JOINT STOCK COMPANY OLAINFARM

(UNIFIED REGISTRATION NUMBER 40003007246)

NON-AUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 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 31 March 2008	None
Movements in the Council during the period 1 January 2008 through 31 March 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 – 31 March 2008	
Auditors	Diāna Krišjāne Latvian Sworn Auditor Certificate No. 124	SIA Ernst & Young Baltic Kronvalda bulvāris 3-5, Riga Latvia, LV – 1010 Licence No. 17

Report on the Management Board's responsibility to non-audited JSC „Olainfarm" statement for the period ended 31 March 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 March 31st, 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

Management report

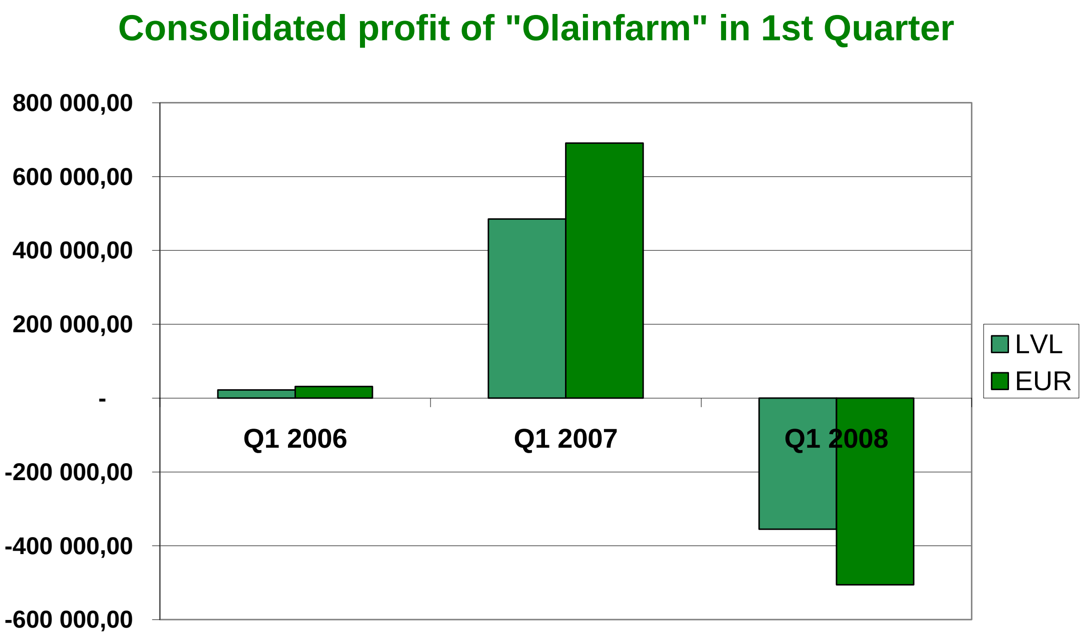
General information

During the reporting period no changes have been made to the composition of the Concern and it still consists from the Parent Company JSC „Olainfarm" and its daughter company OOO „Baltfarm", which is engaged in distribution of medicines produced by the Parent company.

JSC Olainfarm 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 Company's operations is to produce reliable and effective top quality products for Latvia and the rest of the world. Currently the products of JSC Olainfarm 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

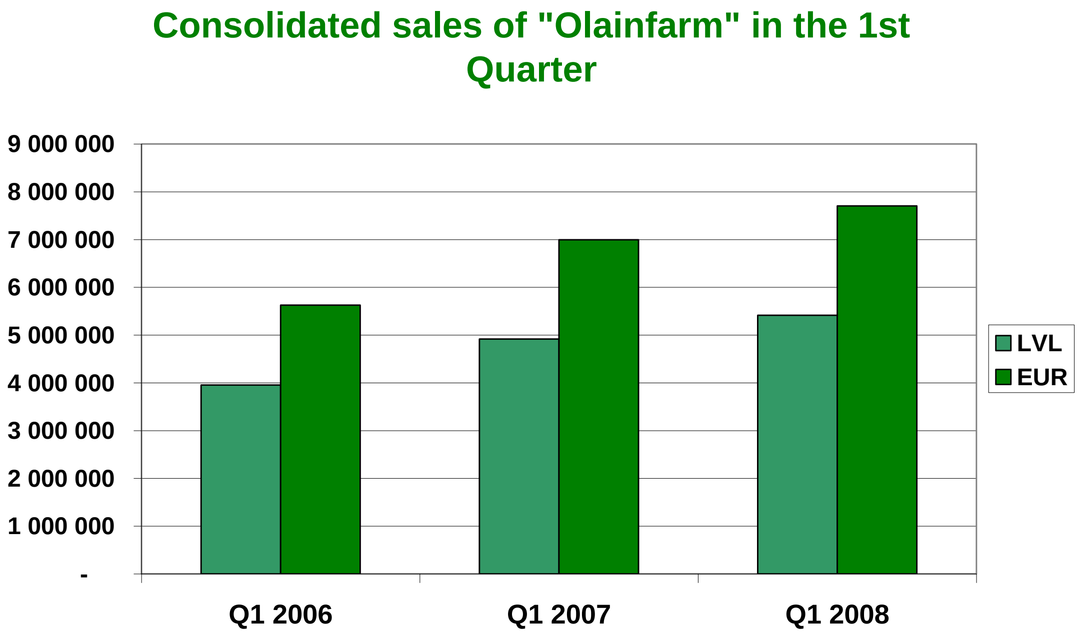
Net consolidated loss of the Concern during three months of 2008 was 355 444 lats (505 751 Euro), which is for 840 661 lats (1 196 153 Euro) less than the figure of the first quarter of 2007 when the profit of 485 217 lats (690 402 Euro) was made. Although one can see certain worsening of the financial indicators, especially when compared to 1st quarter of 2007, it derives from conscious and well considered decision taken by the management of the Concern to significantly strengthen its marketing and sales promotion effort in Russia, Belarus and the Ukraine. The amount of marketing costs during the first quarter of 2008 compared to the respective period of 2007 has nearly tripled to more than 960 000 lats (1 367 000 Euro). Management of the Concern is fully aware that in the short period of time such additional investments will make the Concern loss making, however by the end of 2008 considerable sales increase is expected, thus allowing the Concern to end this year with the planned profit of 325 000 lats (462 433 Euro). Besides, such additional marketing and sales promotion efforts will be of considerable help when preparing the sales mechanisms for the launch of new products expected in 2008 and 2009.



The above mentioned decisions taken by the management have also influenced the EBIT and EBITDA levels. In the first quarter of 2008 the EBIT was – 195 984 lats (-278 860 Euro), while in the first quarter of

2007 it was positive: 634 900 lats (903 381 Euro). EBITDA has also experienced a significant decrease in the first quarter of 2008: by 64% to 417 587 lats (594 173 Euro).

Total sales of the Concern during the first three months of 2008 has grown to 5 415 316 lats (7 705 300 Euro), i.e. by more than 10% compared to the first quarter of 2007, which, taking into consideration the fact, that during the first quarter of 2007, significant deliveries were made to Kazakhstan's national reserves and to Novartis Grimsby Limited, shall be regarded as rather good sales increase.

