

"BALTIC DAIRY BOARD" SIA

(UNIFIED REGISTRATION NUMBER 43603036823)

**UNAUDITED CONDENSED ANNUAL
REPORT
for the period from 01.01.2015.-31.12.2015.**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS AS ADOPTED IN EU**

BAUSKA, 2016

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

CONTENTS

General information	2
Report of the Management	3 - 4
Statement of the Management responsibility	5
Financial statements	
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Cash flow statement	9
Notes to the financial statements	10 - 29

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 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	Stacijas Street 1 BAuska, Latvia, LV-3901
The type of Actions (NACE)	Processing of milk and cheese production (NACE 2.red.1051)
Board Members	Kaspars Kazāks, Chairman of the Board Ilona Kazāka, Member of the Board
Council of the Company (Names, surnames, positions)	Ivars Ķirsons, Chairman of the Council from 23.07.2015. Gatis Jurisons, Deputy Chairman of the Council from 23.07.15. Viesturs Neimanis, Member of the Council from 23.07.2015. Oskars Tretjuks, Member of the Council from 23.07.2015.
Financial year	1 January 2015 - 31 December 2015
Previous financial year	1 January 2014 - 31 December 2014
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"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

SIA BALTIC DAIRY BOARD
REPORT OF THE MANAGEMENT
to 2015 ANNUAL REPORT

Baltic Dairy Board, Ltd main type of activity is raw milk and other dairy side product processing. Manufactured raw materials are then being used for end products like butter, milk protein powder and yeast products. Main goal is to establish own drying facility by 2018 with capability to dry own liquids and offer drying services to other dairy companies.

1. Description of Business:

Year 2015 has been a tuff and difficult year in dairy industry. Dairy product price drop, which has started in 2014, has continued its downfall until end of 2015. By end of 2015 dairy product prices reached all time lowest prices and accordingly raw milk prices dramatically reduced as well. Price drop will continue in 2016 due to the fact that after quota cancelation a lot of main dairy producer countries has increased they raw milk production which makes raw milk oversupply in Europe.

Last year for our company was very tense. Our aim was to finish all the construction works and to start production as soon as possible. We managed to finish all planned construction works and equipment installing by end of 2015. Manufacturing started immediately after factory was put in to operation on January 2016.

In annual report Net turnover was 9 044 310 EUR, which is 23% less than it was in 2014. This drop was according to price drop for all dairy products and downfall in dairy industry itself.

The book value of year 2015 is 10 082 529 EUR which is 150% more than 2014. This big increase in book value is because we have invested our and attracted funds in to factories equipment and construction process.

In annual report Net loses are 527 873 EUR. Mentioned market situation in dairy industry and companies investments in designing, processing plant reconstruction, processing equipment purchases, recruitment of new staff and providing special training and factory tests before main production was started. Taking in to consideration mentioned loses are reasonable and understandable.

2. Key Events of 2015:

1. Research was continued in cooperation with Vides, Bioenergetikas un Biotehnologiju Kompetences Centrs SIA (Environmental, Bioenergetics and Biotechnological Competence Centre, a limited liability company).
2. Additional financing in amount of 1,7 million EUR for factory equipment was provided from Nordea Bank AB Latvia.
3. LIAA Europes co-financing project was approved for amount of 1,7 million EUR.
4. Additional financing provided from risk capital funds ZGI 3.
5. Discussions are held with potential investors for additional financing for drying tower, packing line and all equipment needed for full powder production.
6. The plant construction works were completed and equipment and machinery were installed and tested. On 22nd of December 2015 the plant was put into operation.
7. Changes in Company's equity participants register were held: on 16th of February 2015 the Equity of the Company was increased to 100 000 EUR, on 15th of May 2015 to 700 000 EUR and on 3rd of August 2015 to 777 778 EUR. The main reasons for the increase of Equity were participants investments of Ilona Kazaka and Kaspars Kazaks in proportion to their number of shares in Equity, new participants/investors, and as a result the Company's Equity was increased and the Company's structure of Equity participants was changed. As of 31.12.2015 register of equity participants is following: Kaspars Kazāks -51%, Ilona Kazāka - 20%, limited partnership "ZGI -3" – 10 %, Sergey Regukh – 9,5% and Anastasia Regukh - 9,5%.
8. On 23rd of July 2015 Kaspars Kazaks was appointed as the Company's Chairman of the Board.
9. On 23rd of July 2015 the Council of the Company was established and composed from Chairman of the Council - Ivars Ķirsons, Deputy Chairman of the Council - Gatis Jurisons, Members of the Council - Oskars Tretjuks, Viesturs Neimanis.
10. In 2015 were implemented 2 projects: Nr. ĀTA/2.3.1.1.1/15/78/017 and Nr. L-ĀTA/2.3.1.1/15/79/207 for participation in the program "Entrepreneurship and Innovation" under 2.3.1.1. activities "External Markets Acquisition" 2.3.1.1.2. sub-activities "External Markets Acquisition - sectoral strengthening the international competitiveness".

