

**JOINT STOCK COMPANY OLAINFARM**  
(UNIFIED REGISTRATION NUMBER 40003007246)

**CONSOLIDATED NOT AUDITED  
FINANCIAL STATEMENTS  
FOR THE 1ST QUARTER OF YEAR 2006**

PREPARED IN ACCORDANCE WITH  
THE LAW OF REPUBLIC OF LATVIA "ON CONSOLIDATED FINANCIAL STATEMENTS"

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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 <sup>th</sup> , 1991 (re-registered on March 27 <sup>th</sup> , 1997, registered in Commercial register on August 4 <sup>th</sup> , 2004)	
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), 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	
Council	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	
Holding's daughter companies	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	1 January – 31 March 2006	
Responsible for preparation of the information	Director of Financial department Inga Liščika	Phone. 7013 706 Fax 7013 777 jlishchika@olainfarm.lv

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## Consolidated Management's report

JSC „Olainfarm” has combined results of activity in first quarter of year 2006 and made an unaudited financial report on activity of the company and the Holding in corresponding period.

In the reporting period the holding has been formed by the holding company JSC „Olainfarm” and its related enterprises LLC „Baltfarm” and LLC „Stimfarm” (hereinafter the Holding). The basic activity of the related companies is distribution of JSC „Olainfarm” medicines.

Due to the fact that previously the consolidated statement has been prepared for the full year 2005, it is not possible to provide comparative information for 1<sup>st</sup> quarter of year 2005. The total profit of the Holding in 1<sup>st</sup> quarter of year 2006 has amounted to 0,022 millions of lats (0,031 mil. EUR). The profit of the parent company of the Holding in 1<sup>st</sup> quarter of year 2006 has amounted to 0,155 mil. of lats (0,22 mil. EUR). The Holding's earn per share in 1<sup>st</sup> quarter of year 2006 formed Ls 0,002 (0,003 EUR). The earn per share of the parent company of the Holding JSC „Olainfarm” in 1<sup>st</sup> quarter of year 2006 has formed Ls 0,015 (0,021 EUR) per one share. In total, decrease of the income and rentability indexes of the Holding has been influenced by the growth of wages and salaries by 53% at the parent company, as well as losses suffered by the subsidiary LLC „Baltfarm”.

The total net turnover of the Holding in 1<sup>st</sup> quarter of year 2006 amounted to 3,95 mil. of lats (5,63 mil. EUR). Increase of turnover of the Holding is mainly affected by the growth of the parent company's turnover by 28%, reaching 3,71 mil. Ls (5,28 mil. EUR). The growth of the turnover is by 2% overreaching the planned growth of the turnover planned by the Holding's parent company for the 1<sup>st</sup> quarter of year 2006. The net turnover of the subsidiary LLC „Baltfarm” in 1<sup>st</sup> quarter of 2006 has amounted to 0,51 mil. Ls (0.73 mil. EUR).

Despite the ongoing reconstruction of the chemical products manufacturing site, laboratories and additional warehouse premises at the Holding's parent company, the manufacturing of finished drug forms (FDF) and chemical products is rolling in accordance with previously approved plan, which has been even overreached by 19% in 1<sup>st</sup> quarter of 2006. In 1<sup>st</sup> quarter of 2006 the growth of sales of the Holding's parent company's manufactured products continued at all basic FDF sales markets, but the greatest growth has been noted at the markets of Georgia, Lithuania and Belarus.

Financial stability indexes of the Concern at total are valued positively. The total liquidity index of the Concern, comparing to the index of 2,26 in year 2006, has decreased to 2,18, which is within the limits of the optimal value of this index. The total solvency ratio comparing to the index of 1,02 almost didn't change and in the 1<sup>st</sup> quarter of 2006 is 1,01 and is a little bit over the critical value of this index. Comparing to year 2005, the debtors' debts turnover ratio has improved from 157 days in 2005, up to 134 days in the 1<sup>st</sup> quarter of 2006, which can be explained by constant work at the improvement of debt collection.

*The financial reports are approved by the Management Board of the Concern's Holding company, on behalf of which signed by:*

**JSC „Olainfarm”**



*Valērijs Maligins*  
President  
(Chairman of the Board)

**Income statement**

	Notes	31.03.2006 LVL	31.03.2006 EUR	31.12.2005 LVL	31.12.2005 EUR
Net turnover	3	3 954 338	5 626 516	13 018 117	18 523 112
Changes in stock of finished goods and work in progress		528 702	752 275	739 661	1 052 443
Other operating income	4	56 400	80 250	1 041 735	1 482 255
Cost of materials:					
<i>raw materials and consumables</i>		(1 201 781)	(1 709 980)	(3 163 407)	(4 501 123)
<i>other external costs</i>		(370 495)	(527 167)	(789 222)	(1 122 962)
Staff costs:					
<i>salaries</i>	9	(1 165 411)	(1 658 230)	(3 761 075)	(5 351 528)
<i>other social security payments</i>	9	(267 572)	(380 721)	(774 111)	(1 101 461)
Write-offs of the assets and valuables:					
<i>depreciation and write-offs of fixed assets and intangible investments</i>		(513 267)	(730 313)	(1 873 030)	(2 665 082)
<i>write-offs of the value of current assets</i>		(18 185)	(25 875)	(67 349)	(95 829)
Other operating expense	5	(843 535)	(1 200 242)	(3 249 733)	(4 623 953)
Income from investments in associates	6	(32 660)	(46 471)	(37 139)	(52 844)
Interest receivable/payable and similar income/expense	7	(93 052)	(132 401)	(613 264)	(872 596)
<b>Profit/(Loss) before taxes and minority interest</b>		<b>33 481</b>	<b>47 639</b>	<b>471 183</b>	<b>670 433</b>
Corporate income tax		(1 931)	(2 748)	(53 185)	(75 675)
Other taxes	8	(9 645)	(13 724)	(42 959)	(61 125)
<b>Profit/(Loss) before minority interest</b>		<b>21 905</b>	<b>31 168</b>	<b>375 039</b>	<b>533 632</b>
Minority interest		-	-	(4 768)	(6 784)
<b>Profit/(Loss) for the reporting year</b>		<b>21 905</b>	<b>31 168</b>	<b>370 271</b>	<b>526 848</b>
Earning per share	10	0,002	0,003	0,036	0,051

