

JOINT STOCK COMPANY OLAINFARM
(UNIFIED REGISTRATION NUMBER 40003007246)

NOT AUDITED FINANSIAL STATEMENTS
for the period ended 30 September 2004
and 30 September 2005

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General information

Name of the Company	JSC "Olainfarm"
Legal status	Joint Stock Company
Unified registration number, Place and date of registration	40003007246 Rīga, June 10 th , 1991 (re-registered on March 27 th , 1997)
Registered office	5 Rūpnīcu street Olaine, Latvia, LV-2114
Major shareholders	SIA "Olmafarm" (49,84 %) 87 A.Čaka street Rīga, Latvia, LV-1011 Juris Savickis (26,19 %)
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"), SIA "Remeks Serviss", Nature Restoration Foundation (Dabas atjaunošanas fonds), SO "Vītkupe", SIA "Olfa Press" (45%), SIA "Carbochem" (50%), SIA "Aroma" (100%), SIA "Olmafarm" (100%), SIA "New Classic". Jurijs Kaplinovs, Deputy Chairman of the Board Positions held and participation in other companies: none Aleksandrs Černobrovijs Positions held in other companies: SIA "Carbochem" – Board Member, Latvian Chemical Society (SO "Latvijas ķīmijas biedrība") – Board Member Participation in other companies: none Inga Liščika Positions held in other companies: none Participation in other companies: SIA "Komerccpadoms" (5,74%) Andris Jegorovs Positions held in other companies: Association of Medicine Traders (SO "Zāļu ražotāju asociācija") – Board Member Participation in other companies: none Armands Lapiņš Positions held and participation in other companies: none

Viktorija Žuka-Nikulina

Positions held in other companies:

SIA "V.E.D." – Chairman of the Board, public non-governmental organisation
"Baltijas Juristu perspektīvas" – Board Member

Participation in other companies:

SIA "V.E.D.", public non-governmental organisation "Baltijas Juristu
perspektīvas"

Council

Juris Savickis, Chairman of the Council

Positions held in other companies:

Latvian Tennis Union (the position is not registered), a/s "Sibur Itera" -
Chairman of the Council, a/s "Latvijas Gāze" - Deputy Chairman of the
Council,

a/s "VEF banka" - Deputy Chairman of the Council, SIA "Itera Latvija" -
Chairman of the Board, a/s "Nordeka" - Chairman of the Council,
cooperative society of apartment owners, non-profit organisation "Četri
Pluss" – Board Member, tennis club "Prezidents" – Board Member, tennis
club "Altitude" - Chairman of the Board

Participation in other companies:

SIA "Elssa-SIA", SIA "SMS Elektro", SIA "Trans Quadrant Rīga", a/s
"Latvijas Krājbanka", SIA "Hominus", SIA "Bobrova nams", a/s "Nordeka",
tennis club "Atitūde", SIA "Blūza klubs", SIA "Ajura", tennis club
"Prezidents", cooperative society of apartment owners, non-profit
organisation "Četri Pluss", SIA "SWH Sets"

Ivars Kalviņš, Deputy Chairman of the Council

Positions held in other companies:

Taiho Latvian Foundation (the position is not registered), a/s "Latvijas
zoovetapgāde" – Council Member, public scientific establishment – non-
profit organisation "Latvijas organiskās sintēzes institūts" direktors, Latvian
Academic Library Foundation (SO "Latvijas Akadēmiskās bibliotēkas
Atbalsta fonds") – Chairman of the Board, Latvian Chemical Society (SO
"Latvijas Ķīmijas biedrība") – Board Member, family health centre "Stārķa
ligzda" SIA - Auditor, Quality Test Foundation (SO "Kvalitātes testu fonds") -
President

Participation in other companies:

SIA "Helsija", SIA "Tetra", Latvian Academic Library Foundation (SO
"Latvijas Akadēmiskās bibliotēkas Atbalsta fonds"), Quality Test Foundation
(SO "Kvalitātes testu fonds")

Eļena Dudko

Positions held and participation in other companies: none

Guntis Belēvičs

Positions held in other companies:

SIA "Baltic Pharma Service" – Board Member, SIA "Genera" – Council Member, SIA "Belēviču nekustāmie īpašumi" – Board Member, SIA "Aptieku serviss" – Board Member, SIA "Saules aptieku pārvalde" – Chairman of the Board, SIA "Uniaptieka" – Chairman of the Board, SIA "Dolli 91" – Board Member, insurance company "Ergo Latvija dzīvība" – Council Member, SIA "Centrālā laboratorija" – Chairman of the Board, SIA "Saules aptieka" – Board Member, SIA "Ģimenes centra aptieka" – Board Member, SIA "Juglas medicīnas centrs" – Board Member, Latvian Pharmacists Association (SO "Latvijas Aptiekāru asociācija") – President, open public foundation "LTVF" – Council

Participation in other companies:

SIA "Genera", SIA "Maltas aptieka", SIA "Aptieku serviss", SIA "Belēviču nekustāmie īpašumi", SO "Rīgas Hanzas rotari klubs", open public foundation "LTVF", Grindelis Brotherhood (SO "Grindeļa brālība"), Foundation to Koknese (SO "Fonds Koknesei"), Foundation of Latvian Friends of Brazil (SO "Brazīlijas latviešu draugu fonds"), Hunters Club of the University of Agriculture, SIA "Centrālā laboratorija", SIA "AA Active", SIA "Baltic Pharma Service"

Tatjana Lukina

Positions held in other companies:

Association of Medicine Traders (SO "Zāļu ražotāju asociācija") Chairperson of the Board

Participation in other companies: none

Zigurds Jeromanovs

Positions held in other companies:

Saldus district Saldus pagasts farm "Saules" – Manager, a/s "Saldus labība" – Chairman of the Council

Participation in other companies:

SIA "SIA Saldus LC", SIA "Nīgrandes mednieks", Logistics and Customs Brokers Association, SIA "Saldus konservu kombināts".

