

JOINT STOCK COMPANY OLAINFARM
(UNIFIED REGISTRATION NUMBER 40003007246)

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007
(11th financial year)

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

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of AS Olainfarm

Report on the Financial Statements

We have audited 2007 financial statements of AS Olainfarm (the Company), which are set out on pages 14 through 36 of the accompanying 2007 financial statements and which comprise the balance sheet as at 31 December 2007, the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the law of the Republic of Latvia on Financial Statements of Companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As disclosed in Note 11 to the financial statements, the Company's balance sheet as at 31 December 2007 includes the intangible assets with net carrying amount of LVL 235 152 which had arisen in the result of the technologies acquisition prior to 2007. During our audit we were not able to obtain sufficient audit evidence regarding the recoverability of the value of the aforementioned assets, as well as their amortisation period fixed by the Company that in turn affects the amortisation expense disclosed in the income statement for the year ended 31 December 2007.

As disclosed in Note 18 to the financial statements, other receivables include an amount of LVL 104 187 paid according to the adverse ruling of the Supreme Court Chamber of Civil Cases. The cassation appeal by AS Olainfarm was heard by the Supreme Court Senate at the meeting on 28 March 2007, which ruled to annul the judgment made by the Supreme Court Chamber of Civil Cases. Upon retrial of the case the Supreme Court Chamber of Civil Cases repeatedly made an adverse ruling. AS Olainfarm intends to appeal against the judgement, and the Company's management believes that the ruling will be favourable to the Company, therefore no provisions have been made for the above amount. We were not able to obtain conclusive evidence confirming that the Company will be able to recover the respective amount.



INDEPENDENT AUDITORS' REPORT (continued)

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding the recoverability of the value of technologies and recoverability of other receivables as discussed in section "Basis for Qualified Opinion", the financial statements give a true and fair view of the financial position of the Company as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with the law of the Republic of Latvia on Financial Statements of Companies.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to the fact that the Company have intangible assets in amount of LVL 950 000 and prepayments for intangible assets in the amount of LVL 1 900 000 that relate to acquisition of a patents for a new recently developed finished form medicine. As disclosed in Note 11 to the financial statements, the management of the Company expects to submit to Regulatory Authority technical feasibility regarding above mentioned finished form medicine for approval to start production in autumn 2008 and the Company expect to commence production of the respective medicine in 2010. At this moment there is no indication that the Company either will not be able to receive the above-mentioned approval or will not commence the production process of the respective medicine; however, we draw your attention to this matter due to possible unpredictable future events.

Report on Compliance of the Management Report

Furthermore, we have read the Management Report for the year ended 31 December 2007, included on pages 9 through 13 of the accompanying 2007 Annual Report and have not noted any material inconsistencies between the financial information included in it and the financial statements for the year ended 31 December 2007.

SIA Ernst & Young Baltic
Licence No. 17

A handwritten signature in blue ink, appearing to read 'Diāna Krišjāne', written over a horizontal line.

Diāna Krišjāne
Personal ID code: 250873-12964
Chairperson of the Board
Latvian Sworn Auditor
Certificate No. 124

Riga, 22 April 2008

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General information

Name of the company	Olainfarm
Legal status of the company	Joint stock company
Unified registration number, place and date of registration	40003007246 Riga, 10 June 1991 (re-registered on 27 March 1997)
Registered office	Rūpnīcu iela 5 Olaine, Latvia, LV-2114
Major shareholders	SIA Olmafarm (49.51 %) A. Čaka iela 87 Riga, Latvia, LV-1011 Juris Savickis (31.23 %)
Board	Valērijs Maligins, Chairman of the Board (President) Positions held in other companies: SIA New Classic – Board Member, SIA Aroma – Chairman of the Board, SIA Olmafarm – Managing Director Participation in other companies: Latvian Academic Library Foundation (SO Latvijas Akadēmiskās bibliotēkas Atbalsta fonds), SO Vītkupe, Nature Restoration Foundation, SIA Remeks Serviss (33.3%), SIA Olfa Press (45%), SIA Carbochem (50%), SIA Aroma (100%), SIA Olmafarm (100%), SIA New Classic (100%) Jeļena Borcova, Deputy Chairman of the Board Positions held in other companies: SIA Carbochem – Chairperson of the Board Participation in other companies: none Jurijs Kaplinovs Participation in other companies: none Andris Jegorovs Participation in other companies: none Inga Liščika Participation in other companies: none Aleksandrs Černobrovijs (resigned on 21/08/2007) Positions held in other companies: SIA Carbochem – Board Member Participation in other companies: none

	<p>Viktorija Žuka-Nikuļina (resigned on 21/08/2007)</p> <p>Positions held in other companies:</p> <p>SIA V.E.D. – Chairperson of the Board,</p> <p>Public non-governmental organisation Baltijas Juristu perspektīvas – Board Member</p> <p>Participation in other companies:</p> <p>SIA V.E.D. (100%),</p> <p>Public non-governmental organisation Baltijas Juristu perspektīvas</p>
Council	<p>Juris Savickis, Chairman of the Council</p> <p>Positions held in other companies:</p> <p>Latvian Tennis Union (unregistered office),</p> <p>AS Sibur Itera - Chairman of the Council,</p> <p>AS Latvijas Gāze - Deputy Chairman of the Council,</p> <p>AS VEF banka - Deputy Chairman of the Council,</p> <p>SIA Itera Latvija - Chairman of the Board,</p> <p>AS Nordeka - Chairman of the Council,</p> <p>SIA Islande Hotel – Board Member,</p> <p>Tennis club Altitūde - Chairman of the Board</p> <p>Participation in other companies:</p> <p>SIA Islande Hotel (75.31%),</p> <p>SIA Daugmala (100%),</p> <p>SIA Energo SG (50%),</p> <p>SIA Nordeka Serviss (100%),</p> <p>SIA Palasta nami (100%),</p> <p>SIA Elssa-SIA (55%),</p> <p>Company of apartment owners Četri pluss (20%)</p> <p>SIA SMS Elektro (34%),</p> <p>AS Latvijas Krājbanka (1.02%),</p> <p>SIA Bobrova nams (21.25%),</p> <p>AS Nordeka (48.09%),</p> <p>Tennis club Altitūde,</p> <p>Tennis club Prezidents,</p> <p>SIA Blūza klubs (50%),</p> <p>SIA Ajura (50%),</p> <p>SIA SWH Sets (22.22%)</p> <p>Ivars Kalviņš, Deputy Chairman of the Council (resigned on 24/01/2008)</p> <p>Positions held in other companies:</p> <p>AS Latvijas zoovetapgāde - Chairman of the Council,</p> <p>National research institution, non-profit organization Latvian Institute of Organic Synthesis - Director,</p> <p>AS Grindeks - Council Member,</p> <p>Latvian Academic Library Foundation (SO Latvijas Akadēmiskās bibliotēkas Atbalsta fonds) – Chairman of the Board</p> <p>Participation in other companies:</p> <p>SIA OSI Laboratorijas (16%),</p> <p>SIA Tetra (50%),</p> <p>Latvian Academic Library Foundation (SO Latvijas Akadēmiskās bibliotēkas Atbalsta fonds),</p> <p>Society of Quality Tests</p> <p>Eļena Dudko</p> <p>Positions held and participation in other companies: none</p>

Guntis Belēvičs (resigned on 13/04/2007)

Positions held in other companies:

SIA Blakenfeldes muiža - Board Member,

SIA Divezeri - Board Member,

SIA Centrālā laboratorija - Board Member,

SIA Baltic Pharma Service - Board Member,

SIA Juglas medicīnas centrs - Board Member,

SIA Genera - Council Member,

SIA Belēviču nekustāmie īpašumi - Board Member,

SIA Aptieku serviss - Board Member,

SIA Uniaptieka - Liquidator,

SIA Dolli 91 - Liquidator,

Zemitāni farm in the Irši district - owner,

SIA Saules aptieka - Board Member

Participation in other companies:

Zemitāni farm in the Irši district - owner,

SIA Blakenfeldes muiža (100%),

SIA Divezeri (100%),

SIA Genera (0.75%),

SIA Maltas aptieka,

SIA Aptieku serviss (50%),

SIA Belēviču nekustāmie īpašumi (20%),

SIA Centrālā laboratorija (51.74%),

SIA AA Active (25%),

SIA Baltic Pharma Service (40%)

University of Agriculture Hunting Club,

Society Grindeļa brālība,

Society Friends of Latvians in Brasil (SO Brazīlijas Latviešu draugu biedrība),

Koknesei,

Open public foundation LTVF,

Riga Hansa Rotary Club

Tatjana Lukina (resigned on 20/07/2007)

Positions held in other companies:

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

The People's Harmony Party - Board Member

Participation in other companies: none

Rolands Klincis (appointed on 13/04/2007)

Positions held in other companies: none

Participation in other companies:

Association of Latvian Securities Market Professionals

Aleksandrs Raicis (appointed on 20/07/2007)

Positions held in other companies:

Latvian Association of Medical Wholesalers

Participation in other companies:

SIA VIP Pharma (50%),

SIA Recesus (30%)

Movements in the Board during the period 1 January 2007 through 31 December 2007

Aleksandrs Černobrovijs, resigned 21/08/2007
Viktorija Žuka-Nikuļina, resigned 21/08/2007

Movements in the Council during the period 1 January 2007 through 31 December 2007

Guntis Belēvičs, resigned 13/04/2007
Rolands Klincis, appointed 13/04/2007
Tatjana Lukina, resigned 20/07/2007
Aleksandrs Raicis, appointed 20/07/2007

Subsidiary

OOO Baltfarm
Cheremushkinskaya 13/17
Moscow, Russia (100%)

Core business activity

Manufacturing and distribution of chemical and pharmaceutical products

Financial year

1 January – 31 December 2007

Auditors

Diāna Krišjāne
Latvian Sworn Auditor
Certificate No. 124

SIA Ernst & Young Baltic
Kronvalda bulvāris 3-5, Riga
Latvia, LV – 1010
Licence No. 17

Management report

AS Olainfarm (hereinafter -- the Company) has summarized results of activity in the year 2007 and prepared the financial statements for the corresponding period.