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:

**JSC „Olainfarm”**



*Valērijs Maligins*  
President  
(Chairman of the Board)

**Balance sheet**

		<b>ASSETS</b>			
	Notes	31.03.2006 LVL	31.03.2006 EUR	31.12.2005 LVL	31.12.2005 EUR
<b>NON-CURRENT ASSETS</b>					
<b>Intangible assets</b>					
Intangible value	11	70 000	99 601	70 000	99 601
Other intangible assets	11	1 545 649	2 199 260	1 659 372	2 361 074
Prepayments for intangible assets		66 291	94 324	59 329	84 418
TOTAL		<b>1 681 940</b>	<b>2 393 185</b>	<b>1 788 701</b>	<b>2 545 092</b>
<b>Fixed assets</b>					
Land, buildings and constructions	12	3 076 548	4 377 533	3 066 470	4 363 194
Equipment and machinery	12	3 912 308	5 566 713	4 139 679	5 890 233
Other fixed assets	12	197 014	280 326	195 434	278 078
Creation of fixed assets and expenses for construction in progress	12	184 462	262 466	247 026	351 486
Prepayments for fixed assets		162 462	231 163	55 831	79 440
TOTAL		<b>7 532 794</b>	<b>10 718 200</b>	<b>7 704 440</b>	<b>10 962 430</b>
<b>Financial assets</b>					
Other securities and investments		386	549	386	549
TOTAL		<b>386</b>	<b>549</b>	<b>386</b>	<b>549</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>9 215 120</b>	<b>13 111 934</b>	<b>9 493 527</b>	<b>13 508 072</b>
<b>CURRENT ASSETS</b>					
<b>Inventories</b>					
Raw materials		742 464	1 056 431	726 123	1 033 180
Work in progress		1 758 721	2 502 435	1 526 640	2 172 213
Finished goods and goods for resale		1 437 767	2 045 758	1 216 589	1 731 050
Prepayments for goods		62 309	88 658	77 829	110 741
TOTAL	13	<b>4 001 262</b>	<b>5 693 281</b>	<b>3 547 181</b>	<b>5 047 184</b>
<b>Receivables</b>					
Trade receivables	14	3 792 912	5 396 828	3 442 997	4 898 943
Receivables from related companies	15	586 320	834 258	586 934	835 132
Other receivables	16	1 090 646	1 551 849	1 137 687	1 618 783
Current loans to Holding's management	17	381 987	543 519	392 298	558 190
Prepaid expense	18	20 077	28 567	36 616	52 100
TOTAL		<b>5 871 942</b>	<b>8 355 021</b>	<b>5 596 532</b>	<b>7 963 148</b>
<b>Cash</b>	19	<b>28 838</b>	<b>41 033</b>	<b>104 803</b>	<b>149 121</b>
<b>TOTAL CURRENT ASSETS</b>		<b>9 902 042</b>	<b>14 089 335</b>	<b>9 248 516</b>	<b>13 159 453</b>
<b>TOTAL ASSETS</b>		<b>19 117 162</b>	<b>27 201 271</b>	<b>18 742 043</b>	<b>26 667 525</b>

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:

**JSC „Olainfarm”**



Valērijs Maligins  
President  
(Chairman of the Board)

<b>EQUITY AND LIABILITIES</b>					
	Notes	31.03.2006	31.03.2006	31.12.2005	31.12.2005
<b>EQUITY</b>		<b>LVL</b>	<b>EUR</b>	<b>LVL</b>	<b>EUR</b>
Share capital	20	10 252 365	14 587 801	10 252 365	14 587 801
Share premium		65 934	93 816	65 934	93 816
Undivided profit					
uncovered losses for the previous year		(739 656)	(1 052 436)	(1 225 018)	(1 743 044)
losses for the reporting year		21 905	31 168	370 271	526 848
<b>TOTAL EQUITY</b>		<b>9 600 548</b>	<b>13 660 349</b>	<b>9 463 552</b>	<b>13 465 421</b>
<b>MINORITY INTEREST</b>					
Minority interest		-	-	-	-
<b>TOTAL MINORITY INTEREST</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROVISIONS</b>					
Provisions for expected taxes		36 446	51 858	38 490	54 766
<b>TOTAL PROVISIONS</b>		<b>36 446</b>	<b>51 858</b>	<b>38 490</b>	<b>54 766</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Loans from credit institutions	21	3 629 983	5 165 000	3 745 945	5 330 000
Other loans	22	366 169	521 012	405 366	576 784
Taxes and social security payments payable	23	938 078	1 334 765	987 451	1 405 016
<b>TOTAL</b>		<b>4 934 230</b>	<b>7 020 777</b>	<b>5 138 762</b>	<b>7 311 800</b>
<b>Current liabilities</b>					
Loans from credit institutions	21	1 001 035	1 424 344	858 604	1 221 683
Other loans	22	158 097	224 952	161 900	230 363
Loans transferable into shares		565 560	804 719	-	-
Prepayments received from customers		154 936	220 454	106 982	152 222
Trade payables		1 543 951	2 196 844	1 913 740	2 723 007
Taxes and social security payments payable	23	428 794	610 119	390 672	555 876
Accrued liabilities	24	325 421	463 032	330 408	470 128
Other liabilities	25	368 144	523 822	338 933	482 258
<b>TOTAL</b>		<b>4 545 938</b>	<b>6 468 287</b>	<b>4 101 239</b>	<b>5 835 537</b>
<b>TOTAL LIABILITIES</b>		<b>9 480 168</b>	<b>13 489 064</b>	<b>9 240 001</b>	<b>13 147 337</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>19 117 162</b>	<b>27 201 271</b>	<b>18 742 043</b>	<b>26 667 525</b>

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

Off balance sheet liabilities: See Note 26.

