Union (unregistered office), AS Sibur Itera - Chairman of the Council, AS Latvijas Gāze - Deputy Chairman of the Council, AS VEF banka - Deputy Chairman of the Council, SIA Itera Latvija - Chairman of the Board, AS Nordeka - Chairman of the Council, SIA Islande Hotel – Board Member, Tennis club Altitūde - Chairman of the Board Participation in other companies: SIA Islande Hotel (75.31%), SIA Daugmala (100%), SIA Energo SG (50%), SIA Nordeka Serviss (100%), SIA Palasta nami (100%), SIA Elssa-SIA (55%), Company of apartment owners Četri pluss (20%) SIA SMS Elektro (34%), AS Latvijas Krājbanka (1.02%), SIA Bobrova nams (21.25%), AS Nordeka (48.09%), Tennis club Altitūde, Tennis club Prezidents, SIA Blūza klubs (50%), SIA Ajura (50%), SIA SWH Sets (22.22%) Ivars Kalviņš, Deputy Chairman of the Council (resigned on 24/01/2008) Positions held in other companies: AS Latvijas zoovetapgāde - Chairman of the Council, National research institution, non-profit organization Latvian Institute of Organic Synthesis - Director, AS Grindeks - Council Member, Latvian Academic Library Foundation (SO Latvijas Akadēmiskās bibliotēkas Atbalsta fonds) – Chairman of the Board Participation in other companies: SIA OSI Laboratorijas (16%), SIA Tetra (50%), Latvian Academic Library Foundation (SO Latvijas Akadēmiskās bibliotēkas Atbalsta fonds), Society of Quality Tests Eļena Dudko Positions held and participation in other companies: none Rolands Klincis (appointed on 13/04/2007) Positions held in other companies: none Participation in other companies: Association of Latvian Securities Market Professionals

	Aleksandrs Raicis (appointed on 20/07/2007) Positions held in other companies: Latvian Association of Medical Wholesalers Participation in other companies: SIA VIP Pharma (50%), SIA Recesus (30%) Guntis Belēvičs (resigned on 13/04/2007) Positions held in other companies: SIA Blakenfeldes muiža - Board Member, SIA Divezeri - Board Member, SIA Centrālā laboratorija - Board Member, SIA Baltic Pharma Service - Board Member, SIA Juglas medicīnas centrs - Board Member, SIA Genera - Council Member, SIA Belēviču nekustāmie īpašumi - Board Member, SIA Aptieku serviss - Board Member, SIA Uniaptieka - Liquidator, SIA Dolli 91 - Liquidator, Zemitāni farm in the Irši district - owner, SIA Saules aptieka - Board Member 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%) University of Agriculture Hunting Club, Society Grindeļa brālība, Society Friends of Latvians in Brasil (SO Brazīlijas Latviešu draugu biedrība), Koknesei, Open public foundation LTVF, Riga Hansa Rotary Club Tatjana Lukina (resigned on 20/07/2007) Positions held in other companies: Association of Medicine Traders (SO Zāļu ražotāju asociācija) - Chairperson of the Board, The People's Harmony Party - Board Member Participation in other companies: none
Movements in the Board during the period 1 January 2008 through 30 June 2008	None
Movements in the Council during the period 1 January 2008 through 30. June 2008	Ivars Kalviņš, resigned on 24/01/2008

Subsidiary	OOO Baltfarm Cheremushkinskaya 13/17 Moscow, Russia (100%)	
Core business activity	Manufacturing and distribution of chemical and pharmaceutical products	
Financial period	1 January – 30 June 2008	
Auditors	Diāna Krišjāne Latvian Sworn Auditor Certificate No. 124	SIA Ernst & Young Baltic Muitas iela 1, Riga Latvia, LV – 1010 Licence No. 17

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

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

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

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

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

Chairman of the Management board
Valērijs Maligins

AKCIJU SABIEDRĪBA «OLAINFARM»
Olainfarm
LATVIJAS REPUBLIKA

Management report

General information

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

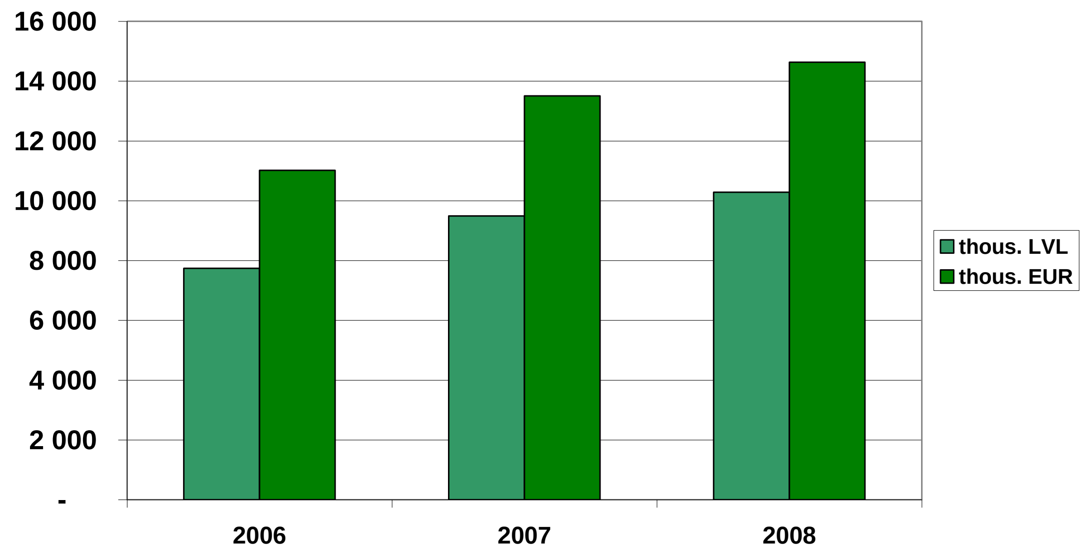
Concern is one of the biggest companies in the Baltic States with 35 years of experience in production of medicines and chemical and pharmaceutical products. The basic principle of Concern's operations is to produce reliable and effective top quality products for Latvia and the rest of the world. Currently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

Financial performance

Net sales of JSC Olainfarm in six months of 2008 reached 10 281 395 lats (14 629 107 Euro), i.e., an increase of more than 8% compared to the first half of 2007. Taking into consideration that there were several deals extraordinary by their nature concluded during the first half of 2007 (e.g. supply of an anti-tuberculosis medicine PASA Sodium salt to the national reserves of Kazakhstan and significant decrease of sales by OOO Baltfarm and impact of those on Concern's overall sales), the actual increase of ongoing sales is larger and exceeds 25%, which shall be regarded as rather good sales increase. Since most of those extraordinary transactions of 2007 were concluded during the first six months of that period we expect that the speed of sales increase during the second half of 2008 will be even higher.

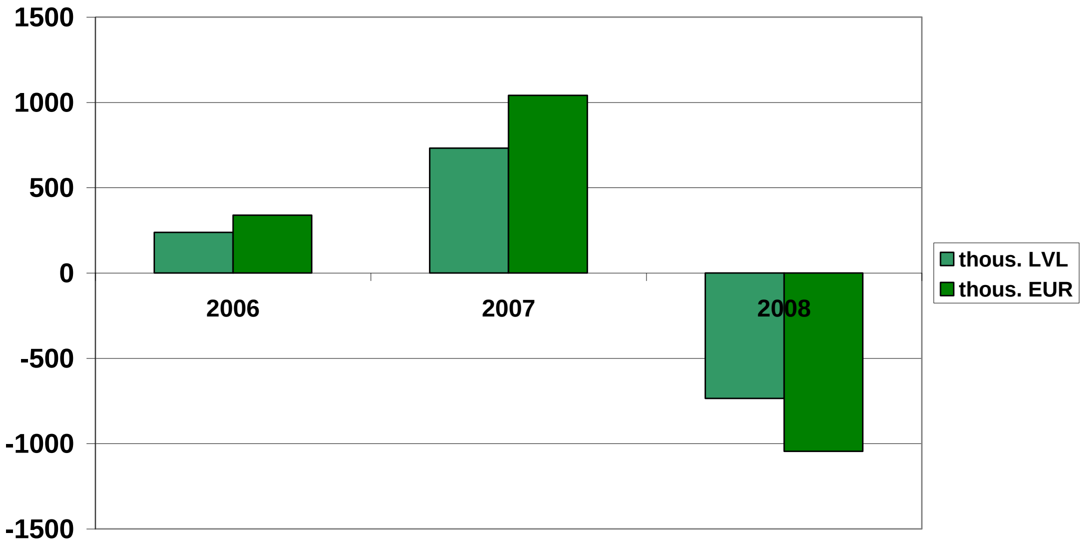
Marketing costs have continued to increase during the 2nd quarter of 2008 and therefore throughout the first half of this year. Compared to the first half of 2007 they have nearly doubled to 2.03 million lats (2.89 million Euros), which is one of the main loss making items. It has resulted in Olainfarm making a net loss of 735 000 lats (1 045 811 Euro) during the first six months, which is by nearly 1.5 million lats (2.1 million Euro) worse figure than that of first half of 2007 when the company worked with the net profit of 731 508 lats (1 040 844 Euro). Similar to the figures of the first quarter, the semi-annual figures have worsened too compared to 2007. Such figures derive from the well considered decision taken by the management of Concern to significantly strengthen marketing and sales promotion effort in Russia, Ukraine and Belarus. The increase of overall sales and the increase of sales of promotable products in particular in the markets where the additional marketing effort is taken is a very positive one. Overall sales in Belarus have increased by 25%, in Russia by 30% and in Ukraine by 70% compared to the first half of 2007. Sales of some promotable products are up even by 67%. Latvia, Great Britain and Kazakhstan are the only markets where the sales volume of the previous year were not achieved, but that is related not to the failures in 2008 but to some successful deals of 2007 mentioned above and to discontinuation of production of some less profitable products as a part of product optimisation effort. Decrease of sales volumes in these markets prevented the Concern from demonstrating even more impressive sales overall sales increase.