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

3. Future Development of the Company:

Main priority in year 2016 is to continue regular production and product export. In a meantime increasing production volumes that will decrease production costs.

Continue to work on quality management system and to get international quality certificates as ISO, Halal and others.



Continuously working on all areas regularly increased company's value, turnover and profit.

Attract additional financing for factories expansion. Start engineering process for protein drying plant.

4. Post-Balance-Sheet Events:

In a time from annual years last day and the day when board has signed annual report:

1. There has been continuous work in product export with our maximum possible current production volumes.
2. On 13th of January 2016 the License issued by The Food and veterinary Service No. PA 037133 for the start of production has been received.
3. On 19th of January 2016 the legal and actual addresses have been changed to one united address - Stacijas Street 1, Bauska, Bauskas nov., LV-3901.
4. On 1st of January 2016 the "KOSHER Certificate" for the Company's production has been received.

 _____ Kaspars Kazāks Chairman of the Board	 _____ Ilona Kazāka Member of the Board
--	--

Riga, 26 February 2016



SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 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 Chairman of the Board	 _____ Ilona Kazāka Member of the Board
---	---

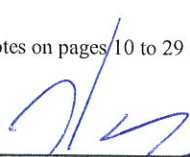
Rīga, 26 February 2016


SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

	Notes	2015 EUR	2014 EUR
Net sales	(1)	9 044 310	11 849 005
Cost of sales	(2)	(8 442 072)	(10 697 393)
Gross profit (loss)		602 238	1 151 612
Distribution expenses	(3)	(590 995)	(331 428)
Administrative expenses	(4)	(461 182)	(248 369)
Other income	(5)	87 006	72 363
Other expenses	(6)	(178 791)	(135 090)
Finanšu izmaksas	(8)	(87 864)	(45 491)
Profit (loss) before tax		(629 588)	463 597
Corporate income tax	(9)	101 715	(75 863)
Net profit		(527 873)	387 734
Earnings per share (in euro)			
Basic	(10)	(186)	136.29
Diluted	(10)	(186)	136.29
Other income, which is not reflected in the income statement		-	-
Total comprehensive income		(527 873)	387 734

Notes on pages 10 to 29 are an integral part of these financial statements.