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

**JSC „Olainfarm”**



Valērijs Maligins  
President  
(Chairman of the Board)



**Cash flow statement**

Title of the variable expense and income item	31.03.2006	31.03.2006	31.12.2005	31.12.2005
	LVL	EUR	LVL	EUR
<b>I. Basic activity cash flow</b>				
1. Profit/(Loss) before extraordinary positions and taxes	33 481	47 639	471 183	670 433
Adjustments for:				
Depreciation of fixed assets	388 021	552 104	1 431 253	2 036 490
Amortization of intangible investments	125 952	179 214	443 324	630 793
Interest income	(25)	(36)	(1 240)	(1 764)
Interest payments and similar expenses	84 317	119 972	791 667	1 126 441
Fixed assets' write-offs	50	71	14 436	20 541
Losses from sale of long-term financial investments	-	-	4 479	6 373
<b>2. Profit before corrections on influence of current assets and remainder of short-term liabilities</b>	<b>631 796</b>	<b>898 965</b>	<b>3 155 102</b>	<b>4 489 306</b>
Decrease/(increase) in receivables	(275 410)	(391 873)	543 037	772 672
(Increase)/decrease in provisions	(454 081)	(646 099)	(731 868)	(1 041 354)
Increase in payables	515 690	733 761	(17 386)	(24 738)
<b>3. Gross cash flows to/from operating activities</b>	<b>(213 801)</b>	<b>(304 211)</b>	<b>(206 217)</b>	<b>(293 420)</b>
4. Expenses for interest payments and similar expenses	(84 317)	(119 972)	(791 667)	(1 126 441)
5. Corporate income tax paid	(11 576)	(16 471)	(87 968)	(125 167)
<b>Net cash flows to/ from operating activities</b>	<b>322 102</b>	<b>458 310</b>	<b>2 069 250</b>	<b>2 944 277</b>
<b>II. Cash flows to/ from investing activities</b>				
1. Sale of investments	-	-	1 000	1 423
2. Purchase of fixed assets	(235 616)	(335 251)	(1 097 445)	(1 561 524)
3. Sale of fixed assets	-	-	31 693	45 095
4. Interest income	25	36	1 240	1 764
<b>Net cash flows to/ from investing activities</b>	<b>(235 591)</b>	<b>(335 216)</b>	<b>(1 063 512)</b>	<b>(1 513 241)</b>
<b>III. Cash flows to/ from financing activities</b>				
1. Received loans	-	-	15 705 062	22 346 290
2. Paid loans	(119 476)	(169 999)	(16 505 758)	(23 485 578)
3. Payments of financial lease liabilities	(43 000)	(61 183)	(135 204)	(192 378)
<b>Net cash flows to/ from financing activities</b>	<b>(162 476)</b>	<b>(231 183)</b>	<b>(935 900)</b>	<b>(1 331 666)</b>
<b>VI. Net cash flow for the reporting year</b>	<b>(75 965)</b>	<b>(108 088)</b>	<b>69 838</b>	<b>99 371</b>
<b>VII. Cash and equivalents at the beginning of the reporting year</b>	104 803	149 121	34 965	49 751
<b>VIII. Cash and equivalents at the end of the reporting year</b>	<b>28 838</b>	<b>41 033</b>	<b>104 803</b>	<b>149 121</b>
	-	-	-	-

**Statement of changes in equity**

	Share capital		Share premium		Uncovered losses	Uncovered losses	Total share capital	Total share capital
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
<b>Balance as at 31 September 2004</b>	<b>10 252 365</b>	<b>14 587 801</b>	<b>65 934</b>	<b>93 816</b>	<b>(1 225 018)</b>	<b>(1 743 044)</b>	<b>9 093 281</b>	<b>12 938 573</b>
(Loss) for the reporting year	-	-	-	-	370 271	526 848	370 271	526 848
<b>Balance as at 31 September 2005</b>	<b>10 252 365</b>	<b>14 587 801</b>	<b>65 934</b>	<b>93 816</b>	<b>(854 747)</b>	<b>(1 216 195)</b>	<b>9 463 552</b>	<b>13 465 421</b>

	Share capital		Share premium		(Accumulated deficit)	(Accumulated deficit)	Total share capital	Total share capital
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
<b>Balance as at 31 December 2005</b>	<b>10 252 365</b>	<b>14 587 801</b>	<b>65 934</b>	<b>93 816</b>	<b>(739 656)</b>	<b>(1 052 436)</b>	<b>9 578 643</b>	<b>13 629 181</b>
(Loss) for the reporting year	-	-	-	-	21 905	31 168	21 905	31 168
<b>Balance as at 31 March 2006</b>	<b>10 252 365</b>	<b>14 587 801</b>	<b>65 934</b>	<b>93 816</b>	<b>(717 751)</b>	<b>(1 021 268)</b>	<b>9 600 548</b>	<b>13 660 349</b>

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

## Notes to the financial statements

### 1. Corporate information

Joint stock company Olainfarm (hereinafter, the Parent 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 Holding subsidiary companies and the Parent Company are basically engaged in manufacturing and distribution of chemical and pharmaceutical products.