Consolidated sales for 6 months



Although the Concern is still loss making, the sales increase trend in the respective markets is a positive one and although sales increase is yet too small to allow profit, it is considerable enough to cover for marketing cost increases, therefore the management of the Concern maintains its profit forecast for 2008 of 325 000 lats (462 433 Euro).

Consolidated profit for 6 months



The above mentioned decisions of the Concern's management and the related cost and sales developments have also influenced EBIT and EBITDA levels. During the first six months of 2008 the EBIT was -370 349 lats (-526 959 Euro), while during the similar period of 2007 it was positive, namely 1 022 354 lats (1 454 678 Euro). EBITDA has also decreased in 6 months of 2008 by 56% to 924 931 lats (1 358 240 Euro).

Main financial indicators	**30.06.2008.**	**30.06.2007.**	**% to the previous period**
Net sales (LVL)	10 281 395	9 491 073	108%
Net profit (LVL)	-735 000	731 508,00	NA
EBITDA (LVL)	924 931	2 095 747	44%
EBIT (LVL)	-370 349	1 022 354	NA
Net sales (EUR)	14 629 107	13 504 580	108%
Net profit (EUR)	-1 045 810	1 040 842	NA
EBITDA (EUR)	1 316 058	2 981 979	44%
EBIT (EUR)	-526 959	1 454 678	NA
EBITDA margin, %	9%	22%	
Net margin, %	-10%	11%	
EBIT margin, %	-4%	11%	
ROA, % (semi-annual)	-2,55%	2,59%	
ROE, % (semi-annual)	-4,75%	4,41%	
EPS, LVL (semi-annual)	-0,05	0,05	NA
EPS, EUR (semi-annual)	-0,07	0,07	NA

Rebased price of Parent Company's shares on Riga Stock Exchange compared to rebased OMX Riga Index (6 months of 2008)

-- OMR Riga
-- Olainfarm

The above chart shows that the stock market has reacted to the worsening of Concern's figures and price of Olainfarm's share has dropped by nearly 50% compared to the drop of approximately 13% of OMX Riga index. While appreciating that it has been loss made by the Concern that has to a large degree caused such drop, the management of the Concern expects that as the financial indicators of the Concern will stabilize in the very near future, the share price will increase respectively.

Taking into account the solutions found by the Company for facilitating the sales of its products and for reasons of optimisation of distribution channels on June 4, 2008 the agreement was signed about selling the shares of OOO “Baltfarm” previously owned by Olainfarm. Since the cooperation with this company was reduced and discontinued the sales to other wholesalers (Apteka Holding ZAO, Katren ZAO NPK, OOO Moron) have increased significantly and cooperation with new wholesalers (Rosta ZAO) has been launched. The said activities not only left a positive impact on overall sales to Russia, but also allowed to widen the distribution network, thus covering the larger territory of Russia. The marketing services previously provided by OOO Baltfarm are now transferred to “Trade Technologies Limited”, a company with many years of experience in promotion of pharmaceutical products and the expertise of this company is confirmed by successful introduction of many products into Russian and Ukrainian markets. As it has been mentioned before, the cooperation with this company is already providing positive results, therefore management of Olainfarm shares the opinion that selling of shares in OOO Baltfarm will leave a positive impact on performance and development of Olainfarm.

Future development plans

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

Events after the end of the reporting period

On July 25, 2008 the agreement was signed whereby Olainfarm purchased the shares in company Reinolds, SIA. The said company owns several patents related to the new products of Olainfarm, which are very soon expected on the market. With signing of the said agreement Olainfarm implicitly obtains the rights on these patents and on application of technologies and chemical combinations provided therein.

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

29 August 2008

Valērijs Maligins
Chairman of the Board
(President)

Income statement

	Notes	30.06.2008. LVL	30.06.2008. EUR	30.06.2007. LVL	30.06.2007. EUR
Net turnover	3	10 281 395	14 629 107	9 491 073	13 504 580
Changes in stock of finished goods and work in progress		564 068	802 596	1 674 749	2 382 953
Other operating income	4	287 961	409 732	265 801	378 201
Cost of materials:					
raw materials and consumables		(1 786 556)	(2 542 040)	(2 308 174)	(3 284 236)
other external costs		(1 029 436)	(1 464 755)	(971 019)	(1 381 635)
		(2 815 992)	(4 006 796)	(3 279 193)	(4 665 870)
Staff costs:					
Wages and salaries	8	(3 587 868)	(5 105 076)	(3 140 244)	(4 468 164)
Statutory social insurance contributions	8	(788 876)	(1 122 469)	(690 746)	(982 843)
		(4 376 744)	(6 227 546)	(3 830 990)	(5 451 008)
Depreciation/ amortisation and write-offs:					
depreciation and amortisation expense	10.11.	(1 261 613)	(1 795 114)	(1 073 393)	(1 527 300)
Other operating expense	5	(3 077 027)	(4 378 217)	(2 225 694)	(3 166 877)
Income frome sale of subsidiary		32 631	46 428	-	-
Interest receivable and similar income	6	23 688	33 705	13 075	18 604
Interest payable and similar expense	7	(353 623)	(503 160)	(281 819)	(400 991)
Profit before taxes		**(695 256)**	**(989 260)**	**753 609**	**1 072 289**
Corporate income tax		(39 744)	(56 551)	(22 101)	(31 446)
Profit for the reporting year		**(735 000)**	**(1 045 811)**	**731 508**	**1 040 844**
Basic and diluted earnings per share	9	(0,052)	(0,074)	0,055	0,079

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

For the Board:

Valērijs Maligins
Chairman of the Board
(President)

29 August 2008

Balance sheet

ASSETS

NON-CURRENT ASSETS	Notes	30.06.2008. LVL	30.06.2008. EUR	30.06.2007. LVL	30.06.2007. EUR
Intangible assets					
Other intangible assets	11	3 343 701	4 757 658	976 537	1 389 487
Prepayments for intangible assets		268 791	382 455	3 442 513	4 898 255
TOTAL		**3 612 492**	**5 140 113**	**4 419 050**	**6 287 742**
Property, plant and equipment					
Land, buildings and constructions	12	5 250 590	7 470 917	3 353 740	4 771 942
Equipment and machinery	12	4 508 854	6 415 521	4 333 875	6 166 549
Other fixtures and fittings, tools and equipment	12	283 380	403 213	315 630	449 101
Construction in progress					
	12	1 565 707	2 227 800	1 722 689	2 451 166
Prepayments for property, plant and equipment		388 185	552 337	654 482	931 244
TOTAL		**11 996 716**	**17 069 789**	**10 380 416**	**14 770 001**
Financial assets					
Investments in related companies	14				
Other securities and investments		386	549	386	549
		540 950	769 703	-	-
TOTAL		**541 336**	**770 252**	**386**	**549**
TOTAL NON-CURRENT ASSETS		**16 150 544**	**22 980 154**	**14 799 852**	**21 058 292**
CURRENT ASSETSI					
Inventories					
Raw materials		1 219 824	1 735 653	1 098 224	1 562 632
Work in progress		3 172 155	4 513 570	2 438 798	3 470 097
Finished goods and goods for resale		2 729 262	3 883 390	2 602 257	3 702 678
Prepayments for goods		78 576	111 804	102 597	145 982
TOTAL	13	**7 199 817**	**10 244 418**	**6 241 876**	**8 881 389**
Receivables					
Trade receivables	14	4 589 710	6 530 569	4 757 009	6 768 614
Receivables from related companies	15	87 227	124 113	31 252	44 468
Other receivables	16	428 300	609 416	204 935	291 596
Uzņēmuma ienākuma nodoklis	25	10 067	14 324	-	-
Īstermiņa aizdevumi Koncerna vadībai un darbiniekiem	17	263 071	374 316	105 082	149 518
Nākamo periodu izmaksas	18	24 945	35 494	12 380	17 615
TOTAL		**5 403 320**	**7 688 231**	**5 110 658**	**7 271 811**
Cash	19	**81 068**	**115 349**	**2 064 089**	**2 936 934**
TOTAL CURRENT ASSETS		**12 684 205**	**18 047 998**	**13 416 623**	**19 090 135**
TOTAL ASSETS		**28 834 749**	**41 028 152**	**28 216 475**	**40 148 428**