Movements in the Board during the period 1 January 2005 through 30 September 2005

Valērijs Maligins, Chairman of the Board (president), appointed on 04/08/2004

Jurijs Kaplinovs, appointed on 04/08/2004

Aleksandrs Černobrovijs, appointed on 04/08/2004

Inga Liščika, appointed on 19/08/2005

Andris Jegorovs, appointed on 04/08/2004

Armands Lapiņš, appointed on 04/08/2004

Viktorija Žuka-Nikuļina, appointed on 04/08/2004

Aleksandrs Kulikovs, appointed on 04/08/2004, revoked on 19/08/2005

Movements in the Council during the period 1 January 2005 through 30 September 2005

Juris Savickis, Chairman of the Council, appointed on 04/08/2004

Ivars Kalviņš, Deputy Chairman of the Council, appointed on 04/08/2004, Eļena Dudko, appointed on 04/08/2004

Guntis Belēvičs, appointed on 04/08/2004

Tatjana Lukina, appointed on 06/08/2003

Zigurds Jeromanovs, appointed on 04/08/2004

Subsidiaries	A/O Aroma-Peterburg A.Nevskogo 9 St. Petersburg, Russia (51%) (sold in July, 2005)	OOO Baltfarm Čerjomuškinskaja 13/17 Moscow, Russia (100%)	Stimfarm Ltd. Kadaka 86a-205 Tallina, Igaunija (51%)
Core business activity	Manufacturing and distribution of chemical and pharmaceutical products		
Period	January 1 st – September 30 st , 2005 and 2004		
Auditors	Diāna Krišjāne Zvērināta revidente Certificate No. 143	SIA "Ernst & Young Baltic" Kronvalda bulvāris 3 - 5, Rīga Latvia, LV – 1010 Licence No. 17	Phone. 7013 706 Fax 7013 777 jlishchika@olainfarm.lv Phone. 7013 704 Fax 7013 777 jkaplinov@olainfarm.lv
Responsible for preparation of the information	Director of Financial department Inga Liščika Director of Commerce and marketing department Jurijs Kaplinovs	Phone. 7013 871 Fax 7013 777 vzuk@olainfarm.lv	
	Head of Legal department Viktorija Žuka-Nikulina		

Management's report

Management of Joint Stock Company „Olainfarm” has combined financial results of the company's activity in the three quarters of year 2005, and approved an unaudited financial report for 9 month on November 29th.

Results of the nine month activity in 2005 indicate that JSC „Olainfarm” has successfully achieved plans set for production and sale, but prognoses for some positions might even be improved.

Turnover of the company in the first three quarters of year 2005 achieved Ls 8,4 millions (11,96 millions EUR). It by 44% overruns the turnover of the company for the same period the previous year. The turnover of the company for the mentioned period comparing to the same period of year 2004 has grown by 2,55 millions of lats (3,62 millions EUR). The rise of sales volumes has been achieved despite the usual stagnation of the pharmacy market in the summer period. The main sales markets for the products remained the same. In developing the direction of chemical products JSC „Olainfarm” has started to supply its products to India, China and South Korea. Several shipments of chemical half-products have been made to those countries for the total amount of 89,66 thousands of lats (127,58 thousands EUR). It should be mentioned that manufacturing process for these products is expensive and requires substantial high-technology scientific investment. This is why these products are not produced in those countries and JSC „Olainfarm” has already received orders for the next year as well. After five years interruption, due to unstable situation on the local pharmaceutical market, JSC „Olainfarm” resumed deliveries of medication to Azerbaidzan. In cooperation with Lithuanian drug manufacturer Sanitas, JSC „Olainfarm” has started to deliver medication Ranitidine for the Lithuanian market. In July 2005 JSC „Olainfarm” has sold the total amount of shares of closed joint stock company „Aroma-Petersburg” (Russia), due to the fact that activity of the company had a negative impact on the financial indices of the concern.

Due to high demand for anti-virus and anti-cold medications in the beginning of the fall season as well as owing to registration of the company's medications in the new markets, the Management board of JSC „Olainfarm” has increased year's sales and turnover prognosis from 12 millions of lats (17,07 millions EUR) up to 13 millions of lats (18,5 millions EUR).

Manufacturing of products in the first three quarters of 2005 has been executed in accordance with plan. The total amount of the manufactured output for the reporting period by 24% supercedes the corresponding indices of the first nine month in 2004.

The other financial results for the first nine month of year 2005 are valued positively. Contrary to losses of the same period the previous year, the first 9 month of 2005 have been concluded by the company with the profit of Ls 0,292 millions (0,415 millions EUR). The index of earning per share (EPS) for the corresponding period is Ls 0,0285 (0,041 EUR) per one share, contrary to Ls -0,0152 (-0,0226 EUR) on the same period of the previous year.

Liquidity indices comparing to the corresponding period of the previous year do not differ substantially in quantity, but a difference in quality is obvious. If comparably high common liquidity index in the corresponding period of year 2004 could be explained by high proportion of accounts receivables, then in 2005 it can be explained by growth of the remainder of the provisions connected to the increase of turnover of the company. Solvency ratio, comparing to the corresponding period of the same year, has not changed substantially. It's value is positive and equals to 1,13. Business activity index is improving all the time when collection of debtors' debts is improving. For example, index of debtors' turnover has reduced from 249 days in 2004 to 176 days. Profitability indices are positive as well, unlike negative results of the previous year. Net turnover profitability for the reporting period amounts to 3,48, but self capital profitability – 3,09.

Olaine, November 29th, 2005.

JSC „Olainfarm”

Chairman of the Management Board



V. Maligins

Income statement

**For period ended 30 September 2005
and 30 September 2004**

Name of the index	Notes	2005 LVL	2005 EUR	2004 LVL	2004 EUR
1	2	3	4	5	6
Net turnover	3	8402062	11955057	5831444	8690677
Costs of stock of finished goods and work in progress		602205	856861	8754	13046
Other operating income of the company	4	750334	1067629	101408	151130
Cost of materials:					
<i>raw materials and consumables</i>		173010	2471543	1274227	1898997
<i>other external costs</i>		532282	757369	477065	710976
Staff costs:					
<i>salaries</i>	9	2324557	3307547	1733131	2582908
<i>other social security payments</i>	9	526359	748941	404459	602770
Write-offs of assets and valuables:					
<i>depreciation of fixed assets and intangible assets</i>	11, 12	1382666	1967356	698493	1040973
<i>write-offs of the value of current assets</i>		51404	73141	47979	71504
Other operating expense	5	2037783	2899504	996822	1485577
Interest receivable and similar income	6	24	34	149	222
Interest payable and similar expense	7			29442	43878
Profit or loss before extraordinary positions and taxes		372096	529445	-52868	-78790
Corporate income tax		45601	64884	76337	113766
Other taxes	8	34482	49063	26230	39091
Profit or loss for the reporting year		292013	415497	-155435	-231647