### 2. Summary of significant accounting policies

#### ***Basis of preparation***

The consolidated financial statements have been prepared in accordance with the law of the Republic of Latvia on Financial Statements of Companies and the law of the Republic of Latvia on Consolidated Financial Statements, as well as Latvian Accounting Standards issued by the Accounting Council of the Republic of Latvia Ministry of Finance applicable in the reporting period.

The consolidated 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. The financial statements cover the period from January 1st, 2006, to March 31st. Due to the fact that previously the consolidated statement has been prepared for the full year 2005, it is not possible to provide comparative information for 1st quarter of year 2005. Taking the mentioned into account, present reports contain information for full year 2005.

#### ***Basis of consolidation***

As at March 31<sup>st</sup>, 2006, the Parent Company had investments in the following subsidiaries:

Name	Country	Business	Date of acquisition	The Group's shareholding (%)
OOO Baltfarm	Russia	Distribution of products	2 January 2001	100
Stimfarm Ltd.	Estonia	Distribution of products	2 January 2001	51

The financial statements of JSC "Olainfarm" and LLC "Baltfarm" are consolidated in Holding's financial statements, combining corresponding positions on assets, liabilities, incomes and expenses. LLC „Stimfarm Ltd." is not included into consolidation according to law „On consolidated financial statements" part 2 of article 10 because the company is actually inactive and results of its activity are not important.

For the purposes of consolidation, unrealised internal profit, inter-group balances, internal shareholdings, internal dividends and other internal transactions are eliminated in the Holding's financial statements

#### ***Consolidation of foreign subsidiaries***

The Parent Company is using the closing rate established by the Bank of Latvia at the last day of the reporting period for the assets and liabilities of foreign subsidiaries, both monetary and non-monetary, and the average rate for the respective period for income and expense items of foreign subsidiaries for translating the financial statements of foreign subsidiaries and incorporation thereof in the consolidated financial statements. Resulting exchange differences are classified as equity. The incorporation itself, of the financial statements of foreign subsidiaries, follows normal consolidation procedures, such as the elimination of intra-group transactions of a subsidiary.

#### ***Use of estimates***

The preparation of financial statements in conformity with the law of the Republic of Latvia on Financial Statements of Companies and on Consolidated Financial Statements 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 developments may affect estimates, based on which the corresponding assumptions have been made. Any influence of the changes of the assumptions is reflected in the financial statements on the moment of determination.

**Summary of significant accounting policies (cont'd)*****Foreign currency translation***

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 period. 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:*

	31.03.2006 Ls	31.12.2005. Ls
1 USD	0.582	0.593
1 RUB	0.021	0.0206
1 EUR	0.702804	0.702804

***Intangible assets***

Intangible assets consist of intangible values consequential to the acquisition of Holding's subsidiaries and other intangible assets.

Positive intangible values resulting from the acquisition of the shares of the Holding's subsidiaries is reflected at the fair value of the acquisition price in excess of the identifiable assets and liabilities acquired. Positive intangible values resulting from the acquisition of the shares of the Holding's subsidiaries is capitalised as intangible assets. The amortisation is calculated over 10 years using the straight-line method.

Other intangible assets basically consist of costs of acquisition of preparation production technologies, medicine registration fese and software. Intangible assets are accounted at their primary cost which is amortised through their useful lives on a straight-line basis. The amortisation rate for intangible assets is fixed as follows: 20% for production technologies and 20-25% for other intangible 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.

***Fixed assets***

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. Depreciation is calculated starting with the following month after the fixed 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 gain or loss resulting from their disposal is included in the income statement. The following depreciation rates were established and applied:

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

The primary value of the fixed assets is comprised of 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. In situations where it can be clearly demonstrated that the expenses have resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset beyond its originally assessed standard of performance, such expenses are capitalised as an additional cost of property, plant and equipment.

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.

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

### ***Tangible non-current assets (cont'd)***

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

### ***Research and development costs***

Research costs are expensed 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. Capitalised development costs are amortised over their estimated useful lives on a straight-line basis.

Should the respective asset be not yet in use, the carrying value of development costs is reviewed for impairment at the end of each reporting year and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

### ***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 – acquisition cost on an average weighed cost basis;

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 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 provision are written off.

### ***Trade and other receivables***

Trade 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 in hand.

### ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### ***Loans and borrowings***

All loans and borrowings are initially recognised at primary cost, adding costs associated with the issue of loan or subtracting costs associated with the borrowing.

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

### **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. 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.

### **Revenue**

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

#### *Sale of goods*

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

#### *Rendering of services*

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

#### *Interest*

Revenue is recognised on an accrual basis.

### **Corporate income tax**

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

Deferred corporate income tax arising from temporary differences in the timing of the recognition of items in the tax returns and these financial statements is calculated using the liability method. The deferred corporate income tax asset and liability are determined on the basis of the tax rates that are expected to apply when the timing differences reverse. The principal temporary timing differences arise from differing rates of accounting and tax amortisation and depreciation on the 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 Group's operations, Council and Board members, their close members of the families and enterprises over which these persons exercise significant influence or control, as well as Group companies.

### **Earnings or loss per share**

Earnings or loss per share are calculated by dividing the net profit or loss for the period by the average weighed number of shares for the period. The average number of shares for the reporting period has been determined taking into consideration the moment of issue of new shares.

### **Contingent liabilities and assets**

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.