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

For the Board:

Valērijs Maligins
Chairman of the Board
(President)

29 August 2008

EQUITY AND LIABILITIES

EQUITY	Notes	30.06.2008. LVL	30.06.2008. EUR	30.06.2007. LVL	30.06.2007. EUR
Share capital	20	14 085 078	20 041 260	14 085 078	20 041 260
Share premium		1 759 708	2 503 839	1 759 708	2 503 839
Retained earnings/ (accumulated deficit):					
brought forward		350 275	498 396	14 399	20 488
for the period		(735 000)	(1 045 811)	731 508	1 040 842
TOTAL EQUITY		**15 460 061**	**21 997 685**	**16 590 693**	**23 606 429**
LIABILITIES					
Non-current liabilities					
Deferred corporate income tax liabilities		309 800	440 806	259 668	369 474
Loans from credit institutions	21	5 783 162	8 228 698	5 383 424	7 659 922
Other loans	22	276 932	394 039	342 995	488 038
Taxes payable	23	493 726	702 509	691 216	983 512
TOTAL		**6 863 620**	**9 766 051**	**6 677 303**	**9 500 946**
Current liabilities					
Prepayment received for shares of the Parent Company					
Loans from credit institutions	21	2 997 182	4 264 606	1 177 460	1 675 375
Other loans	22	205 686	292 665	207 946	295 881
Prepayments received from customers		214 445	305 128	109 670	156 046
Trade and other payables		1 839 520	2 617 401	2 341 197	3 331 223
Payables to related companies	29	140 116	199 367	145 088	206 442
Taxes payable	23	544 852	775 255	577 943	822 339
Accrued liabilities	24	569 267	809 994	389 176	553 748
TOTAL		**6 511 068**	**9 264 415**	**4 948 480**	**7 041 053**
TOTAL LIABILITIES		**13 374 688**	**19 030 467**	**11 625 783**	**16 541 999**
TOTAL EQUITY AND LIABILITIES		**28 834 749**	**41 028 152**	**28 216 475**	**40 148 428**

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

Off-balance sheet liabilities: see Note 26.

For the Board:

Valērijs Maligins
Chairman of the Board
(President)

AKCIJU SABIEDRĪBA OLAINFARM
Olainfarm
LATVIJAS REPUBLIKA

29 August 2008

Cash flow statement

	30.06.2008. LVL	30.06.2008. EUR	30.06.2007. LVL	30.06.2007. EUR
Cash flows to/ from operating activities				
Profit before taxes	(695 256)	(989 260)	753 609	1 072 289
Adjustments for:				
Amortisation and depreciation	1 270 322	1 807 505	1 079 578	1 536 101
Disposal of tangible non-current assets and investments	(22 143)	(31 507)	73 842	105 068
(Decrease)/ increase in allowances	(7 112)	(10 119)	(37 787)	(53 766)
Increase in vacation reserve	-	-	(55 791)	(79 383)
Interest expenses	130 027	185 012	249 345	354 786
Unrealised loss/ (profit) from fluctuations of currency exchange rates	8 200	11 668	19 398	27 601
Operating cash flows before working capital changes	**684 038**	**973 298**	**2 082 194**	**2 962 695**
(Increase) in inventories	(749 663)	(1 066 674)	(1 697 137)	(2 414 808)
(Increase)/ decrease in receivables and prepaid expense	580 073	825 370	2 724 403	3 876 476
Increase in payables	14 652	20 848	(777 730)	(1 106 610)
Cash generated from operations	**529 100**	**752 841**	**2 331 730**	**3 317 753**
Interest paid	(130 027)	(185 012)	(268 744)	(382 388)
Corporate income tax paid	(122 399)	(174 158)	(22 101)	(31 447)
Real estate tax paid	(27 603)	(39 276)	(40 269)	(57 298)
Naudas plūsma pirms ārkārtas posteņiem	**249 071**	**354 396**	**2 000 616**	**2 846 620**
Net cash flows to/ from operating activities	**249 071**	**354 396**	**2 000 616**	**2 846 620**
Cash flows to/ from investing activities				
Purchase of non-current assets	(1 992 151)	(2 834 576)	(2 791 654)	(3 972 166)
Income from non-current assets sales	77 156	109 783	-	-
Loans granted	(144 745)	(205 954)	422 324	600 913
Net cash flows to/ from investing activities	**(2 059 740)**	**(2 930 746)**	**(2 369 330)**	**(3 371 253)**
Cash flows to/ from financing activities				
Proceeds from issue of shares	-	-	1 545 939	2 199 673
Borrowings repaid	32 253 938	45 893 219	16 012 507	22 783 745
Proceeds from borrowings	(31 440 805)	(44 736 235)	(16 087 415)	(22 890 329)
Increase of the share capital	-	-	876 023	1 246 468
Net cash flows to/ from financing activities	**813 133**	**1 156 984**	**2 347 054**	**3 339 557**
Change in cash	**(997 536)**	**(1 419 366)**	**1 978 340**	**2 814 924**
Cash at the beginning of the reporting year	**1 078 604**	**1 534 715**	**85 747**	**122 007**
Cash at the end of the reporting year	**81 068**	**115 349**	**2 064 089**	**2 936 934**

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

Statement of changes in equity

	Share capital	Share capital	Share premium	Share premium	Profit/ (Accumulated deficit)	Profit/ (Accumulated deficit)	Total share capital	Total share capital
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Balance as at 31 December 2006	**13 209 055**	**18 794 792**	**213 769**	**304 166**	**14 399**	**20 488**	**13 437 223**	**19 119 446**
Issue of share capital	876 023	1 246 468	1 708 245	2 430 614	-	-	2 584 268	3 677 082
Transaction costs	-	-	(162 306)	(230 941)	-	-	(162 306)	-
Profit for the reporting year	-	-	-	-	335 876	477 908	335 876	477 908
Balance as at 31 December 2007	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**350 275**	**498 396**	**16 195 061**	**23 043 496**
Profit for the reporting year	-	-	-	-	(735 000)	(1 045 811)	(735 000)	(1 045 811)
Balance as at 30 June 2008	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**(384 725)**	**(547 414)**	**15 460 061**	**21 997 685**

* See Note 20.

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

Notes to the 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 29 August 2008.

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

2. Summary of significant accounting policies

Basis of preparation

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

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

Consolidation

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

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

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

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

Changes in accounting policy and disclosures

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

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

Summary of significant accounting policies (cont'd)

Changes in accounting policy and disclosures (cont'd)

New interpretations adopted:

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

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

IFRS 7 requires disclosures that enable users to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. Adoption of IFRS 7 had no effect on the financial position or results of the Group.

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

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

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

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

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

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

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

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

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

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

IFRS 8 Operating Segments

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

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

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

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

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)

The interpretation provides guidance on classification of transactions as equity-settled or as cash-settled and also gives guidance on how to account for share-based payment arrangements that involve two or more entities within the same group in the individual financial statements of each group entity. This interpretation is not relevant to the Group.

Summary of significant accounting policies (cont'd)

Changes in accounting policy and disclosures (cont'd)

IFRIC 12 Service Concession Agreements (effective for annual periods beginning on or after 1 January 2008)

The interpretation addresses how service concession operators should apply existing International Financial Reporting Standards (IFRSs) to account for the obligations they undertake and rights they receive in service concession arrangements. This interpretation is not relevant to the Group.

IFRIC 13 Customer Loyalty Programmes

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. This interpretation is not relevant to the Group.

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

IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined scheme that can be recognized as an asset under IAS 19 Employment Benefits. This interpretation is not relevant to the Group.

IFRS 2 Share-based payments – Vesting Conditions and Cancellations

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

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

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

IAS 1 Revised Presentation of Financial Statements

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

Amendments to IAS 32 and IAS 1 Puttable Financial Instruments

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

Estimates and assumptions

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

Summary of significant accounting policies (cont'd)

Estimates and assumptions (cont'd)

Development costs

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

Impairment of non-financial assets

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

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

Foreign currency translation

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

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

	30/06/2008	*30/06/2007*
EUR	*0.702804*	*0.702804*
USD	*0.447*	*0.522*

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

Research and development costs

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

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

Patents

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

Other intangible non-current assets

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

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

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

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Property, plant and equipment

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

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

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

When tangible non-current assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

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

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

Construction in progress represents property, plant and equipment under construction and is stated at historical cost. This includes the cost of construction and other direct expenses. Construction in progress is not depreciated as long as the respective assets are not completed and put into operation.