 Kaspars Kazāks
 Chairman of the Board


 Ilona Kazāka
 Member of the Board

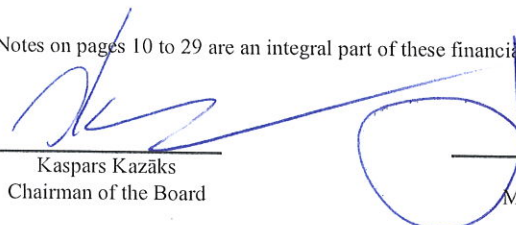
Riga, 26 February 2016


SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2015. EUR	31.12.2014. EUR
<u>ASSETS</u>			
Non-current assets			
Intangible investments	(11)	178	
Property, plant and equipment	(12)	9 031 798	2 536 030
Investment property	(13)		106 335
Atliktā nodokļa aktīvs	(9)	91 685	
Total non-current assets:		9 123 661	2 642 365
Current assets			
Inventories	(14)	7 165	65 422
Trade receivables	(15)	362 465	356 081
Corporate income tax receivable		132 132	48 788
Other current assets	(16)	355 752	332 515
Cash and cash equivalents	(17)	101 354	617 322
Total current assets:		958 868	1 420 128
<u>Total assets</u>		<u>10 082 529</u>	<u>4 062 493</u>
<u>EQUITY AND LIABILITIES</u>			
Equity			
Share capital	(18)	777 778	2 845
Share issue premium		421 557	
Retained earnings		150 648	678 521
Total equity:		1 349 983	681 366
Liabilities			
Non-current liabilities			
Debenture loans	(19)	950 000	950 000
Deferred revenue	(20)	1 261 904	608 539
Loans from credit institutions	(21)	3 351 733	-
Citi aizņēmumi		500 665	
Finance lease liabilities	(22)	69 592	37 489
Deferred income tax liabilities	(9)		10 030
Total non-current liabilities:		6 133 894	1 606 058
Current liabilities			
Finance lease liabilities	(20)	28 310	16 474
Loans from credit institutions	(21)	712 850	-
Trade payables	(22)	1 559 446	1 653 926
Other liabilities	(23)	298 046	104 669
Total current liabilities:		2 598 652	1 775 069
Total liabilities:		8 732 546	3 381 127
<u>Total equity and liabilities:</u>		<u>10 082 529</u>	<u>4 062 493</u>

Notes on pages 10 to 29 are an integral part of these financial statements.


Kaspars Kazāks
Chairman of the Board


Ilona Kazāka
Member of the Board

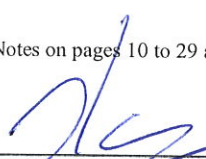
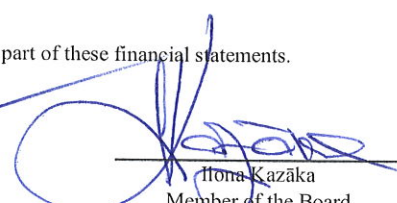
Riga, 26 February 2016

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

STATEMENT OF CHANGES IN EQUITY

	Equity	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR
31.12.2013.	2 845		1 181 449	1 184 294
Total comprehensive income	-	-	387 734	387 734
Dividends	-	-	(890 662)	(890 662)
31.12.2014.	2 845	0	678 521	681 366
Equity increase	774 933			774 933
Share issue premium	421 557			421 557
Total comprehensive income		-	(527 873)	(527 873)
31.12.2015.	1 199 335	0	150 648	1 349 983

Notes on pages 10 to 29 are an integral part of these financial statements.

 Kaspars Kazāks Chairman of the Board	 Ilona Kazāka Member of the Board
--	--

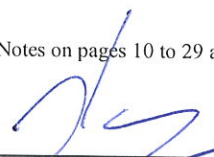
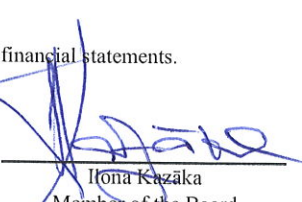
Riga, 26 February 2016

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

CASH FLOW STATEMENT

	Notes	2015 EUR	2014 EUR
Cash flow from operating activities	(24)	2 024 767	1 615 488
Interest paid		(87 864)	(8 161)
Income tax paid		(54 997)	(289 384)
Net cash flow from operating activities		1 881 906	1 317 943
Cash flow from investing activities			
Acquisition of property, plant and equipment		(7 357 607)	(1 874 484)
Proceeds from sales of property, plant and equipment		125 000	43 958
Loans issued			(40 210)
Net cash flow from investing activities		(7 232 607)	(1 870 736)
Cash flow from financing activities			
Increase in Equity		1 196 490	
Income from bonds issued			950 000
Proceeds from borrowings		3 083 876	300 000
Received advance from LIAA (part of the granted funding)		685 721	608 539
Expenses on the borrowing repayment		(110 000)	(300 000)
Dividends paid			(460 608)
Finance lease payments		(21 354)	(27 568)
Net cash flow from financing activities		4 834 733	1 070 363
Foreign currency fluctuations			(4 185)
Net increase / (decrease) in cash and cash equivalents		(515 968)	513 385
Cash and cash equivalents at the beginning of the financial year		617 322	103 937
Cash and Cash equivalents at the end of the financial year		101 354	617 322

Notes on pages 10 to 29 are an integral part of these financial statements.