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

**3. Net turnover**

<b>By business segments</b>	31.03.2006		31.12.2005	
	LVL	EUR	LVL	EUR
Finished forms	3 555 534	5 059 069	11 949 546	17 002 672
Chemistry	398 804	567 446	1 068 571	1 520 440
<b>TOTAL:</b>	<b>3 954 338</b>	<b>5 626 516</b>	<b>13 018 117</b>	<b>18 523 112</b>

<b>By market segments</b>	31.03.2006		31.12.2005	
	LVL	EUR	LVL	EUR
CIS	2 448 599	3 484 042	7 972 863	11 344 362
Latvia	660 087	939 219	2 854 586	4 061 710
Europe	456 577	649 651	991 138	1 410 263
Baltic states (Lithuania and Estonia)	303 130	431 315	481 344	684 890
Other	85 945	122 289	718 186	1 021 887
<b>TOTAL:</b>	<b>3 954 338</b>	<b>5 626 516</b>	<b>13 018 117</b>	<b>18 523 112</b>

**4. Other operating income**

	31.03.2006		31.12.2005	
	LVL	EUR	LVL	EUR
Treatment of waste water	24 365	34 668	88 869	126 449
Sale of current assets	7 560	10 758	110 395	157 078
Recovery of written-off debts	-	-	10 436	14 849
Lease of premises	4 830	6 872	9 841	14 002
Written-off tax debts	-	-	560 160	797 035
Catering services	9 113	12 967	22 762	32 387
Written-off accounts payable	-	-	180 700	257 113
Other operating income	10 531	14 984	58 573	83 342
<b>KOPA:</b>	<b>56 400</b>	<b>80 250</b>	<b>1 041 735</b>	<b>1 482 255</b>

**5. Other operating expense**

	31.03.2006		31.12.2005	
	LVL	EUR	LVL	EUR
Distribution costs	443 680	631 300	1 068 204	1 519 917
Write-offs of hopeless debts	14	20	12 767	18 165
Administrative expense	73 922	105 182	236 295	336 218
Write-offs of current assets	36 326	51 687	74 918	106 599
Business trips	37 959	54 011	104 673	148 937
Provisions for slow-moving items (see also Note 14)	-	-	63 571	90 454
Staff education	29 341	41 748	-	-
Insurance	13 952	19 852	61 211	87 096
Provisions for unsecure debts	-	-	954 521	1 358 161
Transportation expense	11 465	16 313	46 460	66 107
Representation expense	14 506	20 640	44 146	62 814
Provisions for reduce of value of fixed assets	-	-	-	-
Audit expense	-	-	28 368	40 365
Security expense	7 225	10 280	28 565	40 644
Write-offs of fixed assets	1 065	1 515	4 656	6 625
Other operating expense	174 082	247 696	521 377	741 853
<b>TOTAL:</b>	<b>843 535</b>	<b>1 200 242</b>	<b>3 249 733</b>	<b>4 623 954</b>

**6. Income from investments in associates**

	31.03.2006		31.12.2005	
	LVL	EUR	LVL	EUR
Aroma-Peterburg	-	-	(4 479)	(6 373)
Baltfarm	(32 660)	(46 471)	(32 660)	(46 471)
<b>TOTAL:</b>	<b>(32 660)</b>	<b>(46 471)</b>	<b>(37 139)</b>	<b>(52 844)</b>

**7. Interest payable and similar income/expense, net**

	31.03.2006	31.03.2006	31.12.2005	31.12.2005
	LVL	EUR	LVL	EUR
Losses from currency exchange rate fluctuation	9 606	13 668	402 024	572 029
Loan interest payments	(72 317)	(102 897)	(355 920)	(506 428)
Penalties paid	(11 975)	(17 039)	(601 108)	(855 299)
Currency exchange commission	(18 366)	(26 133)	(58 260)	(82 897)
<b>TOTAL:</b>	<b>(93 052)</b>	<b>(132 401)</b>	<b>(613 264)</b>	<b>(872 596)</b>

**8. Other taxes comprise the calculated real estate tax.**



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

	31.03.2006 LVL	31.03.2006 EUR	31.12.2005 LVL	31.12.2005 EUR
Wages and salaries	1 165 411	1 658 231	3 549 894	5 051 044
Vacation pay reserve	-	-	211 181	300 483
Statutory social insurance contributions	267 572	380 721	774 111	1 101 461
<b>TOTAL:</b>	<b>1 432 984</b>	<b>2 038 952</b>	<b>4 535 186</b>	<b>6 452 988</b>

	31.03.2006 LVL	31.03.2006 EUR	31.12.2005 LVL	31.12.2005 EUR
<b><i>Management of the Company</i></b>				
Wages and salaries	117 916	167 779	308 964	439 617
Vacation pay reserve	22 435	31 922	22 435	31 921
Statutory social insurance contributions	38 665	55 015	58 368	83 050
<b><i>Board members</i></b>				
Wages and salaries	112 683	160 334	313 146	445 567
Vacation pay reserve	33 796	48 087	33 796	48 087
Statutory social insurance contributions	7 247	10 311	75 437	107 337
<b><i>Council members</i></b>				
Wages and salaries	40 200	57 199	112 000	159 362
Statutory social insurance contributions	28 029	39 882	-	-
<b>TOTAL:</b>	<b>400 971</b>	<b>570 530</b>	<b>924 146</b>	<b>1 314 941</b>

	31.03.2006	31.12.2005
Average number of employees during the reporting period	1007	970

**10. Earning per share**

Earning per share is calculated by dividing the net profit for the reporting period attributable to shareholders by the average weighed number of shares for the period. The table below presents information on profit and shares used for calculation of the earning per share:

	31.03.2006 LVL	31.03.2006 EUR	31.12.2005 LVL	31.12.2005 EUR
Profit for the reporting period attributable to shareholders used for calculation of the earning per share	21 905	31 168	370 271	526 848
Average weighed number of ordinary shares	10 252 365	10 252 365	10 252 365	10 252 365
<b>Loss per share</b>	<b>0,002</b>	<b>0,003</b>	<b>0,036</b>	<b>0,051</b>