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

The financial statements have been approved by the Board of the Company and signed by:



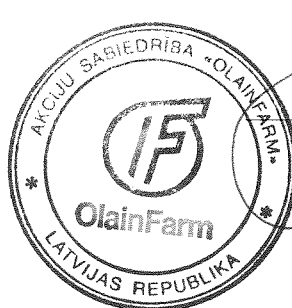
Valērijs Maligins
President
(Chairman of the Board)

Balance sheet**ASSETS**

	Notes No.	On 30/09/2005 LVL	On 30/09/2005 EUR	On 30/09/2004 LVL	On 30/09/2004 EUR
NON-CURRENT ASSETS					
Intangible assets					
Other intangible assets		1 465 074	2 084 612	1 784 770	2 659 866
Prepayments for intangible assets		115 042	163 690	100 820	150 254
TOTAL	11	1 580 116	2 248 303	1 885 591	2 810 120
Fixed assets					
Land, buildings and constructions and long-term plantations		2 747 513	3 909 359	2 253 112	3 357 842
Equipment and machinery		4 076 470	5 800 294	3 940 325	5 872 317
Other fixed assets and inventory		190 567	271 152	72 250	107 675
Creation of fixed assets and costs of construction in progress		482 001	685 826	1 363 088	2 031 428
Prepayments for fixed assets		120 075	170 851	215 957	321 844
TOTAL	12	7 616 626	10 837 482	7 844 731	11 691 106
Financial assets					
Shareholding in the capital of the subsidiaries	13	102 660	146 072	250 830	373 816
Other securities and investments		386	549	386	575
TOTAL		103 046	146 621	251 216	374 391
TOTAL NON-CURRENT ASSETS		9 299 788	13 232 407	9 981 538	14 875 617
CURRENT ASSETS					
Inventories					
Raw materials, primary and supplementary materials		650 668	925 817	732 544	1 091 720
Work in progress		1 345 597	1 914 612	1 098 037	1 636 419
Finished goods and goods for sale		1 158 691	1 648 669	774 532	1 154 295
Prepayments for goods		73 615	104 745	29 101	43 369
TOTAL	14	3 228 571	4 593 843	2 634 214	3 925 803
Receivables					
Trade receivables	15	2 726 864	3 879 978	1 679 533	2 503 030
Receivables from subsidiaries	16	1 184 733	1 685 723	1 349 439	2 011 087
Other receivables	17	1 330 436	1 893 040	2 042 948	3 044 632
Current loans to owners and management	18	229 527	326 587	296 229	441 474
Prepaid expense	19	32 263	45 906	5 483	8 171
TOTAL		5 503 823	7 831 234	5 373 632	8 008 394
Cash (TOTAL)	20	7 099	10 101	5 148	7 673
TOTAL CURRENT ASSETS		8 739 493	12 435 178	8 012 994	11 941 869
TOTAL ASSETS		18 039 281	25 667 585	17 994 533	26 817 486

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

The financial statements have been approved by the Board of the Company and signed by:



Valērijs Maligins
President
(Chairman of the Board)

EQUITY AND LIABILITIES

	Notes	On 30/09/2005 LVL	On 30/09/2005 EUR	On 30/09/2004 LVL	On 30/09/2004 EUR
EQUITY					
Share capital (fixed capital)	21	10 252 365	14 587 801	10 252 365	15 279 232
Share issue premium		65 934	93 816	65 934	98 262
Accumulated profit:					
accumulated profit for the previous year		-1 160 631	-1 651 429	-566 716	-844 584
accumulated profit for the reporting year		292 013	415 497	-155 435	-231 647
TOTAL EQUITY		9 449 681	13 445 685	9 596 148	14 301 264
PROVISIONS					
Other provisions	25	218 623	311 073	119 804	178 545
TOTAL PROVISIONS		218 623	311 073	119 804	178 545
LIABILITIES					
NON-CURRENT LIABILITIES					
Loans from credit institutions	22	4 210 970	5 991 671	4 563 579	6 801 161
Other loans	23	384 304	546 816	84 638	126 137
Other liabilities - taxes	24	1 184 941	1 686 019		
TOTAL:		5 780 215	8 224 505	4 648 217	6 927 298
CURRENT LIABILITIES					
Loans from credit institutions	22	664 816	945 948	601 296	896 119
Other loans	23	30 067	42 782	25 387	37 835
Prepayments received from customers		204 376	290 800	72 691	108 332
Trade payables		1 186 044	1 687 589	1 297 385	1 933 510
Taxes and social security payments	24	169 514	241 197	1 472 336	2 194 241
Other liabilities	26,27	335 945	478 007	161 269	240 341
TOTAL:		2 590 762	3 686 322	3 630 364	5 410 379
TOTAL LIABILITIES		8 370 977	11 910 828	8 278 581	12 337 677
TOTAL EQUITY AND LIABILITIES		18 039 281	25 667 585	17 994 533	26 817 486

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

The financial statements have been approved by the Board of the Company and signed by:



Valērijs Maligins
President
(Chairman of the Board)

