Baltic Dairy Board

"BALTIC DAIRY BOARD" SIA

(UNIFIED REGISTRATION NUMBER 43603036823)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED IN EU TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

JELGAVA, 2015

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of BALTIC DAIRY BOARD Ltd

Report on the financial statements

We have audited the accompanying financial statements (page 8 to 29) of BALTIC DAIRY BOARD Ltd, which comprise statement of financial position as at 31 December 2014, the income statement, statement of changes in equity, and cash flow statement for the period from 01 January 2014 until 31 December 2014, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the in Europe adopted International Financial Reporting Standards. 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 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 risk 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 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of BALTIC DAIRY BOARD Ltd as of 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with the in Europe adopted International Financial Reporting Standards.

Report on the management report

We have read the management report as shown on the page 5 to 6 of the annual report and we have not identified any material discrepancies between the historical financial information presented in the management report and the financial statements for the year ended 31 December 2014.

Managing Member of LTD Orients Audit & Finance
Commercial Company License No.28

SIA Orients Audit & Finance

Natalija Zaiceva
Sworn Auditor
Certificate No.138

Riga, Latvia
21 May 2015

General information

Name of the Company	BALTIC DAIRY BOARD
Legal status of the Company	Limited liability company
Unified registration number, place and date of registration	43603036823 Bauska, 21 July 2008
Address	Zvejnieku Street 15-32 Jelgava, Latvia, LV-3007
The type of Actions (NACE)	Wholesale trade services of dairy products, eggs and edible oils and fats (NACE 2.red.4633)
Board Members	Kaspars Kazāks, Member of the Board Ilona Kazāka, Member of the Board
Financial year	1 January 2014 - 31 December 2014
Previous financial year	1 January 2013 - 31 December 2013
Auditor's name and address	Natālija Zaiceva Sworn auditor (LZRA Certificate No. 138) SIA "Orients Audit & Finance" LZRA Licence Nr.28 Gunara Astras Street 8b Riga, LV-1082

SIA BALTIC DAIRY BOARD
REPORT OF THE MANAGEMENT
to 2014 ANNUAL REPORT

SIA "Baltic Dairy Board" is a wholesaler of milk, dairy products and by-products aiming to start production of food raw materials using innovative methods in 2015.

1. Description of Business:

The year 2014 in the dairy sector was full of challenges; it was worrisome and volatile. This was mainly due to the suspension of dairy product exports to Russia from the Baltic States and European countries as a result of the imposition of the mutual embargo.

Large quantities of dairy products started accumulating in warehouses of milk processors as the competition among Latvian and Baltic milk processors on the local market rapidly intensified, imports of dairy products from other member states of the European Union increased, and overproduction of various sorts of cheese, butter and milk powder took its toll. These were the main reasons why in the second half of 2014 prices of industrial dairy products and the cost price of milk purchased by milk producers dropped swiftly in Europe and particularly in the Baltic States.

The total net turnover during the accounting year amounted to EUR 11 849 005, which is 9% more compared to the total net turnover in 2013. The aforementioned circumstances had their effect on a more rapid increase in the turnover growth. The turnover growth tendency is well illustrated by the turnover of the first six months of 2014 (6 533 964 EUR) as compared to the turnover in the first six months of 2013 (5 476 154 EUR), which was higher by 19.3%.

The 2014 balance sheet value amounts to EUR 4 062 497, which is 58% more than in 2013. This rapid growth in the balance sheet value is explained by the investment of the attracted funds in the construction of a production facility in Bauska. Production is scheduled to be started in late 2015.

The net profit of the accounting year amounts to EUR 387 734, which is 62% less than the net profit derived in 2013. It is a significant drop compared to 2013. However, considering the market situation in the dairy sector in 2014 as described above, business trips to various exhibitions in different countries (IFAT Exhibition in Germany, CIBUS-TEC 2014 in Italy, a business meeting in Denmark with the representatives of Arla, one of the largest processors of whey in the world, participation in the FI Driving Dairy Innovation Conference in Amsterdam), and given the market research conducted and the search for export outlets for products manufactured by our company, hiring and training of new employees and experts in order to start the Bauska production facility in a timely manner and ensure its operation, resulting in a significant increase in labour costs, we are of the opinion that the net profit result achieved is good.

2. Key Events of 2014:

1. We continued our cooperation with Vides, Bioenergetikas un Biotehnologiju Kompetences Centrs SIA (Environmental, Bioenergetics and Biotechnological Competence Centre, a limited liability company) in the research area.

2. Financing in the amount of EUR 3 065 000 was approved and granted by Nordea Banka AB for the purchase of production equipment and construction of the Bauska production facility.

3. The project called 'Procurement of Innovative Equipment for Deep Processing of Whey', in which we applied for co-financing from the European Regional Development Fund (ERDF) in the amount of EUR 1.738 million for the purchase of new innovative technological equipment, was submitted to the Latvian Investment and Development Agency and approved by it.

4. Three contracts with the largest suppliers of technological equipment - AS "Biotehniskais centrs" (Latvia), GEA Process Engineering Sp.zo.o (Poland) un AB Mašinu Gamykla "ASTRA" (Lithuania) were signed as part of the project referred to above.

5. Additional financing was obtained by issuing company bonds in the amount of EUR 950 000.

6. Negotiations were conducted with prospective investors about the possibility of additional financing.

7. A large portion of the Bauska facility construction project was completed and part of the equipment and fixtures was installed.

3. Future Development of the Company:

The main priority in 2015 is starting operations of the Bauska production facility and export of manufactured products. Thanks to the implementation of the investment project, we were able to introduce new technologies for deep processing of whey and lactose.

Key activities planned for 2015:
• attract additional financing,
• complete construction of the Bauska production facility,
• complete installation and testing of equipment,
• put the Bauska production facility building into operation,
• sign agreements for delivery of raw materials and sale of final products in the European Union and elsewhere,
• find, select and hire employees to ensure operation of the Bauska production facility,
• work on the quality management system and obtain international quality certificates, such as ISO, Halal, Kosher, etc. within the shortest time possible,
• constantly increase the value, turnover and profit of the company by carrying out the current activity of wholesale of milk and dairy products,
• launch the Bauska production facility and effectively merge current activities – trade of raw materials – with production.

4. Post-Balance-Sheet Events:

1. 16 February 2015: Registration with the Latvian Register of Enterprises of the share capital increase to EUR 100 000, which was achieved by increasing the number of shares.
2. 15 May 2015. Registration with the Latvian Register of Enterprises of the paid-up share capital in the amount of EUR 700 000, which was achieved by increasing the number of shares.
Except for the aforementioned, no other events have taken place during the period of time from the last day of the accounting year to the date of signature of the financial statements which would have a significant effect on the financial position of the Company as of 31 December 2014.