Summary of significant accounting policies (cont'd)

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

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

Inventories

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

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

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

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

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

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

Trade and other receivables

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

Cash

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

Accruals and deferrals

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

Provisions

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

Loans and borrowings

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

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

Derecognition of financial assets and liabilities

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

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of Group's continuing involvement in the asset.

Leases

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

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

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

Revenue

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

Sale of goods

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

Rendering of services

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

Interest

Revenue is recognised on an accrual basis.

Summary of significant accounting policies (cont'd)

Corporate income tax

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

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

Related parties

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

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

Contingencies

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

Subsequent events

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

Earnings per share

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

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

Leases

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

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

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

Revenue

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

Sale of goods

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

Rendering of services

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

Interest

Revenue is recognised on an accrual basis.

Corporate income tax

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

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

Related parties

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

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

Contingencies

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

Subsequent events

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

3. Net turnover

	30.06.2008.		30.06.2007.	
By business segments	**LVL**	**EUR**	**LVL**	**EUR**
Finished forms	9 518 777	13 543 999	8 551 707	12 167 983
Chemistry	762 618	1 085 108	939 365	1 336 596
TOTAL:	**10 281 395**	**14 629 107**	**9 491 073**	**13 504 580**

	30.06.2008.		30.06.2007.	
By geographical segments	**LVL**	**EUR**	**LVL**	**EUR**
CIS	7 207 864	10 255 866	6 214 192	8 841 999
Latvia	1 563 397	2 224 513	1 881 742	2 677 478
Europe	1 021 991	1 454 162	1 067 232	1 518 534
Baltic states (Lithuania and Estonia)	336 795	479 217	195 406	278 038
Other	151 348	215 349	132 500	188 531
TOTAL:	**10 281 395**	**14 629 107**	**9 491 073**	**13 504 580**

4. Other operating income

	30.06.2008.		30.06.2007.	
	LVL	**EUR**	**LVL**	**EUR**
Sale of current assets	35 716	50 819	-	-
Treatment of waste water	85 369	121 470	73 319	104 324
Lease of premises	24 673	35 107	9 976	14 195
Incomes of non-current assets sale	1 780	2 532	68 636	97 660
Catering services	24 825	35 322	25 001	35 573
Other operating income	115 599	164 482	88 870	126 451
TOTAL:	**287 961**	**409 732**	**265 801**	**378 201**

5. Other operating expense

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Marketing expense	2 030 233	2 888 761	1 057 101	1 504 119
Transportation expense	66 469	94 577	74 818	106 456
Sales commissions	62 338	88 699	11 002	15 654
Exhibition expense	668	950	-	-
Expert analysis of medicines	4 085	5 812	13 004	18 503
Other distribution costs	49 405	70 297	54 947	78 183
Total distribution costs:	*2 213 198*	3 149 097	*1 210 872*	1 722 916
Insurance	104 446	148 614	71 468	101 690
Other operating expense	73 837	105 061	188 541	268 270
Business trips	73 518	104 607	70 382	100 145
Representation expense	61 156	87 017	24 890	35 415
Information and business consulting	60 189	85 641	2 675	3 806
Write-offs of current assets	47 517	67 611	112 755	160 436
Car fleet maintenance	43 437	61 806	28 969	41 219
Communications expense	39 640	56 403	39 603	56 350
Flowers and gifts	31 376	44 644	9 596	13 654
Allowances to staff	29 841	42 460	15 713	22 358
Other taxes	27 603	39 276	40 269	57 298
Current repairs	26 821	38 163	35 524	50 546
Social infrastructure	26 061	37 081	24 605	35 010
Legal and audit expense	25 789	36 695	34 410	48 961
New product research and development costs	21 070	29 980	76 691	109 121
Permits for import and export of medicines	20 279	28 854	26 101	37 138
Bank charges	18 635	26 515	10 859	15 451
Write-offs and disposal of tangible assets	18 261	25 983	72 983	103 845
Audit of suppliers	-	-	34 450	49 018
Donations	17 065	24 281	17 239	24 529
Security	16 148	22 976	15 139	21 541
Office expense	15 717	22 363	13 114	18 660
Waste removal	12 250	17 430	5 368	7 638
Education	11 532	16 409	17 272	24 576
Membership fees	11 308	16 090	12 390	17 629
Hosting expense	10 882	15 484	633	901
Administrative offices maintenance	6 443	9 168	-	-
Laboratory tests	3 842	5 467	2 915	4 148
Office rent expense	3 373	4 799	4 306	6 127
Visas, invitations	2 472	3 517	3 582	5 097
Unemployment risk duty	1 648	2 345	1 540	2 191
Humanitarian aid	1 081	1 538	249	354
Land lease for eco-field	591	841	591	841
TOTAL:	**3 077 027**	**4 378 217**	**2 225 694**	**3 166 877**

6. Interest receivable and similar income

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Interest accrued on bank account balances	19 370	27 561	3 073	4 372
Loan interest payments	4 318	6 144	-	-
Currency exchange gain, net	-	-	10 002	14 232
TOTAL:	**23 688**	**33 705**	**13 075**	**18 604**

7. Interest payable and similar expense

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Currency exchange loss, net	22 797	32 437	-	-
Loan interest payments	260 476	370 624	220 879	314 283
Penalties paid	26 872	38 235	31 539	44 876
Currency exchange commission	43 478	61 864	29 401	41 834
TOTAL:	**353 623**	**503 161**	**281 819**	**400 991**

8. Staff costs and number of employees

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Wages and salaries	3 346 730	4 761 968	2 899 482	4 125 591
Statutory social insurance contributions	730 785	1 039 814	632 746	900 316
Vacation pay reserve	299 229	425 764	298 761	425 099
TOTAL:	**4 376 744**	**6 227 546**	**3 830 990**	**5 451 008**

Including remuneration to the management:

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Management of the Company				
Wages and salaries	270 673	385 133	315 528	448 956
Statutory social insurance contributions	64 177	91 316	72 811	103 601
Vacation pay reserve	37 439	53 271	31 943	45 451
Board Members				
Wages and salaries	173 492	246 857	184 017	261 833
Statutory social insurance contributions	22 581	32 130	20 767	29 549
Vacation pay reserve	37 401	53 217	63 231	89 970
Council Members				
Wages and salaries	74 755	106 366	80 463	114 489
Statutory social insurance contributions	14 393	20 479	14 421	20 519
TOTAL:	**694 911**	**988 769**	**783 181**	**1 114 366**

	30.06.2008.	30.06.2007.
Average number of employees during the reporting year	994	1 075

9. Basic and diluted earnings per share

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

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Net result attributable to shareholders	(735 000)	(1 045 811)	731 508	1 040 842
Weighted average number of ordinary shares	14 085 078	14 085 078	13 209 055	13 209 055
Earnings per share	**(0,052)**	**(0,074)**	**0,055**	**0,079**

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

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

10. Intangible assets

		Production technologies		Other intangible assets		TOTAL	
		LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2006		**2 201 088**	**3 131 866**	**374 713**	**533 169**	**2 575 801**	**3 665 035**
2007 I half	Additions	-	-	21 339	30 363	21 339	30 363
	Reclassification	-	-	426	606	426	606
	Write-offs of values	(252 900)	(359 844)	(49 616)	(70 597)	(302 516)	(430 441)
Acquisition value as at 30/06/2007		**1 948 188**	**2 772 022**	**346 862**	**493 540**	**2 295 050**	**3 265 562**
Accumulated amortisation as at 31/12/2006		**1 144 220**	**1 628 078**	**171 256**	**243 675**	**1 315 476**	**1 871 754**
2007 I half	Amortisation	210 403	299 376	34 337	48 857	244 740	348 234
	Liquidation	(194 555)	(276 827)	(47 147)	(67 084)	(241 702)	(343 911)
Accumulated amortisation as at 30/06/2007		**1 160 068**	**1 650 628**	**158 446**	**225 448**	**1 318 514**	**1 876 076**
Net carrying amount as at 31/12/2006		**1 056 870**	**1 503 791**	**203 455**	**289 490**	**1 260 325**	**1 793 281**
Net carrying amount as at 30/06/2007		**788 122**	**1 121 397**	**188 415**	**268 090**	**976 537**	**1 389 487**