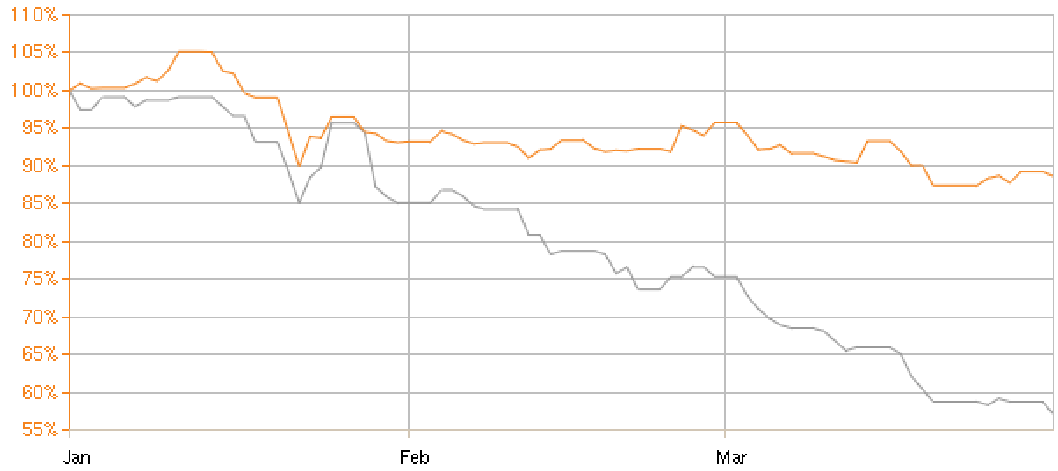


Selected financial indicators

Indicators	31.03.2008.	31.03.2007.	% to the previous period
Sales (LVL)	5 415 316,00	4 916 233,00	110%
Net profit (LVL)	-355 444,00	485 217,00	NA
EBITDA (LVL)	417 587,00	1 169 199,00	36%
EBIT (LVL)	-195 984,00	634 900,00	NA
Sales (EUR)	7 705 300,00	6 995 170,00	110%
Net profit (EUR)	-505 751,00	690 402,00	NA
EBITDA (EUR)	594 173,00	1 663 620,00	36%
EBIT (EUR)	-278 860,00	903 381,00	NA
EBITDA margin, %	8%	24%	
Net margin, %	-7%	10%	
EBIT margin, %	-4%	13%	
ROA, % (quarter)	-1,2%	1,9%	
ROE, % (quarter)	-2,2%	3,5%	
EPS, LVL (quarter)	-0,03	0,04	NA
EPS, EUR (quarter)	-0,04	0,05	NA

Although the financial indicators of the 1st quarter can not be regarded as satisfactory, the further increase of sales shows that at the end of this year, not only can the Concern expect the profit, but the sales promotion mechanisms will be fully in place and ready for launching of the new products.

Rebased share price of Mother Company's shares vs. rebased OMX Riga index (1st quarter 2008)



-- OMR Riga
-- Olainfarm

Environment

Concern's Mother company JSC „Olainfarm"together with 40 other big Latvian companies is participating in UNDP/GEF project „Collection and environmentally friendly utilization of equipment and waste containing PHB". Tripartite agreement has been signed between the Ministry of Environment, UN and Olainfarm providing that Olainfarm will dismantle and de-commission for destruction the condensers containing polychloride biphenyls (PHB).

During the 1st quarter of 2008 rehabilitation project of hazardous waste site „Ekolauks" managed by Concern's Mother Company „Olainfarm" was continuing. This rehabilitation project, initiated by the Ministry for Environment and financed by Olainfarm and EU Cohesion Fund was started in autumn of 2007. In autumn of 2008 packaging and transportation of solid waste to the site of destruction will start. The project provides for full closure of the hazardous waste depositing site, dismantling of old concrete pools, and cleaning of the water table.

Future development plans

Development strategy of the Concern provides for optimisation of the product portfolio, adding new final dosage forms to it; for development of the chemical production 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 Mother Company'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

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

Valērijs Maligins
Chairman of the Board
(President)

27 May 2008

Income statement

	Notes	31.03.2008. LVL	31.03.2008. EUR	31.03.2007. LVL	31.03.2007. EUR
Net turnover	3	5 415 316	7 705 300	4 916 233	6 995 170
Changes in stock of finished goods and work in progress		(103 817)	(147 718)	729 974	1 038 659
Other operating income	4	119 624	170 210	133 988	190 648
Cost of materials:					
raw materials and consumables		(908 110)	(1 292 124)	(1 144 387)	(1 628 316)
other external costs		(499 082)	(710 130)	(580 702)	(826 265)
		(1 407 192)	(2 002 254)	(1 725 089)	(2 454 581)
Staff costs:					
Wages and salaries	8	(1 746 705)	(2 485 338)	(1 500 675)	(2 135 268)
Statutory social insurance contributions	8	(400 110)	(569 305)	(345 412)	(491 477)
		(2 146 815)	(3 054 643)	(1 846 087)	(2 626 745)
Depreciation/ amortisation and write-offs:					
depreciation and amortisation expense	10, 11	(613 571)	(873 033)	(534 299)	(760 239)
Other operating expense	5	(1 459 529)	(2 076 725)	(1 039 820)	(1 479 531)
Interest receivable and similar income	6	20 480	29 140	2 855	4 062
Interest payable and similar expense	7	(177 125)	(252 026)	(136 546)	(194 287)
Profit before taxes		**(352 631)**	**(501 748)**	**501 209**	**713 156**
Corporate income tax		(2 813)	(4 003)	(15 992)	(22 755)
Profit for the reporting year		**(355 444)**	**(505 751)**	**485 217**	**690 402**
Basic and diluted earnings per share	9	(0.025)	(0.036)	0.037	0.052

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

For the Board:

Valērijs Maligins
Chairman of the Board
(President)

27 May 2008

Balance sheet

ASSETS

NON-CURRENT ASSETS	Notes	31.03.2008. LVL	31.03.2008. EUR	31.03.2007. LVL	31.03.2007. EUR
Intangible assets					
Nemateriālā vērtība		3 459 792	4 922 840	1 141 809	1 624 648
Other intangible assets	10	226 111	321 727	3 074 155	4 374 128
Prepayments for intangible assets		**3 685 903**	**5 244 568**	**4 215 964**	**5 998 776**
TOTAL					
Property, plant and equipment		4 682 341	6 662 371	3 424 819	4 873 078
Land, buildings and constructions	11	4 333 733	6 166 346	4 504 441	6 409 242
Equipment and machinery	11	311 131	442 699	208 111	296 115
Other fixtures and fittings, tools and equipment	11	1 807 300	2 571 556	1 096 407	1 560 047
Construction in progress	11	624 037	887 925	643 464	915 567
Prepayments for property, plant and equipment		**11 758 541**	**16 730 897**	**9 877 243**	**14 054 051**
TOTAL					
Financial assets		-	-	-	-
Investments in related companies		386	549	386	549
Other securities and investments	12	540 950	769 703	-	-
TOTAL		**541 336**	**770 252**	**386**	**549**
TOTAL NON-CURRENT ASSETS		**15 985 780**	**22 745 716**	**14 093 593**	**20 053 376**
CURRENT ASSETSI					
Inventories					
Raw materials		1 054 781	1 500 818	1 123 175	1 598 134
Work in progress		3 052 779	4 343 714	2 108 540	3 000 182
Finished goods and goods for resale		2 170 488	3 088 326	1 973 999	2 808 748
Goods in transit		-	-	-	-
Prepayments for goods		94 517	134 486	140 096	199 339
TOTAL	13	**6 372 565**	**9 067 344**	**5 345 810**	**7 606 402**
Receivables					
Trade receivables	14	5 323 658	7 574 882	5 822 035	8 284 009
Receivables from related companies	15	105 619	150 283	29 372	41 793
Other receivables	16	504 858	718 349	236 433	336 414
Corporate income tax		1 379	1 962	-	-
Current loans to management	17	239 385	340 614	56 863	80 909
Prepaid expense	18	36 198	51 506	48 045	68 362
TOTAL		**6 211 098**	**8 837 595**	**6 192 748**	**8 811 487**
Cash	19	**438 329**	**623 687**	**65 637**	**93 393**
TOTAL CURRENT ASSETS		**13 021 992**	**18 528 625**	**11 604 195**	**16 511 282**
TOTAL ASSETS		**29 007 772**	**41 274 340**	**25 697 789**	**36 564 660**

