

Enterprise name **RĪGAS FARMACEITISKĀ FABRIKA**

Registration No 

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Registration No of tax-payer 

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Address Rīga , Dunties 16/22

Phone 7355550 , 7355548 Fax 7391790

The basic kind of activity : manufacturing of medicines

Unit: LVL and EUR

# **B A L A N C E**

for the period ended 30 june 2007

# a/s "Rīgas Farmaceutiskā Fabrika"

reg. No 40003000765  
Rīga, Dunties iela 16/22

## BALANCE SHEET

for the period ended 30 june 2007

Period

01.01.2007.

30.06.2007.

( LB currency EUR rate = 0.702804 )

ASSETS	Line code	The end of reporting period 2007.g. 01.01.-30.06. LVL	The end of reporting period 2007.g. 01.01.-30.06. EUR	The end of reporting period 2006.g. 01.01.-30.06. LVL	The end of reporting period 2006.g. 01.01.-30.06. EUR
<b>1. Long - term investments</b>					
<i>I Intangible investments</i>					
1 Research and development costs	10				
2 Concessions, patents, licenses, trade-marks and similar rights	20	16 695	23 755	22 865	32 534
3 Other intangible rights	21				
4 Intangible value of enterprise	30	-	-	736	1 047
5 Advance payments of intangible investments	40				
<b>TOTALLY</b>	<b>1</b>	<b>16695</b>	<b>23755</b>	<b>23601</b>	<b>33581</b>
<i>II Fixed assets</i>					
1 Lands, buildings, constructions and preennial plantations	60	315 746	449 266	302 812	430 863
2 Long-term leased fixed	70				
3 Technological equipment and machines	80	119 395	169 884	133 220	189 555
4 Other fixed assets and inventory	90	78 537	111 748	63 469	90 308
5 Forming of fixed assets and costs of unfinished objects of constructio	100				
6 Advance payments for fixed assets	110				
<b>TOTALLY</b>	<b>2</b>	<b>513678</b>	<b>730898</b>	<b>499501</b>	<b>710726</b>
<i>III Long - term financial investments</i>					
1 Participation in capital of related companies	130				
2 Loans to related companies	140				
3 Participation in capital of affiliated companies	150				
4 Loans to affiliated companies	160				
5 Other securities and investments	170				
6 Other loans	180				
7 Own stocks and shares	190				
8 Loans to joint owners and administration	200				
<b>TOTALLY</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>1. TOTALLY</b>		<b>530373</b>	<b>754653</b>	<b>523102</b>	<b>744307</b>
<b>2. Current assets</b>					
<i>I Stocks</i>					
1 Row materials, direct materials and auxiliary materials	3 230	240 855	342 706	228 613	325 287
2 Unfinished products	4 240	28 495	40 545	12 678	18 039
3 Complete products and goods for sale	5 250	-	-	-	-
4 Unfinished orders	260				
5 Advance payments for goods	6 270	58 997	83 945	1 109	1 578
6 Work animals and productive animals	7 280	50	71		
<b>TOTALLY</b>		<b>328397</b>	<b>467267</b>	<b>242400</b>	<b>344904</b>
<i>II Debtors</i>					
1 Customers and client debts	8 300	176 374	250 958	230 133	327 450
2 Related companies debts	310	-		-	
3 Affiliated companies debts	320	-		-	
4 Other debts	9 330	351 124	499 604		
5 Undeposited shares in business capital	340				
6 Short - term loans to joint owners and administration	9 350	321	457	211 808	301 376
7 Accrued income	10 360	11 613	16 524	9 351	13 305
<b>TOTALLY</b>		<b>539432</b>	<b>767543</b>	<b>451292</b>	<b>642131</b>
<i>III Securities and participation in capitals</i>					
1 Participation in capital of related companies	380				
2 Own stocks and shares	390				
3 Other securities and participation in capitals	400				
<b>TOTALLY</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>IV Cash assets (TOTAL)</i>					
1 Cash assets	11 420	3 089	4 395	11 547	16 430
<b>2. TOTALLY</b>		<b>870918</b>	<b>1239205</b>	<b>705239</b>	<b>1003465</b>
<b>BALANCE</b>		<b>1401291</b>	<b>1993857</b>	<b>1228341</b>	<b>1747772</b>