Kaspars Kazāks
Member of the Board

Ilona Kazāka
Member of the Board

Riga, 21 May 2015

STATEMENT OF THE MANAGEMENT RESPONSIBILITY

The Management is responsible for the preparation of Company's financial statements in accordance with the International Financial Reporting Standards (IFRS) approved by EU. The financial statements accurately reflect the financial position of the Company as of the end of the accounting year, performance of the Company, and the cash flow during the accounting year.

The Management Board confirms that the decisions adopted and the assessments made in the course of preparation of information contained on pp. 8-29 of the financial statements were conservative and prudent. The accounting policy compared to the preceding year has not changed. The Management Board confirms that the financial statements have been prepared on a going-concern basis.

The Management is responsible for keeping a proper accounting system, preservation of Company's assets, and for detection and prevention of fraud and other irregularities in the Company. The Management is also responsible for compliance with the requirements of Latvian law.

Kaspars Kazāks
Member of the Board

Ilona Kazāka
Member of the Board

Riga, 21 May 2015

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

	Notes	2014 EUR	2013 EUR
Net sales	(1)	11 849 005	10 814 676
Cost of sales	(2)	(10 697 393)	(9 358 595)
Gross profit (loss)		**1 151 612**	**1 456 081**
Distribution expenses	(3)	(331 428)	(117 892)
Administrative expenses	(4)	(248 369)	(82 021)
Other income	(5)	72 363	96 216
Other expenses	(6)	(135 090)	(135 610)
Finanšu izmaksas	(8)	(45 491)	(11 137)
Profit (loss) before tax		**463 597**	**1 205 637**
Corporate income tax	(9)	(75 863)	(182 063)
Net profit		**387 734**	**1 023 574**
Earnings per share (in euro)			
Basic	(10)	136.29	359.78
Diluted	(10)	136.29	359.78
Other income, which is not reflected in the income statement		-	-
Total comprehensive income		**387 734**	**1 023 574**

Notes on pages 12 to 29 are an integral part of these financial statements.

Kaspars Kazāks
Member of the Board

Ilona Kazāka
Member of the Board

Riga, 21 May 2015

STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2014. EUR	31.12.2013. EUR	01.01.2013. EUR
ASSETS				
Non-current assets				
Property, plant and equipment	(11)	2 536 030	393 858	93 463
Investment property	(12)	106 335	109 115	98 445
Total non-current assets:		**2 642 365**	**502 973**	**191 908**
Current assets				
Inventories	(13)	65 422	-	-
Trade receivables	(14)	356 081	1 131 360	503 182
Corporate income tax receivable		48 788	-	3 865
Other current assets	(15)	332 515	827 491	364 463
Cash and cash equivalents	(16)	617 322	103 937	388 327
Total current assets:		**1 420 128**	**2 062 788**	**1 259 837**
Total assets		**4 062 493**	**2 565 761**	**1 451 745**
EQUITY AND LIABILITIES				
Equity				
Share capital	(17)	2 845	2 845	2 845
Retained earnings		678 521	1 181 449	315 098
Total equity:		**681 366**	**1 184 294**	**317 943**
Liabilities				
Non-current liabilities				
Debenture loans	(18)	950 000	-	-
Deffered revenue	(19)	608 539	-	-
Loans from credit institutions	(21)	-	-	246 848
Finance lease liabilities	(20)	37 489	27 394	49 750
Deferred income tax liabilities	(9)	10 030	5 642	4 452
Total non-current liabilities:		**1 606 058**	**33 036**	**301 050**
Current liabilities				
Finance lease liabilities	(20)	16 474	22 355	20 119
Loans from credit institutions	(21)	-	-	188 875
Trade payables	(22)	1 653 926	910 439	504 767
Current income tax payables		-	165 771	-
Advances from customers		-	126 241	-
Other liabilities	(23)	104 669	123 625	118 991
Total current liabilities:		**1 775 069**	**1 348 431**	**832 752**
Total liabilities:		**3 381 127**	**1 381 467**	**1 133 802**
Total equity and liabilities:		**4 062 493**	**2 565 761**	**1 451 745**

Notes on pages 12 to 29 are an integral part of these financial statements.

Kaspars Kazāks
Member of the Board

Ilona Kazaka
Member of the Board

Riga, 21 May 2015

STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR
31.12.2012.	**2 845**		**315 098**	**317 943**
Total comprehensive income	-	-	1 023 574	1 023 574
Dividends	-	-	(157 223)	(157 223)
31.12.2013.	**2 845**	**0**	**1 181 449**	**1 184 294**
Total comprehensive income	-	-	387 734	387 734
Dividends	-	-	(890 662)	387 734
31.12.2014.	**2 845**	**0**	**678 521**	**681 366**

Notes on pages 12 to 29 are an integral part of these financial statements.

Kaspars Kazāks
Member of the Board

Ilona Kazaka
Member of the Board

Riga, 21 May 2015

CASH FLOW STATEMENT

	Notes	2014 EUR	2013 EUR
Cash flow from operating activities	(24)	**1 615 488**	**642 216**
Interest paid		(8 161)	(8 257)
Income tax paid		(289 384)	(11 236)
Net cash flow from operating activities		**1 317 943**	**622 723**
Cash flow from investing activities			
Acquisition of property, plant and equipment		(1 874 484)	(344 719)
Proceeds from sales of property, plant and equipment		43 958	-
Loans issued		(40 210)	-
Net cash flow from investing activities		**(1 870 736)**	**(344 719)**
Cash flow from financing activities			
Income from bonds issued		950 000	-
Proceeds from borrowings		300 000	-
Received advance from LIAA (part of the granted funding)		608 539	-
Expenses on the borrowing repayment		(300 000)	(485 934)
Dividends paid		(460 608)	(55 823)
Finance lease payments		(27 568)	(20 119)
Net cash flow from financing activities		**1 070 363**	**(561 876)**
Foreign currency fluctuations		**(4 185)**	**(518)**
Net increase / (decrease) in cash and cash equivalents		**513 385**	**(284 390)**
Cash and cash equivalents at the beginning of the financial year		**103 937**	**388 327**
Cash and Cash equivalents at the end of the financial year		**617 322**	**103 937**

Notes on pages 12 to 29 are an integral part of these financial statements.

Kaspars Kazāks
Member of the Board

Ilona Kazāka
Member of the Board

Riga, 21 May 2015

NOTES TO THE FINANCIAL STATEMENTS

I. GENERAL INFORMATION

The Company "Sigilo KV" LTD was established and started to operate in 2008. The company is engaged in the logistics of raw milk, the wholesale of milk and dairy products in the Baltic countries and the associated export / import transactions.

Substantially the Company is engaged in the logistics of the raw milk, collecting from farmers, mainly in the Dobele, Bauska and Jelgava regions, and delivery to the processors.

The industrial research project titled 'Feasibility Study of Whey (Dairy By-Product) Bioconversion into Ethanol and By-Product Processing', with the total costs of the project amounting to EUR 246 000, was implemented in collaboration with Vides, Bioenergetikas and Biotehnologiju kompetences centrs SIA (Environmental, Bioenergetics and Biotechnological Competence Centre) in 2013.