Cash flow statement

	30/09/2005	30/09/2005	30/09/2004	30/09/2004
	LVL	EUR	LVL	EUR
Cash flows to/ from operating activities				
(Loss) before taxes in the reporting year	372 096	529 445	(52 868)	(78 790)
Adjustments for:				-
Depreciation of fixed assets and amortisation of intangible investments	1 383 246	1 968 182	698 501	1 040 985
Increase in provisions	(135 603)	(192 946)		-
Investment loss	4 479	6 373	29 442	43 878
Interest expense	245 420	349 201	176 935	263 689
Interest income	(24)	(34)	(5 724)	(8 531)
(Gain)/loss on disposal of fixed assets and intangible assets	(4 231)	(6 020)	8 487	12 648
Operating cash flows before changes of working capital	1 865 383	2 654 201	854 773	1 273 879
(Increase)/decrease in inventories	(567 157)	(806 992)	(78 009)	(116 258)
Decrease/(increase) in receivables and prepaid expense	234 811	334 106	1 475 361	2 198 750
Increase in payables	(114 884)	(163 465)	1 681 427	2 500 852
Cash generated from operations	1 418 153	2 017 850	3 933 552	5 862 224
Interest paid	(245 420)	(349 201)	(176 935)	(263 689)
Corporate income tax paid	(45 601)	(64 884)	(76 337)	(113 766)
Real estate tax paid	(34 413)	(48 965)	(26 230)	(39 091)
Net cash flows to/ from operating activities	1 092 719	1 554 800	3 654 050	5 445 678
Cash flows to/ from investing activities				
Purchase of intangible and fixed assets	(974 855)	(1 387 094)	(3 653 520)	(5 444 888)
Proceeds from disposal of intangible and fixed assets	30 723	43 715	4 084	6 086
Income from sale of investments in subsidiaries	1 000	1 423		-
Interest income	24	34	5 724	8 531
Net cash flows to/ from investing activities	(943 108)	(1 341 922)	(3 643 712)	(5 430 271)
Cash flows to/ from financing activities				
Payments of financial lease liabilities	(149 298)	(212 432)	(68 588)	(102 218)
Net cash flows to/ from financing activities	(149 298)	(212 432)	(68 588)	(102 218)
Cash (decrease)	313	446	(58 251)	(86 812)
Cash and equivalents at the beginning of the reporting period	6 786	9 656	63 399	94 484
Cash and equivalents at the end of the reporting period	7 099	10 102	5 148	7 672

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

Statement of changes in equity

	Share capital	Share capital	Share issue premium	Share issue premium	Non-covered loss	Non-covered loss	Total share capital	Total share capital
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
December 31st, 2003	10 252 365	14 587 801	65 934	93 816	(566 716)	(806 364)	9 751 583	13 875 253
(Loss) for the reporting year	-	-	-	-	(593 983)	(845 162)	(593 983)	(845 162)
December 31st, 2004	10 252 365	14 587 801	65 934	93 816	(1 160 699)	(1 651 526)	9 157 600	13 130 091
(Loss) for the reporting year	-	-	-	-	292 013	415 497	292 013	415 497
September 30th, 2005	10 252 365	14 587 801	65 934	93 816	(868 686)	(1 236 029)	9 449 613	13 445 588

	Share capital	Share capital	Share issue premium	Share issue premium	Non-covered loss	Non-covered loss	Total share capital	Total share capital
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
December 31st, 2002	10 252 365	15 279 232	65 934	98 262	(217 828)	(324 632)	10 100 471	15 052 863
(Loss) for the reporting year	-	-	-	-	(348 888)	(519 952)	(348 888)	(519 952)
December 31st, 2003	10 252 365	15 279 232	65 934	98 262	(566 716)	(844 584)	9 751 583	14 532 911
(Loss) for the reporting year	-	-	-	-	(155 435)	(231 647)	(155 435)	(231 647)
September 30th, 2005	10 252 365	15 279 232	65 934	98 262	(722 151)	(1 076 231)	9 596 148	14 301 264

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

Notes to the financial statements

1. General information on the Company

Joint stock company Olainfarm (hereinafter the Company) was registered with the Enterprise Register of the Republic of Latvia on 10 June 1991 (re-registered on 27 March 1997) and with the Commercial Register of the Republic of Latvia on 4 August 2004. The Company is engaged in manufacturing and distribution of chemical and pharmaceutical products.

2. Summary of significant accounting policies

Principles of preparation of financial report

The financial statements present only the financial position of JSC "Olainfarm" as a separate entity; the financial position of companies of the "Olainfarm" Group (i.e. JSC "Olainfarm" and its subsidiaries) is presented in a separate set of consolidated financial statements.

The financial statements of JSC "Olainfarm" have been prepared in accordance with the law of the Republic of Latvia on Financial Statements of Companies and Latvian Accounting Standards issued by the Accounting Council of the Republic of Latvia Ministry of Finance applicable in the reporting year.

The financial statements are prepared on a historical cost basis.

The monetary unit used in the financial statements is lat (LVL), the monetary unit of the Republic of Latvia. All financial report items was transferred in EUR in accordance with currency rate of Bank of Latvia in the last day of accounting period. The semi-periods financial reports are prepared for January to September years 2004 and 2005.

Use of estimates

The preparation of financial statements in conformity with the law of the Republic of Latvia on Financial Statements of Companies requires 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 financial statements relate to an allowance for bad debts and inventories, depreciation, etc.. Future events may cause changes of the assumptions used in arriving at the estimates. The effect of any changes in estimates will be recorded in the financial statements, when determined.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into Latvian lats applying the official exchange rate established by the Bank of Latvia at the last day of the reporting year. The differences arising on settlements of transactions or on reporting foreign currency transactions at rates different from those at which these transactions have originally been recorded are netted and presented in the income statement accounts.

Currency exchange rates established by the Bank of Latvia:

	30/09/2005 Ls	30/09/2004 Ls
1 USD	0.583	0.544
1 RUB	0.0204	0.0186
1 EUR	0.702804	0.671

Intangible non-current assets

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

Fixed assets

Fixed assets are listed at their primary cost, except accumulated amortisation and value depreciation. Land depreciation is not calculated.

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation is calculated starting with the following month after the tangible non-current asset is put into operation or engaged in commercial activity. When tangible non-current assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the accounts and any profit or loss resulting from their disposal is included in the income statement. The following depreciation rates were established and applied to the fixed assets:

	% per annum
<i>Buildings and constructions</i>	5
<i>Equipment and machinery</i>	10-15
<i>Computers and software</i>	25
<i>Other tangible assets</i>	20

The cost of fixed assets is comprised of purchase price, including import duties and non-refundable purchase taxes as well as any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such expenses as repair and maintenance costs, which occur after assets have been put into operation, usually are reflected in the cash flow statement at the moment of their occurrence. When it can be clearly demonstrated that due to the expenses the future economic benefits beyond originally assessed standard of performance of the fixed assets, such expenses are capitalised as an additional cost of fixed assets.

If change in any events or circumstances evidences that balance sheet value of the fixed assets cannot be recovered, the corresponding value of the fixed assets is revised to determine its value depreciation. If signs of non-recovery of value exist and if asset's balance sheet value overruns estimated recoverable amount, the assets are written down to their recoverable amount.