		Production technologies*		Patents**		Other intangible assets		TOTAL	
		LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2007		**1 710 896**	**2 434 386**	**950 000**	**1 351 728**	**375 480**	**534 260**	**3 036 376**	**4 320 374**
2008 I half	Additions	-	-	1 900 000	2 703 456	36 425	51 828	1 936 425	2 755 285
	Write-offs of values	-	-	-	-	(27 950)	(39 769)	(27 950)	(39 769)
Acquisition value as at 30/06/2008		**1 710 896**	**2 434 386**	**2 850 000**	**4 055 185**	**383 955**	**546 319**	**4 944 851**	**7 035 889**
Accumulated amortisation as at 31/12/2007		**1 170 439**	**1 665 385**	**-**	**-**	**185 150**	**263 445**	**1 355 589**	**1 928 829**
2008 I half	Depreciation	168 909	240 336	69 643	99 093	34 961	49 745	273 513	389 174
	Liquidation	-	-	-	-	(27 950)	(39 769)	(27 950)	(39 769)
Accumulated depreciation as at 30/06/2007		**1 339 348**	**1 905 721**	**69 643**	**99 093**	**192 161**	**273 420**	**1 601 152**	**2 278 234**
Net carrying amount as at 31/12/2006		**540 457**	**769 001**	**950 000**	**1 351 728**	**190 330**	**270 815**	**1 680 787**	**2 391 544**
Net carrying amount as at 30/06/2007		**371 548**	**528 665**	**2 780 357**	**3 956 092**	**191 794**	**272 898**	**3 343 701**	**4 757 658**

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

10. Intangible assets (cont'd)

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

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

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

11. Tangible assets

LVL

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2006		**55 928**	**9 127 464**	**10 102 964**	**396 789**	**639 956**	**20 323 101**
2007 I half	Additions	-	24 238	597 709	192 147	1 082 733	1 896 827
	Liquidation	-	(7 239)	(53 169)	(1 146)	-	(61 554)
	Reclassification	-	-	(1 652)	1 226	-	(426)
Acquisition value as at 30/06/2007		**55 928**	**9 144 463**	**10 645 852**	**589 016**	**1 722 689**	**22 157 948**
Accumulated depreciation as at 31/12/2006		**-**	**5 707 257**	**5 698 453**	**218 893**	**-**	**11 624 603**
2007 I half	Depreciation	-	141 742	658 707	55 542	-	855 991
	Depreciation of disposals	-	(2 348)	(45 183)	(1 048)	-	(48 579)
Accumulated depreciation as at 30/06/2007		**-**	**5 846 651**	**6 311 977**	**273 387**	**-**	**12 432 015**
Net carrying amount as at 31/12/2006		**55 928**	**3 420 207**	**4 404 511**	**177 896**	**639 956**	**8 698 498**
Net carrying amount as at 30/06/2007		**55 928**	**3 297 812**	**4 333 875**	**315 630**	**1 722 689**	**9 725 934**

LVL

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2007		**55 928**	**10 562 122**	**11 286 226**	**652 428**	**1 187 133**	**23 743 837**
2008 I half	Additions	-	695 745	802 991	55 180	378 574	1 932 490
	Liquidation	-	(41 708)	(233 883)	(6 319)	-	(281 910)
	Reclassification	-	-	111 387	(111 387)	-	-
Acquisition value as at 30/06/2008		**55 928**	**11 216 159**	**11 966 721**	**589 902**	**1 565 707**	**25 394 417**
Accumulated depreciation as at 31/12/2007		**-**	**5 857 445**	**6 926 328**	**277 799**	**-**	**13 061 572**
2008 I half	Depreciation	-	187 749	758 075	41 494	-	987 318
	Depreciation of disposals	-	(23 697)	(233 104)	(6 203)	-	(263 004)
	Reversed impairment	-	-	6 568	(6 568)	-	-
Accumulated depreciation as at 30/06/2008		**-**	**6 021 497**	**7 457 867**	**306 522**	**-**	**13 785 886**
Net carrying amount as at 31/12/2007		**55 928**	**4 704 677**	**4 359 898**	**374 630**	**1 187 133**	**10 682 266**
Net carrying amount as at 30/06/2008		**55 928**	**5 194 662**	**4 508 854**	**283 380**	**1 565 707**	**11 608 531**

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**	**564 580**	**910 575**	**28 917 168**
2007 I half	Additions	-	34 488	850 463	273 401	1 540 590	2 698 942
	Liquidation	-	(10 300)	(75 653)	(1 631)	-	(87 583)
	Reclassification	-	-	(2 351)	1 744	-	(606)
Acquisition value as at 30/06/2007		**79 578**	**13 011 399**	**15 147 683**	**838 094**	**2 451 166**	**31 527 920**
Accumulated depreciation as at 31/12/2006		**-**	**8 120 695**	**8 108 168**	**311 457**	**-**	**16 540 320**
2007 I half	Depreciation	-	201 681	937 256	79 029	-	1 217 965
	Depreciation of disposals	-	(3 341)	(64 290)	(1 491)	-	(69 122)
Accumulated depreciation as at 30/06/2007		**-**	**8 319 035**	**8 981 134**	**388 995**	**-**	**17 689 164**
Net carrying amount as at 31/12/2006		**79 578**	**4 866 516**	**6 267 055**	**253 123**	**910 575**	**12 376 848**
Net carrying amount as at 30/06/2007		**79 578**	**4 692 364**	**6 166 549**	**449 101**	**2 451 166**	**13 838 757**

EUR

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2007		**79 578**	**15 028 546**	**16 058 853**	**928 321**	**1 689 138**	**33 784 436**
2008 I half	Additions	-	989 956	1 142 553	78 514	538 662	2 749 686
	Liquidation	-	(59 345)	(332 786)	(8 991)	-	(401 122)
	Reclassification	-	-	158 489	(158 489)	-	-
Acquisition value as at 30/06/2008		**79 578**	**15 959 156**	**17 027 110**	**839 355**	**2 227 800**	**36 133 000**
Accumulated depreciation as at 30/06/2007		**-**	**8 334 393**	**9 855 277**	**395 272**	**-**	**18 584 943**
2008 I half	Depreciation	-	267 143	1 078 644	59 041	-	1 404 827
	Depreciation of disposals	-	(33 718)	(331 677)	(8 826)	-	(374 221)
	Reversed impairment	-	-	9 345	(9 345)	-	-
Accumulated depreciation as at 30/06/2008		**-**	**8 567 818**	**10 611 589**	**436 142**	**-**	**19 615 549**
Net carrying amount as at 31/12/2007		**79 578**	**6 694 152**	**6 203 576**	**533 049**	**1 689 138**	**15 199 494**
Net carrying amount as at 30/06/2008		**79 578**	**7 391 338**	**6 415 521**	**403 213**	**2 227 800**	**16 517 452**

As depreciation of the property, plant and equipment in the cafe and the canteen was disclosed in the income statement as other operating expense, there is a difference of LVL LVL 2 482 (30/06/2007 – LVL 2 182) between the total depreciation and amortisation under the income statement and the total depreciation and amortisation stated in Notes 10 and 11.

Because of the provisions for the amount of 54 111 LVL on the fixed assets stored in the warehouse, the amount stated in the balance sheet is exceeding the one given in the note 10 by 54 111 LVL

As at 30 June 2008, tangible non-current assets included assets with the total original cost value of LVL 3 629 579 (30/06/2007: LVL 3 432 149) that were fully depreciated but still remained in active use by the Group.

As at 30 June 2008, the cadastral value of the land was LVL 567 062 (30/06/2007: LVL 567 062). The cadastral value of the buildings owned by the Group as at 30 June 2008 was LVL 4 712 867 (30/06/2007: N/A).

As at 30 June 2008, the net carrying amount of the tangible non-current assets held under finance lease was LVL 642 438 (30/06/2007: LVL 679 442) (see Note 22 for finance lease liabilities).

As at 30 June 2008, all the non-current and current assets owned by the Group were pledged as a security for the loan and credit lines received (see Note 21). The pledge agreements were registered with the Commercial Pledge Register. In addition, major shareholders guaranteed repayment of the loan by their shares in the Group, and the Group's president pledged all his shares in SIA Olmafarm.

12. Prepayments for investments

In 2007, the Group made an advance payment in the amount of LVL 540 950 (769 703 EUR) for the purchase of SIA Reinolds. SIA Reinolds holds intellectual property which is to be used for manufacturing of a new product.

13. Inventories

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Raw materials (at cost)	1 331 333	1 894 316	1 171 973	1 667 567
Work in progress (at cost)	3 313 834	4 715 161	2 596 904	3 695 061
Finished goods and goods for resale (at cost)*	2 787 279	3 965 941	2 690 776	3 828 628
Prepayments for goods	78 576	111 804	102 597	145 982
TOTAL:	7 511 022	10 687 221	6 562 250	9 337 240
Allowances for raw materials	(111 509)	(158 662)	(73 749)	(104 935)
Allowances for work in progress	(141 679)	(201 591)	(158 106)	(224 965)
Allowances for finished goods and goods for resale	(58 017)	(82 551)	(88 519)	(125 951)
TOTAL:	(311 205)	(442 804)	(320 374)	(455 851)
TOTAL:	**7 199 817**	**10 244 418**	**6 241 876**	**8 881 389**

* As at 30 June 2008, the Group's inventories comprised goods on consignment in the amount of LVL 266 452 (30/06/2007: LVL 172 699).