 Kaspars Kazāks Chairman of the Board	 Ilona Kazāka Member of the Board
--	--

Riga, 26 February 2016

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

NOTES TO THE FINANCIAL STATEMENTS

I. GENERAL INFORMATION

The Company "Baltic Dairy Board" 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 Dobeles, 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, Bioenerģētikas and Biotehnoloģiju 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 2015 to 31 December 2015.

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 2015, corresponds to the accounting policy that was used for the preparation of Annual report of a year 2014. Financial statements for the financial years ended 31 December 2015 and 31 December 2014, 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.

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

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 and 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 disclose 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.

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

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 rate 0.702804 LVL/EUR.

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

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.

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

(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	5-10
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.

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

(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.

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

(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 at 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 the end of the year is EUR 0 (31.12.2014. - 65422).

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

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, Poland and Lithuania. Distribution of sales among these segments is as follows:

	2015 EUR	2014 EUR
Poland	8 022 418	11 227 701
Latvia	1 021 892	
Lithuania		621 304
	9 044 310	11 849 005

(c) Major customers

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

Client No. 1	3 015 266	5 909 845
Client No. 2	2 099 673	4 886 525
Other customers	3 929 371	1 052 635
	9 044 310	11 849 005

(2) Cost of sales

The purchase of goods and delivery charges	7 734 918	10 155 476
Transportation costs	306 094	405 969
Salary expenses	103 420	43 140
Depreciation of fixed assets	252 428	41 965
Laboratory services (milk analysis)	19 968	31 552
Social insurance costs	23 972	10 711
Other costs	1 272	8 580
	8 442 072	10 697 393

(3) Distribution expenses

Transportation costs	587 808	330 690
Advertising expenses	3 187	738
	590 995	331 428

(4) Administrative expenses

Salary expenses	184 970	96 438
Social insurance costs	43 634	24 281
Office expenses	13 682	23 136
Cash turnover expenses	84 287	22 118
Transportation costs	31 568	17 987
Business trip expenses	29 335	12 963
Professional services costs	20 374	12 785
Costs associated with the issuance of bonds		10 000
Real estate tax	4 849	8 203
Communication expenses	5 189	4 448
Other administrative expenses	43 294	16 010
	461 182	248 369

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

OTHER NOTES (continuation)

(5) Other income	2015	2014
	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	54 649	5 584
Other income	32 357	4 738
	<u>87 006</u>	<u>72 363</u>
 (6) Other expenses		
Research expenses	59 381	76 570
Property maintenance, security and management costs	97 481	23 685
Representation costs	5 517	17 382
Maintenance, security and management costs of investment property		5 635
Net loss from exchange rate fluctuations	21	4 186
Depreciation expenses of leased equipment		2 509
Net expenses from sale of fixed assets	1 973	
Other expenses	14 418	5 123
	<u>178 791</u>	<u>135 090</u>
 (7) Expenses by Nature		
The purchase of goods and delivery charges	7 734 918	10 155 476
Transportation costs	925 470	754 646
Salary expenses	288 390	139 578
Research expenses	59 381	76 570
Depreciation of fixed assets	252 428	41 965
Social insurance costs	67 606	34 992
Laboratory services (milk analysis)	19 968	31 552
Property maintenance, security and management costs	97 481	23 685
Office expenses	13 682	23 136
Cash turnover expenses	84 287	22 118
Representation costs	5 517	17 382
Business trip expenses	29 335	12 963
Professional services costs	20 374	12 785
Costs associated with the issuance of bonds	0	10 000
Real estate tax	4 849	8 203
Maintenance, security and management costs of investment property	0	5 635
Communication expenses	5 189	4 448
Net loss from exchange rate fluctuations	21	4 186
Depreciation expenses of leased equipment	0	2 509
Other expenses	64 144	30 451
	<u>9 673 040</u>	<u>11 412 280</u>
 (8) Finance expenses		
Interest expenses on bonds	76 833	28 500
Interest expense on bank loans, factoring, overdraft	6 484	8 987
Interest expense on leasing	2 279	2 149
Penalties paid	2 268	5 855
	<u>87 864</u>	<u>45 491</u>