General Information

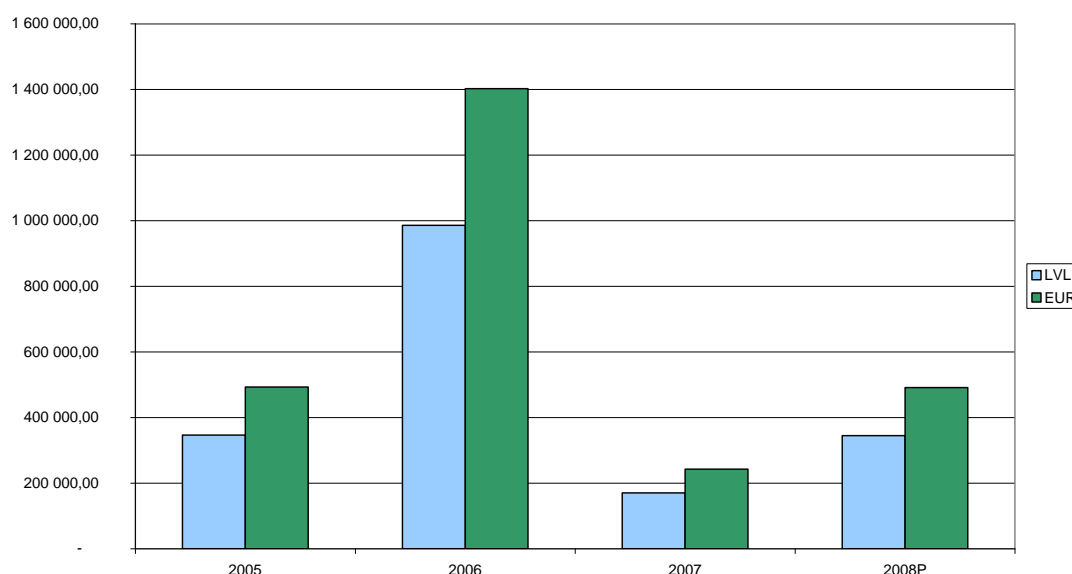
AS Olainfarm is one of the biggest companies in the Baltic States with 35 years of experience in production of medicines and chemical and pharmaceutical products. The basic principle of Company's operations is to produce reliable and effective top quality products for Latvia and the rest of the world.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

Financial Results of 2007

We regard the results performance of AS Olainfarm in 2007 as partially satisfactory. The net profit of the Company during the reporting period was 170 351 lats (242 388 Euro), which is slightly more than 17% of the profit of 2006. The Company has also failed to meet its profit target for 2007, because the planned sales of chemical products in 2007 were not achieved, growth of sales to Russia was slower than planned and the pace of registration of new products in Poland was slower than initially projected. Profit was also influenced by the undersubscription during the secondary public offering of Company's shares in 2007. Similarly to other sectors, inflation driven costs, like energy and labour costs in Olainfarm continued to increase compared to 2006; total labour costs increased by 20%, however, the sales per employee increased by 11%. Besides, after the end of the reporting period Olainfarm has agreed with „Novartis Grimsby Limited” of Great Britain about the amounts of deliveries of chemical intermediate in 2008, which were partially initially planned for 2007.

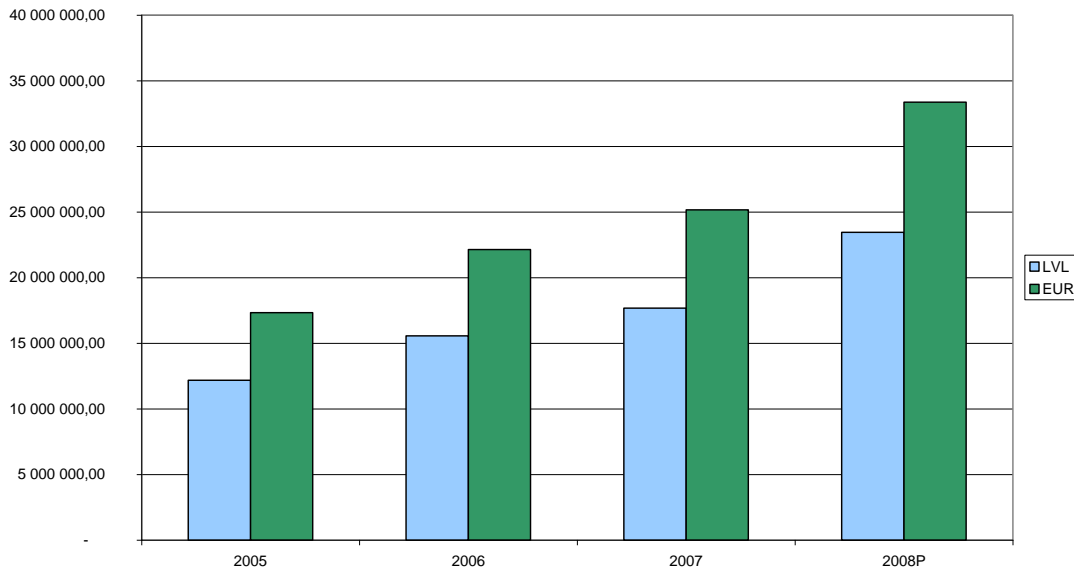
Earning per share (EPS) as of end of 2007 was 1.2 santims of approximately 1.7 Euro cents.

Net Unconsolidated Profit of Olainfarm

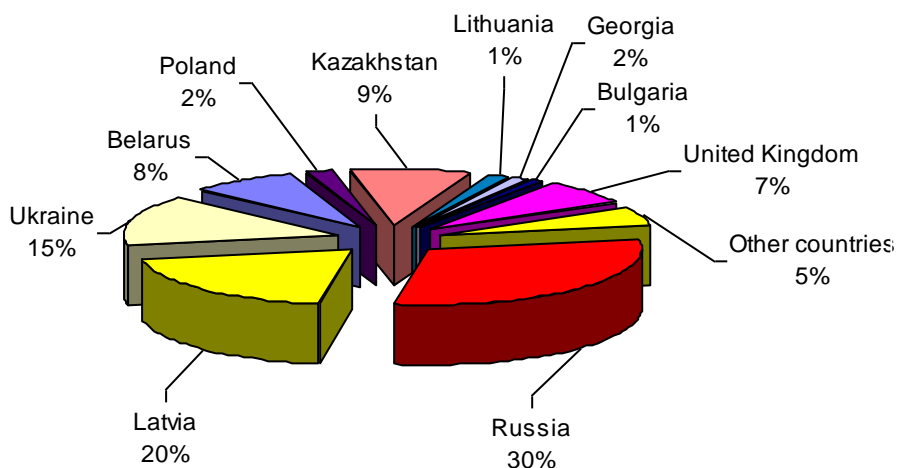


Company's sales in 2007 reached 17.7 million lats (25.19 million Euro), which, although is smaller than planned, still exceeds sales of 2006 by nearly 14%.

Unconsolidated Sales of Olainfarm

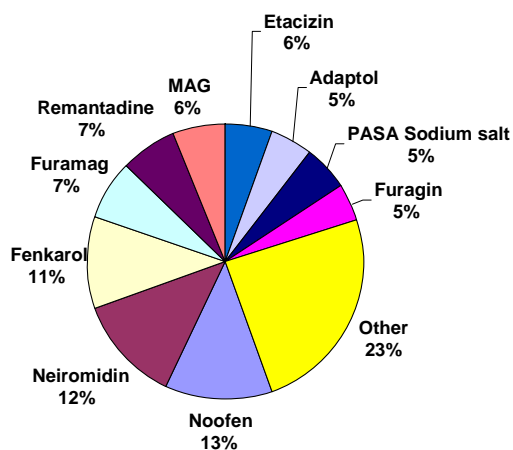


The biggest sales markets in 2007 were Russia (30%), Latvia (20%), Ukraine (15%), Kazakhstan (9%), Belarus (8%) and the United Kingdom (7%). Sales to all of the markets increased, however, in nearly all of them sales grew slower than planned. In 2007, like in previous years, the Company was successful in diversifying its sales markets as to none of them the Company has been selling more than 30% of its total sales. A particular attention shall be drawn to the fact that the increasingly important role is played by markets like Bulgaria, Kazakhstan and the United Kingdom, i.e. countries which have appeared in the list of main markets as a result of sales and marketing strengthening effort taken during the recent years.