14. Trade receivables

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Trade receivables	4 596 010	6 539 533	4 795 236	6 823 006
Allowances for doubtful trade receivables	(6 300)	(8 964)	(38 227)	(54 392)
TOTAL:	**4 589 710**	**6 530 569**	**4 757 009**	**6 768 614**

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

	Total	Neither past due not impaired	Past due but not impaired				
			< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
30.06.2008.	4 589 709	3 979 379	284 274	131 362	87 299	27 756	79 639
30.06.2007.	4 757 009	3 516 011	623 315	189 723	45 096	48 039	334 825

15. Receivables from related companies

	30.06.2008.		30.06.2007.	
Company	LVL	EUR	LVL	EUR
SIA Olmafarm*	28 312	40 285	31 252	44 468
SIA "Carbochem"	61 423	87 397	-	-
SIA "Olfa Pres"	9 218	13 116	-	-
SIA "Vega MS"	1 487	2 116	-	-
Allowances for doubtful receivables	(13 213)	(18 800)	-	-
TOTAL:	**87 227**	**124 113**	**31 252**	**44 468**

15. Receivables from related companies (cont'd)

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

	Total	Neither past due not impaired	Past due but not impaired				
			< 30 days	30-60 days	60-90 days	90-120 days	> 120 days
30.06.2008.	87 227	28 118	1 601	1 781	1 679	53 553	496
30.06.2007.	31 252	31 181	71	-	-	-	-

16. Other receivables

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
VAT receivable (see also Note 23)	82 022	116 707	87 838	124 982
Payment to bailiff*	104 187	148 245	-	-
Representation office expense	57 046	81 169	36 420	51 821
Overpayment CIT	10 067	14 324	37 888	53 910
Advances paymants for services	130 288	185 384	-	-
Employees insurance	12 145	17 280	24 186	34 414
Advances to employees	11 907	16 942	18 995	27 027
Other receivables	20 638	29 365	3 248	4 621
Provisions for advances to employees and other receivables	-	-	(3 639)	(5 178)
TOTAL:	**428 300**	**609 416**	**204 935**	**291 596**

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

17. Current loans o management and employees

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Valērijs Maligins (Board Chairman)	218 378	310 724	33 349	47 452
Other loans	21 006	29 889	3 514	5 000
TOTAL:	**239 385**	**340 614**	**56 863**	**80 909**

18. Prepaid expense

	30.06.2008.		30.06.2007.	
	LVL	EUR	LVL	EUR
Insurance payments	23 454	33 372	6 862	9 764
Subscription to the printed media	664	944	830	1 181
Distribution costs	734	1 044	-	-
Information expense	67	95	-	-
Other prepaid expense	27	38	4 688	6 670
TOTAL:	**24 945**	**35 494**	**12 380**	**17 615**

19. Cash

Cash by currency profile:	Foreign currency	LVL	Foreign currency	LVL
RUB			145243	2934
		28		1 954
LVL	-	177	-	413
	56	39	151	106
EUR	880	975	242	293
	28	12		
USD	895	916	861	449
		81		**2 064**
KOPĀ:	**-**	**068**	**-**	**089**

Cash remainder or the bank account bears the interest of 0.25% p.a. based upon the account service agreement.

Deposit expires on January 28, 2008 and bears the interest of 6%.

20. Share capital

The share capital of the Company is LVL 14 085 078 (2007: LVL 13 209 055) and consists of 14 085 078 (2007: 13 209 055) shares. The par value of each share is LVL 1.

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

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

21. Loans from credit institutions

Non-current:	Amount		Effective interest rate (%)	Maturity	**30.06.2008. LVL**	**30.06.2008. EUR**	**30.06.2007. LVL**	**30.06.2007. EUR**
Loan from AS SEB Unibanka	6 950 000	EUR	EUR LIBOR (3 month.)+1.3%	08.12.2011.	2 387 902	3 397 679	2 928 559	4 166 964
Loan from AS SEB Unibanka	4 000 000	EUR	EURIBOR (3 month.)+1,3%	23.05.2013.	1 860 946	2 647 887	2 454 865	3 492 958
Loan from AS SEB Unibanka	2 000 000	EUR	EURIBOR (3 month.)+1,3%	10.10.2012.	1 267 803	1 803 922	-	-
Loan from AS SEB Unibanka	1 500 000	EUR	EURIBOR (3 month.)+1,3%	30.01.2015.	266 511	379 211	-	-
				TOTAL:	**5 783 162**	**8 228 698**	**5 383 424**	**7 659 922**

Current:	Amount		Effective interest rate (%)	Maturity	**30.06.2008. LVL**	**30.06.2008. EUR**	**30.06.2007. LVL**	**30.06.2007. EUR**
Loan from AS SEB Unibanka	6 950 000	EUR	EUR LIBOR (3 month.)+1.3%	08.12.2011.	540 657	769 286	540 657	769 286
Credit line from AS SEB Unibanka	2 000 000	EUR	EURIBOR (3 month.)+1,3%	10.10.2012.	1 797 348	2 557 395	-	-
Credit line from AS SEB Unibanka	500 000	USD	USD LIBOR (3 month.)+1,3%	05.12.2007.	-	-	261 000	371 370
Loan from AS SEB Unibanka	4 000 000	EUR	EURIBOR (3 month.)+1,3%	23.05.2013.	475 135	676 056	356 351	507 042
Loan from AS SEB Unibanka	2 000 000	EUR	EURIBOR (3 month.)+1,3%	10.10.2008.	137 805	196 078	-	-
Loan from AS SEB Unibanka	1 500 000	EUR	EURIBOR (3 month.)+1,3%	30.01.2015.	46 237	65 789	-	-
Ohter credit lines "Baltfarm"	0	RUB	0,22	-	-	-	19 451	27 676
				TOTAL:	**2 997 182**	**4 264 606**	**1 177 460**	**1 675 375**

21. Loans from credit institutions (cont'd)

Interest payable is normally settled quarterly throughout the financial year.

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

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

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

22. Other loans

	30.06.2008. LVL		30.06.2008. EUR		30.06.2007. LVL		30.06.2007. EUR	
	Non-curren	Current	Non-curren	Current	Non-curren	Current	Non-curren	Current
Finance lease liabilities to SIA Hanza Līzings, LVL	-	-	-	-	-	-	-	-
Finance lease liabilities to SIA Hanza Līzings, EUR	-	14 605	-	20 781	14 605	15 168	20 781	21 582
Finance lease liabilities to SIA SEB Unilīzings, LVL	852	1 945	1 212	2 767	2 797	1 812	3 980	2 578
Finance lease liabilities to SIA SEB Unilīzings, EUR	276 080	178 400	392 826	253 840	314 857	178 763	448 001	254 357
Finance lease liabilities to SIA "Parex Līzings", EUR	-	10 736	-	15 276	10 736	12 203	15 276	17 363
TOTAL:	**276 932**	**205 686**	**394 039**	**292 665**	**342 995**	**207 946**	**488 038**	**295 881**

The interest rate on the finance leases ranges from 6.5% to 7,78%. Interest payable is normally settled quarterly throughout the financial year. The net carrying amount of the tangible non-current assets held under finance lease is disclosed in Note 10.

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

	30.06.2008.		30.06.2008.		30.06.2007.		30.06.2007.	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	LVL	LVL	EUR	EUR	LVL	LVL	EUR	EUR
Within one year	222 495	205 686	316 582	292 665	231 833	207 946	329 869	295 881
Between one and five years	292 190	276 932	415 749	394 039	365 518	342 995	520 085	488 038
Total minimum lease payments	514 685	482 618	732 331	686 704	597 351	550 941	849 954	783 918
Less amounts representing finance charges	(32 067)	-	(45 627)	-	(46 410)	-	(66 035)	-
Present value of minimum lease payments	**482 618**	**482 618**	**686 704**	**686 704**	**550 941**	**550 941**	**783 918**	**783 918**

23. Taxes payable

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

24. Taxes payable (cont'd)

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

	30.06.2008. LVL		30.06.2008. EUR		30.06.2007. LVL		30.06.2007. EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Personal income tax	260 815	244 558	371 106	347 975	365 141	237 805	519 549	338 366
Statutory social insurance contributions	194 594	280 693	276 882	399 390	272 431	267 974	387 634	381 293
Real estate tax	38 317	15 327	54 520	21 808	53 644	15 328	76 329	21 810
VAT	-	-	-	-	-	53 302	-	75 842
Natural resource tax	-	4 274	-	6 081	-	3 535	-	5 030
TOTAL:	**493 726**	**544 852**	**702 509**	**775 255**	**691 216**	**577 943**	**983 512**	**822 339**

In 2005, the previously charged late payment penalty of LVL 560 160 was annulled. The aforementioned amount comprised late payment penalty for outstanding statutory social insurance contributions, personal income tax, and real estate tax in the amount of LVL 191 688, LVL 298 830, and LVL 70 142 respectively. The charging of late payment penalties shall be renewed in the event of the Group failing to observe the schedule of the principal debt repayment whereby payments are to be commenced starting from January 2006 and finished in December 2011. As at 30 June 2008, the accruals for the above expected late payment penalties were reduced by LVL 9 972, due to payment of the respective penalties to the state budget.