Construction in progress represents tangible non-current assets under construction and is stated at historical cost. Primary value includes construction costs and other direct expenses. Depreciation of construction in progress is not calculated until the corresponding assets are finished and put into operation.

Research and development costs

Research costs are reflected in income statement as incurred. Project development costs are recognised as intangible assets where the project feasibility is demonstrated and the assets developed is reasonably expected to generate future economic benefits for the Company. Capitalised development costs are amortised over their estimated useful lives on a straight-line basis.

If the corresponding asset is not in use, the carrying value of development costs is reviewed for impairment at the end of each reporting year. In other cases such review is not carried out if any events or circumstances evidence that carrying value may not be recoverable.

Financial assets

Investments in subsidiaries are accounted for in accordance with the equity method, so that the Company includes its share of the results of operations of such subsidiaries in its income statement. The Company's investment in subsidiaries is carried in the balance sheet at the amount that reflects its proportionate share of the net assets of subsidiaries plus the net book value of goodwill determined upon acquisition.

Goodwill upon acquisition of subsidiaries represents the excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired. Goodwill is amortised over 10 years on a straight-line basis and is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

Inventories

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

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

- Raw materials are accounted on the basis of acquisition cost by average weighed cost method;
- Finished goods and work-in-progress – cost of direct materials and labour 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.

Finished goods are stated at the lower of net realisable value and cost. 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.

A provision for obsolete inventories is established based on review and analysis of individual items. Impairment of inventories caused by obsolescence and physical damage is assessed by the Company 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 provision are written off.

Trade and other receivables

Trade and other receivables are recognised and 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.

The cash flow statement has been prepared according to the indirect method by making adjustments to reconcile profit/ (loss) before tax with cash flows from operating, investing and financing activities.

Provisions

Provisions are recognised when the Company 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.

Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

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 lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance leases 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.

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

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

Related parties shall be deemed shareholders that may exercise significant influence over the Company's operations, subsidiaries, Council and Board members, their close members of the families and enterprises over which these persons exercise significant influence or control.

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

3. Net turnover

	30/09/2005 LVL	30/09/2005 EUR	30/09/2004 LVL	30/09/2004 EUR
<i>By business segments</i>				
Finished forms	7 723 867	10 990 073	5 086 887	7 581 053
Chemistry	678 195	964 984	744 558	1 109 624
TOTAL:	8 402 062	11 955 057	5 831 444	8 690 677

	30/09/2005 LVL	30/09/2005 EUR	30/09/2004 LVL	30/09/2004 EUR
<i>By geographical segments</i>				
CIS	5 357 913	7 623 624	3 240 323	4 829 095
Latvia	1 814 679	2 582 056	1 332 480	1 985 812
Europe	660 700	940 091	762 565	1 136 460
Baltic states (Lithuania and Estonia)	279 579	397 805	258 257	384 884
Other	289 191	411 481	237 819	354 425
TOTAL:	8 402 062	11 955 057	5 831 444	8 690 677

4. Other operating income

	30/09/2005 LVL	30/09/2005 EUR	30/09/2004 LVL	30/09/2004 EUR
Treatment of waste water	67 740	96 385	57 515	85 716
Sale of current assets	78 620	111 866	21 951	32 714
Lease of premises	5 956	8 474	2 495	3 719
Other operating income*	1 200 224	1 707 764	28 200	42 027
TOTAL:	1 352 539	1 924 489	110 162	164 176

Other incomes of economic activity contains incomes from remission of previously calculated tax penalty in amount of LVL 560 160, conducted in accordance with ordinance of the Cabinet of Ministers (ordinance No. 127, taken on February 25, 2005).

5. Other operating expense

	30/09/2005 LVL	30/09/2005 EUR	30/09/2004 LVL	30/09/2004 EUR
Distribution costs	596 558	848 825	371 682	553 922
Administrative expenses	33 331	47 426	20 100	29 955
Education and personal training expenses	6 800	9 675	6 903	10 287
Communication expenses	58 853	83 740	64 803	96 577
Bank charges	15 775	22 446	18 194	27 115
Business trips	54 081	76 950	44 606	66 477
Waste disposal costs	36 622	52 109	29 994	44 701
Insurance	2 756	3 922	2 404	3 583
Representation office expenses	29 427	41 871	14 153	21 093
Audit expenses	11 589	16 489	6 902	10 286
Security expenses	18 249	25 966	16 567	24 690
Transportation expenses	20 115	28 621	18 175	27 087
Operating lease rentals	14 685	20 894	6 198	9 237
Write-offs of tangible non-current assets	26 492	37 694	12 570	18 734
Commercial risk duty	2 812	4 000	2 497	3 721
Humanitarian aid	15 860	22 567	962	1 433
Write-offs of bad debts		-	24 316	36 239
Other operating expense	1 093 779	1 556 307	335 796	500 440
TOTAL:	2 037 783	2 899 503	996 822	1 485 577

6. Interest receivable and similar income

	30/09/2005 LVL	30/09/2005 EUR	30/09/2004 LVL	30/09/2004 EUR
Interest accrued on bank account balances	24	34	149	222
Other income		-		-
TOTAL:	24	34	149	222

7. Interest payable and similar expense

	30/09/2005 LVL	30/09/2005 EUR	30/09/2004 LVL	30/09/2004 EUR
Currency exchange loss, net	(93 433)	(132 943)	13 084	19 500
Loan interest payments	245 420	349 202	224 717	334 898
Penalties paid	600 243	854 069	51 677	77 014
Currency exchange commission	38 238	54 407	43 527	64 869
TOTAL:	790 468	1 124 735	333 005	496 282

The penalties paid contains previously calculated tax penalty in amount of LVL 560 160, conducted in accordance with ordinance of the Cabinet of Ministers (ordinance No. 127, taken on February 25, 2005).

8. **Other taxes** comprise real estate tax expense.