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

OTHER NOTES (continuation)

(9) Corporate income tax

	2015	2014
	EUR	EUR
a) Components of corporate income tax		
Changes in deferred income tax	78 024	4 388
Corporate income tax according to the tax return	<u>78 024</u>	<u>71 475</u>
	<u>78 024</u>	<u>75 863</u>

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:

	2015	2014
	EUR	EUR
Profit before taxes	(629 588)	463 597
Theoretically calculated tax at 15% tax rate	<u>(94 438)</u>	<u>69 540</u>
Tax effects on:		
Non-deductible expenses for tax purposes	6 323	6 323
Total corporate income tax expenses	<u>(88 115)</u>	<u>75 863</u>

c) Movement and components of deferred tax

Deferred tax liabilities at the beginning of the financial year	10 030	5 642
Deferred tax charged to the income statement	(101 715)	4 388
Deferred tax liabilities at the end of the financial year	<u>(91 685)</u>	<u>10 030</u>

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):

	2015	2014
	EUR	EUR
Temporary difference on depreciation of fixed and intangible assets	450 028	11 871
Gross deferred tax liabilities	<u>67 504</u>	<u>11 871</u>
Temporary difference on accruals for annual leave	(30 680)	(1 840)
Gross deferred tax liabilities	<u>(4 602)</u>	<u>(1 840)</u>
Loss after income tax declarations	1 030 577	
Gross deferred tax asset	154 587	
Net deferred tax liability (assets)	<u>(91 685)</u>	<u>11 871</u>

(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.

	2015	2014
Profit attributed to shareholders of the Company (EUR)	(527 873)	387 734
Average annual number of shares	2 845	2 845
Earnings per share (expressed in euro)	<u>(185.54)</u>	<u>136.29</u>

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

OTHER NOTES (continuation)

(11) Intangible assets

	Software Total EUR	Total EUR
31.12.2014		
Initial cost		
Accumulated depreciation		
Net book value	<u><u>0</u></u>	<u><u>0</u></u>
2015		
Opening net book value	0	0
Acquired	194	194
Depreciation	(16)	(16)
Closing book value	<u><u>178</u></u>	<u><u>194</u></u>
31.12.2015		
Initial cost	194	194
Accumulated depreciation	(16)	(16)
Net book value	<u><u>178</u></u>	<u><u>178</u></u>

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

(12) 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
31.12.2013						
Initial cost	89 890	-	127 643	223 142	-	440 675
Accumulated depreciation	-	-	(46 817)	-	-	(46 817)
Net book value	89 890	0	80 826	223 142	0	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 it	-	-	-	-	-	-
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
2015						
Opening net book value	195 929	48 209	88 467	1 122 387	1 081 038	2 536 030
Acquired	2 010 064	4 319 567	199 576	6 475 170	3 016 939	16 021 316
Disposed	-	-	(3 038)	-	-	(3 038)
Reclassified from other balance sheet items	11 810	65 029	-	(6 231 066)	(3 118 909)	(9 273 136)
Depreciation	(4 790)	(208 445)	(36 139)	-	-	(249 374)
Closing book value	2 213 013	4 224 360	248 866	1 366 491	979 068	9 031 798
31.12.2015						
Initial cost	2 217 961	4 438 162	346 585	1 366 491	979 068	9 348 267
Accumulated depreciation	(4 948)	(213 802)	(97 719)	-	-	(316 469)
Net book value	2 213 013	4 224 360	248 866	1 366 491	979 068	9 031 798