As a result of the research it was decided to focus on innovative processing techniques by using deep waste-free sweet and sour whey processing and of creating products with high added value.

On 19th December 2012 the Company has signed an agreement on the acquisition of real estate property of a former milk processing company, insolvent "Bauskas piena kombināts" JSC, with the total area of 63 175 m2, and the there existing building and equipment.

The Company's current financial year is from 1 January 2014 to 31 December 2014.

The Company's auditor is SIA Orients Audit & Finance.

II. ACCOUNTING POLICIES

(1) Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by European Union (IFRS).

The accounting policy that was applied in 2014, corresponds to the accounting policy that was used for the preparation of Annual report of a year 2013. Financial statements for the financial years ended 31 December 2014 and 31 December 2013, are the first, that have been prepared in accordance with IFRS. Until this period, including the reporting year ended 31 December 2012, the Company prepared its financial statements in accordance with the local generally accepted accounting standards. Thus, the Company has prepared the financial statements in accordance with IFRS applicable to the periods ended 31 December 2013 or after, along with the comparative data of the period and for the year ended 31 December 2014, as described in the summary of significant accounting policies.
In preparing the financial statements the initial statement of the Company's financial position was prepared as of 1 January 2013, this being the date of application of the IFRS guidelines by the Company.

Preparation of the financial statements in compliance with the IFRS requires critical assumptions. Moreover, preparation of the statements requires from the Management to make estimates and judgments applying the accounting policies adopted by the Company. Critical estimates and judgments are represented in note (21) to accounting policies.

a) Standards, amendments and interpretations effective in the current year

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 does not change the consolidation procedures, rather changes whether an entity is consolidated by revising the definition of control. As the Company does not have any investments in subsidiaries and special purpose entities, this standard is not relevant to the Company's financial statements.

Basis of preparation (continuation)

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. As the Company does not have any investments in jointly controlled entities, this standard does not affect the Company's financial statements.

IFRS 12 Disclosures of Involvement with Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. As the Company does not have any investments in other companies, this standard does not affect the Company's financial statements.

IAS 27 Separate Financial Statements - Revised
As a result of the new IFRS 10 and IFRS 12, revised IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. As the Company does not have any investments in subsidiaries, jointly controlled entities and associates, the revised standard does not affect the Company's financial statements.

IAS 28 Investments in Associates and Joint Ventures -Revised
As a result of the new IFRS 11 and IFRS 12, revised IAS 28 has been renamed as IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. As the Company does not hold any investments in jointly controlled entities and associates, the revised standard does not affect the Company's financial statements.

IFRS 10, IFRS 11 and IFRS 12 - Transition guidance - Amendment
These amendments provide additional relief to IFRS 10, 11 and 12, limiting the requirements to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirements to present comparative information for period before IFRS 12 is first applied. As the Company does not have any investments in other companies, the amendments are not relevant to the Company's financial statements.

IFRS 10, IFRS 12 un IAS 27 – Amendments
The amendments introduce a definition of an investment entity as an entity that (i) obtain funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments in a fair value basis. These amendments do not affect the Company's financial statements.

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities - Amendment – Grozījumi
This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments do not affect the Company's financial statements.

IAS 36 Recoverable amount disclosures for non-financial assets – Amendment
The amendment remove the requirements to disclosure the recoverable amount when a cash generated unit contains goodwill or indefinite lived intangible assets but there has been no impairment. These amendments do not affect the Company's financial statements.

IAS 39 Novation of derivatives and continuation of hedge accounting - Amendment
The amendment will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedge instrument, is novated (i.e. parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of law or regulation, if specific condition are met. The Company does not consider, that this amendment to have significant impact on the financial statements.

b) Standards, amendments and interpretations, which are not yet effective and not yet adopted by the Company

IAS 19 Defined benefit plans: Employee contributions – Amendment (effective for annual periods beginning on or after 1 July 2014).

*Improvements to IFRS: 2010-2012 cycle (*effective for annual periods beginning on or after 1 July 2014*).*

*Improvements to IFRS: 2011-2013 cycle (*effective for annual periods beginning on or after 1 July 2014*).*

IFRIC 21 Levies (effective for annual periods beginning on or after 20 June 2014).

The Company does not expect, that these amendments to have significant impact on the financial statements.

c) Standards, amendments and interpretations, which are not yet effective and not yet endorsed by the EU

IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016).

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2014).

IAS 1 Disclosure Initiative – Amendment (effective for annual periods beginning on or after 1 January 2016).

IFRS 10, 12, IAS 28 Investment Entities: Applying the Consolidation Exemption – Amendment (effective for annual periods beginning on or after 1 January 2016).

IFRS 10, IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendment (effective for annual periods beginning on or after 1 January 2016).

IFRS 11 Accounting for Acquisitions of Interest in Joint Operations – Amendment (effective for annual periods on or after 1 January 2016).

IAS 16, 38 Clarification of Acceptable Methods of Depreciation and Amortization – Amendment (effective for annual periods beginning on or after 1 January 2016).

IAS 16, 41 Bearer Plants – Amendment (effective for annual periods beginning on or after 1 January 2016).

IAS 27 Equity Method in Separate Financial Statements – Amendment (effective for annual periods beginning on or after 1 January 2016),
Improvements to IFRS: 2012-2014 cycle (effective for annual periods beginning on or after 2016).

The Company is considering the impact of the new and amended standards on the financial statements.

(2) Foreign currencies

(a) Functional and presentation currency

Items are recognized in the financial statements of the Company as measured using the currency of the primary economic environment in which the Company operates (the functional currency). Before 2014 year the functional currency of the Company was Latvian lat (LVL), but starting from 2014 the functional and presentation currency of the Company is euro (EUR).
Starting from the 1st January 2014 the national currency of the Latvian Republic is euro (EUR), as a result from this date the functional and presentation currency of the Company has been changed. All assets, liabilities and components of equity are converted from the lats to the euros, applying flat rate 0.702804 LVL/EUR. This conversion has no impact on the income statement. Financial statement comparative indicators for the previous year also are converted, using flat rat 0.702804 LVL/EUR.

Ārvalstu valūtu pārvērtēšana (turpinājums)

(b) Transactions and balances

All transactions denominated in foreign currencies are converted into euro at the exchange rate set by the European Central Bank on the day of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into euro in accordance with the official exchange rate set by European Central Bank for the last day of the financial year. The profit or loss resulting from the exchange rate fluctuations of the foreign currency are recognized in the income statements in the respective period on net amount.

Exchange rates used at the year-end are as follows:

	31.12.2014. EUR	31.12.2013. EUR
1 LTL	0.2896	0.2896

(3) Segment disclosure

An operation segment is a component of entity which qualifies for the following criteria: (i) engages in business activities from which it may earn revenues and incur expenses; (ii) whose operation results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and (iii) for which discrete financial information is available.

Operation segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker being the Board.