9. **Staff costs and number of employees**

	30/09/2005 LVL	30/09/2005 EUR	30/09/2004 LVL	30/09/2004 EUR
Wages and salaries	2 324 557	3 307 546	1 733 131	2 582 907
Statutory social insurance contributions	526 359	748 942	404 459	602 771
TOTAL:	2 850 916	4 056 488	2 137 590	3 185 678

	30/09/2005 LVL	30/09/2005 EUR	30/09/2004 LVL	30/09/2004 EUR
<u>Management of the Company</u>				
Wages and salaries	170 500	242 600	140 153	208 872
Vacation pay reserve	2 696	3 835	1 202	1 791
Statutory social insurance contributions	46 789	66 575	24 241	36 126
<u>Board members</u>				
Wages and salaries	204 873	291 508	106 225	158 308
Vacation pay reserve	-	-	3 431	5 113
Statutory social insurance contributions	25 913	36 871	30 039	44 768
<u>Council members</u>				
Wages and salaries	71 800	102 162	54 220	80 805
Statutory social insurance contributions	15 249	21 697	13 023	19 408
TOTAL:	537 820	765 249	372 533	555 191

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

	30/09/2005	30/09/2004
Average number of employees during the reporting year	861	774

11. **Intangible non-current assets**

	Production technologies*		Other intangible assets		TOTAL	
	LVL	EUR	LVL	EUR	LVL	EUR
Primary value as on 31/12/2004	1 897 074	2 699 293	321 229	457 068	2 218 303	3 156 361
2005 Purchase	38 146	54 277	59 961	85 317	98 108	139 595
Write-offs of intangible assets	-	-	(3 782)	(5 381)	(3 782)	(5 381)
Primary value as on 30/09/2005	1 935 220	2 753 570	377 409	537 004	2 312 629	3 290 575
Accumulated amortisation as on 31/12/2004	316 157	449 850	209 093	297 512	525 249	747 362
Amortisation	289 195	411 487	36 892	52 493	326 087	463 980
2005 Reclassification	-	-	-	-	-	-
Write-offs of intangible assets	-	-	(3 782)	(5 381)	(3 782)	(5 381)
Accumulated amortisation as on 30/09/2005	605 352	861 338	242 203	344 624	847 555	1 205 962
Remaining value as on 31/12/2004	1 580 917	2 249 443	112 136	159 556	1 693 054	2 408 998
Remaining value as on 30/09/2005	1 329 869	1 892 233	135 205	192 380	1 465 074	2 084 613

	Production technologies*		Other intangible assets		TOTAL	
	LVL	EUR	LVL	EUR	LVL	EUR
Primary value as on 31/12/2003	548 789	817 867	274 369	408 895	823 157	1 226 762
Amortisation	1 348 285	2 009 367	44 960	67 004	1 393 245	2 076 371
2004 Reclassification	-	-	-	-	-	-
Write-offs of intangible assets	-	-	(1 828)	(2 725)	(1 828)	(2 725)
Primary value as on 30/09/2004	1 897 074	2 827 234	317 500	473 174	2 214 574	3 300 408
Accumulated amortisation as on 31/12/2003	60 117	89 594	158 483	236 189	218 600	325 782
Amortisation	159 631	237 900	38 481	57 349	198 112	295 249
2004 Reclassification	-	-	-	-	-	-
Write-offs of intangible assets	-	-	(326)	(487)	(326)	(487)
Accumulated amortisation as on 30/09/2004	219 748	327 494	196 637	293 051	416 385	620 544
Remaining value as on 31/12/2003	488 672	728 274	115 886	172 706	604 558	900 980
Remaining value as on 30/09/2004	1 677 326	2 499 740	120 863	180 124	1 798 189	2 679 864

Prepayments for intangible assets amounting to LVL 115 42 as at 30 September 2005 (30 September, 2004: LVL 163 690) are attributable to fees prepaid for medicine registration abroad.

12. Tangible non-current assets

LVL

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Creation of tangible non-current assets and costs of construction in progress	TOTAL
Primary value as on 31/12/2004	55 928	8 623 814	7 959 403	240 556	193 123	17 072 824
Purchase	-	78 795	557 850	111 910	408 865	1 157 420
2005 Liquidation and sale	-	-	(73 967)	(556)	(119 987)	(194 510)
Impairment	-	-	-	-	-	-
Primary value 30/09/2005	55 928	8 702 609	8 443 286	351 909	482 001	18 035 734
Accumulated amortisation as on 31/12/2004	-	5 719 712	3 670 002	140 344	-	9 530 058
2005 Depreciation	-	291 313	744 305	21 541	-	1 057 159
Depreciation of disposals	-	-	(47 490)	(543)	-	(48 033)
Accumulated amortisation as on 30/09/2005	-	6 011 025	4 366 816	161 342	-	10 539 183
Remaining value as on 31/12/2004	55 928	2 904 102	4 289 402	100 212	193 123	7 542 767
Remaining value as on 30/09/2005	55 928	2 691 584	4 076 471	190 567	482 001	7 496 551

EUR

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Creation of tangible non-current assets and costs of construction in progress	TOTAL
Primary value as on 31/12/2004	79 578	12 270 582	11 325 211	342 280	274 789	24 292 441
Purchase	-	112 115	793 749	159 233	581 762	1 646 860
2005 Liquidation and sale	-	-	(105 246)	(792)	(170 726)	(276 763)
Impairment	-	-	-	-	-	-
Primary value as on 30/09/2005	79 578	12 382 697	12 013 714	500 722	685 826	25 662 537
Accumulated amortisation as on 31/12/2004	-	8 138 417	5 221 942	199 691	-	13 560 050
2005 Depreciation	-	414 501	1 059 050	30 650	-	1 504 201
Depreciation of disposals	-	-	(67 573)	(773)	-	(68 345)
Accumulated amortisation as on 30.09.2005	-	8 552 918	6 213 419	229 569	-	14 995 906
Remaining value as on 31/12/2004	79 578	4 132 165	6 103 269	142 589	274 789	10 732 390
Remaining value as on 30/09/2005	79 578	3 829 779	5 800 295	271 153	685 826	10 666 631