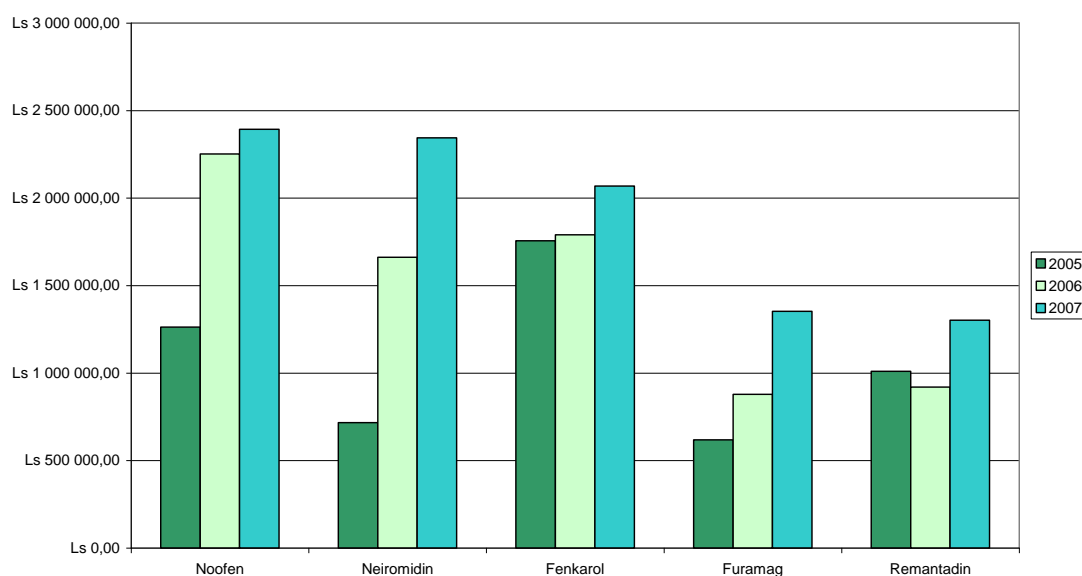
Good diversity can also be observed when looking at the shares of best selling products, where none of the products exceeds 13% share in total sales.

Sales by Products in 2007 in % of Total Sales Value



During 2007 sales volumes of all major products continued to increase, although at a different speed. Unfortunately in most cases they have been behind the planned growth.

Sales Development of Top 5 Products



Selected Financial Indicators

As it has been mentioned before, due to several reasons the Company failed to meet its sales and profit targets in 2007. Since Company's sales volume is relatively close to the break-even, any changes to the sales volume leave disproportionate impact on net profit, and therefore on different margins.

Indicators	2007	2006	% to the figures of 2006
Sales (LVL)	17 683 606	15 562 704	114%
Net profit (LVL)	170 351	985 648	17%
EBITDA (LVL)	3 250 967	3 700 600	88%
EBIT (LVL)	960 479	1 671 046	57%
Sales (EUR)	25 161 504	22 143 733	114%
Net profit (EUR)	242 388	1 402 451	17%
EBITDA (EUR)	4 625 710	5 265 479	88%
EBIT (EUR)	1 356 532	2 377 684	57%
EBITDA margin, %	18,4 %	23,8%	-
Net margin, %	0,96 %	6,33%	-
EBIT margin, %	5,43 %	10,74 %	-
ROA, %	0,6 %	3,89 %	-
ROE, %	1,05 %	7,25 %	-
EPS, LVL	0,012	0,075	16%
EPS, EUR	0,017	0,107	16%

Significant Events in 2007

As it has been reported before during 2007 Olainfarm has implemented several successful cooperation projects. The Company has supplied „Novartis Grimsby Limited” of Britain with chemical intermediate and in cooperation with international pharmaceutical company has started the work at new generation neuroprotector „Memantine”. The company has also been awarded a contract to supply anti-tuberculosis medicine „PASA Sodium Salt” to the national reserves of Kazakhstan.

In 2007 the Company planned to issue 4 000 000 shares and to offer them to private investors in Latvia and institutional investors in the Baltics, Scandinavia, and Western Europe. The offer was only partially subscribed, and as a result the plans to construct the ampouling facility were postponed. However, as a result of the share issue sufficient resources were raised to implement some smaller scale investment plans. During the reporting period several important investments into modernisation of the factory have been made:

- The most modern centre for chromatographic analyses in the Baltics has been opened. Besides Olainfarm, it provides analytical services to other Latvian and foreign companies;
- API production facility has been renovated;
- Warehousing space for finished medications has been significantly increased;
- The work is continuing at the reconstruction of several units of pilot production facility, to enable the company to launch the production of new products as a matter of the nearest months.

During the reporting period the contracts have been signed on rights to use the intellectual property on new products, including original ones, to enable the Company to within the nearest years launch five new particularly promising products, namely meldonium, Olvazol®, R-Fenibut, R-Fenotropil and memantine.

Events and Conditions after the End of the Reporting Period

When evaluating the financial results of 2007 and taking into consideration that three out of five potentially very promising new products will be included in the product portfolio in the very nearest future, the Board has decided to significantly strengthen its marketing and sales promotion effort in 2008 and to additionally allocate nearly 2 million lats (3 million Euro) for this purpose. Although in the short run such a decision will positively influence Company's sales, it may significantly adversely influence its profit. From the medium to long term perspective, the Board's opinion is that the significant sales growth is expected in 2009, but with the introduction of the new products, if the Company has a ready and functioning marketing structure adopted to Company's needs, the sales growth of the new products will be even more rapid and thus the short term profit shortfalls will be outweighed by more considerable sales and profit growth already in the medium term.

Profit Allocation

Taking into consideration the necessity to promote the sales of existing and registration of new products, as well as to expand the Company's sales markets, the Management Board has proposed that the Profit of 2007, namely 170 351 lats (242 388 Euro) be reinvested into Company's further development.

Company's Share Price in 2007 vs. Rebased OMX Riga Index



Although in 2007 Company's shares have experienced both, rapid growth and sharp declines, especially after the announcement of partially subscribed issue after the SPO, and the beginning of US subprime mortgage crisis, most of 2007 and at the end of the period shares of Olainfarm have been outperforming the OMX Riga index.

Development Plans for 2008

Since one of the reasons for failure to meet the sales and profit targets of 2007 was the insufficient level of sales growth in Russia, in 2008 the Company plans to significantly strengthen the sales promotion effort in this country, which is especially important, taking into consideration that in the nearest years to come adding of the new products to the product portfolio is planned. This year the continuation of the work at the registration of new products in Poland and Bulgaria is planned. As a matter of coming months, the registration of the first products of so called Baltics Generic Programme is expected. In cooperation with the regional partners the work has been started at the registration of products in Balkan countries. Successfully started cooperation with other foreign partners, including Novartis Grimsby Limited of Britain, will also be continued. An agreement has been reached with the said British subsidiary of Novartis about the delivery of the chemical intermediate in 2008 for the amount of 1.4 million lats (2 million EUR).

Also, keeping in mind the failure to meet the sales and profit targets of 2007 and setting the profit target of 325 578 lats (490 890 Euro) and the sales target of 23.45 million lats (33,37 million Euro) for 2008 we have been trying to be more careful and conservative.

Although in 2007 the company did not fully reach its targets, significant amount of work has been conducted in this period to strengthen the Company's positions in both local and foreign pharmaceutical markets and regional financial markets and a lot of other effort which is a necessary pre-condition for even more rapid Company's development in the nearest future has been accomplished.

Financial risks disclosed in Note 29 to the financial statements are managed in conformity with the Company's financial policy.

The management of AS Olainfarm is responsible for this annual report. The annual report has been drawn up in accordance with accounting records and gives a true and fair view of the financial position of the Company and results of its operations.


Valērijs Malīgiņš
Chairman of the Board
(President)



22 April 2008

The financial statements have been approved by the shareholders on 29 April 2008.

Income statement

	Notes	31.12.2007. LVL	31.12.2007. EUR	31.12.2006. LVL	31.12.2006. EUR
Net turnover	3	17 683 606	25 161 504	15 562 704	22 143 733
Changes in stock of finished goods and work in progress		2 087 788	2 970 655	948 049	1 348 952
Other operating income	4	602 915	857 871	429 663	611 355
Cost of materials:					
<i>Raw materials and consumables</i>		(3 408 281)	(4 849 546)	(3 282 648)	(4 670 787)
<i>Other external costs</i>		(1 587 098)	(2 258 237)	(1 128 646)	(1 605 919)
		(4 995 379)	(7 107 783)	(4 411 294)	(6 276 706)
Staff costs:					
<i>Wages and salaries</i>		(6 321 347)	(8 994 466)	(4 986 203)	(7 094 728)
<i>Statutory social insurance contributions</i>		(1 331 998)	(1 895 262)	(1 060 247)	(1 508 596)
	10	(7 653 345)	(10 889 728)	(6 046 450)	(8 603 323)
Depreciation/ amortisation and write-offs:					
<i>Depreciation and amortisation expense</i>	11.12.	(2 194 153)	(3 121 998)	(1 945 123)	(2 767 661)
<i>Write-offs of the value of current assets</i>		(96 335)	(137 072)	(84 431)	(120 134)
		(2 290 488)	(3 259 071)	(2 029 554)	(2 887 795)
Other operating expense	5	(4 474 618)	(6 366 810)	(2 782 072)	(3 958 532)
Interest receivable and similar income	6	41 773	59 438	24 930	35 472
Interest payable and similar expense	7	(572 292)	(814 298)	(594 333)	(845 660)
Profit before taxes		429 960	611 778	1 101 643	1 567 496
Corporate income tax	8	(180 410)	(256 700)	(61 263)	(87 169)
Other taxes	9	(79 199)	(112 690)	(54 732)	(77 877)
Net profit for the year		170 351	242 388	985 648	1 402 451