LIABILITIES		Line code	The end of reporting period 2007.g. 01.01.-30.06. LVL	The end of reporting period 2007.g. 01.01.-30.06. EUR	The end of reporting period 2006.g. 01.01.-30.06. LVL	The end of reporting period 2006.g. 01.01.-30.06. EUR
<b>1. Equity capital</b>						
<i>Equity capital</i>						
1	Stock or share capital (equity capital)	12 450	663 000	943 364	663 000	943 364
2	Stock issue extra charge	460	-		-	
3	Long - term investment re-estimation reserve	470	-		-	
4	Prescribed reserves	480	-		-	
5	Reserves for own stocks and shares	490	-		-	
6	Reserves prescribed by enterprise	500	-		-	
7	Other reserves	510	28 060	39 926	28 060	39 926
8	Retained profit of previous years	530	465 927	662 954	372 466	529 971
9	Retained profit of the year of accountant	540	145 281	206 716	74 232	105 623
<b>TOTALLY</b>			<b>1302268</b>	<b>1852960</b>	<b>1137758</b>	<b>1618884</b>
<b>1. TOTALLY</b>			<b>1302268</b>	<b>1852960</b>	<b>1137758</b>	<b>1618884</b>
<b>2. Stockpiles</b>						
<i>Stockpiles</i>						
1	Reserves for pensions and similar obligations	560				
2	Reserve for prospective taxes	13 570	27 027	38 456		
3	Other stockpiles	13 580	10 885	15 488	8 168	11 622
<b>TOTALLY</b>			<b>37912</b>	<b>53944</b>	<b>8168</b>	<b>11622</b>
<b>2. TOTALLY</b>			<b>37912</b>	<b>53944</b>	<b>8168</b>	<b>11622</b>
<b>3. Creditors</b>						
<i>I Long - term debts</i>						
1	Funded borrowings	600	-		-	
2	Borrowings for shares	610	-		-	
3	Bank borrowings	620	-		-	
4	Other borrowings	630	-		-	
5	Customers advanced payments	640	-		-	
6	Debts to suppliers and contractors	650	-		-	
7	Bills to be paid	660	-		-	
8	Borrowings from related companies	670	-		-	
9	Borrowings from affiliated companies	680	-		-	
10	Tax and social security payments	690	-		-	
11	Other creditors	14 700	3 387	4 819	10 247	14 580
12	Deferred income	710	-		-	
13	Dividends of the year of account	720	-		-	
14	Unpaid dividends of previous years	730	-		-	
<b>TOTALLY</b>			<b>3387</b>	<b>4819</b>	<b>10247</b>	<b>14580</b>
<i>II Short - term debts</i>						
1	Funded borrowings	750	-		-	
2	Borrowings for shares	760	-		-	
3	Bank borrowings	770	-		-	
4	Other borrowings	780	-		-	
5	Customers advanced payments	790	-		-	
6	Debts to suppliers and contractors	14 800	67 985	96 734	52 375	74 523
7	Bills to be paid	810	-		-	
8	Borrowings from related companies	820	-		-	
9	Borrowings from affiliated companies	830	-		-	
10	Tax and social security payments	14 840	(2 315)	(3 294)	24 628	35 042
11	Other creditors	14 850	(7 946)	(11 306)	(4 835)	(6 880)
12	Deferred income	860	-		-	
13	Dividends of the year of account	870	-		-	
14	Unpaid dividends of previous years	880	-		-	
<b>TOTALLY</b>			<b>57724</b>	<b>82134</b>	<b>72168</b>	<b>102686</b>
<b>3. TOTALLY</b>			<b>61111</b>	<b>86953</b>	<b>82415</b>	<b>117266</b>
<b>BALANCE</b>			<b>1401291</b>	<b>1993857</b>	<b>1228341</b>	<b>1747772</b>

# a/s "Rīgas Farmaceutiskā Fabrika "

reg. No 40003000765

Rīga , Dunties iela 16/22

## PROFIT OR LOSS STATEMENT

for the period ended 30 june 2007

Period 01.01.2007.  
30.06.2007.