**11. Intangible assets**

	Goodwill		Production technologies*		Other intangible assets		TOTAL	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2005	227 025	323 027	2 216 343	3 153 572	411 601	585 655	2 854 971	4 062 258
2006 Aquisition		-	-	-	12 228	17 400	12 228	17 400
2006 Write-offs of intangible values		-	-	-	(512)	(728)	(512)	(728)
Acquisition value as at 31/03/2006	227 025	323 027	2 216 343	3 153 572	423 318	602 327	2 866 688	4 078 929
Accumulated amortisation as at 31/12/2004	157 025	223 426	706 799	1 005 684	261 775	372 472	1 125 599	1 601 583
2006 Amortisation		-	110 817	157 679	15 134	21 534	125 952	179 213
2006 Write-offs of intangible values		-	-	-	(512)	(728)	(512)	(728)
Accumulated amortisation as at 31/12/2005	157 025	223 426	817 616	1 163 363	276 398	393 279	1 251 039	1 780 068
<b>Net carrying amount as at 31/12/2005</b>	<b>70 000</b>	<b>99 601</b>	<b>1 509 544</b>	<b>2 147 888</b>	<b>149 826</b>	<b>213 183</b>	<b>1 729 372</b>	<b>2 460 675</b>
<b>Net carrying amount as at 31/03/2006</b>	<b>70 000</b>	<b>99 601</b>	<b>1 398 728</b>	<b>1 990 209</b>	<b>146 921</b>	<b>209 048</b>	<b>1 615 649</b>	<b>2 298 861</b>

Prepayments for intangible assets amounting to LVL 66 291 as on 31 March 2006 are attributable to fees prepaid for medicine registration abroad.

**12. Fixed assets****LVL**

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Expenses on creation of fixed assets and construction in progress	TOTAL
Acquisition value as at 31/12/2005	55 928	9 118 838	8 759 610	365 892	247 026	18 547 294
Aquisition	-	115 838	45 490	11 030	53 835	226 193
2006 Liquidation and sale	-	-	(41 728)	(945)	(116 399)	(159 072)
2006 Depreciation of value	-	-	-	-	-	-
Acquisition value as at 31/03/2006	55 928	9 234 676	8 763 372	375 977	184 462	18 614 415
Accumulated depreciation as at 31/12/2005	-	6 108 296	4 619 116	170 458	-	10 897 870
2006 Depreciation	-	105 759	272 887	9 375	-	388 021
Accumulated depreciation as at 31/03/2006	-	6 214 055	4 851 065	178 963	-	11 244 083
<b>Net carrying amount as at 31/12/2005</b>	<b>55 928</b>	<b>3 010 542</b>	<b>4 140 494</b>	<b>195 434</b>	<b>247 026</b>	<b>7 649 424</b>
<b>Net carrying amount as at 31/03/2006</b>	<b>55 928</b>	<b>3 020 620</b>	<b>3 912 308</b>	<b>197 014</b>	<b>184 462</b>	<b>7 370 332</b>

## EUR

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Expenses on creation of fixed assets and construction in progress	TOTAL
Acquisition value as at 31/12/2005	79 578	12 974 938	12 463 802	520 617	351 486	26 390 422
2006 Acquisition	-	164 823	64 726	15 694	76 600	321 844
Liquidation and sale	-	-	(59 374)	(1 345)	(165 621)	(226 340)
Acquisition value as at 31/03/2006	79 578	13 139 760	12 469 154	534 967	262 466	26 485 926
Accumulated depreciation as at 31/12/2005	-	8 691 322	6 572 410	242 540	-	15 506 272
2006 Depreciation	-	150 481	388 283	13 339	-	552 104
Depreciation of liquidated assets	-	-	(58 250)	(1 238)	-	(59 487)
Accumulated depreciation as at 31/03/2006	-	8 841 804	6 902 444	254 641	-	15 998 889
<b>Net carrying amount as at 31/12/2005</b>	<b>79 578</b>	<b>4 283 615</b>	<b>5 891 392</b>	<b>278 078</b>	<b>351 486</b>	<b>10 884 150</b>
<b>Net carrying amount as at 31/03/2006</b>	<b>79 578</b>	<b>4 297 955</b>	<b>5 566 713</b>	<b>280 326</b>	<b>262 466</b>	<b>10 487 037</b>

On March 31st, 2006, fixed and non-current assets of the Holding company have been liened as a security for received loan and credit lines (see note 22). Lien contracts are registered in Commerce lien register on December 16th, 2003, and have been renewed on June 29th, 2004. In addition, the biggest shareholders of the Holding company have guaranteed return of the loan with the their shares of the Holding company, as well as president of the Holding Company has liened all his shared of SIA "Olmafarm".

Prepayments for fixed assets as on 31 March 2006 amounted to LVL 162 462.