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

For the Board:


 Valērijs Maligins
 Chairman of the Board
 (President)



22 April 2008

Balance sheet

		ASSETS			
ILGTERMIŅA IEGULDĪJUMI	Notes	31.12.2007. LVL	31.12.2007. EUR	31.12.2006. LVL	31.12.2006. EUR
Intangible assets					
Other intangible assets	11	1 680 787	2 391 545	1 260 325	1 793 281
Prepayments for intangible assets	11	2 083 100	2 963 985	2 356 660	3 353 225
TOTAL		3 763 887	5 355 531	3 616 985	5 146 506
Tangible assets					
Land, buildings and constructions	12	4 760 605	6 773 730	3 476 135	4 946 095
Equipment and machinery	12	4 359 898	6 203 575	4 404 511	6 267 055
Other fixtures and fittings, tools and equipment	12	374 630	533 051	177 896	253 123
Construction in progress	12	1 187 133	1 689 138	639 956	910 575
Prepayments for tangible assets		323 412	460 174	585 581	833 207
TOTAL		11 005 678	15 659 668	9 284 079	13 210 055
Financial assets					
Prepayments for investments	14	540 950	769 703	-	-
Other securities and investments		386	549	386	549
TOTAL		541 336	770 252	386	549
TOTAL NON-CURRENT ASSETS		15 310 901	21 785 451	12 901 450	18 357 110
CURRENT ASSETS					
Inventories					
Raw materials		1 023 037	1 455 651	970 354	1 380 689
Work in progress		3 009 642	4 282 335	1 922 504	2 735 477
Finished goods and goods for resale		2 312 818	3 290 844	1 421 268	2 022 283
Prepayments for goods		69 448	98 816	176 766	251 515
TOTAL	15	6 414 945	9 127 646	4 490 892	6 389 965
Receivables					
Trade receivables	16	4 779 006	6 799 913	4 375 969	6 226 443
Receivables from related companies	17	479 428	682 165	2 762 999	3 931 393
Other receivables	18	308 773	439 344	165 964	236 145
Current loans to management and employees	19	141 760	201 706	527 555	750 643
Prepaid expense	20	33 565	47 759	70 651	100 527
TOTAL		5 742 532	8 170 886	7 903 138	11 245 152
Cash	21	1 064 765	1 515 024	69 537	98 942
TOTAL CURRENT ASSETS		13 222 242	18 813 556	12 463 567	17 734 059
TOTAL ASSETS		28 533 143	40 599 006	25 365 017	36 091 169

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

For the Board:

Valērijs Maligins
Chairman of the Board
(President)



22 April 2008

EQUITY AND LIABILITIES

	Notes	31.12.2007. LVL	31.12.2007. EUR	31.12.2006. LVL	31.12.2006. EUR
EQUITY					
Share capital	22	14 085 078	20 041 260	13 209 055	18 794 792
Share premium		1 759 708	2 503 839	213 769	304 166
Retained earnings/ (accumulated deficit): brought forward		171 373	243 842	(814 275)	(1 158 609)
for the period		170 351	242 388	985 648	1 402 451
TOTAL EQUITY		16 186 510	23 031 329	13 594 197	19 342 800
LIABILITIES					
Non-current liabilities					
Deferred income tax liability	8	309 800	440 806	252 932	359 890
Loans from credit institutions	23	5 287 420	7 523 321	5 268 726	7 496 722
Other loans	24	318 420	453 071	380 620	541 573
Taxes payable	25	592 471	843 010	789 961	1 124 013
TOTAL		6 508 111	9 260 208	6 692 239	9 522 198
Current liabilities					
Loans from credit institutions	23	2 549 709	3 627 909	1 240 619	1 765 242
Other loans	24	225 215	320 452	204 806	291 413
Prepayments received from customers		113 422	161 385	481 885	685 661
Trade payables		1 069 348	1 521 545	1 622 502	2 308 612
Payables to related companies	29	115 552	164 416	235 681	335 344
Taxes payable	25	655 203	932 270	451 799	642 852
Accrued liabilities	26	685 750	975 734	466 394	663 619
Other liabilities	27	424 323	603 757	374 895	533 428
TOTAL		5 838 522	8 307 468	5 078 581	6 692 743
TOTAL LIABILITIES		12 346 633	17 567 677	11 770 820	16 214 941
TOTAL EQUITY AND LIABILITIES		28 533 143	40 599 005	25 365 017	36 091 169

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

Off-balance sheet liabilities: see Note 28.

For the Board:


 Valērijs Maligins
 Chairman of the Board
 (President)



22 April 2008

Cash flow statement

	31.12.2007. LVL	31.12.2007. EUR	31.12.2006. LVL	31.12.2006. EUR
Cash flows to/ from operating activities				
Profit before taxes	429 960	611 778	1 101 643	1 567 497
Adjustments for:				
Amortisation and depreciation	2 194 153	3 121 998	1 948 792	2 772 881
Disposal of tangible non-current assets and investments	24 222	34 465	46 798	66 588
Increase in provisions	68 126	96 935	164 713	234 365
Interest paid	460 209	654 818	399 872	568 967
Operating cash flows before working capital changes	3 176 670	4 519 994	3 661 818	5 210 298
(Increase) in inventories	(1 924 053)	(2 737 681)	(1 032 010)	(1 468 418)
(Increase)/ decrease in receivables and prepaid expense	1 774 811	2 525 329	(1 659 808)	(2 361 694)
(Decrease)/ increase in payables	(872 166)	(1 240 980)	199 135	283 344
Cash generated from operations	2 155 262	3 066 662	1 169 135	1 663 529
Interest paid	(458 901)	(652 957)	(397 822)	(566 050)
Corporate income tax paid	-	-	(16 866)	(23 998)
Real estate tax paid	(79 506)	(113 127)	(54 732)	(77 877)
Net cash flows to/ from operating activities	1 616 855	2 300 577	699 715	995 605
Cash flows to/ from investing activities				
Purchase of non-current assets	(4 553 334)	(6 478 811)	(5 537 431)	(7 879 054)
Proceeds from sale of non-current assets	175 000	249 003	116 720	166 078
Prepayments for financial investments	(540 950)	(769 703)	-	-
Loans repaid/ (issued)	383 555	545 750	42 212	60 062
Net cash flows to/ from investing activities	(4 535 729)	(6 453 761)	(5 378 499)	(7 652 915)
Cash flows to/ from financing activities				
Loans received/ (repaid), net	1 329 834	1 892 183	1 566 583	2 229 047
Increase in share capital	876 023	1 246 468	2 956 690	4 206 991
Share premium	1 708 245	2 430 614	147 835	210 350
Net cash flows to/ from financing activities	3 914 102	5 569 265	4 671 108	6 646 388
Change in cash	995 228	1 416 082	(7 676)	(10 922)
Cash at the beginning of the year	69 537	98 942	77 213	109 864
Cash at the end of the year	1 064 765	1 515 024	69 537	98 942

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

Statement of changes in equity

	Share capital	Share capital	Share premium	Share premium	Retained earnings/ (accumulated deficit)	Retained earnings/ (accumulated deficit)	Total equity	Total equity
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Balance as at 31 December 2005	10 252 365	14 587 801	65 934	93 816	(814 275)	(1 158 609)	9 504 024	13 523 008
Issue of share capital*	2 956 690	4 206 991	147 835	210 350	-	-	3 104 525	4 417 341
Profit for the reporting year	-	-	-	-	985 648	1 402 451	985 648	1 402 451
Balance as at 31 December 2006	13 209 055	18 794 792	213 769	304 166	171 373	243 842	13 594 197	19 342 800
Issue of share capital*	876 023	1 246 468	1 545 939	2 199 674	-	-	2 421 962	3 446 142
Profit for the reporting year	-	-	-	-	170 351	242 388	170 351	242 388
Balance as at 31 December 2007	14 085 078	20 041 260	1 759 708	2 503 840	341 724	486 229	16 186 510	23 031 329

* See Note 22.

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

2. Summary of significant accounting policies

Basis of preparation

The financial statements present only the financial position of AS Olainfarm as a stand-alone entity; the financial position of companies belonging to the Olainfarm Group (i.e. AS Olainfarm and its subsidiaries) is presented in a separate set of consolidated financial statements.

The financial statements of AS 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. The financial statements cover the period 1 January 2007 through 31 December 2007.

Changes in accounting policies

Following three Latvian Accounting Standards took effect in 2007:

- 1) LAS 6 *Revenue*;
- 2) LAS 7 *Property, Plant and Equipment*;
- 3) LAS 8 *Provisions, Contingent Liabilities and Contingent Assets*.

The introduction of these standards did not result in any material changes in the Company's accounting policies.

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 expense, and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying financial statements relate to provisions for doubtful receivables and inventories, depreciation, etc. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements when determinable.

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 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:

	31/12/2007 LVL	31/12/2006 LVL
USD 1	0.4840	0.5360
RUB 1	0.0197	0.0203
EUR 1	0.7028	0.7028

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

Intangible assets

Intangible assets basically consist of the costs of acquisition of preparation production technologies, medicine registration fee, and software. Intangible assets are stated at cost and amortised 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.