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

For the Board:

Valērijs Maligins
Chairman of the Board
(President)

27 May 2008

EQUITY AND LIABILITIES

EQUITY	Notes	31.03.2008. LVL	31.03.2008. EUR	31.03.2007. LVL	31.03.2007. EUR
Share capital	20	14 085 078	20 041 260	13 209 055	18 794 792
Share premium		1 759 708	2 503 839	213 769	304 166
Retained earnings/ (accumulated deficit):					
brought forward		350 275	498 396	14 399	20 488
for the period		(355 444)	(505 751)	485 216	690 400
TOTAL EQUITY		**15 839 617**	**22 537 745**	**13 922 439**	**19 809 846**
LIABILITIES					
Non-current liabilities					
Deferred corporate income tax liabilities		313 981	446 755	259 256	368 888
Loans from credit institutions	21	5 776 258	8 218 874	5 284 011	7 518 470
Other loans	22	309 861	440 892	348 319	495 613
Taxes payable	23	592 478	843 020	740 588	1 053 762
TOTAL		**6 992 578**	**9 949 542**	**6 632 173**	**9 436 732**
Current liabilities					
Loans from credit institutions	21	2 515 202	3 578 811	1 393 771	1 983 157
Other loans	22	221 952	315 810	200 456	285 223
Prepayments received from customers		280 651	399 330	463 881	660 043
Trade and other payables	25	1 708 667	2 431 215	1 928 330	2 743 766
Payables to related companies	29	124 334	176 912	133 592	190 084
Taxes payable	23	696 330	990 789	580 144	825 471
Accrued liabilities	24	628 440	894 190	443 003	630 336
TOTAL		**6 175 578**	**8 787 055**	**5 143 177**	**7 318 082**
TOTAL LIABILITIES		**13 168 155**	**18 736 597**	**11 775 350**	**16 754 814**
TOTAL EQUITY AND LIABILITIES		**29 007 772**	**41 274 342**	**25 697 789**	**36 564 660**

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)

27 May 2008

Cash flow statement

	31.03.08 LVL	31.03.08 EUR	31.03.07 LVL	31.03.07 EUR
Cash flows to/ from operating activities				
Profit before taxes	(355 445)	(505 753)	501 208	713 155
Adjustments for:				
Amortisation and depreciation	620 346	882 673	536 664	763 604
Disposal of tangible non-current assets and investments	31 275	44 500	12 408	17 655
(Decrease)/ increase in allowances	(7 112)	(10 119)	(42 621)	(60 644)
Increase in vacation reserve	-	-	(6 950)	(9 889)
Interest expenses	130 027	185 012	127 831	181 887
Interest income	(20 480)	(29 140)	(1 956)	(2 783)
Unrealised loss/ (profit) from fluctuations of currency exchange r	24 248	34 502	7 816	11 121
Operating cash flows before working capital changes	**422 859**	**601 674**	**1 134 400**	**1 614 106**
(Increase) in inventories	77 590	110 401	(801 071)	(1 139 821)
(Increase)/ decrease in receivables and prepaid expense	(277 104)	(394 283)	1 639 692	2 333 072
Increase in payables	121 668	173 118	(887 523)	(1 262 831)
Cash generated from operations	**345 013**	**490 909**	**1 085 498**	**1 544 524**
Interest paid	(130 027)	(185 012)	(133 691)	(190 225)
Corporate income tax paid	-	-	(15 992)	(22 755)
Real estate tax paid	(13 791)	(19 623)	(20 258)	(28 825)
Naudas plūsma pirms ārkārtas posteņiem	**201 195**	**286 275**	**915 557**	**1 302 720**
Net cash flows to/ from operating activities	**201 195**	**286 275**	**915 557**	**1 302 720**
Cash flows to/ from investing activities				
Purchase of non-current assets	(1 153 742)	(1 641 627)	(1 504 518)	(2 140 736)
Income from non-current assets sales	70	100	-	-
Interest income	20 480	29 140	-	-
Loans repaid	(122 778)	(174 697)	(58 181)	(82 784)
Loans granted	27 433	39 034	526 584	
Net cash flows to/ from investing activities	**(1 228 537)**	**(1 748 051)**	**(1 036 115)**	**(1 474 258)**
Cash flows to/ from financing activities				
Borrowings repaid	5 952 642	8 469 847	7 720 415	10 985 161
Proceeds from borrowings	(5 565 574)	(7 919 098)	(7 619 967)	(10 842 236)
Net cash flows to/ from financing activities	**387 068**	**550 748**	**100 448**	**142 925**
Change in cash	**(640 274)**	**(911 028)**	**(20 110)**	**(28 614)**
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	**438 330**	**623 687**	**65 637**	**93 393**

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**
Share premium	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**
Pārskata gada peļņa	-	-	-	-	(355 444)	(505 751)	(355 444)	(505 751)
Balance as at 31 March 2008	**14 085 078**	**20 041 260**	**1 759 708**	**2 503 839**	**(5 169)**	**(7 354)**	**15 839 617**	**22 537 745**

* 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 27 May 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:

	31/03/2008	*31/03/2007*
EUR	*0.702804*	*0.702804*
USD	*0.445*	*0.528*

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

Research and development costs

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

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

Patents

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

Other intangible non-current assets

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

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

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

Impairment of non-financial assets

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

Property, plant and equipment

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

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

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

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

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

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

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

Summary of significant accounting policies (cont'd)

Investments and other financial assets

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

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

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

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

Inventories

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

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

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

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

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

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

Trade and other receivables

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

Cash

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

Accruals and deferrals

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

Provisions

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

Summary of significant accounting policies (cont'd)

Loans and borrowings

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

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

Derecognition of financial assets and liabilities

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

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

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

Leases

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

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

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

Revenue

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

Sale of goods

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

Rendering of services

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

Interest

Revenue is recognised on an accrual basis.

Summary of significant accounting policies (cont'd)

Corporate income tax

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

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

Related parties

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

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

Contingencies

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

Subsequent events

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

Earnings per share

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

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

Leases

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

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

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

Revenue

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

Sale of goods

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

Rendering of services

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

Interest

Revenue is recognised on an accrual basis.