( LB currency EUR rate = 0.702804 )

No	Special rate	Note	ROW	The end of reporting period 2007.g. 01.01.-30.06. LVL	The end of reporting period 2007.g. 01.01.-30.06. EUR	The end of reporting period 2006.g. 01.01.-30.06. LVL	The end of reporting period 2006.g. 01.01.-30.06. EUR
1.	Net turnover	15	10	1089878	1550757	1244596	1770901
2.	Cost of sales (prime cost)	16	20	-643373	-915437	-791374	-1126024
3.	Gross profit or loss		30	446505	635319	453222	644877
4.	Sales Distribution costs:	16	40	-124918	-177742	-162026	-230542
5.	Administration costs	16	50	-155114	-220707	-197354	-280809
6.	Other operating income	17	60	875	1245	2442	3475
7.	Other operating expenses	18	70	-8767	-12474	-7292	-10376
8.	Income from participation in capital of related and affiliated companies		80				
9.	Income from securities and long - term loans		90				
10.	Other interests receivable and similar income		100				
11.	Amounts written off investments		110				
12.	Interest payable and similar changes		120				
13.	Profit or loss before extraordinary items and tax	19	130	158581	225640	88992	126624
14.	Extraordinary income		140				
15.	Extraordinary charges		150				
16.	Profit or loss before tax	19	160	158581	225640	88992	126624
17.	Tax on profit or loss for the financial period	20	170	-11753	-16723	-7245	-10309
18.	Tax on profit (pustpone) or loss for the financial period	21	170	0	0	0	0
19.	Other taxes	22	180	-1547	-2201	-7515	-10693
20.	Profit or loss for the financial period	23	190	145281	206716	74232	105623
EPS k-t				0,22	0,31	0,11	0,16

Enterprise name

RĪGAS FARMACEITISKĀ FABRIKA A/S

Registration No

000300076

Registration No of tax-payer

40003000765

Address Rīga, Dunties iela 16/22

Phone 7355550

Fax

7391790

Unit: LVL and EUR

## OVERVIEW OF EQUITY CAPITAL CHANGES

		(LB currency EUR rate = 0.702804)		Period	
		for the period ended 30 June 2007		01.01.2007.	30.06.2007.
		The end of reporting period 2007.g. 01.01.- 30.06. , LVL	The end of reporting period 2007.g. 01.01.- 30.06. , EUR	The end of reporting period 2006.g. 01.01.- 30.06. , LVL	The end of reporting period 2006.g. 01.01.- 30.06. , EUR
1.	<b>Share capital</b>				
	Post-balance residue on: 01.01.2007.	663 000	943 364	663 000	943 364
	Increase :	0	0	0	0
	Decrease :	0	0	0	0
	Post-balance residue on: 30.06.2007.	663 000	943 364	663 000	943 364
2.	<b>Share premium</b>				
	Post-balance residue on: 01.01.2007.	0	0	0	0
	Increase :	0	0	0	0
	Decrease :	0	0	0	0
	Post-balance residue on: 30.06.2007.	0	0	0	0
3.	<b>Revaluation reserve of long-term investments</b>				
	Post-balance residue on: 01.01.2007.	0	0	0	0
	Increase :	0	0	0	0
	Decrease :	0	0	0	0
	Post-balance residue on: 30.06.2007.	0	0	0	0
4.	<b>Mandatory reserves</b>				
	Post-balance residue on: 01.01.2007.	0	0	0	0
	Increase :	0	0	0	0
	Decrease :	0	0	0	0
	Post-balance residue on: 30.06.2007.	0	0	0	0
5.	<b>Revaluation of own stocks of shares reserves</b>				
	Post-balance residue on: 01.01.2007.	0	0	0	0
	Increase :	0	0	0	0
	Decrease :	0	0	0	0
	Post-balance residue on: 30.06.2007.	0	0	0	0
6.	<b>Reserves determined by company statute</b>				
	Post-balance residue on: 01.01.2007.	0	0	0	0
	Increase :	0	0	0	0
	Decrease :	0	0	0	0
	Post-balance residue on: 30.06.2007.	0	0	0	0
7.	<b>Other reserves</b>				
	Post-balance residue on: 01.01.2007.	28 060	39 926	28 060	39 926
	Increase :	0	0	0	0
	Decrease :	0	0	0	0
	Post-balance residue on: 30.06.2007.	28 060	39 926	28 060	39 926
8.	<b>Retained profit</b>				
	Post-balance residue on: 01.01.2007.	465 927	662 954	372 466	529 971
	Post-balance residue on: 30.06.2007.	611 208	869 671	446 698	635 594
9.	<b>Equity capital (total)</b>				
	Post-balance residue on: 01.01.2007.	1 156 987	1 646 244	1 063 526	1 513 261
	Post-balance residue on: 30.06.2007.	1 302 268	1 852 960	1 137 758	1 618 884