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.

Tangible 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 tangible non-current asset is put into operation or engaged in commercial activity. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Company depreciates separately some parts of plant, property and equipment, it also depreciates separately the remainder of the item. The remainder consists of the parts that are individually insignificant. The depreciation for the remainder is determined using approximation techniques to faithfully represent its useful life. When tangible non-current assets are sold or disposed of, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement. The 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 tangible assets</i>	20

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

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

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 are 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.

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

Patents

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

Investments in subsidiaries

Investments in subsidiaries (i.e. where the Company holds more than 50% interest of the share capital or otherwise controls the company) are stated in accordance with the cost method. Following initial recognition, investments in subsidiaries are carried at cost less any accumulated impairment losses. The carrying values of investments in subsidiaries are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Company recognises income from the investment only to the extent that the Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

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 – purchase 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.

A provision for obsolete inventories is established based on the review and analysis of individual items. Impairment of inventories caused by obsolescence and physical damage is assessed by the 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. 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 operating profit 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, net of issue costs associated with the borrowing.

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

Leases

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

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

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

Revenue

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

Sale of goods

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

Rendering of services

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

Interest

Revenue is recognised on an accrual basis.

Corporate income tax

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

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

Related parties

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

Contingencies

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

Subsequent events

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

3. Net turnover

<i>By business segments</i>	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
Finished form medicines	15 707 419	22 349 644	14 023 011	19 952 947
Chemicals	1 976 187	2 811 860	1 539 693	2 190 786
TOTAL:	17 683 606	25 161 504	15 562 704	22 143 733

<i>By geographical segments</i>	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
CIS	11 526 380	16 400 561	9 503 855	13 522 767
Latvia	3 469 340	4 936 427	3 024 131	4 302 950
Europe	1 968 883	2 801 468	1 526 288	2 171 712
Baltic states (Lithuania and Estonia)	305 398	434 542	609 271	866 914
Other	413 605	588 506	899 160	1 279 389
TOTAL:	17 683 606	25 161 504	15 562 704	22 143 733

4. Other operating income

	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
Treatment of waste water	148 445	211 219	108 665	154 616
Sale of non-current assets, net	113 925	162 100	-	-
Sale of current assets	61 404	87 370	194 170	276 279
Catering services	46 127	65 633	34 452	49 021
Lease of premises	31 018	44 135	18 632	26 512
Other operating income	201 996	287 414	73 744	104 928
TOTAL:	602 915	857 872	429 663	611 356

5. Other operating expense

	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
Marketing expense*	2 260 237	3 216 027	1 590 703	2 263 366
Sales commissions	168 522	239 785	127 449	181 344
Transportation expense	124 651	177 363	135 603	192 946
Other distribution costs	67 900	96 613	67 139	95 530
Expert analysis of medicines	20 808	29 608	17 371	24 717
Exhibition expense	15 436	21 964	28 391	40 397
<i>Total distribution costs:</i>	<i>2 657 554</i>	<i>3 781 358</i>	<i>1 966 654</i>	<i>2 798 297</i>
New product research and development costs	155 009	220 558	96 193	136 870
Insurance	146 191	208 011	94 987	135 154
Business trips	135 196	192 366	139 935	199 110
Write-offs and disposal of tangible assets	127 838	181 897	80 303	114 261
Provisions for doubtful receivables, established/ (recovered)	109 052	155 167	(728 360)	(1 036 363)
Flowers and gifts	94 641	134 662	34 253	48 738
Car fleet maintenance	90 074	128 164	54 587	77 670
Current repairs	82 748	117 739	97 211	138 319
Communications expense	71 543	101 797	79 147	112 616
Write-offs of current assets	63 434	90 258	139 841	198 976
Legal and audit fees	57 264	81 479	64 526	91 812
Representation expense	51 155	72 787	45 761	65 112
Social infrastructure	47 125	67 053	36 071	51 324
Audit of suppliers	46 650	66 377	76 952	109 493
Hosting expense	44 544	63 380	24 144	34 354
Donations	39 768	56 584	17 019	24 216
Allowances to staff	38 932	55 395	34 898	49 655
Membership fees	38 090	54 196	5 607	7 978
Provisions for slow-moving items	37 759	53 727	39 472	56 164
Audit fees	34 500	49 089	29 550	42 046
Information and business consulting	32 433	46 148	53 879	76 663
Security	28 627	40 733	24 401	34 719
Bank charges	27 004	38 423	30 940	44 024
Education	23 603	33 584	38 114	54 231
Inventorying of buildings	22 828	32 481	10 000	14 229
Office expense	19 365	27 554	14 146	20 128
Laboratory tests	10 941	15 568	7 806	11 107
Administrative offices maintenance	8 112	11 543	10 410	14 812
Waste removal	7 956	11 320	10 973	15 613
Permits for import and export of medicines	7 525	10 707	23 105	32 875
Visas, invitations	6 455	9 185	6 253	8 897
Unemployment risk duty	3 110	4 425	2 970	4 226
Humanitarian aid	2 986	4 249	14 329	20 388
Provisions for impairment of tangible assets	2 483	3 533	38 194	54 345
Land lease for eco-field	1 278	1 819	19 612	27 905
Theft of finished goods in transit	-	-	8 019	11 410
Other operating expense	-	-	33 376	47 490
Other administrative expense	100 845	143 490	6 792	9 664
TOTAL:	4 474 618	6 366 808	2 782 072	3 958 532

* The increase of marketing expense is related to the marketing strategy adopted by the Company, which is based on the measures for active promotion of products and has resulted in the steady growth of the net turnover.

6. Interest receivable and similar income

	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
Interest accrued on bank account balances	35 054	49 878	7 497	10 667
Interest income on loans	4 624	6 580	17 433	24 805
Currency exchange gain, net	2 095	2 981	-	-
TOTAL:	41 773	59 438	24 930	35 472

7. Interest payable and similar expense

	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
Loan interest payments	457 499	650 962	332 717	473 414
Currency exchange commission	61 046	86 861	86 820	123 533
Penalties paid	53 747	76 475	67 155	95 553
Currency exchange loss, net	-	-	107 641	153 160
TOTAL:	572 292	814 298	594 333	845 659

8. Corporate income tax

Corporate income tax:

	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
Current corporate income tax charge for the year	123 542	175 784	16 865	23 997
Deferred corporate income tax due to changes in temporary differences	56 868	80 916	44 398	63 173
Charged to the income statement:	180 410	256 700	61 263	87 169

Deferred corporate income tax:

	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
Deferred corporate income tax liability				
Accelerated depreciation for tax purposes	(420 892)	(598 875)	(354 171)	(503 940)
Gross deferred corporate income tax liability	(420 892)	(598 875)	(354 171)	(503 940)
Deferred corporate income tax asset				
Provisions for slow-moving items	50 716	72 162	48 056	68 378
Vacation pay reserve	60 375	85 906	53 183	75 673
Gross deferred corporate income tax asset	111 091	158 068	101 239	144 050
Net deferred corporate income tax (liability)	(309 800)	(440 806)	(252 932)	(359 890)

8. Corporate income tax (cont'd)

The Company's management believes that the above liabilities will be offset against the respective tax assets during the next years when the deferred tax liabilities realise, and therefore assets and liabilities have been netted.

Actual corporate income tax charge for the reporting year, if compared with theoretical calculations:

	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
Profit before taxes	429 960	611 778	1 101 643	1 567 497
Real estate tax expense	(79 199)	(112 690)	(54 732)	(77 877)
<i>Profit before corporate income tax</i>	350 762	499 088	1 046 911	1 489 620
Tax at the applicable rate of 15%	52 614	74 863	157 037	223 443
Permanent differences including:	154 433	219 738	(61 837)	(87 986)
Provisions	16 832	23 950	(103 525)	(147 303)
Other	137 601	195 789	41 688	59 317
Non-recognised asset for the ratio applied for tax depreciation purposes	(26 637)	(37 901)	(20 169)	(28 698)
Deferred corporate income tax asset recognised in the reporting year which had not been recognised in the previous years	-	-	(13 768)	(19 590)
Actual corporate income tax for the reporting year:	180 410	256 701	61 263	87 169

9. Other taxes comprise real estate tax expense.

10. Staff costs and number of employees

	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
Wages and salaries	5 996 986	8 532 942	4 700 482	6 688 183
Statutory social insurance contributions	1 253 859	1 784 081	991 416	1 410 658
Vacation pay reserve	402 500	572 705	354 552	504 483
TOTAL:	7 653 345	10 889 728	6 046 450	8 603 323

Including remuneration to the management:

	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
<u>Management of the Company</u>				
Wages and salaries	525 566	747 814	483 644	688 164
Statutory social insurance contributions	101 272	144 097	87 252	124 148
Vacation pay reserve	37 439	53 271	35 452	50 443
<u>Board Members</u>				
Wages and salaries	410 786	584 496	462 713	658 381
Statutory social insurance contributions	1 160	1 650	17 971	25 571
Vacation pay reserve	37 401	53 217	53 581	76 240
<u>Council Members</u>				
Wages and salaries	160 918	228 965	118 100	168 041
Statutory social insurance contributions	23 107	32 878	37 931	53 971
KOPĀ:	1 297 648	1 846 387	1 296 644	1 844 959