Corporate income tax

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

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

Related parties

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

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

Contingencies

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

Subsequent events

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

3. Net turnover

	31.03.2008.		31.03.2007.	
By business segments	**LVL**	**EUR**	**LVL**	**EUR**
Finished forms	4 797 534	6 826 275	4 424 954	6 296 142
Chemistry	617 782	879 025	491 279	699 028
TOTAL:	**5 415 316**	**7 705 300**	**4 916 233**	**6 995 170**

	31.03.2008.		31.03.07	
By geographical segments	**LVL**	**EUR**	**LVL**	**EUR**
CIS	3 507 284	4 990 415	3 114 210	4 431 122
Latvia	742 427	1 056 378	1 111 565	1 581 615
Europe	977 086	1 390 267	540 508	769 073
Baltic states (Lithuania and Estonia)	117 258	166 844	69 122	98 351
Other	71 261	101 396	80 829	115 009
TOTAL:	**5 415 316**	**7 705 300**	**4 916 233**	**6 995 170**

4. Other operating income

	31.03.2008.		31.03.2007.	
	LVL	**EUR**	**LVL**	**EUR**
Sale of current assets	17 496	24 895	35 950	51 153
Treatment of waste water	46 370	65 978	38 676	55 030
Lease of premises	12 117	17 241	5 495	7 819
Catering services	8 734	12 427	12 422	17 675
Incomes for analyses	27 571	39 230	32 461	46 188
Other operating income	7 336	10 439	8 984	12 783
TOTAL:	**119 624**	**170 210**	**133 988**	**190 648**

5. Other operating expense

	31.03.2008.		31.03.2007.	
	LVL	**EUR**	**LVL**	**EUR**
Marketing expense	960 686	1 366 932	391 184	556 605
Transportation expense	32 855	46 748	33 918	48 261
Sales commissions	28 516	40 574	-	-
Exhibition expense	35 214	19 780	90 780	129 168
Expert analysis of medicines	1 185	1 686	3 068	4 365
Other distribution costs	-	-	-	-
Total distribution costs:	*1 037 143*	1 475 722	*518 950*	*738 399*
Insurance	51 139	72 094	27 526	39 166
Business trips	41 468	57 925	32 268	45 913
Information and business consulting	25 377	35 917	18 927	26 931
Car fleet maintenance	21 346	28 807	11 986	17 055
Representation expense	19 895	28 309	10 793	15 357
Communications expense	19 517	27 257	20 145	28 663
Legal and audit expense	19 277	26 470	18 954	26 969
Social infrastructure	17 844	25 389	11 311	16 094
New product research and development costs	16 073	22 870	61 734	87 840
Allowances to staff	14 367	20 443	3 190	4 539
Flowers and gifts	14 106	20 070	4 646	6 611
Other taxes	13 791	19 623	20 258	28 825
Write-offs and disposal of tangible assets	12 595	17 921	11 919	16 959
Other operating expense	22 253	16 050	150 272	213 818
Office expense	9 877	14 053	9 707	13 812
Bank charges	9 644	11 958	5 223	7 432
Security	8 345	11 101	7 152	10 176
Charges on declaring medicines	7 257	10 326	-	-
Education	6 826	9 713	8 388	11 935
Current repairs	6 716	9 555	23 327	33 191
Donations	6 319	8 991	7 266	10 339
Membership fees	6 063	8 627	5 952	8 469
Hosting expense	4 390	6 246	24	34
Waste removal	4 089	5 818	2 363	3 362
Administrative offices maintenance	1 704	2 425	1 725	2 454
Visas, invitations	1 583	2 253	1 629	2 318
Laboratory tests	1 528	2 174	1 119	1 592
Humanitarian aid	1 023	1 455	145	206
Unemployment risk duty	835	1 188	761	1 083
Land lease for eco-field	591	841	-	-
Permits for import and export of medicines	105	149	-	-
Write-offs of current assets	15 131	21 529	42 158	59 986
TOTAL:	**1 459 529**	**2 076 725**	**1 039 820**	**1 479 531**

6. Interest receivable and similar income

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Interest accrued on bank account balances	16 794	23 895	137	195
Loan interest payments	3 686	5 245	1 819	2 588
Currency exchange gain, net	-	-	899	1 279
TOTAL:	**20 480**	**29 140**	**2 855**	**4 062**

7. Interest payable and similar expense

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Currency exchange loss, net	24 248	34 502	-	-
Loan interest payments	123 349	175 510	105 929	150 724
Penalties paid	6 678	9 502	21 902	31 163
Currency exchange commission	22 849	32 512	8 715	12 400
TOTAL:	**177 125**	**252 026**	**136 546**	**194 287**

8. Staff costs and number of employees

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Wages and salaries	1 746 705	2 485 338	1 500 675	2 135 268
Statutory social insurance contributions	400 110	569 305	345 412	491 477
TOTAL:	**2 146 815**	**3 054 643**	**1 846 087**	**2 626 745**

Including remuneration to the management:

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Management of the Company				
Wages and salaries	171 604	244 170	155 811	221 699
Statutory social insurance contributions	39 854	56 707	37 621	53 530
Board Members				
Wages and salaries	95 343	135 661	110 552	157 302
Statutory social insurance contributions	17 509	24 913	20 087	28 581
Council Members				
Wages and salaries	36 191	51 495	40 200	57 199
Statutory social insurance contributions	8 718	12 405	9 684	13 779
TOTAL:	**369 219**	**525 351**	**373 955**	**532 090**

	31.03.2008.	31.03.2007.
Average number of employees during the reporting year	1 078	1 067

9. Basic and diluted earnings per share

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

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Net result attributable to shareholders	(355 444)	(249 807)	485 216	690 400
Weighted average number of ordinary shares	14 085 078	14 085 078	13 209 055	13 209 055
Earnings per share	**(0.025)**	**(0.036)**	**0.037**	**0.052**

* 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 tehnologies* and patents**		Other intangible		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 quarter	Addition	-	-	8 057	11 464	8 057	11 464
	Reclassification	-	-	426	606	426	606
	Write-off	-	-	(17 001)	(24 190)	(17 001)	(24 190)
Acquisition value as at 31/03/2007		**2 201 088**	**3 131 866**	**366 195**	**521 049**	**2 567 283**	**3 652 915**
Accumulated amortization as at 31/12/2006		**1 144 220**	**1 628 078**	**171 256**	**243 675**	**1 315 476**	**1 871 754**
2007 I quarter	Addition	109 416	155 685	17 530	24 943	126 946	180 628
	Reclassification	-	-	-	-	-	-
	Write-off	-	-	(16 948)	(24 115)	(16 948)	(24 115)
Accumulated amortization as at 31/03/2007		**1 253 636**	**1 783 763**	**171 838**	**244 503**	**1 425 474**	**2 028 267**
Net carrying amount as at 31/12/2006		**1 056 868**	**1 503 788**	**203 457**	**289 493**	**1 260 325**	**1 793 281**
Net carrying amount as at 31/03/2007		**947 452**	**1 348 103**	**194 357**	**276 545**	**1 141 809**	**1 624 648**

		Production tehnologies* and patents**		Other intangible		Total	
		LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2007		**2 660 896**	**3 786 114**	**375 478**	**534 257**	**3 036 374**	**4 320 371**
2008 I quarter	Addition	1 900 000	2 703 456	11 741	16 706	1 911 741	2 720 162
	Reclassification	-	-	-	-	-	-
	Write-off	-	-	(16 880)	(24 018)	(16 880)	(24 018)
Acquisition value as at 31/03/2008		**4 560 896**	**6 489 570**	**370 339**	**526 945**	**4 931 235**	**7 016 515**
Accumulated amortization as at 31/12/2007		**1 170 438**	**1 665 383**	**185 147**	**263 440**	**1 355 585**	**1 928 824**
2008 I quarter	Addition	115 282	164 032	17 456	24 838	132 738	188 869
	Reclassification	-	-	-	-	-	-
	Write-off	-	-	(16 880)	(24 018)	(16 880)	(24 018)
Accumulated amortization as at 31/03/2008		**1 285 720**	**1 829 415**	**185 723**	**264 260**	**1 471 443**	**2 093 675**
Net carrying amount as at 31/12/2007		**1 490 458**	**2 120 731**	**190 331**	**270 817**	**1 680 789**	**2 391 548**
Net carrying amount as at 31/03/2008		**3 275 176**	**4 660 156**	**184 616**	**262 685**	**3 459 792**	**4 922 840**