# a/s "Rīgas Farmaceutiskā Fabrika "

reg. No 40003000765

Rīga , Dunties iela 16/22

## STATEMENT OF CASH FLOW

for the period ended 30 june 2007

Period 01.01.2007.

(LB currency EUR rate = 0.702804 ) 30.06.2007.

	Note No	The end of reporting period 2007.g. 01.01.-30.06. , LVL	The end of reporting period 2007.g. 01.01.-30.06. , EUR	The end of reporting period 2006.g. 01.01.-30.06. , LVL	The end of reporting period 2006.g. 01.01.-30.06. , EUR
<b>CASH FLOW from operating activities</b>					
Net profit (before enterprise income tax)		158581	225640	88992	126624
<i>Corrections to adjust the profit of revision year to hard cash of economic activities :</i>					
Depreciation of fixed assets and intangible investments		53999	76834	69337	98658
Profit or loss from sale of fixed assets and intangible investments		0	0	0	0
Expenditures per cent		0	0	0	0
Provisions for non-used holidays		-6525	-9284	-8437	-12005
Other reserves		0	0	0	0
Debt expenditures of doubtful debtors		0	0	0	0
Incoming of next periods		0	0	0	0
The taxes to deduct from net profit (property tax)		-1547	-2201	-7515	-10693
Paid enterprise income tax		-11753	-16723	-7245	-10309
<i>The changes of the current assets and liabilities:</i>					
Provisions		67831	96515	67461	95988
Debts of customers and subscribers		-24545	-34924	-136303	-193942
Expenditures of next periods		-2224	-3164	-725	-1032
Others debtors		-275000	-391290	44640	63517
Advance payments from customers		0	0	0	0
Debts to suppliers and contractors		-18714	-26628	-23466	-33389
Other creditors		-38502	-54783	-36209	-51521
<b>Net cash provided by (used in) operating activities</b>		<b>-98399</b>	<b>-140009</b>	<b>50530</b>	<b>71898</b>
<b>CASH FLOW from investing activities</b>					
Fixed assets purchase costs		-78408	-111565	-37664	-53591
Investment costs		0	0	0	0
Fixed assets selling income		0	0	0	0
Investment selling income		0	0	0	0
Company equity		0	0	0	0
Dividends received		0	0	0	0
<b>Net cash provided by (used in) investing activities</b>		<b>-78408</b>	<b>-111565</b>	<b>-37664</b>	<b>-53591</b>
<b>CASH FLOW from financing activities</b>					
Income from issue		0	0	0	0
Loans from credit institutions		0	0	0	0
Loans to creditirs		0	0	0	0
Payments for leasing liabilities		-3282	-4670	-5452	-7757
Other loans		179679	255660	-1808	-2573
Fixed assets investments		0	0	0	0
Cost of dividends		0	0	0	0
<b>Net cash provided by (used in) financing activities</b>		<b>176397</b>	<b>250990</b>	<b>-7260</b>	<b>-10330</b>
<b>Net increase (decrease) in cash</b>		<b>-410</b>	<b>-583</b>	<b>5606</b>	<b>7977</b>
<b>Cash at the beginning of the year</b>		<b>3499</b>	<b>4979</b>	<b>5941</b>	<b>8453</b>
<b>Cash at the end of the year</b>		<b>3089</b>	<b>4395</b>	<b>11547</b>	<b>16430</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2007

## ACCOUNTING POLICES

## (1) Basis of preparation

The financial statements have been prepared in accordance with general accounting principles that correspond to the laws of the Republic of Latvia. All amounts presented in these financial statements are denominated in EUR of the Bank of Latvia LVL rate of exchange as at date of report (0,702804).