12. Tangible non-current assets (cont'd)**LVL**

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Creation of tangible non-current assets and costs of construction in progress	TOTAL
Primary value as on 31/12/2003		55 928	7 593 473	3 818 656	141 776	157 890	11 767 722
Purchase		-	660 374	3 622 634	66 567	1 850 248	6 199 823
2004 Liquidation and sale		-	-	(44 988)	(713)	(645 050)	(690 751)
Impairment		-	-	-	-	-	-
Primary value as on 30/09/2004		55 928	8 253 847	7 396 302	207 630	1 363 088	17 276 794
Accumulated amortisation as on 31/12/2003		-	5 359 017	3 258 217	127 733	-	8 744 967
2004 Depreciation		-	697 645	230 793	8 183	-	936 620
Depreciation of disposals		-	-	(33 033)	(536)	-	(33 569)
Accumulated amortisation as on 30/09/2004		-	6 056 662	3 455 976	135 380	-	9 648 018
Remaining value as on 31/12/2003		55 928	2 234 456	560 439	14 043	157 890	3 022 755
Remaining value as on 30/09/2004		55 928	2 197 184	3 940 325	72 250	1 363 088	7 628 776

EUR

		Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Creation of tangible non-current assets and costs of construction in progress	TOTAL
Primary value as on 31/12/2003		83 351	11 316 651	5 690 992	211 290	235 305	17 537 589
Purchase		-	984 164	5 398 858	99 206	2 757 448	9 239 677
2004 Liquidation and sale		-	-	(67 046)	(1 063)	(961 327)	(1 029 436)
Impairment		-	-	-	-	-	-
Primary value as on 30/09/2004		83 351	12 300 815	11 022 804	309 434	2 031 427	25 747 830
Accumulated amortisation as on 31/12/2003		-	7 986 613	4 855 763	190 362	-	13 032 738
2004 Depreciation		-	1 039 709	343 953	12 195	-	1 395 857
Depreciation of disposals		-	-	(49 230)	(799)	-	(50 029)
Accumulated amortisation as on 30/09/2004		-	9 026 322	5 150 486	201 758	-	14 378 566
Remaining value as on 31/12/2003		83 351	3 330 038	835 229	20 928	235 305	4 504 852
Remaining value as on 30/09/2004		83 351	3 274 493	5 872 318	107 676	2 031 427	11 369 264

Prepayments for tangible non-current assets as at 30 September 2005 amounted to LVL 120 075 (30 September, 2004: LVL 215957).

As at 31 December 2004, all the non-current and current assets owned by the Company were pledged as a security for the loans and credit lines received (see Note 23). The pledge agreements were registered with the Commercial Pledge Register on 16 December 2003 and renewed on 29 June 2004.

13. Investments in related companies

Company	Line of business %	30/09/2005 LVL	30/09/2005 EUR	30/09/2004 LVL	30/09/2004 EUR
OOO Baltfarm, Cheremushkinskaya 13/17, Moscow, Russia	Distribution 100	102 660	146 072	196 482	292 820
A/O Aroma-Peterburg, A. Nevskogo 9, St. Petersburg, Russia	Distribution 51	-	-	54 348	80 996
Stimfarm Ltd., Kadaka 86a-205, Tallinn, Estonia	Distribution 51	-	-	-	-
TOTAL:		102 660	146 072	250 830	378 326

14. Inventories

	30/09/2005 LVL	30/09/2005 EUR	30/09/2004 LVL	30/09/2004 EUR
Raw materials	795 661	1 132 124	788 247	1 174 735
Work in progress	1 479 448	2 105 065	1 219 820	1 817 914
Finished goods and goods for resale	1 247 066	1 774 415	880 735	1 312 571
Prepayments for goods	73 615	104 745	29 101	43 370
TOTAL:	3 595 790	5 116 348	2 917 903	4 348 589
Provisions for raw materials	(144 993)	(206 306)	(55 703)	(83 015)
Provisions for work in progress	(133 851)	(190 453)	(121 783)	(181 495)
Provisions for finished goods and goods for resale	(88 375)	(125 746)	(106 203)	(158 276)
TOTAL:	(367 219)	(522 506)	(283 689)	(422 785)
TOTAL:	3 228 571	4 593 843	2 634 214	3 925 803

15. Trade receivables

	30/09/2005 LVL	30/09/2005 EUR	30/09/2004 LVL	30/09/2004 EUR
Trade receivables	2 794 766	3 976 594	1 793 088	2 672 262
Provisions for doubtful trade receivables	(67 902)	(96 616)	(113 555)	(169 232)
TOTAL:	2 726 864	3 879 978	1 679 533	2 503 030

16. Receivables from related companies

Company	30/09/2005 LVL	30/09/2005 EUR	30/09/2004 LVL	30/09/2004 EUR
SIA "Olmafarm" *	487 170	693 180	1 276 448	1 925 261
OOO Baltfarm	672 045	956 234	40 921	61 721
Stimfarm Ltd.	25 518	36 309	26 131	39 413
A/O Aroma-Peterburg		-	5 939	8 958
Provisions for doubtful receivables		-		-
KOPĀ:	1 184 733	1 685 723	1 349 439	2 035 353

* The Company issued an interest-free loan to its major shareholder SIA Olmafarm. The loan matures on 31 December 2005. As at 30 September 2005, the outstanding balance of the loan amounted to LVL 71 556 (30 September, 2004: LVL 840 698). On 30 May 2005, the Company received a letter of guarantee from SIA Olmafarm, whereunder repayment of the outstanding debt and the loan was guaranteed.

17. Other receivables

	30/09/2005 LVL	30/09/2005 EUR	30/09/2004 LVL	30/09/2004 EUR
Receivables from the sale of technologies and lease of equipment	1 731 694	2 463 979	1 755 687	2 616 523
Overpayment of corporate income tax	88 174	125 460	9 286	13 839
VAT receivable from state budget	25 688	36 551	59 380	88 495
Representation office expense	19 671	27 989	136 697	203 721
Advances to employees	102 480	145 816	77 694	115 788
Other receivables	8 006	11 392	50 280	74 933
Provisions for advances to employees and other receivables	(3 639)	(5 178)	(3 639)	(5 423)
Provisions for other debtors	(641 638)	(912 969)	(42 437)	(63 244)
TOTAL:	1 330 436	1 893 040	2 042 948	3 044 631

18. Current loans to management

Current loans to management comprise an interest-free loan to the Chairman of the Board Valērijs Maligins. The loan matures on 31 December 2005.