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

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**	**11 437 512**	**620 964**	**1 187 133**	**23 863 659**
2008	Additions	-	28 045	236 812	44 368	648 379	957 604
	Liquidation	-	(26 288)	(106 383)	(27 053)	(28 211)	(187 935)
Acquisition value as at 31/03/2008		**55 928**	**10 563 879**	**11 567 941**	**638 279**	**1 807 301**	**24 633 328**
Accumulated depreciation as at 31/12/2007		**-**	**5 857 445**	**6 972 796**	**309 354**	**-**	**13 139 595**
2008	Depreciation	-	93 810	367 449	26 349	-	487 608
	Depreciation of disposals	-	(13 788)	(106 037)	(8 554)	-	(128 379)
Accumulated depreciation as at 31/03/2008		**-**	**5 937 467**	**7 234 208**	**327 149**	**-**	**13 498 824**
Net carrying amount as at 31/12/2007		**55 928**	**4 704 678**	**4 464 716**	**311 611**	**1 187 132**	**10 724 065**
Net carrying amount as at 31/03/2008		**55 928**	**4 626 412**	**4 333 733**	**311 131**	**1 807 300**	**11 134 504**

EUR

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

EUR

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2007		**79 578**	**15 028 549**	**16 274 113**	**883 552**	**1 689 137**	**33 954 929**
2008	Additions	-	39 904	336 953	63 129	922 560	1 362 547
	Liquidation	-	(37 404)	(151 369)	(38 493)	(40 141)	(267 407)
Acquisition value as at 31/03/2008		**79 578**	**15 031 048**	**16 459 696**	**908 189**	**2 571 556**	**35 050 068**
Accumulated depreciation as at 31/12/2007		**-**	**8 334 395**	**9 921 395**	**440 171**	**-**	**18 695 961**
2008	Depreciation	-	133 480	522 833	37 491	-	693 804
	Depreciation of disposals	-	(19 619)	(150 877)	(12 171)	-	(182 667)
Accumulated depreciation as at 31/03/2008		**-**	**8 448 256**	**10 293 351**	**465 491**	**-**	**19 207 098**
Net carrying amount as at 31/12/2007		**79 578**	**6 694 154**	**6 352 719**	**443 381**	**1 689 137**	**15 258 968**
Net carrying amount as at 31/03/2008		**79 578**	**6 582 793**	**6 166 346**	**442 699**	**2 571 556**	**15 842 970**

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 1 241 (31/03/2007 – LVL 1 041) 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 31 March 2008, tangible non-current assets included assets with the total original cost value of LVL 3 401 949 (31/03/2007: LVL 3 377 899) that were fully depreciated but still remained in active use by the Group.

As at 31 March 2008, the cadastral value of the land was LVL 567 062 (31/03/2007: LVL 567 062). The cadastral value of the buildings owned by the Group as at 31 March 2008 was LVL 4 712 867 (31/03/2007: N/A).

As at 31 March 2008, the net carrying amount of the tangible non-current assets held under finance lease was LVL 684 193 (31/03/2007: LVL 662 279) (see Note 22 for finance lease liabilities).

As at 31 March 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

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Raw materials (at cost)	1 166 290	1 659 481	1 196 923	1 703 068
Work in progress (at cost)	3 194 453	4 545 297	2 266 646	3 225 147
Finished goods and goods for resale (at cost)*	2 228 503	3 170 874	2 062 519	2 934 699
Prepayments for goods	94 517	134 486	140 096	199 339
TOTAL:	6 683 763	9 510 138	5 666 184	8 062 252
Allowances for raw materials	(111 509)	(158 662)	(73 749)	(104 936)
Allowances for work in progress	(141 674)	(201 584)	(158 106)	(224 965)
Allowances for finished goods and goods for resale	(58 015)	(82 548)	(88 519)	(125 951)
TOTAL:	(311 198)	(442 794)	(320 374)	(455 851)
TOTAL:	**6 372 565**	**9 067 344**	**5 345 810**	**7 606 402** *

As at 31 March 2008, the Group's inventories comprised goods on consignment in the amount of LVL 256 156 (31/03/2007: LVL 173 663).

14. Trade receivables

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Trade receivables	5 340 776	7 599 240	5 892 071	8 383 662
Allowances for doubtful trade receivables	(17 118)	(24 356)	(70 036)	(99 652)
TOTAL:	**5 323 658**	**7 574 882**	**5 822 035**	**8 284 009**

Movements in the provision for impairment of receivables were as follows:

	Individuālais novērtējums		Kolektīvais novērtējums		**Kopā**	
	LVL	EUR	LVL	EUR	LVL	EUR
As at 31 December 2007	17 576	25 008	-	-	17 576	25 008
Charge for the year	(458)	(652)	-	-	(458)	(652)
Unused amounts reversed	-	-	-	-	-	-
As at 31 March 2008	17 118	24 357	-	-	17 118	24 357

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

		Total	Neither past due nor impaired	Past due but not impaired			
				< 30 dienas	30-60 dienas	60-90 dienas	90-180 dienas
31.03.2008.	LVL	5 340 776	4 453 031	645 460	80 147	46 015	42 215
31.03.2007.	LVL	5 892 071	4 294 775	935 947	241 230	72 629	92 162
31.03.2008.	EUR	7 599 240	6 336 093	918 407	114 039	65 474	60 067
31.03.2007.	EUR	8 383 662	6 110 914	1 331 733	343 239	103 342	131 135

15. Receivables from related companies

	31.03.2008.		31.03.07	
Company	LVL	EUR	LVL	EUR
SIA Olmafarm*	27 989	39 824	31 835	45 297
SIA "Carbochem"	69 423	98 780		
SIA "Olfa Pres"	6 048	8 606	-	-
SIA "Vega MS"	2 159	3 072	-	-
Allowances for doubtful receivables	-	-	(2 463)	(3 504)
TOTAL:	**105 619**	**150 283**	**29 372**	**41 793**

As at 31 March 2008, the analysis of receivables from related companies that was past due but not impaired is as follows:

		Total	Neither past due nor impaired	Past due but not impaired				
				< 30 days	30-60 days	60-90 days	90-180 days	> 180 days
31.03.2007	LVL	31 835	31 835	-	-	-	-	-
31.03.2008	LVL	105 619	28 411	71 332	2 017	1 576	1 788	496
31.03.2007	EUR	45 297	45 297	-	-	-	-	-
31.03.2008	EUR	150 283	40 425	101 497	2 870	2 242	2 544	705

16. Other receivables

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
VAT receivable (see also Note 23)	190 293	270 763	109 351	155 593
Representation office expense	145 656	207 250	34 985	49 779
Overpayment CIT	-	-	38 677	55 032
Avansa maksājumi par pakalpojumiem	36 697	52 215	-	-
Employees insurance	-	-	24 948	35 498
Advances to employees	8 507	12 104	21 376	30 415
Other receivables	123 706	176 018	10 736	15 276
Provisions for advances to employees and other receivables	-	-	(3 639)	(5 178)
TOTAL:	**504 858**	**718 349**	**236 433**	**336 414**