## 13. Inventories

	31.03.2006 LVL	31.03.2006 EUR	31.12.2005 LVL	31.12.2005 EUR
Raw materials	887 457	1 262 738	871 116	1 239 486
Work in progress	1 829 001	2 602 434	1 596 920	2 272 212
Finished goods and goods for resale	1 526 142	2 171 504	1 304 964	1 856 796
Prepayments for goods	62 309	88 658	77 829	110 741
<b>TOTAL:</b>	<b>4 304 910</b>	<b>6 125 334</b>	<b>3 850 829</b>	<b>5 479 236</b>
Provisions for raw materials	(144 993)	(206 306)	(144 993)	(206 306)
Provisions for work in progress	(70 280)	(99 999)	(70 280)	(99 999)
Provisions for finished goods and goods for resale	(88 375)	(125 746)	(88 375)	(125 746)
<b>TOTAL:</b>	<b>(303 648)</b>	<b>(432 052)</b>	<b>(303 648)</b>	<b>(432 052)</b>
<b>TOTAL:</b>	<b>4 001 262</b>	<b>5 693 281</b>	<b>3 547 181</b>	<b>5 047 184</b>

## 14. Trade receivables

	31.03.2006 LVL	31.03.2006 EUR	31.12.2005 LVL	31.12.2005 EUR
Trade receivables	3 860 814	5 493 443	3 547 815	5 048 085
Provisions for insecure trade receivables	(105 535)	(150 162)	(104 818)	(149 142)
<b>TOTAL:</b>	<b>3 755 279</b>	<b>5 343 281</b>	<b>3 442 997</b>	<b>4 898 943</b>

**15. Receivables from related companies**

Company	31.03.2006 LVL	31.03.2006 EUR	31.12.2005 LVL	31.12.2005 EUR
SIA "Olmafarm" *	586 320	834 258	586 934	835 132
Stimfarm Ltd.	28 643	40 755	28 643	40 755
Provisions for insecure trade receivables	(28 643)	(40 755)	(28 643)	(40 755)
<b>TOTAL:</b>	<b>586 320</b>	<b>834 258</b>	<b>586 934</b>	<b>835 132</b>

\* The Holding company has issued interest-free loan to its biggest shareholder SIA "Olmafarm" with loan maturity term on July 1st, 2006. On March 31st, 2006, the unpaid part of the loan has amounted to Ls 72 144.

**16. Other receivables**

	31.03.2006 LVL	31.03.2006 EUR	31.12.2005 LVL	31.12.2005 EUR
Receivables from the sale of technologies and equipment	1 787 599	2 543 524	1 825 786	2 597 859
VAT receivable from the state budget	72 837	103 638	90 060	128 144
Overpayment of corporate income tax	88 557	126 005	88 174	125 460
Representation office expense	3 888	5 532	7 925	11 276
Advances to suppliers	52	74	1 265	1 800
Advances to employees	39 202	55 779	10 883	15 484
Other receivables	18 857	26 831	33 941	48 294
Provisions for advances to employees and other receivables	(920 346)	(1 309 534)	(920 346)	(1 309 535)
<b>TOTAL:</b>	<b>1 090 646</b>	<b>1 551 849</b>	<b>1 137 687</b>	<b>1 618 782</b>

**17. Current loans to the Holding management**

Current loans to the management of the Holding comprise an interest-free loan to Valērijs Maligins, Chairman of the Board of the Parent Company. Loan maturity term is prolonged to July 1<sup>st</sup>, 2006.

**18. Prepaid expense**

	31.03.2006 LVL	31.03.2006 EUR	31.12.2005 LVL	31.12.2005 EUR
Prepaid expense relating to analyses	-	-	12 233	17 406
Insurance payments	14 944	21 263	15 132	21 531
Subscription to the media	-	-	877	1 248
Other prepaid expense	5 133	7 304	3 731	5 309
<b>KOPĀ:</b>	<b>20 077</b>	<b>28 567</b>	<b>31 973</b>	<b>45 493</b>

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

Cash by currency profile:	31.03.2006		31.12.2005	
	Foreign currency	LVL	Foreign currency	LVL
RUR	1 062 134	22 305	1 339 320	27 590
LVL		4 602		12 921
EUR	2 445	1 718	90 683	63 732
USD	366	213	944	560
		<b>28 838</b>		<b>104 803</b>

**20. Share capital**

The share capital of the Parent 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 bearer's shares entitled to vote.

**21. Loans from credit institutions**

Non-current: Loan from a/s "SEB Unibanka" (1)	Amount	EUR	Effective interest rate (%) EUR LIBOR (3 mēn.)+3%	Maturity	31.03.2006	31.03.2006	31.12.2005	31.12.2005
					LVL	EUR	LVL	EUR
	6290000	EUR			3 629 983	5 165 000	3 745 945	5 330 000
<b>TOTAL:</b>					<b>3 629 983</b>	<b>5 165 000</b>	<b>3 745 945</b>	<b>5 330 000</b>

  

Current: Loan from a/s "SEB Unibanka" (1)	Amount	EUR	Effective interest rate (%) EUR LIBOR (3 mēn.)+3%	Maturity	2005	2005	2005	2005
					LVL	EUR	LVL	EUR
	660000	EUR		08.12.2006.	463 851	660 000	467 365	665 000
Credit line from a/s "SEB Unibanka" (2)	200000	LVL	LVL Unibor (3 mēn.)+1,95%	05.12.2006.	198 935	283 059	150 228	213 755
Credit line from a/s "SEB Unibanka" (3)	200000	EUR	EUR LIBOR (3 mēn.)+1,95%	05.12.2006.	47 487	67 569	13 688	19 476
Credit line from a/s "SEB Unibanka" (4)	500000	USD	USD LIBOR (3 mēn.)+1,95%	05.12.2006.	290 761	413 716	223 104	317 448
Overdraft "Baltfarm"		RUB	22%	13.04.2006.	-	-	4 219	6 003
<b>TOTAL:</b>					<b>1 001 035</b>	<b>1 424 344</b>	<b>858 604</b>	<b>1 221 683</b>

Due to the necessity to implement the standards of Good Manufacturing Practice (GMP), a non-current loan was obtained 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 Parent 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 period, the Parent Company complied with these requirements.