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

	2007	2006
Average number of employees during the reporting year	1 003	958

11. Intangible assets

	Production technologies*		Patents**		Other intangible assets		TOTAL	
	LVL	EUR	LVL	EUR	LVL	EUR	LVL	EUR
Acquisition value as at 31/12/2005	2 201 088	3 131 866	-	-	304 601	433 408	5 637 555	8 021 518
2006 Additions	-	-	-	-	116 242	165 397	116 242	165 397
Disposals	-	-	-	-	(46 130)	(65 637)	(46 130)	(65 637)
Acquisition value as at 31/12/2006	2 201 088	3 131 866	-	-	374 713	533 169	5 707 667	8 121 279
2007 Additions	7 058	10 043	950 000	1 351 728	58 010	82 541	2 376 839	3 381 937
Disposals	(497 250)	(707 523)	-	-	(57 243)	(81 449)	(1 262 016)	(1 795 687)
Acquisition value as at 31/12/2007	1 710 896	2 434 386	950 000	1 351 728	375 480	534 260	6 822 490	9 707 529
Accumulated amortisation as at 31/12/2005	704 003	1 001 706	-	-	150 396	213 994	1 856 105	2 641 000
2006 Amortisation	440 217	626 372	-	-	66 990	95 318	1 133 579	1 612 938
Amortisation of disposals	-	-	-	-	(46 130)	(65 637)	(46 130)	(65 637)
Accumulated amortisation as at 31/12/2006	1 144 220	1 628 078	-	-	171 256	243 675	2 943 554	4 188 301
2007 Amortisation	404 037	574 893	-	-	68 668	97 706	1 047 598	1 490 597
Amortisation of disposals	(377 818)	(537 587)	-	-	(54 774)	(77 936)	(970 179)	(1 380 440)
Accumulated amortisation as at 31/12/2007	1170439	1665385	-	-	185150	263445	3020974	4298458
Net carrying amount as at 31/12/2006	1056868	1503788	-	-	203457	289493	2764113	3932978
Net carrying amount as at 31/12/2007	540457	769001	950000	1351728	190330	270815	3801516	5409070

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

During the reporting period, one of the technologies was fully impaired and one technology was sold at a price above its carrying value.

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

As at 31 December 2007, the Company had made prepayments for two other patents in the total amount of LVL 1 900 000 (total prepayments for intangibles as at 31 December 2007 amounted to LVL 2 083 100 (2006: LVL 2 356 660)). Patents were transferred to intangible assets in January 2008. The Company plans to begin production and sale of the respective products from the year 2010. The Company's management believes that the production of the said products will begin in due time. According to the estimates by the management, full return on investments into one of the products is expected within the period of three years, and full return on investments into the other product is likely within five years from commencement of the production.

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

12. Tangible assets**LVL**

	Land	Buildings and constructions	Equipment and machinery	Other tangible assets	Construction in progress	TOTAL
Acquisition value as at 31/12/2005	55 928	9 249 135	8 536 194	362 775	247 026	18 451 058
Additions	-	541 536	1 671 614	36 946	392 930	2 643 026
2006 Disposals	-	(663 207)	(104 700)	(3 076)	-	(770 983)
Reclassification	-	-	(144)	144	-	-
Impairment **	-	-	(38 194)	-	-	(38 194)
Acquisition value as at 31/12/2006	55 928	9 127 464	10 064 770	396 789	639 956	20 284 907
Additions	-	1 635 363	1 313 033	264 539	2 279 019	5 491 954
2007 Disposals	-	(200 705)	(117 048)	(11 224)	-	(328 977)
Reclassification	-	-	25 471	2 324	(1 731 842)	(1 704 047)
Acquisition value as at 31/12/2007	55 928	10 562 122	11 286 226	652 428	1 187 133	23 743 837
Accumulated depreciation as at 31/12/2005	-	5 968 229	4 610 326	173 735	-	10 752 290
2006 Depreciation	-	275 811	1 117 615	48 159	-	1 441 585
Depreciation of disposals	-	(536 783)	(67 682)	(3 001)	-	(607 466)
Accumulated depreciation as at 31/12/2006	-	5 707 257	5 660 259	218 893	-	11 586 409
2007 Depreciation *	-	291 732	1 364 291	70 032	-	1 726 055
Depreciation of disposals	-	(141 544)	(96 517)	(11 126)	-	(249 187)
Reversed impairment	-	-	(1 705)	-	-	(1 705)
Accumulated depreciation as at 31/12/2007	-	5 857 445	6 926 328	277 799	-	13 061 572
Net carrying amount as at 31/12/2006	55 928	3 420 207	4 404 511	177 896	639 956	8 698 498
Net carrying amount as at 31/12/2007	55 928	4 704 677	4 359 898	374 630	1 187 133	10 682 266

EUR

	Zeme	Ēkas un būves	Iekārtas un mašīnas	Pārējie pamatlīdzekļi	Pamatlīdzekļu izveidošana un nepabeigto celtniecības objektu izmaksas	KOPĀ
Acquisition value as at 31/12/2005	79 578	13 160 333	12 145 910	516 182	351 486	26 253 490
2006 Additions	-	770 536	2 378 492	52 569	559 089	3 760 687
Disposals	-	(943 659)	(149 180)	(4 172)	-	(1 097 010)
Reclassification	-	-	(205)	205	-	-
Impairment **	-	-	(54 345)	-	-	(54 345)
Acquisition value as at 31/12/2006	79 578	12 987 211	14 320 673	564 785	910 575	28 862 822
2007 Additions	-	2 326 912	1 868 278	376 405	3 242 752	7 814 347
Disposals	-	(285 577)	(166 544)	(15 970)	-	(468 092)
Reclassification	-	-	36 242	3 307	(2 464 189)	(2 424 640)
Acquisition value as at 31/12/2007	79 578	15 028 546	16 058 648	928 526	1 689 138	33 784 436
Accumulated depreciation as at 31/12/2005	-	8 492 025	6 559 903	247 203	-	15 299 130
2006 Depreciation	-	392 444	1 590 223	68 524	-	2 051 191
Depreciation of disposals	-	(763 773)	(96 303)	(4 270)	-	(864 346)
Accumulated depreciation as at 31/12/2006	-	8 120 695	8 053 823	311 457	-	16 485 975
2007 Depreciation	-	415 097	1 941 211	99 647	-	2 455 955
Depreciation of disposals	-	(201 399)	(137 331)	(15 831)	-	(354 561)
Reversed impairment	-	-	(2 426)	-	-	(2 426)
Accumulated depreciation as at 31/12/2007	-	8 334 393	9 855 277	395 272	-	8 584 943
Net carrying amount as at 31/12/2006	79 578	4 866 516	6 266 850	253 328	910 575	12 376 848
Net carrying amount as at 31/12/2007	79 578	6 694 152	6 203 371	533 254	1 689 138	15 199 494

* As depreciation of the property, plant and equipment in the cafe and the canteen was disclosed in the income statement as other operating expense, there is a difference of LVL 4 607 between the total depreciation and amortisation under the income statement (LVL 2 194 153) and the total depreciation and amortisation stated in Notes 11 and 12.

** In 2007 and 2006, a number of tangible assets that were not in use by the Company were written off and the respective adjustment for impairment was made.

As at 31 December 2007, tangible non-current assets included assets with the total original cost value of LVL 3 464 794 (2006: LVL 3 401 744) that were fully depreciated but still remained in active use by the Company.

As at 31 December 2007, the cadastral value of the land was LVL 567 062 (2006: LVL 581 467). The cadastral value of the buildings owned by the Company as at 31 December 2007 was LVL 4 712 867 (2006: N/A).

As at 31 December 2007, the net carrying amount of the tangible non-current assets held under finance lease was LVL 683 520 (2006: LVL 671 016) (see Note 23 for finance lease liabilities).

As at 31 December 2007, all the non-current and current assets owned by the Company were pledged as a security for the loan and credit lines received (see Note 22). The pledge agreements were registered with the Commercial Pledge Register. In addition, major shareholders guaranteed repayment of the loan by their shares in the Company, and the Company's president pledged all his shares in SIA Olmafarm.

Prepayments for tangible assets which as at 31 December 2007 amounted to LVL 323 412 (2006: LVL 585 581) refer to payments made for the assets intended to be used in the Company's operations.

13. Investments in related companies

Company	Line of business	%	31.12.2007.		31.12.2006.	
			LVL	EUR	LVL	EUR
OOO Baltfarm, Cheremushkinskaya 13/17, Moscow, Russia	Distribution	100	102 660	146 072	102 660	146 072
Impairment of goodwill related to subsidiaries			(102 660)	(146 072)	(102 660)	(146 072)
TOTAL:			-	-	-	-

* The company has actually ceased its operations, and its shares owned by AS Olainfarm were disposed of on 12 January 2007.

14. Prepayments for investments

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

15. Inventories

	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
Raw materials	1 134 546	1 614 313	1 044 103	1 485 625
Work in progress	3 151 321	4 483 926	2 080 610	2 960 441
Finished goods and goods for resale*	2 400 181	3 415 149	1 509 787	2 148 232
Prepayments for goods	69 448	98 816	176 766	251 515
TOTAL:	6 755 496	9 612 204	4 811 266	6 845 814
Provisions for raw materials	(111 509)	(158 662)	(73 749)	(104 936)
Provisions for work in progress	(141 679)	(201 591)	(158 106)	(224 965)
Provisions for finished goods and goods for resale	(87 364)	(124 308)	(88 519)	(125 951)
TOTAL:	(340 552)	(484 561)	(320 374)	(455 851)
TOTAL:	6 414 945	9 127 645	4 490 892	6 389 964

* As at 31 December 2007, the Company's inventories comprised goods on consignment in the amount of LVL 244 311 (2006: LVL 68 694).