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

Net book value

(13) Investment property

	Lands and buildings	Total
	EUR	EUR
31.12.2013		
Initial cost	122 275	122 275
Accumulated depreciation	(13 160)	(13 160)
Net book value	<u><u>109 115</u></u>	<u><u>109 115</u></u>
2014		
Opening net book value	109 115	109 115
Acquired	6 620	6 620
Disposed	-	-
Depreciation	(9 400)	(9 400)
Closing book value	<u><u>106 335</u></u>	<u><u>106 335</u></u>
31.12.2014		
Initial cost	128 899	128 899
Accumulated depreciation	(22 564)	(22 564)
Net book value	<u><u>106 335</u></u>	<u><u>106 335</u></u>
2015		
Opening net book value	106 335	106 335
Acquired		
Disposed	(106 335)	(106 335)
Depreciation		
Closing book value	<u><u>0</u></u>	<u><u>0</u></u>
31.12.2015		
Initial cost		
Accumulated depreciation		
Net book value	<u><u>0</u></u>	<u><u>0</u></u>

(14) Inventories

	31.12.2015	31.12.2014
	EUR	EUR
Finished goods and goods for sale	<u><u>0</u></u>	<u><u>65 422</u></u>

(15) Trade receivables

	31.12.2015	31.12.2014
	EUR	EUR
Trade receivables in Latvia	21 622	121 402
Trade receivables in Poland, Lithuania	340 843	234 679
	<u><u>362 465</u></u>	<u><u>356 081</u></u>

(16) Other current assets

	31.12.2015	31.12.2014
	EUR	EUR
VAT overpaid abroad	193 456	150 953
Financing the project "Deep investigation of whey"	101 187	107 829
Loans to the Company's co-owners*		40 210
Advance payments for works and services	40 460	31 601
Other deferred expenses	1 492	1 116
Deferred insurance expenses	1 046	806
Deferred expenses for the loan	17 332	
Settlements regarding personnel requirements	69	
Security deposit	710	-
	<u><u>355 752</u></u>	<u><u>332 515</u></u>

* 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.

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

Net book value

	31.12.2015	31.12.2014.
	EUR	EUR
(17) Cash and cash equivalents		
Cash at bank on current account*		608 539
Cash at bank on current accounts	101 354	8 783
	<u>101 354</u>	<u>617 322</u>

*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.

(18) Share capital

The registered and fully paid Equity capital is EUR 777 778, composed of 777 778 shares with a nominal value of EUR 1 each. Changes in Company's Equity participants register were held: on 16th of February 2015 the Equity of the Company was increased to 100 000 EUR, in May 2015 to 700 000 EUR and on 3rd of August 2015 to 777 778 EUR. The main reasons for the increase of Equity were investments from participants - Ilona Kazaka and Kaspars Kazaks, in proportion to their number of shares in Equity, new participants/investors, and as a result the Company's Equity was increased and the Company's structure of Equity participants was changed. As of 31.12.2015 register of Equity participants is following: Kaspars Kazāks -51%, Ilona Kazāka - 20%, limited partnership "ZGI -3" – 10 %, Sergey Regukh – 9,5% and Anastasia Regukh - 9,5%.

	31.12.2015	31.12.2014.
	EUR	EUR
(19) Debenture loans (long-term)		
Long-term borrowing against bonds	950 000	950 000
The long-term part, net, deducting the current part	<u>950 000</u>	<u>950 000</u>

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.

	31.12.2015	31.12.2014.
	EUR	EUR
(20) Deferred income		
Financing on LIAA project APV/2.1.2.4.0/14/04/016		
Long-term part	1 261 904	608 539
Total	<u>1 261 904</u>	<u>608 539</u>

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".