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

Year	Amount
2008	98 745
2009	197 490
2010	197 490
2011	197 491
Total	**691 216**

24. Accrued liabilities

	31.03.2008. LVL	31.03.2008. EUR	31.03.2007. LVL	31.03.2007. EUR
Vacation pay reserve	402 500	572 705	298 762	425 100
Accruals for penalties related to taxes	70 470	100 269	90 414	128 648
Other accrued liabilities	96 298	137 020	-	-
TOTAL:	**569 267**	**809 994**	**389 176**	**553 748**

25. Trade and other payables

	30.06.2008. LVL	30.06.2008. EUR	30.06.2007. LVL	30.06.2007. EUR
Trade payables	1 390 659	1 978 730	1 815 459	2 583 165
Wages and salaries	436 971	621 753	445 547	633 956
Other liabilities	11 890	16 918	80 191	114 102
TOTAL:	**1 839 520**	**2 617 401**	**2 341 197**	**3 331 223**

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 penalties

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

Operating lease

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

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Payable within 1 year, LVL	12 008	17 086	9 420	13 403
Payable within 1-5 years, LVL	21 437	30 502	15 991	22 753
TOTAL:	**33 445**	**47 588**	**25 411**	**36 157**

Capital investment commitments

At 30 June 2008 the Group had no capital investment commitments.

27. Related party disclosures

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

Related party	Type of services		Purchases from related parties, LVL	Purchases from related parties, EUR	Sales to related parties, LVL	Sales to related parties, EUR	Amounts owed by related parties, LVL	Amounts owed by related parties, EUR	Amounts owed to related parties, LVL	Amounts owed to related parties, EUR
SIA Olmafarm	Loan and debt assignment	30.06.2007.	2 190 600	3 116 943	2 552	3 631	31 252	44 468	-	-
		30.06.2008.	2 173	3 092	536	763	28 312	40 285	0	0
Stimfarm Ltd.	Sale of finished goods and	31.03.2007.	25 890	36 838	-	-	-	-	-	-
		31.03.2008.	-	-	-	-	-	-	0	0
V. Maligins	Loan	30.06.2007.	438 714	624 234	87 393	124 349	73 703	104 870	-	-
		30.06.2008.	9 116	12 971	151 577	215 675	263 071	374 316	-	-
SIA "Carbochem"	Intermediation in sale of chemical products	30.06.2007.	7 316	10 410	8 027	11 421	-	-	11 569	16 462
		30.06.2008.	214641	305 407	118030,85	167 943	61 423	87 397	-	-
SIA OLFA Press	Printing services	30.06.2007.	315 288	448 614	408 459	581 185	-	-	128 897	183 404
		30.06.2008.	347 366	494 257	301 013	428 303	9 218	13 116	139 479	198 460
SIA Vega MS	Security services, production of windows	30.06.2007.	61 618	87 675	56 997	81 099	-	-	4 621	6 575
		30.06.2008.	57 624	81 992	57 057	81 185	1 487	2 116	638	908
	TOTAL:	**30.06.2007.**	**3 128 294**	**4 451 161**	**563 428**	**801 686**	**104 955**	**149 338**	**145 087**	**206 441**
	TOTAL:	**30.06.2008.**	**630 920**	**897 719**	**628 214**	**893 868**	**363 511**	**517 230**	**140 117**	**199 368**

28. Segment information

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

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

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

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

LVL

	Finished form medicine		Chemicals		Unallocated		Total	
	30.06.2008.	**30.06.2007.**	**30.06.2008.**	**30.06.2007.**	**30.06.2008.**	**30.06.2007.**	**30.06.2008.**	**30.06.2007.**
Assets								
Intangible assets	2 764 673	2 835 217	758 686	1 521 293	89 133	62 540	3 612 492	4 419 050
Tangible assets	8 479 826	6 295 965	2 488 776	3 378 229	1 028 114	706 222	11 996 716	10 380 416
Financial assets	540 950	-	-	-	386	386	541 336	386
Inventories	5 505 431	3 933 732	1 615 810	2 110 724	78 576	197 420	7 199 817	6 241 876
Receivables	4 515 727	4 081 344	68 126	641 255	819 466	388 059	5 403 319	5 110 658
Cash	-	-	-	-	81 068	2 064 089	81 068	2 064 089
Total assets	**21 806 607**	**17 146 258**	**4 931 398**	**7 651 501**	**2 096 743**	**3 418 716**	**28 834 749**	**28 216 475**
Equity and liabilities								
Total equity	-	-	-	-	15 460 061	16 590 693	15 460 061	16 590 693
Deffered income tax liability	-	-	-	-	309 800	259 668	309 800	259 668
Loans from credit institution	6 788 084	4 257 164	1 992 260	2 284 267	-	19 452	8 780 344	6 560 884
Other loans	373 112	358 552	109 506	192 389	-	-	482 618	550 941
Taxes payable	802 925	777 837	235 653	417 364	-	73 958	1 038 578	1 269 159
Prepayments received from	185 156	91 193	29 289	2 228	-	16 249	214 445	109 670
Trade payables	1 192 398	1 528 635	647 123	728 948	-	83 615	1 839 520	2 341 198
Payables to related companies	140 116	35 023	-	110 064	-	-	140 116	145 087
Accrued liabilities	-	-	-	-	569 267	389 176	569 267	389 176
Total equity and liabilities	**9 481 791**	**7 048 404**	**3 013 831**	**3 735 260**	**16 339 128**	**17 432 811**	**28 834 749**	**28 216 475**
Income statement								
Net turnover	9 271 440	8 067 446	762 618	939 365	247 337	484 262	10 281 395	9 491 073
Changes in stock of finished goods and work in progress	436 081	1 089 927	127 987	584 822	-	-	564 068	1 674 749
Other operating income					287 961	265 801	287 961	265 801
Cost of materials	(2 025 056)	(1 896 163)	(594 341)	(1 017 425)	(196 595)	(365 604)	(2 815 992)	(3 279 193)
Staff costs	(3 342 260)	(2 435 950)	(980 932)	(1 307 059)	(53 552)	(87 981)	(4 376 744)	(3 830 990)
Depreciation/ amortisation and write-offs	(940 146)	(696 213)	(275 927)	(373 567)	(45 540)	(3 613)	(1 261 613)	(1 073 393)
Other operating expense	(2 327 202)	(1 403 385)	(683 019)	(753 015)	(66 806)	(69 294)	(3 077 027)	(2 225 694)
Income frome sale of subsidiary	-	-	-	-	32 631	-	32 631	-
Interest receivable and similar income	-	-	-	-	88 348	13 075	88 348	13 075
Interest payable and similar expense	-	-	-	-	(418 283)	(281 819)	(418 283)	(281 819)
Taxes	-	-	-	-	(39 744)	(22 101)	(39 744)	(22 101)
Net profit for the year	**1 072 857**	**2 725 662**	**(1 643 614)**	**(1 926 879)**	**(164 243)**	**(67 274)**	**(735 000)**	**731 508**