16. Trade receivables

	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
Trade receivables	4 785 306	6 808 877	4 414 196	6 280 835
Provisions for doubtful trade receivables	(6 300)	(8 964)	(38 227)	(54 392)
TOTAL:	4 779 006	6 799 914	4 375 969	6 226 443

17. Receivables from related companies

Company	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
OOO Baltfarm	369 610	525 908	537 452	764 725
SIA Carbochem	177 000	251 848	-	-
SIA Olmafarm *	29 950	42 614	2 219 300	3 157 779
SIA Olfa Pres	1 452	2 066	-	-
SIA Vega MS	1 416	2 015	-	-
Stimfarm Ltd.	-	-	25 890	36 838
SIA Aroma	-	-	9 000	12 806
Provisions for doubtful receivables	(100 000)	(142 287)	(28 643)	(40 755)
TOTAL:	479 428	682 165	2 762 999	3 931 393

* The amount receivable from SIA Olmafarm as at 31 December 2006 was fully repaid in 2007.

18. Other receivables

	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
VAT receivable	161 303	229 513	62 618	89 097
Payment to bailiff*	104 187	148 245	-	-
Representation office expense	34 484	49 067	27 673	39 375
Advances to employees	1 699	2 417	11 392	16 209
Other receivables	7 100	10 102	5 673	8 072
Overpayment of corporate income tax	-	-	48 760	69 379
Deferred VAT	-	-	13 476	19 175
Overpayment of real estate tax	-	-	11	16
Provisions for advances to employees and other receivables	-	-	(3 639)	(5 178)
TOTAL:	308 773	439 345	165 964	236 146

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

19. Current loans to management and employees

	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
Valērijs Maligins (Chairman of the Board) *	121 760	173 249	425 024	604 755
Salvis Lapiņš	20 000	28 457	10 000	14 229
Inga Liščika	-	-	88 868	126 448
Other loans	-	-	3 663	5 212
	141 760	201 706	527 555	750 643

19. Current loans to management and employees (cont'd)

Current loans to the management comprise the loans issued and interest accrued thereon. The average interest on these loans is 5% per annum.

In 2007, Inga Liščika fully repaid the loan of LVL 88 868 outstanding as at 31 December 2006.

The loan issued to Valērijs Maligins has been secured by his personal letter of guarantee.

* The balance of LVL 425 024 outstanding as at 31 December 2006 was fully repaid in 2007. The new loan was issued in 2007, with the unpaid balance as at 31 December 2007 amounting to LVL 121 760 (including accrued interest).

20. Prepaid expense

	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
Insurance payments	21 964	31 252	48 216	68 605
Subscription to the printed media	1 341	1 909	656	934
Privatisation Agency	296	421	887	1 262
Expenses related to the share issue	-	-	20 000	28 457
Other prepaid expense	9 964	14 176	892	1 268
TOTAL:	33 565	47 758	70 651	100 527

21. Cash

Cash by currency profile:	Foreign currency	31/12/2007	Foreign currency	31/12/2006
		LVL		LVL
LVL	-	1 018 857	-	12 321
EUR	50 925	35 790	81 029	56 947
USD	20 805	10 118	501	269
		1 064 765		69 537

22. Share capital

The share capital of the Company is LVL 14 085 078 (2006: LVL 13 209 055) and consists of 14 085 078 (2006: 13 209 055) shares. The par value of each share is LVL 1.

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

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

23. Loans from credit institutions

					31.12.2007.	31.12.2007.	31.12.2006.	31.12.2006.
					LVL	EUR	LVL	EUR
Non-current:								
			Interest rate (%) as at 31/12/2007	Maturity				
Loan from AS SEB Latvijas Unibanka	6 950 000	EUR	EUR LIBOR (3 mēn.)+1,3%	08.12.2011.*	2 658 231	3 782 322	3 198 888	4 551 607
Loan from AS SEB Latvijas Unibanka	4 000 000	EUR	EUR LIBOR (3 mēn.)+1,3%	23.05.2013.	2 098 513	2 985 915	2 069 838	2 945 115
Loan from AS SEB Latvijas Unibanka *	2 000 000	EUR	EUR LIBOR (3 mēn.)+1,3%	10.10.2012.	530 676	755 084	-	-
TOTAL:					5 287 420	7 523 321	5 268 726	7 496 722

					31.12.2007.	31.12.2007.	31.12.2006.	31.12.2006.
					LVL	EUR	LVL	EUR
Current:								
			Interest rate (%) as at 31/12/2007	Maturity				
Loan from AS SEB Latvijas Unibanka	6 950 000	EUR	EUR LIBOR (3 mēn.)+1,3%	08.12.2008.	540 657	769 286	542 706	772 201
Loan from AS SEB Latvijas Unibanka	4 000 000	EUR	EUR LIBOR (3 mēn.)+1,3%	23.05.2008.	475 135	676 056	237 568	338 028
Credit line from AS SEB Latvijas Unibanka	200 000	LVL	LVL RIGIBOR (3 mēn.)+1,3%	05.12.2007	-	-	192 345	273 682
Credit line from AS SEB Latvijas Unibanka	2 000 000	EUR	LVL LIBOR (3 mēn.)+1,3%	05.12.2008.	1 396 112	1 986 489	-	-
Credit line from AS SEB Latvijas Unibanka	2 000 000	EUR	EUR LIBOR (3 mēn.)+1,3%	10.10.2008.	137 805	196 078	-	-
Credit line from AS SEB Latvijas Unibanka	500 000	USD	USD LIBOR (3 mēn.)+1,3%	05.12.2007.	-	-	268 000	381 330
TOTAL:					2 549 709	3 627 910	1 240 619	1 765 242

Interest payable is normally settled quarterly throughout the financial year.

* On 11 October 2007, the Company signed a new non-current loan agreement for EUR 2 000 000 in relation with renovation of production facilities. The principal amount has to be used by 11 August 2008. As at 31 December 2007, the loan amount of LVL 668 481 had been used.

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

As at 31 December 2007, all the non-current and current assets owned by the Company were pledged as a security for the loan and credit lines received (see Note 12). The pledge agreements were registered with the Commercial Pledge Register. In addition, major shareholders of the Company guaranteed repayment of the loan by their shares in the Company, and the Chairman of the Board of the Company pledged all his shares in SIA Olmafarm.

24. Other loans

	31.12.2007. LVL		31.12.2007. EUR		31.12.2006. LVL		31.12.2006. EUR	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Finance lease liabilities to SIA SEB Unifizings, EUR	305 496	195 206	434 682	277 753	354 615	173 273	504 571	246 546
Finance lease liabilities to SIA Hanza Līzings, EUR	6 724	15 562	9 567	22 143	22 286	14 783	31 710	21 035
Finance lease liabilities to SIA SEB Unifizings, LVL	1 842	1 877	2 621	2 671	3 719	1 750	5 292	2 490
Finance lease liabilities to SIA Parex Līzings, EUR	4 358	12 570	6 201	17 885	-	-	-	-
Other loans, LVL	-	-	-	-	-	15 000	-	21 343
TOTAL:	318 420	225 215	453 071	320 452	380 620	204 806	541 573	291 414

The interest rate on the finance leases ranges from 4.13% to 7.99%. Interest payable is normally settled quarterly throughout the financial year. The net carrying amount of the tangible non-current assets held under finance lease is disclosed in Note 12.

25. Taxes payable**LVL**

	31/12/2007	Calculated	Paid/ refunded	Transfer of overpaid taxes	31/12/2006
Personal income tax	(546 899)	(1 456 102)	1 535 154	-	(625 951)
Statutory social insurance contributions	(563 188)	(2 025 308)	1 012 386	974 129	(524 395)
Real estate tax	(61 308)	(82 709)	108 565	-	(87 164)
Natural resource tax	(3 692)	(14 393)	14 951	-	(4 250)
Corporate income tax	(72 587)	(123 542)	2 195	-	48 760
Value added tax	161 303	1 072 830	(16)	(974 129)	62 618
TOTAL:	(1 086 371)				(1 130 382)
Total payable*:	(1 247 674)				(1 241 760)
Total receivable:	161 303				111 378

EUR

	31.12.2007.	Calculated	Paid/ refunded	Transfer of overpaid taxes	31.12.2006.
Personal income tax	(778 166)	(2 071 846)	2 184 328	-	(890 648)
Statutory social insurance contributions	(801 344)	(2 881 754)	1 440 495	1 386 060	(746 146)
Real estate tax	(87 235)	(117 684)	154 474	-	(124 023)
Natural resource tax	(5 254)	(20 480)	21 273	-	(6 047)
Corporate income tax	(103 282)	(175 784)	3 124	-	69 379
Value added tax	229 513	1 526 500	(23)	(1 386 060)	89 382
TOTAL:	(1 545 767)				(1 608 105)
Total payable*:	(1 775 279)				(1 766 866)
Total receivable:	229 513				158 761

25. Taxes payable (cont'd)

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

Tax liabilities by maturity profile as at 31 December 2007 can be specified as follows:

	31.12.2007. LVL		31.12.2007. EUR	
	Non-current	Current	Non-current	Current
Personal income tax	312 978	233 921	445 328	332 840
Statutory social insurance contributions	233 512	329 676	332 258	469 087
Corporate income tax	-	72 587	-	103 282
Real estate tax	45 981	15 327	65 424	21 808
Natural resource tax	-	3 692	-	5 253
TOTAL:	592 471	655 203	843 010	932 270

In 2005, the previously charged late payment penalty of LVL 560 160 was annulled. The aforementioned amount comprised late payment penalty for outstanding statutory social insurance contributions, personal income tax, and real estate tax in the amount of LVL 191 688, LVL 298 830, and LVL 70 142 respectively. The charging of late payment penalties shall be renewed in the event of the Company failing to observe the schedule of the principal debt repayment whereby payments are to be commenced starting from January 2006 and finished in December 2011. As at 31 December 2007, the accruals for the above expected late payment penalties were reduced by LVL 19 945, due to payment of the respective penalties to the state budget.