In 2003, the Parent Company concluded several credit line agreements with a/s SEB Unibanka with the maturity on 4 December 2004. In year 2004 mentioned credit line contracts have been prolonged for one more year on the same terms with new maturity term of December 5th, 2005, but in December of 2005 they have been prolonged to December 5th, 2006, with reducing the fixed part of the interest rate to 1.95%.

On December 31st, 2005, fixed and non-current assets of the Holding company have been liened as a security for received loan and credit lines (see note 12). Lien contracts are registered in Commerce lien register on December 16th, 2003, and have been renewed on June 29th, 2004. In addition, the biggest shareholders of the Holding company have guaranteed return of the loan with the their shares of the Holding company, as well as president of the Holding Company has liened all his shared of SIA "Olmafarm".

**22. Other loans**

	31.03.2006		31.03.2006		31.12.2005		31.12.2005	
	Long-term	Current	Long-term	Current	Long-term	Current	Long-term	Current
Finance lease liabilities to SIA								
Hanza Līzings	33 444	18 744	47 587	26 670	37 070	24 339	52 746	34 631
Finance lease liabilities to SIA								
Unilīzings	332 725	139 353	473 425	198 282	368 296	137 562	524 038	195 732
<b>TOTAL:</b>	<b>366 169</b>	<b>158 097</b>	<b>521 012</b>	<b>224 952</b>	<b>405 366</b>	<b>161 900</b>	<b>576 784</b>	<b>230 363</b>

The interest rate on the finance leases ranges from 5.12% to 9.35%. Finance lease liabilities are repayable till September 2007.

**23. Taxes payable**

According to Cabinet Order No. 127 of 25 February 2005, the Parent Company has been 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 2006 can be specified as follows:

	31.03.2006		31.03.2006		31.12.2005		31.12.2005	
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
Personal income tax	495 548	193 304	705 102	275 047	521 631	187 991	742 214	267 488
Statutory social insurance contributions	369 727	213 137	526 074	303 267	389 186	183 535	553 762	261 146
Real estate tax	72 803	15 327	103 589	21 808	76 634	15 327	109 040	21 808
Other taxes	-	2 543	-	3 618	-	850	-	1 209
Natural resource tax	-	4 483	-	6 379	-	2 969	-	4 225
<b>TOTAL:</b>	<b>938 078</b>	<b>428 794</b>	<b>1 334 765</b>	<b>610 119</b>	<b>987 451</b>	<b>390 672</b>	<b>1 405 016</b>	<b>555 877</b>

Beside that on the end of the reporting year the previously calculated penalty in amount of 560 160 lats, comprised of penalty for delayed statutory social insurance contributions personal income tax and real estate tax debts correspondingly in amount of 191 687 lats, 298 830 lats and 70 141 lats. Penalty calculation will be renewed if the Holding's parent company will not comply to the schedule of the principal debt, according to which the first repayment shall be started in January of 2006 and the final payments shall be made in December of 2011.

#### 24. Accrued liabilities

	31.03.2006	31.03.2006	31.12.2005	31.12.2005
	LVL	EUR	LVL	EUR
Provisions for penalties related to taxes	115 984	165 030	120 970	172 125
Vacation pay reserve	209 438	298 003	209 438	298 003
<b>TOTAL:</b>	<b>325 421</b>	<b>463 032</b>	<b>330 408</b>	<b>470 128</b>

#### 25. Other liabilities

	31.03.2006	31.03.2006	31.12.2005	31.12.2005
	LVL	EUR	LVL	EUR
Wages and salaries	307 627	437 714	298 033	424 062
Other liabilities	60 517	86 108	40 900	58 195
<b>TOTAL:</b>	<b>368 144</b>	<b>523 822</b>	<b>338 933</b>	<b>482 258</b>

#### 26. Off-balance sheet liabilities

In year 2004 the Parent Company concluded several operational leasing agreements with SIA "Unilizings" on operating lease of vehicles. The minimal future lease commitments arising therefrom can be presented as follows:

	31.03.2006	31.03.2006	31.12.2005	31.12.2005
	LVL	EUR	LVL	EUR
Payable within 1 year	8 015	11 404	10 608	15 094
Payable within 1-5 years	21 630	30 777	25 460	36 226
<b>KOPĀ:</b>	<b>29 645</b>	<b>42 181</b>	<b>36 068</b>	<b>51 320</b>

On September 15<sup>th</sup>, 2004, Riga regional court has reviewed case security request related to Inna Maligna's claim initiated against the Holding company for invalidation of assignment contract and recovery of debt in amount of 99 820 lats, which consists of main debt in amount of 41 971 lats and interest and penalty payment in amount of 57 849 lats. The judge of the Civil court collegium of Riga regional court denied plaintiff's request to secure the claim, but with decision as of March 18<sup>th</sup>, 2005 denied the claim in full amount. The claimant has appealed, and appeal sitting has been scheduled for March 23<sup>rd</sup>, 2006, but sitting has been postponed and the next sitting is scheduled on October 31<sup>st</sup>, 2006.

**27. Transactions with related parties**

Related person	Type of services		Income from related person, LVL	Income from related person, EUR	Payments to related persons, LVL	Payments to related persons, EUR	Debts of related persons, LVL	Debts of related persons, EUR	Debts to related persons, LVL	Debts to related persons, EUR
SIA Olmafarm	Loan and sale of finished goods	2006	0	0	0	0	586320	834258	0	0
Stimfarm Ltd.	Sale of finished goods and chemicals	2006	0	0	0	0	28643	40755	0	0
V. Maligins	Loan	2006	0	0	1 840	2618	335 864	477 891	0	0
<b>KOPA: 2006</b>			<b>0</b>	<b>0</b>	<b>1 840</b>	<b>2 618</b>	<b>950 827</b>	<b>1 352 905</b>	<b>0</b>	<b>0</b>