The financial statements reporting period is from 1 January 2007 till 30 June 2007.

The company's accounting policies have not changed in comparison with the previous year.

The financial statements reporting period is not verified by auditor.

## 1. INTANGIBLE ASSETS

	Expenditures on research activities LVL / EUR	Licenses and patents LVL / EUR	Company's intangible value LVL / EUR	Total LVL / EUR
<b>Historical cost</b> as of 1 January 2007	13 053 / 18 573	72 776 / 103 551	3 682 / 5 239	89 511 / 127 363
Additions	0	624 / 888	0	624 / 888
Disposals	0	0	0	0
<b>Historical cost</b> as of 30 June 2007	13 053 / 18 573	73 400 / 104 439	3 682 / 5 239	90 135 / 128 251
Accumulated depreciation before 2007	13 053 / 18 573	52 994 / 75 404	3 682 / 5 239	69 729 / 99 216
Accumulated depreciation in 2007	0	3 711 / 5 280	0	3 711 / 5 280
Net book value as of 30 June 2007	0	16 695 / 23 755	0	16 695 / 23 755

## 2. FIXED ASSETS

	Land LVL / EUR	Buildings LVL / EUR	Equipmen t LVL / EUR	Computin g equipment LVL / EUR	Other fixed assets LVL / EUR	Pendin g objects LVL / EUR	Total LVL / EUR
<b>Historical cost</b> as of 1 January 2007	67 473 / 96 005	316 709 / 450 636	537 338 / 764 563	24 592 / 34 991	176 584 / 251 256	0	1 122 696 / 1 597 451
Additions	0	32 538 / 46 297	28 747 / 40 903	353 / 502	16 146 / 22 973	0	77 784 / 110 675
Disposals	0	0	0	0	0	0	0
<b>Historical cost</b> as of 30 June 2007	67 473 / 96 005	349 247 / 496 933	566 085 / 805 466	24 945 / 35 493	192 730 / 274 229	0	1 200 480 / 1 708 126
Accumulated depreciation before 2007	0	91 036 / 129 532	423 791 / 603 000	16 407 / 23 344	105 280 / 149 800	0	636 514 / 905 676
Accumulated depreciation in 2007	0	9 938 / 14 140	22 899 / 32 582	2 602 / 3 702	14 849 / 21 128	0	50 288 / 71 552
Excluded on disposal	0	0	0	0	0	0	0
Net book value as of 30 June 2007	67 473 / 96 005	248 273 / 353 261	119 395 / 169 884	5 936 / 8 447	72 601 / 103 301	0	513 678 / 730 898

## 3. RAW AND ANCILLARY MATERIALS

Raw and ancillary materials are presented at their historical cost .

#### 4. GOODS FOR SALE

Goods for sale are presented in the financial statements at their net realizable value

#### 5. GOODS HELD ON CONSIGNMENT

Goods held on consignment are presented in the financial statements at their net realizable value

#### 6. ADVANCE PAYMENTS

Amounts for raw and ancillary materials as well as advance payments for factory reconstruction designing works are presented in advance payments.

7. Work animals – guard dog.

#### 8. ACCOUNTS RECEIVABLE

All accounts receivable are short-term.

#### 9. OTHER DEBTORS

	As of 30 June 2007 LVL / EUR	As of 01 January 2007 LVL / EUR
Corporate income tax overpayment	0	0
Natural resources tax overpayment	0	0
VAT overpayment	76 124 / 108 315	76 124 / 108 315
VAT on unpaid invoices	0	0
Short-term loans to partners and employees	275 321 / 391 746	180 000 / 256 117
Total	351 445 / 500 061	256 124 / 364 432

VAT overpayment amount has been used to cover other taxes for 2007. Year.

Accounts receivable consist of loans to the Company's partner that will be settled in the end of year 2007.