(4) Income recognition

Main operation of the Company is logistics of raw milk, the wholesale of milk and dairy products in the Baltic countries and the associated export / import transactions. Revenue represent the total of goods and services sold during the year net of discounts and value added tax.

Sales of goods are recognised after significant ownership risk and rewards have been passed to the buyer. Income from sales of goods in Latvia is recognised when the customer has accepted the goods. Income from sales of goods outside Latvia is recognised in accordance with the goods delivery terms. Income from penalties is recognised at the moment of receipt. Income from provision of services is recognised based on the stage of completion method.
Interest income or expenses are recognised in the income statement for all loans and borrowings assessed at amortised cost applying the effective interest rate method.

(5) Intangible assets

Intangible assets, in general, consist of licences and software and related implementation costs. Intangible assets are recognised at the cost of acquisition less accumulated amortisation. Amortisation is calculated from the moment the assets are available to use. Amortisation of intangible assets is calculated using the straight-line method to allocate amounts to their residual values over their estimated useful lives, as follows:

	Years
Licences, software	3

Where the carrying amount of an intangible asset exceeds its recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount exceeds the fair value of the relevant intangible asset less selling or use expenses.

(6) Property, plant and equipment

According with the cost model property, plant and equipment are recognized at cost value less accumulated depreciation. Historical cost includes expenditure that is directly related to the acquisition of the asset.

Subsequent costs are recognized in the asset's carrying amount or as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Other repairs and maintenance are recognized as an expense during the financial period when they are incurred.

In preparing the first financial statements in accordance with IFRS standards, fixed assets originally estimated at acquisition value. Acquisition value includes the costs directly related to acquisition of the asset. In the financial statement intangible assets and fixed assets recognized at acquisition value, less accumulated depreciation.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revaluated amounts to their residual values over their estimated useful live, as follows:

	Years
Buildings	10-20
Technological machinery and equipment	5
Other machinery and equipment	3-5

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each end of the financial year.

Where the carrying amount of an asset exceeds its estimated recoverable amount, it is written down immediately to its recoverable amount. The decrease is reflected as the expenses or recognised in reserves in case the asset was previously re-valued.

Costs of borrowing to finance assets under construction and other direct charges related to the particular asset under construction are capitalised during the time that is required to complete and prepare the asset for its intended use as part of the cost of the asset. Capitalisation of the borrowing costs is suspended during extended periods in which active developments are interrupted.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amounts and are recognised within the statement of comprehensive income for the relevant period.

(7) Investment property

Investment property is buildings, constructions and their parts, hold by a company (as owner or lessee under a finance lease) to get lease payment or to wait prices rising (increase in the value), but not to use for the production of goods, services, or for administrative purposes or to sell in the ordinary course of economic activity. For the evaluation of investment property the Company is using the cost model.

(8) Impairment of tangible and intangible assets

All tangible and intangible assets of the Company excluding the land have their estimated useful lives and they are amortised or depreciated. Assets that are subject to amortisation and depreciation are revaluated every time when events or circumstances evidence of probable non-recoverability of their carrying amount. Loss from value decrease is recognised at difference between book value of the asset and its recoverable value. Recoverable value is the higher of an asset's fair value less costs to sell and its value in use. In order to determine decrease of the value, assets are classified based on the lower level of identifiable cash flows (cash-bearing units). Assets, which value has been decreased, are assessed at the end of every reporting year to identify the probable value decrease reservation.

(9) The Company as a lessee

In cases when leased assets are received with lease-to-buy (financial lease) conditions, under which all risks and rewards of ownership are transferred to the Company, are recognized as Company's assets. Assets under the finance lease are recognized at the inception of lease at lower of fair value of the leased assets or the present value of the minimum lease payments. Lease interest payments are included in the statement of comprehensive income by method to produce a constant periodic rate of interest on the remaining balance of the liability. Leases under which substantially all of the ownership risks and rewards are granted to the lessor are classified as operating leases. Operating lease payments are recognized in the income statement as incurred.

(10) The Company as a lessor

Assets that are leased to operating leases, are disclosed in tangible assets at purchase price, less depreciation. Depreciation is calculated on the straight-line basis over the period of useful life of the appropriate tangible asset, to write off the value of tangible asset until its estimated book value at the end of the period of useful life by using the rates specified for similar tangible assets of the Company.

(11) Inventories

The inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. When the net realisable value of inventories is lower than their cost, provisions are created to reduce the value of inventories to their net realisable value. The Company regularly assesses whether the value of inventories has decreased due to storage or damage reasons. Impairment losses are recognized in the income statement.

(12) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset' s carrying amount and the present value of estimated future cash flows, discounted at the original effective rate. Changes in impairment are recognised in the statement of comprehensive income.

(13) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, the balances of the current bank account and other current liquid financial assets with maturities up to 90 days.

(14) Share capital and dividends

Shares are classified as share capital. Dividends to be paid to shareholders of the Company are represented as liabilities during the financial period of the Company, when shareholders of the Company approve the dividends.

(15) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of financial year.

(16) Employee benefits

Short-term employee benefits, including salaries, social security contributions and bonuses are included in the statement of profit or loss on an accrual basis.

The Company pays social security contributions for state pension insurance and to the state funded pension scheme in accordance with Latvian laws. State funded pension scheme is a defined contribution plan under which the Company pays fixed contributions determined by the law and they will have no legal or constructive obligations to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees . The social security contributions are recognised as an expense on an accrual basis and are included in the staff costs.

(17) Accrued liabilities for unused annual leave

Amount of accumulated unused annual leave is determined by multiplying the average day rate of employees for the last six months of the financial year by the amount of accrued but unused annual leave at the end of the reporting year.

(18) Income tax

Corporate income tax is calculated in accordance with tax laws of the Republic of Latvia. Effective legislation requires 15 % tax rate.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, where the deferred income tax arise from recognition of the assets and obligations resulted from transactions, which are not the business dilution, and at the moment of transaction do not affect profit or loss neither in the financial statements nor for the taxation purposes, the deferred income tax is not recognised.

Deferred income tax is determined using tax rates (and laws) that have been enacted by the year-end and are expected to apply when the deferred income tax is settled.

The principal temporary differences, in general, arise from different tangible assets depreciation rates as well as provisions for slow-circulating goods, accruals for unused annual leave and accruals for bonuses. Where an overall deferred income tax arises it is only recognised to the extent it is probable which the temporary differences can be utilised.

(19) Grants

Grants or subsidies received for the acquisition of fixed assets or other non-current assets are recorded as deferred income and gradually recognized as an income in the statement of comprehensive income over the useful life of the assets acquired. Subsidies or grants to cover the expenses are recognized as an income in the same period when the respective expenses have arisen and all material conditions in respect of the grants received has been fulfilled.

(20) Earnings per share

Peļņu uz vienu akciju nosaka, dalot neto peļņu vai zaudējumus, kas attiecināmi uz Sabiedrības akcionāriem, ar vidējo svērto daļu skaitu pārskata gada laikā.