* 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

	31.03.2008.		31.03.2007.	
	LVL	**EUR**	**LVL**	**EUR**
Insurance payments	33 529	47 708	14 333	20 395
Expenses related to the share issue*		-	30 000	42 686
Distribution costs	1 143	1 626	-	-
Information expense	66	94	-	-
Subscription to the printed media	962	1 369	480	682
Other prepaid expense	499	710	3 232	4 599
TOTAL:	**36 198**	**51 506**	**48 045**	**68 362**

19. Cash

	31/03/2008		31/03/2007	
Cash by currency profile:	**Foreign currency**	**LVL**	**Foreign currency**	**LVL**
Ls	-	380 991	-	31 582
RUB	862 563	16 303	392 987	7 959
EUR	41 900	29 447	36 262	25 485
USD	26 044	11 589	1156	611
TOTAL:		**438 329**		**65 637**

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	31.03.2007. LVL	31.03.2007. EUR	31.03.2006. LVL	31.03.2006. EUR
Loan from AS SEB Unibanka	6 950 000	EUR	EUR LIBOR (3 month.)+1.3%	08.12.2011.	2 523 066	3 590 000	3 063 723	4 359 286
Loan from AS SEB Unibanka	4 000 000	EUR	EURIBOR (3 month.)+1,3%	23.05.2013.	1 979 730	2 816 901	2 220 288	3 159 185
Loan from AS SEB Unibanka	2 000 000	EUR	EURIBOR (3 month.)+1,3%	10.10.2012.	1 006 951	1 432 762	-	-
Loan from AS SEB Unibanka	1 500 000	EUR	EURIBOR (3 month.)+1,3%	30.01.2015.	266 511	379 211	-	-
				TOTAL:	**5 776 258**	**8 218 874**	**5 284 011**	**7 518 470**

Current:	Amount		Effective interest rate (%)	Maturity	31.03.2007. LVL	31.03.2007. EUR	31.03.2006. LVL	31.03.2006. EUR
Loan from AS SEB Unibanka	6 950 000	EUR	EUR LIBOR (3 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.	137 805	196 078	180 860	257 340
Credit line from AS SEB Unibanka	500 000	USD	USD LIBOR (3 month.)+1,3%	05.12.2007.	-	-	263 310	374 656
Credit line from AS SEB Unibanka	200 000	EUR	EUR LIBOR (3 month.)+1,95%	05.12.2007.	-	-	33 928	48 275
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.	1 315 368	1 871 601	-	-
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"	1 000 000	RUB	22%	30.06.2007.	-	-	18 666	26 559
				TOTAL:	**2 515 202**	**3 578 811**	**1 393 771**	**1 983 157**

Interest payable is normally settled quarterly throughout the financial year.

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

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

As at 31 March 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

	31.03.2008. LVL		31.03.2008. EUR		31.03.2007 LVL		31.03.2007 EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA Hanza Līzings, LVL	-	-	-	-	-	-	-	-
Finance lease liabilities to SIA Hanza Līzings, EUR	2 707	15 763	3 852	22 429	18 470	14 974	26 280	21 306
Finance lease liabilities to SIA SEB Unilīzings, LVL	1 351	1 911	1 922	2 719	3 262	1 780	4 641	2 533
Finance lease liabilities to SIA SEB Unilīzings, EUR	304 706	191 520	433 558	272 508	312 732	171 677	444 977	244 275
Finance lease liabilities to SIA ''Parex Līzings'', EUR	1 098	12 758	1 562	18 153	13 855	12 024	19 714	17 108
TOTAL:	**309 861**	**221 952**	**440 892**	**315 810**	**348 319**	**200 456**	**495 613**	**285 223**

The interest rate on the finance leases ranges from 6.3% to 10.95%. 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:

	31.03.2008.		31.03.2008.		31.03.2007.		31.03.2007.	
	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	240 538	221 952	342 255	315 809	224 063	200 456	318 813	285 223
Between one and five years	326 618	309 861	464 736	440 892	369 722	348 319	526 067	495 613
Total minimum lease payments	567 156	531 813	806 990	756 702	593 785	548 775	844 880	780 836
Less amounts representing finance charges	(35 343)	-	(50 289)	-	(45 010)	-	(64 043)	-
Present value of minimum lease payments	**531 813**	**531 813**	**756 702**	**756 702**	**548 775**	**548 775**	**780 836**	**780 836**

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.

Tax liabilities by maturity profile as at 31 March 2008 can be specified as follows:

	31.03.2008. LVL		31.03.2008. EUR		31.03.2007 LVL		31.03.2007 EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Personal income tax	312 985	207 374	445 338	295 067	391 222	225 226	556 659	320 468
Statutory social insurance contributions	233 512	360 855	332 258	513 450	291 890	257 771	415 322	366 775
Real estate tax	45 981	23 798	65 424	33 861	57 476	34 981	81 781	49 774
VAT	-	26 303	-	37 426	-	57 109	-	81 259
CIT	-	75 748	-	107 780				
Natural resource tax	-	2 253	-	3 206	-	5 057	-	7 195
TOTAL:	**592 478**	**696 330**	**843 020**	**990 789**	**740 588**	**580 144**	**1 053 762**	**825 471**

24. Taxes payable (cont'd)

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 31 March 2008, the accruals for the above expected late payment penalties were reduced by LVL 4 986, 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	148 117
2009	197 490
2010	197 490
2011	197 491
Total	**740 588**

24. Accrued liabilities

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Vacation pay reserve	402 499	572 705	347 602	494 593
Accruals for penalties related to taxes	75 456	107 364	95 401	135 743
Other accrued liabilities	150 485	214 121	-	-
TOTAL:	**628 440**	**894 190**	**443 003**	**630 336**

25. Trade and other payables

	31.03.2008.		31.03.2007.	
	LVL	EUR	LVL	EUR
Trade payables	1 214 665	1 728 312	1 459 017	2 075 994
Wages and salaries	429 603	611 269	418 981	596 156
Other liabilities	64 399	91 632	50 332	71 617
TOTAL:	**1 708 667**	**2 431 215**	**1 928 330**	**2 743 767**

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).

27. Commitments and contingencies (cont'd)

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	4 951	7 044
Payable within 1-5 years, LVL	24 439	34 774	8 664	12 328
TOTAL:	**36 447**	**51 860**	**13 615**	**19 372**