EUR

	Finished form medicine		Chemicals		Unallocated		Total	
	30.06.2008.	30.06.2007.	30.06.2008.	30.06.2007.	30.06.2008.	30.06.2007.	30.06.2008.	30.06.2007.
Assets								
Intangible assets	3 933 775	4 034 150	1 079 513	2 164 605	126 825	88 986	5 140 113	6 287 742
Tangible assets	12 065 705	8 958 351	3 541 209	4 806 787	1 462 874	1 004 863	17 069 789	14 770 001
Financial assets	769 703	-	-	-	549	549	770 252	549
Inventories	7 833 523	5 597 196	2 299 091	3 003 290	111 804	280 903	10 244 417	8 881 389
Receivables	6 425 301	5 807 229	96 934	912 424	1 165 995	552 158	7 688 230	7 271 811
Cash	-	-	-	-	115 349	2 936 934	115 349	2 936 934
Total assets	**31 028 007**	**24 396 927**	**7 016 747**	**10 887 105**	**2 983 397**	**4 864 395**	**41 028 150**	**40 148 427**
Equity and liabilities								
Total equity	-	-	-	-	21 997 685	23 606 429	21 997 685	23 606 429
Deffered income tax liability	-	-	-	-	440 806	369 474	440 806	369 474
Loans from credit institution	9 658 573	6 057 399	2 834 731	3 250 219	-	27 678	12 493 304	9 335 296
Other loans	530 891	510 174	155 813	273 745	-	-	686 704	783 918
Taxes payable	1 142 459	1 106 762	335 304	593 855	-	105 233	1 477 763	1 805 851
Prepayments received from	263 453	129 756	41 674	3 170	-	23 120	305 128	156 046
Trade payables	1 696 630	2 175 052	920 773	1 037 200	-	118 973	2 617 403	3 331 225
Payables to related companies	199 367	49 833	-	156 607	-	-	199 367	206 440
Accrued liabilities	-	-	-	-	809 994	553 748	809 994	553 748
Total equity and liabilities	**13 491 373**	**10 028 975**	**4 288 296**	**5 314 796**	**23 248 485**	**24 804 655**	**41 028 153**	**40 148 429**
Income statement								
Net turnover	13 192 070	11 478 941	1 085 108	1 336 596	351 929	689 043	14 629 107	13 504 580
Changes in stock of finished goods and work in progress	620 487	1 550 826	182 109	832 127	-	-	802 596	2 382 953
Other operating income	-	-	-	-	409 732	378 201	409 732	378 201
Cost of materials	(2 881 395)	(2 697 997)	(845 671)	(1 447 665)	(279 729)	(520 208)	(4 006 796)	(4 665 871)
Staff costs	(4 755 607)	(3 466 045)	(1 395 741)	(1 859 777)	(76 198)	(125 186)	(6 227 546)	(5 451 008)
Depreciation/ amortisation and write-offs	(1 337 707)	(990 622)	(392 609)	(531 538)	(64 798)	(5 141)	(1 795 114)	(1 527 301)
Other operating expense	(3 311 310)	(1 996 837)	(971 849)	(1 071 444)	(95 056)	(98 596)	(4 378 215)	(3 166 877)
Income frome sale of subsidiary	-	-	-	-	46 430	-	46 430	-
Interest receivable and similar income	-	-	-	-	125 708	18 604	125 708	18 604
Interest payable and similar expense	-	-	-	-	(595 163)	(400 992)	(595 163)	(400 992)
Taxes	-	-	-	-	(56 551)	(31 447)	(56 551)	(31 447)
Net profit for the year	**1 526 539**	**3 878 268**	**(2 338 653)**	**(2 741 702)**	**(233 697)**	**(95 722)**	**(1 045 812)**	**1 040 843**

29. Financial risk management

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

Financial risks

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

Foreign currency risk

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

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

	LVL	USD	EUR	Other	Total LVL
Trade receivables	612 245	240 111	3 742 049		4 594 405
Receivables from related companies	87 227				87 227
Prepayments for intangible assets	102 482	114 251	52 058		268 791
Prepayments for tangible assets	168 328		219 857		388 185
Prepayments for investments	540 950				540 950
Prepayments for goods	24 485	3 484	50 607		78 576
Other receivables	398 774	28 670	2 460		429 904
Current loans to management and employees	11 756	174 006	77 309		263 071
Prepaid expense	24 945				24 945
Cash	28 177	12 916	39 975		81 068
Total assets, LVL	1 999 369	573 438	4 184 315	-	6 757 121
Loans from credit institutions			8 780 344		8 780 344
Other loans	2 797		479 821		482 618
Taxes payable	1 038 578				1 038 578
Prepayments received from customers	185 008		29 437		214 445
Trade payables	821 660	186 647	831 213		1 839 520
Payables to related companies	140 116				140 116
Accrued liabilities	569 267				569 267
Total financial liabilities	2 757 425	186 647	10 120 815	-	13 064 887
Neto, LVL	(758 056)	386 791	(5 936 501)	-	(6 307 766)

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

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

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

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

Interest rate risk

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

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

29. Financial risk management (cont'd)

Liquidity risk

The Group manages its liquidity risk by arranging an adequate amount of committed credit facilities with banks, planning of terms of payment of trade payables, developing and analyzing future cash flows comprising both the existing and planned loans and interest on such loans.

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

30.06.2008.		On demand ('000)	< 3 month ('000)	3 to 12 month ('000)	1to 5 years ('000)	> 5 years ('000)	Total ('000)
Interest bearing loans	LVL	-	254	2 743	5 783	-	8 780
Finance lease liabilities	LVL	-	61	145	277	-	483
Lease %%	LVL	-	5	12	15	-	32
Trade accounts payable	LVL	-	1 182	230	120	-	1 532
Interest bearing loans	EUR	-	361	3 903	8 228	-	12 493
Finance lease liabilities	EUR	-	87	206	394	-	687
Lease %%	EUR	-	7	17	21	-	46
Trade accounts payable	EUR	-	1 682	327	171	-	2 180

30.06.2007.		On demand ('000)	< 3 month ('000)	3 to 12 month ('000)	1to 5 years ('000)	> 5 years ('000)	Total ('000)
Interest bearing loans	LVL	-	254	924	4 018	1 365	6 561
Finance lease liabilities	LVL	-	54	154	343	-	551
Lease %%	LVL	-	8	16	23	-	47
Trade accounts payable	LVL	-	1 536	517	118	-	2 171
Interest bearing loans	EUR	-	359	1 305	5 675	1 928	9 266
Finance lease liabilities	EUR	-	76	218	484	-	778
Lease %%	EUR	-	11	23	32	-	66
Trade accounts payable	EUR	-	2 169	730	167	-	3 066

Credit risk

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

Capital management

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

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

29. Financial risk management (cont'd)

	30.06.2008. LVL	30.06.2008. EUR	30.06.2007. LVL	30.06.2007. EUR
Interest bearing loans and borrowings	9 262 962	7 111 825	13 180 008	10 119 215
Trade and other payables	1 979 636	2 486 285	2 816 768	3 537 665
Less cash and cach equivalents	(81 068)	(2 064 089)	(115 349)	(2 936 934)
Net debt	11 161 530	7 534 021	15 881 426	10 719 946
Equity	14 085 078	14 085 078	20 041 260	20 041 260
Total capital	25 246 608	21 619 099	35 922 687	30 761 207
GEARING RATIO (%)	44	35	44	35

30. Financial instruments

Fair value

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

	Carrying amount		Fair value		Carrying amount		Fair value	
	30.06.2008. ('000 LVL)	30.06.2007. ('000 LVL)	30.06.2008. ('000 LVL)	30.06.2007. ('000 LVL)	30.06.2008. ('000 EUR)	30.06.2007. ('000 EUR)	30.06.2008. ('000 EUR)	30.06.2007. ('000 EUR)
Financial assets								
Cash	81	2 064	81	2 064	115	2 937	115	2 937
Current loans and other receivables	5 378	5 099	5 378	5 099	7 652	7 255	7 652	7 255
Finansial liabilities	-	-	-	-	-	-	-	-
Interest bearing (floating rate)	8 780	6 560	8 780	6 560	12 493	9 334	12 493	9 334
Finance lease liabilities	483	551	483	551	687	784	687	784

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

31. Events after the balance sheet date

On 3 November 2006, the Republic of Latvia Supreme Court Chamber of Civil Cases heard the appeal lodged by I. Maligina against the Riga Regional Court judgment of 24 March 2005 rejecting her claim against AS Olainfarm for collection of a debt in the amount of LVL 99 820. 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 the judgment of the Supreme Court Chamber of Civil Cases. The Supreme Court Senate activity meeting on 26 January 2007 resolved to accept the cassation appeal and sent 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 calculation No. 18-797-2006/07 issued by a sworn 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 of the Supreme Court Chamber of Civil Cases. At 31 December 2006, the Company had made no accruals regarding the above claim. The case was repeatedly heard on 28 February 2008, while the abridged version of the judgment was announced on 13 March 2008.

During the repeated hearing, the appeal instance satisfied I. Maligina's claim and provided that the debt of LVL 102 014 should be collected from AS Olainfarm notwithstanding the fact that AS Olainfarm had received from the USA and submitted to the court new evidence confirming that the assignee was still acting as a legal entity and had not been deleted from the Enterprise Registry, and therefore I.Maligina had a realistic chance to collect the said debt form the assignee according to the assignment agreement. Having read the full text of the judgement, its reasoning and ruling parts, AS Olainfarm will contest the ruling of the appeal instance under the cassation procedure.

As the amount of LVL102 014 had already been collected from AS Olainfarm after the first hearing of the case by the appeal instance, no provisions for the execution of the judgment were required.

During the period of time between the last day of the reporting period and the date when the report is signed, no other events have taken place, requiring the corrections or explanations to this financial report.