(21) Related parties

Related parties are defined as shareholders of the Company, who have a significant influence or control over the Company, members of the Board, their close relatives and companies, in which they have a significant influence or control.

(22) Critical accounting estimates and judgements

In order to prepare financial statements in accordance with IFRS it is necessary to make critical estimates. Therefore, preparing these financial statements the Management must make estimates and judgements applying the accounting policies adopted by the Company.

Preparation of financial statements in compliance with IFRS require estimates and assumptions affecting value of assets and liabilities recognised in the financial statements, and disclosures in the notes at the year-end as well as income and expenditures recognised in the reporting period. Actual results may differ from these estimates. Scopes, the most-affected by assumptions are revaluation of the property, plant and equipment, determination of revaluating regularity, calculations and assumptions of the Management made estimating their useful lives as well as recoverable receivables and inventories as disclosed in the relevant notes.

Recoverable receivables

The calculation of recoverable value is assessed for every customer individually. Should individual approach to each customer be impossible due to great number of the customers only bigger receivables shall be assessed individually. Receivables not assessed individually are arranged in groups with similar indicators of credit risks and are assessed jointly considering historical losses experience. Historical losses experience is adjusted on the basis of current data to reflex effect of the current conditions that did not exist at acquisition of the historical loss, effect and of conditions in the past that do not exist at the moment. Information on the amount and structure of trade receivables is given in Note 30.

Determination of the useful life of property, plant and equipment

In estimating useful life of property, plant and equipment (PPE) the management relies on the historical information, technical survey, assessing the current state of the active and external evaluations. During the reporting and previous year there are no factors that indicate a need on changes of the useful life of the Company's PPE. The total carrying amount of PPE as aat the end of the year is EUR 2 536 030 (31.12.2013. - EUR 393 858).

Valuation of inventories

In valuation of inventories the management relies on the knowledge, considering the historical experience, general information, probable assumptions and future occurrences. Determining impairment of inventories, realization probability and net selling value of the inventories shall be considered. The total carrying amount of inventories as at 3the end of the year is EUR 65 422 (31.12.2013. - 0).

III. OTHER NOTES

(1) Segment Information and net sales

(a) Operation and reportable segment

The Company is primarily involved in the logistics of raw milk, collection of milk from farmers and delivery thereof to the processors. Since the Company's business activities are mainly related to the logistics of raw milk, the wholesale of milk and dairy products in the Baltic countries and related export/import activities, the Company has only one operating segment to disclose. These financial statements reflect the information that is relevant to the primary business segment.

(b) Geographical markets

The Company is engaged in the wholesale of milk product and by-products.

The operations of the Company can be divided into two geographical segments, which are sales in Latvia and Lithuania. Distribution of sales among these segments is as follows:

	2014 EUR	2013 EUR
Latvia	11 227 701	10 479 011
Lithuania	621 304	335 665
	11 849 005	**10 814 676**

(c) Major customers

Revenue allocation between the largest customers in excess of 10% of net sales, were as follows:

Client No. 1	5 909 845	6 823 877
Client No. 2	4 886 525	2 962 904
Other customers	1 052 635	1 027 895
	11 849 005	**10 814 676**

(2) Cost of sales

The purchase of goods and delivery charges	10 155 476	8 852 891
Transportation costs	405 969	391 414
Salary expenses	43 140	26 563
Depreciation of fixed assets	41 965	33 329
Laboratory services (milk analysis)	31 552	44 856
Social insurance costs	10 711	6 184
Other costs	8 580	3 358
	10 697 393	**9 358 595**

(3) Distribution expenses

Transportation costs	330 690	113 218
Advertising expenses	738	4 674
	331 428	**117 892**

(4) Administrative expenses

Salary expenses	96 438	27 695
Social insurance costs	24 281	4 229
Office expenses	23 136	21 129
Cash turnover expenses	22 118	9 004
Transportation costs	17 987	-
Business trip expenses	12 963	-
Professional services costs	12 785	6 232
Costs associated with the issuance of bonds	10 000	-
Real estate tax	8 203	2 532
Communication expenses	4 448	3 894
Other administrative expenses	16 010	7 306
	248 369	**82 021**

OTHER NOTES (continuation)

(5) Other income

	2014	2013
	EUR	EUR
Income from equipment rental	48 833	-
Net income from the sale of fixed assets	13 208	-
Revenue from the leasing of investment property	5 584	92 311
Other income	4 738	3 905
	72 363	96 216

(6) Other expenses

Research expenses	76 570	50 579
Property maintenance, security and management costs	23 685	37 258
Representation costs	17 382	-
Maintenance, security and management costs of investmet property	5 635	6 215
Net loss from exchange rate fluctuations	4 186	38 412
Depreciation expenses of leased equipment	2 509	-
Other expenses	5 123	3 146
	135 090	135 610

(7) Expenses by Nature

The purchase of goods and delivery charges	10 155 476	8 852 891
Transportation costs	754 646	504 632
Salary expenses	139 578	54 258
Research expenses	76 570	50 579
Depreciation of fixed assets	41 965	33 329
Social insurance costs	34 992	10 413
Laboratory services (milk analysis)	31 552	44 856
Property maintenance, security and management costs	23 685	37 258
Office expenses	23 136	21 129
Cash turnover expenses	22 118	9 004
Representation costs	17 382	-
Business trip expenses	12 963	-
Professional services costs	12 785	6 232
Costs associated with the issuance of bonds	10 000	-
Real estate tax	8 203	2 532
Maintenance, security and management costs of investmet property	5 635	6 215
Communication expenses	4 448	3 894
Net loss from exchange rate fluctuations	4 186	38 412
Depreciation expenses of leased equipment	2 509	0
Other expenses	30 451	18 484
	11 412 280	9 694 118

(8) Finance expenses

Interest expenses on bonds	28 500	-
Interest expense on bank loans, factoring, overdraft	8 987	-
Interest expense on leasing	2 149	8 256
Penalties paid	5 855	2 881
	45 491	11 137

OTHER NOTES (continuation)

(9) Corporate income tax

a) Components of corporate income tax

	2014 EUR	2013 EUR
	-	-
Changes in deferred income tax	4 388	1 190
Corporate income tax according to the tax return	71 475	180 873
	75 863	182 063

b) Reconciliation of accounting profit to income tax charges

The actual corporate tax expenses consisting of corporate income tax as per tax return and changes in deferred tax differ from the theoretically calculated tax amount for:

	2014 EUR	2013 EUR
Profit before taxes	463 597	1 205 637
Theoretically calculated tax at 15% tax rate	69 540	180 846
Tax effects on:		
Non-deductible expenses for tax purposes	6 323	1 217
Total corporate income tax expenses	75 863	182 063

c) Movement and components of deferred tax

Deferred tax liabilities at the beginning of the financial year	5 642	4 452
Deferred tax charged to the income statement	4 388	1 190
Deferred tax liabilities at the end of the financial year	10 030	5 642

The deferred company income tax has been calculated from the following temporary differences between value of assets and liabilities in the financial statements and their tax base (tax effect 15% from temporary differences):

	2014 EUR	2013 EUR
Temporary difference on depreciation of fixed and intangible assets	11 871	5 642
Gross deferred tax liabilities	11 871	5 642
Temporary difference on accruals for annual leave	(1 840)	-
Gross deferred tax liabilities	(1 840)	-
Net deferred tax liability (assets)	10 030	5 642

(10) Earnings per Share (Expressed in Euro per Share)

Since the Company has not executed any transactions that could cause changes in the share capital, which would change the amount of earning per share, the adjusted earnings per share is equivalent to the basic earnings per share.