Capital investment commitments

At 31 March 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 (shareholder)	Loan and debt assignment	31.12.2006.	49 322	70 179	1 719 331	2 446 388	2 219 300	3 157 779	-	-
		31.03.2007.	2 187 465	3 112 482	-	-	31 835	45 298	-	-
		31.12.2007.	2 192 885	3 120 194	3 535	5 029	29 950	42 615	-	-
		31.03.2008.	2 173	3 092	212	302	27 989	39 825		
V. Maligins ** (shareholder of SIA Olmafarm)	Loan	31.12.2006.	76 551	108 922	153 358	218 209	425 024	604 755	-	-
		31.03.2007.	437 215	622 101	45 540	64 798	33 349	47 451	-	-
		31.12.2007.	451 191	641 987	147 927	210 482	121 760	173 249	-	-
		31.03.2008.	9 266	13 185	106 891	152 092	219385	312 157	-	-
SIA "Carbochem" (V.Maligina daļa 50%)	Intermediation in sale of chemical products	31.12.2006.	8 992	12 794	59 363	84 466	-	-	12 280	17 473
		31.03.2007.	3 589	5 107	7 761	11 043	-	-	8 108	11 537
		31.12.2007.	16 359	23 277	186 673	265 612	158 033	224 861	-	-
		31.03.2008.					69423			
SIA Remeks (V. Maligins share 33%)	Construction services	31.12.2006.	22 379	31 842	21 046	29 946	-	-	1 333	1 896
		31.03.2007.	50 917	72 448	1 333	1 896	-	-	50 917	72 448
		31.12.2007.	402 677	572 958	404 010	574 854	-	-	-	-
		31.03.2008.	-	-	-	-	-	-	-	-
SIA OLFA Press (V. Maligins share 45%)	Printing services	31.12.2006.	592 243	842 686	556 221	791 431	-	-	222 068	315 974
		31.03.2007.	162 190	230 775	310 056	441 169	-	-	74 202	105 580
		31.12.2007.	540 902	769 635	678 154	964 926	1 452	2 066	85 360	121 456
		31.03.2008.	183 804	261 530	149 426	212 614	6048	8 606	124 335	176 912
SIA Vega MS (SIA Aroma share 60%, V. Maligins share in Aroma	Security services, production of windows	31.12.2006.	82 024	116 710	82 024	116 710	-	-	-	-
		31.03.2007.	33 030	46 998	32 666	46 479	-	-	364	518
		31.12.2007.	102 600	145 987	101 184	143 972	1 416	2 015	-	-
		31.03.2008.	40 033	56 961	39 289	55 903	2 159	3 073	-	-
	TOTAL:	**31.12.2006.**	**831 511**	**1 183 134**	**2 591 343**	**3 687 149**	**2 644 324**	**3 762 534**	**235 681**	**335 344**
	TOTAL:	**31.03.2007.**	**2 870 816**	**4 084 804**	**389 594**	**554 343**	**65 184**	**92 749**	**125 483**	**178 547**
	TOTAL:	**31.12.2007.**	**3 706 615**	**5 274 037**	**1 521 483**	**2 164 875**	**312 612**	**444 806**	**85 360**	**121 456**
	TOTAL:	**31.03.2008.**	**226 010**	**321 583**	**188 927**	**268 819**	**105 620**	**51 503**	**124 335**	**176 912**

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	
	31.03.2008.	**31.03.2007.**	**31.03.2008.**	**31.03.2007.**	**31.03.2008.**	**31.03.2007.**	**31.03.2008.**	**31.03.2007.**
Assets								
Intangible assets	2 965 933	2 743 749	719 970	1 472 215	-	-	3 685 903	4 215 964
Tangible assets	8 097 419	6 024 071	2 982 746	3 216 505	678 376	636 667	11 758 541	9 877 243
Financial assets	540 950	-	-	-	386	386	541 336	386
Inventories	4 587 107	3 405 511	1 690 941	1 800 203	94 517	140 096	6 372 565	5 345 810
Receivables	4 340 037	5 105 196	892 325	682 638	978 736	404 914	6 211 098	6 192 748
Cash	-	-	-	-	438 329	65 637	438 329	65 637
Total assets	**20 531 446**	**17 278 527**	**6 285 982**	**7 171 561**	**2 190 344**	**1 247 700**	**29 007 772**	**25 697 789**
Equity and liabilities								
Total equity	-	-		-	15 839 617	13 922 439	15 839 617	13 922 439
Deffered income tax liability	-	-		-	313 981	259 256	313 981	259 256
Loans from credit institution	6 055 253	4 352 420	2 236 207	2 325 362		-	8 291 460	6 677 782
Other loans	388 383	357 143	143 430	191 632	-	-	531 813	548 775
Taxes payable	950 358	885 640	338 450	435 092	-	-	1 288 808	1 320 732
Prepayments received from customers	275 379	463 881	5 271	-	-	-	280 651	463 881
Trade payables	1 263 531	1 257 529	445 136	670 801	-	-	1 708 667	1 928 330
Payables to related companies		-		-	124 334	133 592	124 334	133 592
Accrued liabilities		-	-	-	628 440	443 003	628 440	443 003
Total equity and liabilities	**8 932 905**	**7 316 613**	**3 168 493**	**3 622 887**	**16 906 372**	**14 758 290**	**29 007 772**	**25 697 789**
Income statement								
Net turnover	4 797 534	4 424 954	617 782	491 279	-	-	5 415 316	4 916 233
Changes in stock of finished goods and work in progress	(75 818)	475 067	(27 999)	254 907	-	-	(103 817)	729 974
Other operating income	-	-	-	-	119 624	133 988	119 624	133 988
Cost of materials	(1 051 362)	(1 190 151)	(355 831)	(534 938)	-	-	(1 407 192)	(1 725 089)
Staff costs	(1 575 421)	(1 215 907)	(571 394)	(630 180)	-	-	(2 146 815)	(1 846 087)
Depreciation/ amortisation and write-offs	(448 327)	(348 457)	(165 244)	(185 843)	-	-	(613 571)	(534 299)
Other operating expense	(1 076 026)	(669 516)	(383 503)	(350 047)	-	(20 257)	(1 459 529)	(1 039 820)
Interest receivable and similar income	-	-		-	20 480	2 855	20 480	2 855
Interest payable and similar expense	-	-		-	(177 125)	(136 546)	(177 125)	(136 546)
Taxes	-	-	-	-			-	-
Net profit for the year	**570 580**	**1 475 991**	**(886 188)**	**(954 823)**	**(37 021)**	**(19 960)**	**(352 631)**	**501 209**

EUR

	Finished form medicine		Chemicals		Unallocated		Total	
	31.03.2008.	**31.03.2007.**	**31.03.2008.**	**31.03.2007.**	**31.03.2008.**	**31.03.2007.**	**31.03.2008.**	**31.03.2007.**
Assets								
Intangible assets	4 220 142	3 904 003	1 024 426	2 094 773	-	-	5 244 568	5 998 776
Tangible assets	11 521 589	8 571 481	4 244 065	4 576 674	965 243	905 896	16 730 897	14 054 051
Financial assets	769 703	-	-	-	549	549	770 252	549
Inventories	6 526 866	4 845 606	2 405 992	2 561 458	134 486	199 339	9 067 344	7 606 402
Receivables	6 175 317	7 264 039	1 269 663	971 306	1 392 616	576 141	8 837 595	8 811 487
Cash	-	-	-	-	623 686	93 393	623 687	93 393
Total assets	**29 213 617**	**24 585 129**	**8 944 146**	**10 204 211**	**3 116 580**	**1 775 318**	**41 274 340**	**36 564 660**
Equity and liabilities								
Total equity	-	-	-	-	22 537 745	19 809 846	22 537 745	19 809 846
Deffered income tax liability	-	-	-	-	446 755	368 888	446 755	368 888
Loans from credit institution	8 615 849	6 192 936	3 181 836	3 308 692	-	-	11 797 685	9 501 627
Other loans	552 619	508 169	204 082	272 668	-	-	756 702	780 836
Taxes payable	1 352 238	1 260 152	481 571	619 080	-	-	1 833 809	1 879 233
Prepayments received from customers	391 830	660 043	7 500	-	-	-	399 330	660 043
Trade payables	1 797 843	1 789 303	633 371	954 464	-	-	2 431 215	2 743 766
Payables to related companies	-	-	-	-	176 911	190 084	176 912	190 084
Accrued liabilities	-	-	-	-	894 190	630 336	894 190	630 336
Total equity and liabilities	**12 710 379**	**10 410 603**	**4 508 360**	**5 154 904**	**24 055 601**	**20 999 154**	**41 274 340**	**36 564 660**
Income statement								
Net turnover	6 826 276	6 296 142	879 025	699 027	-	-	7 705 300	6 995 170
Changes in stock of finished goods and work in progress	(107 879)	675 959	(39 840)	362 700	-	-	(147 718)	1 038 659
Other operating income	-	-	-	-	170 210	190 648	170 210	190 648
Cost of materials	(1 495 953)	(1 693 432)	(506 301)	(761 148)	-	-	(2 002 254)	(2 454 581)
Staff costs	(2 241 623)	(1 730 080)	(813 020)	(896 665)	-	-	(3 054 643)	(2 626 745)
Depreciation/ amortisation and write-offs	(637 912)	(495 809)	(235 120)	(264 431)	-	-	(873 033)	(760 239)
Other operating expense	(1 531 047)	(952 635)	(545 675)	(498 072)	-	(28 823)	(2 076 725)	(1 479 531)
Interest receivable and similar income	-	-	-	-	29 140	4 062	29 140	4 062
Interest payable and similar expense	-	-	-	-	(252 026)	(194 287)	(252 026)	(194 287)
Taxes	-	-	-	-	-	-	-	-
Net profit for the year	**811 862**	**2 100 145**	**(1 260 931)**	**(1 358 589)**	**(52 676)**	**(28 400)**	**(501 748)**	**713 156**