19. Prepaid expense

	30/09/2005 LVL	30/09/2005 EUR	30/09/2004 LVL	30/09/2004 EUR
Prepaid expense relating to analyses	12 233	17 406	-	-
Insurance payments	10 132	14 417	3 456	5 151
Subscription to the media	1 735	2 469	540	805
Other prepaid expense	8 163	11 615	1 487	2 216
TOTAL:	32 263	45 906	5 483	8 171

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

Cash by currency profile:	30/09/2005		30/09/2004	
	Currency	Ls	Currency	Ls
Ls		1 839	-	4 932
RUB				
USD	7 195	4 195	336	183
EUR	1 515	1 065	50	34
		<u>7 099</u>		<u>5 148</u>

21. Share capital

The share capital of the Company is LVL 10 252 365 and consists of 10 252 365 shares. The par value of each share is LVL 1. The shares are divided by classes follows: 7 257 465 shares are ordinary registered closed-issue shares entitled to vote and 2 994 900 shares are public-issue ordinary registered shares entitled to vote.

22. Loans from credit institutions

				30/09/2005 LVL	30/09/2005 EUR	30/09/2004 LVL	30/09/2004 EUR
Non-current:							
		Effective interest rate (%)	Maturity date				
Loan from a/s SEB Unibanka (1)	5 700 000 EUR	EUR LIBOR (3 month)+3%		4 210 970	5 991 671	4 563 579	6 801 161
TOTAL:				4 210 970	5 991 671	4 563 579	6 801 161
				30.09.2005 LVL	30.09.2005 EUR	30.09.2004 LVL	30.09.2004 EUR
Current:							
		Effective interest rate (%)	Maturity date				
Loan from a/s SEB Unibanka (1)	950000 EUR	EUR LIBOR (3 month)+3%	08.12.2006.	116 450	165 693	-	-
Credit line from a/s SEB Unibanka (2)	200000 LVL	LVL Unibor (3 month)+4,5%	05.12.2005.	187 771	267 174	199 994	301 650
Credit line from a/s SEB Unibanka (3)	200000 EUR	EUR LIBOR (3 month)+4,5%	05.12.2005.	103 535	147 317	133 659	201 597
Credit line from a/s SEB Unibanka (4)	500000 USD	USD LIBOR (3 month)+4,5%	05.12.2005.	257 060	365 763	267 643	403 685
Accrued interest				-	-	-	-
TOTAL:				664 816	945 948	601 296	906 932

Due to the necessity to implement the standards of Good Manufacturing Practice (GMP), the Company obtained a non-current loan from a/s SEB Unibanka in the end of 2003. On 22 June 2004, the loan agreement was amended, the total amount of the loan available being increased to EUR 6 950 000. During the period of the loan agreement, the Company has to ensure that its equity is positive, and the ratio of equity to total assets should not be less than 35 per cent. As at the end of the reporting year, the Company complied with these requirements. As at 31 December 2004, all the non-current and current assets owned by the Company were pledged as a security for the loans and credit lines received (see Note 13). The pledge agreements were registered with the Commercial Pledge Register on 16 December 2003 and renewed on 29 June 2004.

In 2003, the Company concluded several credit line agreements with a/s SEB Unibanka with the maturity on 4 December 2004. In the reporting year, the aforementioned credit line agreements were extended by one more year under the same provisions, with the new maturity term being fixed on 5 December 2005.

23. Other loans

	30/09/2005 LVL		30/09/2005 EUR		30/09/2004 LVL		30/09/2004 EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA Hanza								
Līzings	61 422	11 087	87 396	15 775	46 157	18 319	68 788	27 301
Finance lease liabilities to SIA								
Unilīzings	322 882	18 980	459 420	27 006	38 481	7 068	57 349	10 534
Donatex SIA		88 592						
TOTAL:	384 304	118 659	546 815	42 781	84 638	25 387	126 137	37 835

The interest rate on the finance leases ranges from 5.12% to 9.35%. Finance lease liabilities are repayable till September 2007. The net carrying amount of the tangible non-current assets held under finance lease is disclosed in Note 13.

24. Taxes payable

	30/06/2005 LVL		30/06/2005 EUR		30/06/2004 LVL		30/06/2004 EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Personal income tax	625 956	87 692	890 655	124 774		682 393		1 029 251
Statutory social insurance contributions	467 024	112 376	664 515	159 897		644 096		971 487
Real estate tax *	91 961		130 849	-		111 160		167 663
Natural resource tax		3 372	-	4 798		3 091		4 663
Value added tax		1 802	-	2 564		4 417		6 662
TOTAL:	1 184 941	205 242	1 686 019	292 033	-	1 445 158	-	2 179 725

25. Accrued liabilities

	30/09/2005 LVL	30/09/2005 EUR	30/09/2004 LVL	30/09/2004 EUR
Provisions for penalties related to taxes	120 970	172 125	78 442	116 903
Vacation pay reserve	66 098	94 049	34 562	51 508
Deferred corporate income tax	31 555	44 899		-
Provisions for audit services		-	6 800	10 134
TOTAL:	218 623	311 073	119 804	178 545

26. Other liabilities

	30/09/2005 LVL	30/09/2005 EUR	30/09/2004 LVL	30/09/2004 EUR
Wages and salaries	198 470	282 397	141 106	210 292
Other liabilities	48 883	69 554	20 163	30 049
TOTAL:	247 353	351 952	161 269	240 341

30. Future development

In 2005, it is planned to continue reconstruction of the production facility in accordance with EU requirements. The Company plans to carry out the reconstruction of the warehouse of chemical raw materials and chemical products, as well as the chemical production divisions, meanwhile obtaining certification of the production of all active pharmaceutical ingredients in compliance with international requirements. It is projected to complete repairs of the analytical laboratories, obtain their accreditation, as well as purchase the required technological and analytical equipment.

31. Events after balance sheet date

In February 2005, the Cabinet resolved to grant the Company extension of the payment term of delayed statutory social insurance contributions, personal income tax and real estate tax (accrued till 1 November 2003) till the end of 2011, without late payment penalties being charged, as well as to annul the previously charged late payment penalties (see also Note 25). The Company shall pay the taxes in arrears according to the schedules approved by the Cabinet. The aforementioned taxes and the annulled late payment penalties amount to LVL 1 184 941 and LVL 560 160 respectively. Except for the above, as of the last day of the reporting year through the date of signing these financial statements there have been no events requiring adjustment of or disclosure in the financial statements or notes thereto.