Earnings per share are calculated by dividing the net profit of the reporting year by the average number of shares in the reporting year.

	2014	2013
Profit attributed to shareholders of the Company (EUR)	387 734	1 023 574
Average annual number of shares	2 845	2 845
Earnings per share (expressed in euro)	136.29	359.78

OTHER NOTES (continuation)

(11) Property, plant and equipment

	Lands and buildings	Equipment and machinery	Other assets	Assets under construction	Advances paid for Property, plant and equipment	Total
	EUR	EUR	EUR	EUR	EUR	EUR
31.12.2012						
Initial cost	-	-	119 506	-	-	119 506
Accumulated depreciation	-	-	(26 043)	-	-	(26 043)
Net book value	**-**	**-**	**93 463**	**-**	**-**	**93 463**
2013						
Opening net book value	-	-	93 463	-	-	93 463
Acquired	89 890	-	13 768	223 142	-	326 800
Disposed	-	-	(5 628)	-	-	(5 628)
Depreciation	-	-	(26 082)	-	-	(26 082)
Depreciation written off	-	-	5 305	-	-	5 305
Closing book value	**89 890**	**-**	**80 826**	**223 142**	**-**	**393 858**
31.12.2013						
Initial cost	89 890	-	127 643	223 142	-	440 675
Accumulated depreciation	-	-	(46 817)	-	-	(46 817)
Net book value	**89 890**	**-**	**80 826**	**223 142**	**-**	**393 858**
2014						
Opening net book value	89 890	-	80 826	223 142	-	393 858
Acquired	106 197	53 566	60 321	937 410	1 081 038	2 238 532
Disposed	-	-	(37 917)	(38 165)	-	(76 082)
Reclassified from other balance sheet items	-	-	-	-	-	-
Depreciation	(158)	(5 357)	(14 763)	-	-	(20 278)
Closing book value	**195 929**	**48 209**	**88 467**	**1 122 387**	**1 081 038**	**2 536 030**
31.12.2014						
Initial cost	196 087	53 566	150 047	1 122 387	1 081 038	2 603 125
Accumulated depreciation	(158)	(5 357)	(61 580)	-	-	(67 095)
Net book value	**195 929**	**48 209**	**88 467**	**1 122 387**	**1 081 038**	**2 536 030**

a) Costs of fixed assets

In preparing the first financial statements in accordance with IFRS standards, the Company has accounted the fixed assets by cost model, less accumulated depreciation and any accumulated impairment losses

b) The reclassification of real estate

In preparing the first financial statements in accordance with IFRS standards, the Company reclassified a part of the real estate as investment property. Investment property is evaluated at cost model less accumulated depreciation and any accumulated impairment losses. Investment property on a fair value in 31.12.2014. constituted as EUR 115 000.

c) Finance lease of fixed assets

The residual value of fixed assets bought in finance lease on 31 December 2014 was EUR 54 936 (31.12.2013 - EUR 72 268). The ownership of this fixed assets will move to the Company only after all lease liabilities fulfilment (see Note 22).

e) Pledge of fixed assets

Information on pledged fixed assets is disclosed in the Note 28 to the financial statements.

OTHER NOTES (continuation)

(12) Investment property

	Lands and buildings	Total
	EUR	EUR
31.12.2012		
Initial cost	104 356	104 356
Accumulated depreciation	(5 913)	(5 913)
Net book value	**98 443**	**98 443**
2013		
Opening net book value	98 443	98 443
Acquired	17 920	17 920
Disposed	-	-
Depreciation	(7 248)	(7 248)
Closing book value	**109 115**	**109 115**
31.12.2013		
Initial cost	122 275	122 275
Accumulated depreciation	(13 160)	(13 160)
Net book value	**109 115**	**109 115**
2014		
Opening net book value	109 115	109 115
Acquired	6 620	6 620
Disposed	-	-
Depreciation	(9 400)	(9 400)
Closing book value	**106 335**	**106 335**
31.12.2014		
Initial cost	128 899	128 899
Accumulated depreciation	(22 564)	(22 564)
Net book value	**106 335**	**106 335**

(13) Inventories

	31.12.2014	31.12.2013	01.01.2013.
	EUR	EUR	EUR
Finished goods and goods for sale	65 422	-	-
	65 422	**-**	**-**

(14) Trade receivables

	31.12.2014	31.12.2013	01.01.2013.
	EUR	EUR	EUR
Trade receivables in Latvia	121 402	73 813	59 998
Trade receivables in Lithuania	234 679	1 057 547	443 184
	356 081	**1 131 360**	**503 182**

(15) Other current assets

	31.12.2014	31.12.2013	01.01.2013.
	EUR	EUR	EUR
VAT overpaid abroad	150 953	417 942	236 384
Financing the project "Deep investigation of whey"	107 829	56 296	38 039
Loans to the Company's co-owners*	40 210	207 123	77 391
Advance payments for works and services	31 601	143 700	-
Other deferred expenses	1 116	-	2 652
Deferred insurance expenses	806	2 430	891
Current loans**	-	-	9 106
	332 515	**827 491**	**364 463**

* In 2014 was granted an interest-free loan to the Company's co-owners as of 40 210 EUR with a maturity of 31 May 2015. To the date of preparing the annual report the loan is fully repaid.

** It was granted an interest-free loan to a legal entity. The loan was fully repaid in May 2013.

OTHER NOTES (continuation)

(16) Cash and cash equivalents	31.12.2014 EUR	31.12.2013. EUR	01.01.2013. EUR
Cash at bank on current account*	608 539	-	-
Cash at bank on current accounts	8 783	103 937	388 327
	617 322	103 937	388 327

*At bank on current account are the funds, received as an advance payment from LIAA for project APV/2.1.2.4.0/14/04/016. The existent funds are pledged.

(17) Share capital

The registered and fully paid share capital is EUR 2 845, composed of 2 845 shares with a nominal value of EUR 1 each.
In 2014 the Company carried out a re-registration of the share capital from the lats to the euro. Changes in share capital did not affected the number of shares.
During 2014, dividends were paid for the year 2013 EUR 890 662 respectively.
During 2013, dividends were paid for the years 2011 and 2012 EUR 213 057 respectively.