	31.12.2015	31.12.2014.
	EUR	EUR
(21) Finance lease liabilities		
Non-current		
Liabilities according to the finance lease agreements, payable from 2 to 5 years	69 592	37 489
Liabilities according to the finance lease agreements, payable over 5 years	-	-
	<u>69 592</u>	<u>37 489</u>
Current		
Liabilities according to the finance lease agreements, payable within 1 year	28 310	16 474
	<u>28 310</u>	<u>16 474</u>

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.

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

Net book value

Finance lease liabilities (continuation)

	31.12.2015 EUR	31.12.2014. EUR
In accordance with the agreements the minimum finance lease payments are:		
Payable within 1 year	28 310	17 794
Payable from 2 to 5 years	69 592	39 301
Payable over 5 years	-	-
Total finance lease gross liabilities	<u>97 902</u>	<u>57 095</u>
Future finance costs	0	(1 989)
Present value of finance lease liabilities	<u><u>97 902</u></u>	<u><u>55 106</u></u>

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

At beginning of the year	53 963	49 749
Entered into finance lease obligations during the year	70 008	68 772
Repaid finance lease obligations during the year	(26 069)	(64 557)
At the end of the year	<u><u>97 902</u></u>	<u><u>53 964</u></u>

(22) Borrowings

	31.12.2015 EUR	31.12.2014. EUR
Non-current		
Nordea Bank AB Latvian branch - repayable in 2-5 years	a) 3 351 733	-
	<u>3 351 733</u>	<u>-</u>
Other borrowings	500 665	-
	<u><u>500 665</u></u>	<u>-</u>

Current

Nordea Bank AB Latvian branch	b) 543 467	-
Nordea Bank AB Latvian branch creditline	c) 169 383	-
	<u>712 850</u>	<u>-</u>

Total borrowings

	31.12.2015 EUR	31.12.2014 EUR
At beginning of the year	-	-
Borrowings received during the year	4 565 248	-
Borrowings repaid during the year	-	-
At the end of the year	<u><u>4 565 248</u></u>	<u>-</u>

a) Nordea Bank AB Latvian branch loan agreement

In 2014 was signed the Loan Agreement with Nordea Bank AB Latvian Branch for the total loan amount as EUR 3 065 000. The period of maturity is 28.02.2019. In 2015 were made amendments in Agreement and the Loan amount was increased for 1 680 000 EUR. Outstanding loan amount as of 31.12.2016 - 3 895 200 EUR.

b) Limited partnership ZGI 3 aizņēmums

c) Nordea Bank AB Latvian branch creditline

(23) Trade payables

	31.12.2015 EUR	31.12.2014. EUR
Debts to farmers for milk - Latvia	205 097	674 730
Debts to other suppliers of goods and services	1 354 349	509 596
Debt for supplied equipment (LIAA project)	-	469 600
	<u><u>1 559 446</u></u>	<u><u>1 653 926</u></u>

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

Net book value

(24) Other liabilities	31.12.2015	31.12.2014.
	EUR	EUR
Accrued liabilities for services	102 826	38 359
Accrued liabilities for interest on bonds	28 500	28 500
Accrued unused annual leave expenses	30 680	12 265
Salaries	24 090	9 391
VAT abroad		5 434
Personal income tax	11 320	5 078
Social insurance payments	11 202	4 756
Motor vehicle duty	1 428	882
Risk duty		4
Borrowings from co-owners*	88 000	-
	<u>210 046</u>	<u>104 669</u>

* In 2015 was received a loan from the co-owners with a maturity 31.12.2016. The loan is interest-free and without a collateral.