26. Accrued liabilities

	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
Vacation pay reserve	402 500	572 705	354 552	504 482
Accruals for penalties related to taxes	80 442	114 459	100 387	142 838
Other accrued liabilities	202 808	288 570	11 455	16 299
TOTAL:	685 750	975 734	466 394	663 619

27. Other liabilities

	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
Salaries	395 360	562 546	348 054	495 236
Other liabilities	28 963	41 211	26 841	38 191
TOTAL:	424 323	603 757	374 895	533 428

28. Commitments and contingencies

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

	31.12.2007.		31.12.2006.	
	LVL	EUR	LVL	EUR
Payable within 1 year, LVL	16 959	24 130	4 951	7 045
Payable within 1-5 years, LVL	32 392	46 090	9 902	14 089
TOTAL:	49 351	70 220	14 853	21 133

29. Related party disclosures

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

Related party	Type of services		Sales to related parties, LVL	Sales to related parties, EUR	Purchases from related parties	Purchases from related parties	Amounts owed by related parties, LVL	Amounts owed by related parties, EUR	Amounts owed to related parties, LVL	Amounts owed to related parties, EUR
SIA "Olmafarm "	Loan and debt assignment	2006	49 322	70 179	1 719 331	2 446 388	2 219 300	3 157 779	-	-
		2007	2 192 885	3 120 194	3 535	5 029	29 950	42 615	-	-
OOO "Baltfarm"	Sale of finished goods and chemicals	2006	1 180 922	1 680 301	1 043 513	1 484 785	537 452	764 725	-	-
		2007	1 895 978	2 697 734	1 714 740	2 439 855	269 610	383 620	13 396	19 061
Stimfarm Ltd.	Sale of finished goods and chemicals	2006	2 753	3 917	-	-	25 890	36 838	-	-
		2007	26 180	37 250	290	412	-	-	-	-
V.Maligins	Loan	2006	76 551	108 922	153 358	218 209	425 024	604 755		-
		2007	451 128	641 897	146 715	208 757	121 760	173 249		-
S.Lapiņš	Loan	2006	10 000	14 229	-	-	10 000	14 229		-
		2007	10 000	14 429	-	-	20 000	28 457		-
I.Liščika	Loan	2006	-	-	-	-	88 868	126 448		-
		2007	105 032	149 447	16 164	22 999	-	-		-
SIA "Carbochem"	Intermediation in sale of chemical products	2006	8 992	12 794	59 363	84 466	-	-	12 280	17 473
		2007	16 359	23 277	186 673	265 612	177 000	251 848	18 966	26 986
SIA "Remeks"	Construction services	2006	22 379	31 842	21 046	29 946	-	-	1 333	1 896
		2007	402 677	572 958	404 010	574 854	-	-	-	-
SIA "Olfa Press"	Printing services	2006	592 243	842 686	556 221	791 431	-	-	222 068	315 974
		2007	540 902	769 635	678 154	964 926	1 452	2 066	83 190	118 369
SIA "Vega MS"	Security services, production of windows	2006	82 024	116 710	82 024	116 710	-	-	-	-
		2007	102 600	145 987	101 184	143 972	1 416	2 015		-
Total:		2006	2 015 186	2 881 580	3 634 856	5 171 934	3 306 534	4 704 774	235 681	335 344
		2007	5 734 741	8 159 802	3 251 465	4 626 416	621 188	883 871	115 552	164 416

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made at normal market prices. Outstanding balances as at year-end are unsecured and settlements are made in cash. There have been no guarantees provided or received for any related party receivables, except for the loan to Valērijs Maligins secured by his personal letter of guarantee (see Note 18). For the year ended 31 December 2007, the Company raised a provision for doubtful debts in the amount of LVL 100 000 relating to amounts owed by related parties (2006: LVL 28 643).

30. Financial risk management

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

Financial risks

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

Foreign currency risk

The Company's financial assets and liabilities, which are exposed to foreign currency risk, comprise cash, trade receivables, trade payables, as well as current and non-current loans and borrowings. The Company is mainly exposed to foreign currency risk of U.S. dollar and euro. The Company's currency risk as at 31 December 2007 may be specified as follows:

	LVL	USD	EUR	Other	Total LVL
Financial assets	541 336	-	-	-	541 336
Trade receivables	516 418	103 930	4 158 658	-	4 779 006
Receivables from related companies	209 818	-	269 610	-	479 428
Other receivables	281 396	-	27 377	-	308 773
Current loans to management	28 627	113 133	-	-	141 760
Prepaid expense	21 790	-	10 202	1 573	33 565
Cash	1 018 857	10 118	35 790	-	1 064 765
Total assets in LVL	2 618 242	227 181	4 501 637	1 573	7 348 633
Loans from credit institutions	1 396 112	-	6 441 017	-	7 837 129
Other loans	3 719	-	539 916	-	543 635
Taxes payable	1 254 211	-	-	-	1 254 211
Prepayments received from customers	76 564	26 923	9 935	-	113 422
Trade payables	697 679	138 618	233 051	-	1 069 348
Payables to related companies	102 156	-	13 396	-	115 552
Accrued liabilities	685 750	-	-	-	685 750
Other liabilities	424 323	-	-	-	424 323
Total equity and liabilities in LVL	4 640 514	165 541	7 237 315	-	12 043 370
Net, LVL	(2 022 272)	61 640	(2 735 678)	1 573	(4 694 737)

A significant part of the Company's revenues is derived in Latvian lats and euros, whilst the major part of expenses is in Latvian lats. The Company has no officially approved policy of foreign currency risk management.

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

Interest rate risk

The Company is exposed to interest rate risk mainly through its current and non-current borrowings. The average interest rate payable on the Company's borrowings is disclosed in Notes 23 and 24.

30. Financial risk management (cont'd)*Liquidity risk*

The Company manages its liquidity risk by arranging an adequate amount of committed credit facilities with banks.

Credit risk

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

The Company has no significant concentration of credit risk with any single customer or group of customers having similar characteristics.

31. Events after balance sheet date

In January 2008, it was decided to sell subsidiary OOO Baltfarm in Moscow. There have been no adjustments made in these financial statements for the effect of this event.

On 3 November 2006, the Republic of Latvia Supreme Court Chamber of Civil Cases heard the appeal lodged by I. Maligina against the Riga Regional Court judgment of 24 March 2005 rejecting her claim against AS Olainfarm for collection of a debt in the amount of LVL 99 820. The Supreme Court Chamber of Civil Cases ruled that the claim by I. Maligina should be met in full. AS Olainfarm filed a cassation appeal against the judgment of the Supreme Court Chamber of Civil Cases. On 26 January 2007, the Supreme Court Senate activity meeting resolved to accept the cassation appeal and sent it for hearing at the Senate meeting under the cassation procedure, suspending the execution of the judgment in the given case. As the judgment of the court of second instance took effect upon proclamation and the claimant started collection activities already on 15 November 2006, but the Senate activity meeting took place only at the end of January 2007, AS Olainfarm had to comply with the court judgment. The Company complied with the court judgment in full at the beginning of 2007 as confirmed by estimate No. 18-797-2006/07 issued by a sworn bailiff on 15 January 2007. The cassation appeal by AS Olainfarm was heard by the Supreme Court Senate at the meeting on 28 March 2007, which ruled to annul the judgment of the Supreme Court Chamber of Civil Cases. The case was repeatedly heard on 28 February 2008, while the abridged version of the judgment was announced on 13 March 2008. During the repeated hearing, the appeal instance satisfied I. Maligina's claim and provided that the debt of LVL 102 014 should be collected from AS Olainfarm notwithstanding the fact that AS Olainfarm had received from the USA and submitted to the court new evidence confirming that the assignee was still existing as a legal entity and had not been deleted from the Enterprise Registry, and therefore I. Maligina had a realistic chance to collect the said debt from the assignee according to the assignment agreement. Having read the full text of the judgment, its reasoning and ruling parts, AS Olainfarm will contest the ruling of the appeal instance under the cassation procedure.

As the amount of LVL 102 014 has already been collected from AS Olainfarm after the first hearing of the case by the appeal instance, no provisions for the execution of the judgment are required.

As of the last day of the reporting year until the date of signing these financial statements there have been no other events requiring adjustment of or disclosure in the financial statements or notes thereto.