(18) Debenture loans (long-term)	31.12.2014 EUR	31.12.2013. EUR	01.01.2013. EUR
Long-term borrowing against bonds	950 000	-	-
The long-term part, net, deducting the current part	**950 000**	-	-

On 28 October 2014 the Company registered a bond issue of EUR 950 000 with the Latvian Central Depository. The bond issue was carried out in order to attract additional capital to finance the Issuer's development plans (to start the production of whey protein concentrate) and to improve its visibility on the regulated capital market and among institutional investors. 950 bonds with the nominal value of EUR 1000 each and a fixed annual interest rate of 18 percent were issued. Coupon payments are made once every six months: on 28 October and 28 April. The bond maturity is 28 October 2024. The bonds are not secured.

(19) Deferred income	31.12.2014 EUR	31.12.2013. EUR	01.01.2013. EUR
Financing on LIAA project APV/2.1.2.4.0/14/04/016			
Long-term part	608 539	-	-
Total	608 539	-	-

On 11 September 2014 the Company signed an agreement with the Latvian Investment and Development Agency in connection with a project titled "Procurement of Innovative Equipment for Deep Processing of Whey". Implementation of the project was started on 11 September 2014 and completion of the project is scheduled for 15 November 2015. An advance payment of 35% of the aid funding is disclosed under the item "Deferred Income".

(20) Finance lease liabilities	31.12.2014 EUR	31.12.2013. EUR	01.01.2013. EUR
Non-current			
Liabilities according to the finance lease agreements, payable from 2 to 5 years	37 489	27 394	49 750
Liabilities according to the finance lease agreements, payable over 5 years	-	-	-
	37 489	27 394	49 750
Current			
Liabilities according to the finance lease agreements, payable within 1 year	16 474	22 355	20 119
	16 474	22 355	20 119

As referred to in Note 11, the Company has acquired fixed assets in financial leasing from SIA "Nordea Finance Latvia": cars. In the reporting year the Company has entered into two new agreements of finance leasing. Interest payments at the floating rate of 3 months Euribor + 3% per annum payable monthly. Financial leasing repayment term ranging from December 2010 to September 2019.

In the event of cancellation or termination of lease agreement, depending on the terms and conditions of the specific agreement, the Company may be required to make additional payments under the agreement.

OTHER NOTES (continuation)

Finance lease liabilities (continuation)

	31.12.2014 EUR	31.12.2013. EUR	01.01.2013. EUR
In accordance with the agreements the minimum finance lease payments are:			
Payable within 1 year	17 794	23 632	22 118
Payable from 2 to 5 years	39 301	28 106	51 739
Payable over 5 years	-	-	-
Total finance lease gross liabilities	**57 095**	**51 738**	**73 857**
Future finance costs	(3 132)	(1 989)	(3 987)
Present value of finance lease liabilities	**53 963**	**49 749**	**69 870**

The carrying value of borrowings does not materially differ from their fair value.

At beginning of the year	49 749	69 870
Entered into finance lease obligations during the year	68 772	-
Repaid finance lease obligations during the year	(64 557)	(20 121)
At the end of the year	**53 964**	**49 749**

(21) Borrowings

		31.12.2014 EUR	31.12.2013. EUR	01.01.2013. EUR
Non-current				
Nordea Bank AB Latvian branch - repayable in 2-5 years	a), b)	-	-	246 848
		-	-	**246 848**
Current				
Nordea Bank AB Latvian branch	b)	-	-	188 875
		-	-	**188 875**
Total borrowings		-	-	**435 723**

	31.12.2014 EUR	31.12.2013 EUR
At beginning of the year	-	435 723
Borrowings received during the year	-	-
Borrowings repaid during the year	-	(435 723)
At the end of the year	-	-

a) Nordea Bank AB Latvian branch overdraft
In July 2010 the Company has entered into an overdraft agreement with Nordea Bank AB Latvian branch. In accordance with the agreement the limit of overdraft amounted to EUR 85000 with a maturity 31.01.2011. In 2011, the amendments to the agreement were signed. In accordance with these amendments the limit amounted to EUR 135 000, the maturity was extended until 31.01.2014. In 2013, obligations under agreement have been completed and the agreement is terminated.

b) Nordea Bank AB Latvian branch overdraft
In December 2012 the Company has entered into a loan agreement with Nordea Bank AB Latvian Branch. The loan value amounted to EUR 303 000 with a maturity 29.12.2017. In 2013 the obligations under agreement have been completed and the agreement is terminated.

c) b) Nordea Bank AB Latvian branch loan agreement
In 2014 the Company has entered into a loan agreement with Nordea Bank AB Latvian branch for total loan value of 3 065 000 EUR. The loan maturity date is 02.28.2019. The outstanding amount of the loan on 31.12.2014. - EUR 0.

(22) Trade payables

	31.12.2014 EUR	31.12.2013. EUR	01.01.2013. EUR
Debts to farmers for milk - Latvia	674 730	507 174	250 550
Debts to other suppliers of goods and services	509 596	403 265	254 217
Debt for supplied equipment (LIAA project)	469 600	-	-
	1 653 926	**910 439**	**504 767**

OTHER NOTES (continuation)

(23) Other liabilities

	31.12.2014 EUR	31.12.2013. EUR	01.01.2013. EUR
Accrued liabilities for services	38 359	-	-
Accrued liabilities for interest on bonds	28 500	-	-
Accrued unused annual leave expenses	12 265	-	4 575
Salaries	9 391	4 002	3 088
VAT abroad	5 434	114 547	-
Personal income tax	5 078	1 655	2 294
Social insurance payments	4 756	3 418	2 997
Motor vehicle duty	882	-	-
Risk duty	4	3	3
Borrowings from co-owners*	-	-	46 653
Borrowings from legal entities**	-	-	3 557
Previous years dividends unpaid	-	-	55 824
	104 669	**123 625**	**118 991**

* In 2011, the borrowing was received from co-owners with a maturity 31.12.2012. The borrowing is interest-free, without collateral. In 2013 the borrowing was completely repaid.

** In 2011, the borrowing was received from legal entities with a maturity date 31.12.2012. The borrowing is interest-free, without collateral. In 2013 the borrowing was completely repaid.

(24) Cash granted from operations

	2014 EUR	2013 EUR
Cash flow from operating activities		
Income from sales of goods and services	12 669 463	12 498 226
Payments to suppliers, employees, other operating expenses	(11 105 222)	(11 853 129)
Other income or expenses from operating activities	51 247	(2 881)
Gross cash flow from operating activities	**1 615 488**	**642 216**

(25) Average number of employees

	2014	2013
Average number of people employed during the financial year	12	9

(26) Remuneration to personnel

	2014 EUR	2013 EUR
Salaries and mandatory State social insurance contributions for production personnel	53 851	32 747
Salaries and social insurance contributions for administration personnel	120 719	31 924
	174 570	**64 671**
Including Board members and key management		
salary expenses	25 188	9 831
mandatory State social insurance contributions	5 942	2 368

(27) Transactions with related parties

In 2014, the Company granted a loan to the co-owners. The loan is interest-free, without collateral, with a maturity date 05.31.2015. Upon the reporting date, the loan is was completely repaid.

a) claims and liabilities

	Notes	31.12.2014. Receivables EUR	31.12.2014. Payables EUR	31.12.2013. Receivables EUR	31.12.2013. Payables EUR
Related parties					
Company's Board of Directors and co-owners	(15)	40 210	-	207 123	-
		40 210	-	**207 123**	-

OTHER NOTES (continuation)

(28) Loans and guarantee issuance agreements, assets collateral

During the financial year the Company has entered into a loan guarantee issuance agreements with Nordea Bank AB. According to the agreement the loan granted is EUR 3 065 000 with a maturity up to 28.02.2019 and an interest rate of 3.4% per annum plus 3 month EURIBOR.