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 31 March 2008 may be specified as follows:

		LVL	USD	EUR	Other	Total LVL
Trade receivables	31.03.2008.	556 378	142 902	4 514 727	126 769	5 340 775
	31.03.2007.	888 119	119 661	4 450 108	434 183	5 892 071
Receivables from related companies	31.03.2008.	80 821	24 799	-	-	105 619
	31.03.2007.	2 411	29 424	-	-	31 835
Prepayments for intangible assets	31.03.2008.	90 408	37510.45	98 192	-	226 111
	31.03.2007.	3 074 155				3 074 155
Prepayments for tangible assets	31.03.2008.	129 144	-	494 893	-	624 037
	31.03.2007.	523 843	6 684	112 937	-	643 464
Prepayments for investments	31.03.2008.	540 950	-	-	-	540 950
	31.03.2007.	-	-	-	-	-
Prepayments for goods	31.03.2008.	11 105	4 025	79 388	-	94 517
	31.03.2007.	98 672	4 124	37 299	-	140 096
Other receivables	31.03.2008.	346 533	-	145 656	12 669	504 858
	31.03.2007.	196 546	900	34 985	5 352	237 783
Current loans to management and employees	31.03.2008.	32 163	129 913	77 308	-	239 385
	31.03.2007.	20 000	33 349	3 514	-	56 863
Prepaid expense	31.03.2008.	34 315	-	1 429	454	36 198
	31.03.2007.	27 353	79	17 667	2 946	48 045
Cash	31.03.2008.	380 991	11 589	29 447	16 302	438 329
	31.03.2007.	31 582	611	25 485	7 959	65 637
Total assets, LVL	31.03.2008.	2 202 807	350 738	5 441 041	156 194	8 150 781
Total assets, LVL	31.03.2007.	4 862 682	194 832	4 681 996	450 440	10 189 949
Loans from credit institutions	31.03.2008.	-	-	8 291 460	-	8 291 460
	31.03.2007.	180 860	263 310	6 214 947	18 666	6 677 782
Other loans	31.03.2008.	3 262	-	528 551	-	531 813
	31.03.2007.	5 042	-	543 732	-	548 775
Taxes payable	31.03.2008.	1 254 912	-	-	33 896	1 288 808
	31.03.2007.	1 245 967	-	-	74 765	1 320 732
Prepayments received from customers	31.03.2008.	274 947	-	5 420	283	280 650
	31.03.2007.	463 578	-	-	303	463 881
Trade payables	31.03.2008.	1 192 713	111 732	340 548	63 675	1 708 667
	31.03.2007.	1 342 567	240 738	253 465	91 560	1 928 330
Payables to related companies	31.03.2008.	124 334	-	-	-	124 334
	31.03.2007.	133 592	-	-	-	133 592

30. Financial risk management (cont'd)

Accrued liabilities	31.03.2008.	628 440	-	-	-	628 440
	31.03.2007.	443 003	-	-	-	443 003
Total financial liabilities	31.03.2008.	7 293 217	615 780	16 178 123	283 148	24 370 268
Total financial liabilities	31.03.2007.	14 586 435	1 231 560	24 064 786	566 296	40 449 077
Neto, LVL	31.03.2008.	(5 090 410)	(265 041)	(10 737 082)	(126 954)	(16 219 487)
Neto, LVL	31.03.2007.	(9 723 753)	(1 036 728)	(19 382 790)	(115 856)	(30 259 127)

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.

Liquidity risk

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

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2008 based on contractual undiscounted payments.

Period ended 31 March 2008		On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest bearing loans	('000 LVL)	-	254	2 092	5 946	-	8 291
Finance lease liabilities	('000 LVL)	-	60	162	310	-	532
Lease %	('000 LVL)	-	6	13	17	-	35
Trade accounts payable	('000 LVL)		960	303	58	-	1 321
Interest bearing loans	('000 EUR)	-	361	2 977	8 460	-	11 798
Finance lease liabilities	('000 EUR)	-	86	230	441	-	757
Lease %	('000 EUR)	-	8	18	24	-	50
Trade accounts payable	('000 EUR)		1 366	432	82	-	1 879

Period ended 31 March 2007		On demand	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest bearing loans	('000 LVL)	-	45	1 211	4 018	1 385	6 659
Finance lease liabilities	('000 LVL)	-	51	149	348	-	549
Lease %	('000 LVL)		7	17	21	-	45
Trade accounts payable	('000 LVL)	-	1 198	350	53	-	1 601
Interest bearing loans	('000 EUR)	-	64	1 724	5 717	-	9 475
Finance lease liabilities	('000 EUR)	-	73	212	496	-	781
Lease %	('000 EUR)		10	24	30	-	64
Trade accounts payable	('000 EUR)	-	1 705	498	75	-	2 278

29. Financial risk management (cont'd)

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.

	31.03.2008.		31.03.2007.	
	LVL	**EUR**	**LVL**	**EUR**
Interest bearing loans and borrowings	8 823 273	12 554 386	7 207 891	10 255 905
Trade and other payables	1 801 620	2 563 474	2 008 327	2 857 592
Less cash and cash equivavelnts	(422 027)	(600 490)	(57 678)	(82 068)
Net debt	10 202 866	14 517 370	9 158 540	13 031 428
Equity	14 085 078	20 041 260	13 209 055	18 794 792
Total capital	24 287 944	34 558 631	22 367 595	31 826 220
Gearing ratio (%)	42	42	41	41

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	
	31.03.2008. ('000 LVL)	31.03.2007. ('000 LVL)	31.03.2008. ('000 LVL)	31.03.2007. ('000 LVL)	31.03.2008. ('000 EUR)	31.03.2007. ('000 EUR)	31.03.2008. ('000 EUR)	31.03.2007. ('000 EUR)
Financial assets								
Cash	422	58	422	58	600	82	600	82
Loans and trade receivables	6151	6255	6151	6255	8751	8900	8751	8900
Finanšu saistības								
Interest bearing loans (floating rate)	8292	6659	8292	6659	11798	9475	11798	9475
Finance lease liabilities	532	549	532	549	757	781	757	781

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

In January 2008 decision has been made to sell subsidiary OOO Baltfarm in Moscow.

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.