(25) Cash granted from operations	2015	2014
	EUR	EUR
Cash flow from operating activities		
Income from sales of goods and services	10 055 479	12 669 463
Payments to suppliers, employees, other operating expenses	(8 050 698)	(11 105 222)
Other income or expenses from operating activities	19 986	51 247
Gross cash flow from operating activities	<u>2 024 767</u>	<u>1 615 488</u>

(26) Average number of employees	2015	2014
Average number of people employed during the financial year	<u>17</u>	<u>12</u>

(27) Remuneration to personnel	2015	2014
	EUR	EUR
Salaries and mandatory State social insurance contributions for production personnel	127 392	53 851
Salaries and social insurance contributions for administration personnel	228 604	120 719
	<u>355 996</u>	<u>174 570</u>
Including Board members and key management salary expenses	37 729	25 188
mandatory State social insurance contributions	8 900	5 942

(28) 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

		31.12.2015.		31.12.2014.	
	Notes	Receivables EUR	Payables EUR	Receivables EUR	Payables EUR
Related parties					
Company's Board of Directors and co-owners	(15)		88 000	40 210	-
		<u>0</u>	<u>-</u>	<u>40 210</u>	<u>-</u>

Net book value

(29) 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.

(33) 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).

	31.12.2015. EUR	31.12.2014. EUR
Financial assets with variable interest rate, EUR	(97 902)	(49 749)
Open position, net	(97 902)	(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 Maximum exposure to credit risk

	31.12.2015. EUR	31.12.2014. EUR
Trade receivables	362 465	356 081
Other claims	353 214	331 709
Cash	101 354	617 322
	817 033	1 305 112

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
31.12.2015.	362 465	0	362 465	362 465	338 559	23 906	-	-
31.12.2014.	356 081	0	356 081	356 081	325 768	30 313	-	-

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

Net book value

(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 2015	Total EUR	<1 year EUR	1-2 years EUR	2-5 years EUR	>5 years EUR	Interest EUR
Long-term financial lease liabilities	69 592	-	23 742	45 850	-	1 812
Short-term financial lease liabilities	28 310	28 310	-	-	-	1 320
Trade payables	1 559 446	1 653 926	-	-	-	-
Other liabilities	186 096	88 519	-	-	-	-
	1 843 444	1 770 755	23 742	45 850	-	3 132
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	-	19 687	7 707	-	712
Short-term financial lease liabilities	16 474	16 474	-	-	-	1 277
Trade payables	1 653 926	910 439	-	-	-	-
Other liabilities	9 391	4 003	-	-	-	-
	1 717 280	930 916	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%).

	31.12.2015. EUR	31.12.2014. EUR
Borrowings (long-term and short-term finance lease liabilities)	97 902	53 963
Cash and its equivalents	(101 354)	(617 322)
Net debt	(3 452)	(563 359)
Equity	1 349 983	681 366
Total capital (equity and net liabilities)	1 346 531	118 007
Total assets	10 082 529	4 062 493
Net debt to equity	0%	-83%
Equity ratio on total assets	13%	17%

SIA "BALTIC DAIRY BOARD"
UNAUDITED CONDENSED ANNUAL REPORT
for the period ended 31 December 2015

Net book value

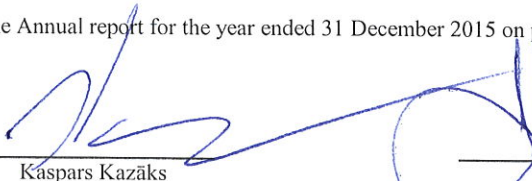
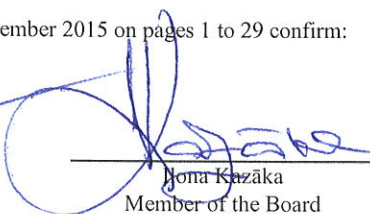
(31) Subsequent events

In a time from annual years last day and the day when board has signed annual report:

1. There has been continuous work in product export with our maximum possible current production volumes.
2. On 13th of January 2016 the License issued by The Food and veterinary Service No. PA 037133 for the start of production has been received.
3. On 19th of January 2016 the legal and actual addresses have been changed to one united address - Stacijas Street 1, Bauska, Bauskas nov., LV-3901.
4. On 1st of January 2016 the "KOSHER Certificate" for the Company's production has been received.

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 2015.

The Annual report for the year ended 31 December 2015 on pages 1 to 29 confirm:

 _____ Kaspars Kazāks Chairman of the Board	 _____ Jona Kazāka Member of the Board
---	--

Riga, 26 February 2016