Also in the reporting year the Company has entered into a Guarantee issuance agreement with Nordea Bank AB. In accordance with the guarantee issuance agreement the guarantee limit is EUR 72 000 with maturity 15.09.2015 and an interest rate of 3.5% per year.

At the end of the reporting year the Company has not used financial resources of loan and guarantees issuance agreements.

The Company has pledged its real estate and all of its movable property as an aggregation of property existing at the time of pledging and any future components of the aggregation of property (including product storage tanks, technological line – a set of bioreactors, and a set of innovative equipment for deep whey processing) with Nordea Bank AB as collateral for any claims that may arise out of these loan and guarantee agreements made with Nordea Bank AB.

A pledge agreement has been made between Nordea Bank AB and an agricultural co-operative union "Sigilo", to provide additional security. According to the terms and conditions of the loan agreement, the agricultural co-operative union "Sigilo" has pledged its movable property with the Company as an aggregation of property existing at the time of pledging as well as any future components of the aggregation of property.

The maximum amount of claims secured by means of the mortgage and the commercial pledge in connection with the loan agreement is EUR 3 984 500

(29) Financial and capital risk management

The Company's activity is exposed to various financial risks, including credit risk, liquidity risk and interest rate risk. The Management of the Company seeks to minimize potential adverse effects of the financial risks on the Company's financial position.

(a) Market risk

(i) Interest rate risks

The Company is exposed to interest rate risk as the finance lease obligations are the interest-bearing borrowings with the variable interest rate (see Note 20).

	31.12.2014. EU	31.12.2013. EUR
Financial assets with variable interest rate, EUR	(53 963)	(49 749)
Open position, net	**(53 963)**	**(49 749)**

(b) Credit risk

Financial assets, which potentially subject the Company to a certain degree of credit risk concentration are primarily cash, trade receivables. Company's policy provides that the goods are sold and services provided to customers with appropriate credit history. Trade receivables are recognized in recoverable amount. For the bank transactions only the local and foreign financial institutions with appropriate ranking is accepted.

Maximum exposure to credit risk	31.12.2014. EUR	31.12.2013. EUR
Trade receivables	356 081	1 131 360
Other claims	330 593	825 061
Cash	617 322	103 937
	1 303 996	**2 060 358**

The largest concentration of credit risk arises from cash and trade receivables. The Company manages its credit risk constantly, reviewing the repayment history of the client debts and stating the credit conditions for each client separately. The Company also monitoring the balances of trade receivables to decrease the risk of non-recoverability of debts.

Maturity analysis of trade receivables (non-related parties):

	Gross amount	Accruals for bad and doubtful debtors	Trade receivables not impaired	spited in: in due term	Past due < 90 days	90-180 days	> 180 days
31.12.2014.	356 081	0	356 081	356 081	325 768	30 313	-
31.12.2013.	1 131 360	0	1 131 360	1 131 360	1 163 241	20 635	-

OTHER NOTES (continuation)

(c) Liquidity risk

The Company pursues a prudent liquidity risk management and maintain a sufficient quantity of cash and ensure the availability of financial funds. At the end of the reporting period the Company had unused part of loan agreement with bank EUR 3 065 million. Company's management monitors the operational forecasting of liquidity reserves, based on estimated cash flows. Most of the Company's liabilities are short-term. Management believes that the Company will have sufficient financial resources that will be generated from operating activities, for it not to be exposed to liquidity risk.

The following table shows the maturity structure of financial liabilities of the Company, that is based on non-discounted cash flows:

On 31 December 2014	Total EUR	<1 year EUR	1-2 years EUR	2-5 years EUR	>5 years EUR	Interest EUR
Long-term financial lease liabilities	37 489	-	13 737	23 752	-	1 812
Short-term financial lease liabilities	16 474	16 474	-	-	-	1 320
Trade payables	1 653 926	1 653 926	-	-	-	-
Other liabilities	88 515	88 519	-	-	-	-
	1 796 404	**1 758 919**	**13 737**	**23 752**	**-**	**3 132**

On 31 December 2013	Total EUR	<1 year EUR	1-2 years EUR	2-5 years EUR	>5 years EUR	Interest EUR
Long-term financial lease liabilities	27 394	-	19 687	7 707	-	712
Short-term financial lease liabilities	22 355	22 355	-	-	-	1 277
Trade payables	910 439	910 439	-	-	-	-
Other liabilities	4 002	4 003	-	-	-	-
	964 190	**936 797**	**19 687**	**7 707**	**-**	**1 989**

All trade payables are short - term, with a maturity 1 year or less.

(d) Capital Management

According to the Latvian Commercial Law requirements if the Company's losses exceed half of the share capital, the Board is required to make decisions on Company's going concern. Equity of the Company meets the Latvian legal requirements. Company's management manages the capital structure on going concern basis. During the reporting period there were no changes in capital management objectives, policies or processes.

Company's management controls the net debt to equity (gearing ratio). During the reporting year this figure has in accordance with the LIAA project financing received up to -83% (2013: -5%). Equity to total assets at the end of the year is 17% (2013: 46%).

	31.12.2014. EUR	31.12.2013. EUR
Borrowings (long-term and short-term finance lease liabilities)	53 963	49 749
Cash and its equivalents	(617 322)	(103 937)
Net debt	(563 359)	(54 188)
Equity	681 366	1 184 294
Total capital (equity and net lieabilities)	118 007	1 130 106
Total assets	4 062 493	2 565 761
Net debt to equity	-83%	-5%
Equity ratio on total assets	17%	46%

OTHER NOTES (continuation)

(30) Subsequent events

1. 16 February 2015: Registration with the Latvian Register of Enterprises of the share capital increase to EUR 100 000, which was achieved by increasing the number of shares.
2. 15 May 2015. Registration with the Latvian Register of Enterprises of the paid-up share capital in the amount of EUR 700 000, which was achieved by increasing the number of shares.
Except for the aforementioned, no other events have taken place during the period of time from the last day of the accounting year to the date of signature of the financial statements which would have a significant effect on the financial position of the Company as of 31 December 2014.

The Annual report for the year ended 31 December 2014 on pages 1 to 29 confirm:

Kaspars Kazāks
Member of the Board

Ilona Kazāka
Member of the Board

Riga, 21 May 2015