#### 10. DEFERRED EXPENSES

	As of 30 June 2007 LVL / EUR	As of 01 January 2007 LVL / EUR
Press subscription	1 037 / 1 475	959 / 1 364
Insurance	3 261 / 4 641	2 550 / 3 628
Other	7 315 / 10 408	5 880 / 8 367
Total	11 613 / 16 524	9 389 / 13 359

#### 11. CASH

	As of 30 June 2007 LVL / EUR	As of 01 January 2007 LVL / EUR
Cash on hand	1 126 / 1 602	901 / 1 282
Current account with NORDEA BANKA (LVL)	159 / 226	693 / 986
Current account with HANSABANKA (LVL)	1 804 / 2 567	1 905 / 2 711
Current account with HANSABANKA (currency)	0	0
Total	3 089 / 4 395	3 499 / 4 979

#### 12. SHARE CAPITAL

The share capital of the Company consisted of 663,000 LVL; that is 660,000 common voting shares and 3,000 common nonvoting shares with nominal value 1 LVL per share.



### 13. PROVISIONS

Provisions for the reporting year consisted of vacation salaries and other remaining balance amounts.

### 14. CREDITORS

	As of 30 June 2007 LVL / EUR	As of 01 January 2007 LVL / EUR
Lease (of cars)	3 387 / 4 819	6 669 / 9 489
Due to suppliers	67 985 / 96 734	86 700 / 123 363
Advance from suppliers	0	0
Salary for December	-7 946 / -11 306	11 221 / 15 966
Taxes and social security payment	-2 315 / -3 294	14 863 / 21 148
Corporate income tax	0	2 157 / 3 069
Total	61 111 / 86 953	121 610 / 173 035

### 15. SALES

	LVL / EUR
Total sales	1 089 878 / 1 550 757
including : - operating income	1 085 406 / 1 544 394
- other operating expenses	4 472 / 6 363

### 16. SALES EXPENSES

Production expenses	643 373 / 915 437
Sales expenses	124 918 / 177 742
Administrative expenses	155 114 / 220 707
Total expenses	923 405 / 1 313 886
Profit for the year	166 473 / 236 869

### 17. OTHER OPERATING INCOME

Bank interest for application of funds from current account	33 / 47
Income from currency fluctuations	698 / 993
Other	144 / 205
Total	875 / 1 245

### 18. OTHER OPERATING EXPENSES

Lease interest payment	173 / 246
Expenses from currency fluctuations	730 / 1 039
Fines paid	0
Provisions for vacations	0
Donations	500 / 711
Other	7 364 / 10 478
Total expenses	8 767 / 12 474

<b>19. PROFIT FOR THE YEAR</b>	158 581 / 225 640
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<b>20. CORPORATE INCOME TAX</b> (advance payments)	11 753 / 16 723
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<b>21. OTHER TAXES</b>	1 547 / 2 201
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<b>22. NET PROFIT</b>	145 281 / 206 716
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**23.** The average number of employees in 2007 was 78.

JSC "Riga Pharmaceutical Plant" is situated in Riga, 16/22 Dantes street and 6 Maza Ozolu street. The enterprise is the largest producer of finite pharmaceuticals, medical plants and drugs in Latvia. The factory was registered in Latvian Commercial Register of Enterprises in 2004. The Company has the licence for opening (activity) of drug manufacturing enterprise and has successfully passed the GMP certificate, as well as ISO 14001 standard.

The main business course of the enterprise is devoted to the manufacturing of medicines, medical goods and food supplements. All the 88 kinds of produced medicines are being realized in Latvia.

In first 6 months of 2007 the enterprise turnover was 1 550 757 EUR (1 089 878 LVL), which is about 12% less than in a corresponding period in 2006. The income of the enterprise in first 6 months of 2007 was 206 716 EUR (145 281 LVL), which is almost 2 times more than in a corresponding period of 2006. In the reporting period the prices for the production units have been increased.

We are planning to continue our work and to sell our production in all Baltic countries and also to accomplish the registration process for the first our medicines in Bulgaria.

The government of JSC "Riga Pharmaceutical Plant" (later in the text - Enterprise) is responsible for the preparing of intermediate finance report. Intermediate reports of the enterprise are not being audited. This management report based on accountant abstracts and incoming documents is considered to provide real and true information about the assets, liabilities and the whole financial position of the enterprise.

The government of the enterprise is responsible for using a corresponding register system, for preservation of assets of the enterprise and for investigation and elimination of the deceptions and delusions committed by the enterprise. The government of the enterprise is also responsible for the observance of Latvian legislation.