Baltic Dairy Board

SIA "BALTIC DAIRY BOARD"

(UNIFIED REGISTRATION NUMBER 43603036823)

UNAUDITED CONDENSED FINANCIAL STATEMENTS

for the six month period ended 30 June 2016

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

BAUSKA, 2016

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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)	Operation of dairies and cheese making (NACE 2.red.10.51)
Board Members names, surnames and positions	Kaspars Kazāks, Chairmen of the Board Ilona Kazāka, Member of the Board
Council Members names, surnames and positions	Ivars Ķirsons, Chairman of the Council from 23.07.2015 Gatis Jurisons, Deputy Chairman of Council from 23.07.2015 Viesturs Neimanis, Member of the Council from 23.07.2015 Oskars Tretjuks, Member of the Council until 17.06.2016. Ivo Lidums, Member of the Council from 17.06.2016
Financial year	1 January 2015 - 30 June 2016
Previous financial year	1 January 2015 - 31 December 2015
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 the six month period ended 30 June 2016

Type of activity of SIA „Baltic Dairy Board" is processing of raw milk and milk by-products; source materials for production of butter, milk protein powder and yeast products are produced. There is an aim to commence production of milk protein powder as well in Bauska in 2018, with own drying and packaging equipment.

1. Description of Business:

In the first six months of 2016, a mild recession of the farm gate milk prices and milk products continued in the milk industry. The recession of the milk products and farm gate milk prices that started already in April 2014 continued the entire 2015.
In the end of 2015, most of the industrial milk product prices reached the lowest point and this was the reason of decrease of the farm gate milk prices. The downturn continued also in the first half of 2016.

The first six months were very intense for the Company. When the Company started production activities in January 2016, the goal was to reach as high as possible quality indices of the products and as high as possible processing efficiency.
Net sales of six months of the reporting year was EUR 7,304,889, which is an increase by 124% compared to net sales of six months of 2015. The increase is significant and it can be explained by starting production in January 2016

Balance sheet as at 30 June 2016 was EUR 10,912,584, which is an increase by 8%, compared to 31 December 2015.
Considering the above, on the sixth month of operations a positive financial net result was achieved and until the end of the year a positive EBITDA will be achieved, which is a good result of the first year of production.

Net losses of the first six months of the reporting year amounted to EUR 1,112,340. The losses were incurred in the first four months of production. This can be explained by several reasons which are logical at the beginning of production:

1. Starting milk processing in the Latvian market as a new market player requires purchase of additional ingredients in this stage. The process was successful; however, the Company had to pay a higher price for milk than other processors paid on average.
2. This is closely connected to the first aspect. The lower processing capacity is, the higher expenses for each processed ton are. Every month, with the amount of milk increasing the expenses for each processed ton decreased significantly, thereby notably increasing the efficiency.
3. Product quality. In the first four months all issues regarding product quality were eliminated that allowed to sell high quality products for more favourable prices further on.

2. Key Events of 2016:

1. On 1 January 2016, the KOSHER Certificate was obtained for the products produced by the Company.

2. On 13 January 2016, a temporary permit No. PA 037133 was issued by the Food and Veterinary Service to start production.
3. On 19 January 2016, the legal and postal address of the Company was changed and the new address is: Stacijas iela 1, Bauska, Bauskas nov., LV-3901.

4. On 17 March 2016, SIA "Viedo materiālu un tehnoloģiju un kompetences centrs" was established and in 2016 a research on in-depth processing of protein products will be started.

5. On 25 April 2016, the Company received a recognition certificate No. A 037133 that certifies the Company's ability to independently ensure compliance of operations and products with the requirements of laws and regulations.

6. On 17 June 2016, the Company introduced changes to the Council of the Company: Chairman of the Council – Ivars Ķirsons, Deputy Chairman of the Council – Gatis Jurisons, Council Members – Ivo Līdums, Viesturs Neimanis.

3. Future Development of the Company:

1. The key priority for 2016 is to ensure continuous production and exports of products gradually increasing the amount of production and reducing the costs of production and starting exports outside the European Union.

2. Another priority is to work on quality management system until 27 October 2016 and obtain the international quality certificate Halal and certify the Company in line with the ISO/TS 22002:1:2009 FSSC 22000 standard.

3. The Company intends to increase its value, turnover and profit by carrying out the operations.
4. The Company plans to attract investments to expansion of the production facilities, to order protein powder drying equipment and design the building and start the first construction work.

4. Subsequent events:

1. Since the last day of the reporting year and the date when the Board signed the annual report the Company has started continuous production and exports with full capacity that has been providing positive net result since July.
2. On 29 July 2016, Stage 1 certification was carried out in line with the ISO/TS 22002:1:2009 FSSC 22000 standard.
3. In August 2016, the Company concluded a contract on the Halal certification wih the company HALAL CONTROL in order to start certification of the Company within the next two months.

Except for the above, no significant subsequent events have occurred since the last day of the reporting period to the date of these financial statements that would materially adversely impact the Company's financial position as at 30 June 2016.

Kaspars Kazāks
Chairmen of the Board

Ilona Kazāka
Member of the Board

Bauska, 25 August 2016

STATEMENT OF THE MANAGEMENT RESPONSIBILITY

The following statement, which should be read in conjunction with the independent auditors' report, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the separate financial statements of SIA "Baltic Dairy Board" (the "Company").

Management is responsible for the preparation of the separate financial statements that present truly and fairly the financial position of the Company as of 30 June 2016, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") as adopted by EU.

The Management Board confirms that the decisions adopted and the assessments made in the course of preparation of information contained on pp. 7-29 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
Chairmen of the Board

Ilona Kazāka
Member of the Board

Bauska, 25 August 2016

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

	Notes	6 month 2016 EUR	6 month 2015 EUR
Net sales	(1)	7 304 889	3 267 269
Cost of sales	(2)	(7 738 503)	(2 979 470)
Gross profit		**(433 614)**	**287 799**
Distribution expenses	(3)	(226 091)	(204 089)
Administrative expenses	(4)	(260 397)	(242 393)
Other income	(5)	143 808	21 458
Other expenses	(6)	(136 659)	(33 237)
Finance expenses	(8)	(199 387)	(74 157)
Profit (loss) before tax		**(1 112 340)**	**(244 619)**
Net profit		**(1 112 340)**	**(244 619)**

Notes on pages 11 to 29 are an integral part of these financial statements.

Kaspars Kazāks
Chairmen of the Board

Ilona Kazāka
Member of the Board

Bauska, 25 August 2016

STATEMENT OF FINANCIAL POSITION

	Notes	30.06.2016. EUR	31.12.2015. EUR
ASSETS			
Non-current assets			
Intangible assets	(10)	146	178
Property, plant and equipment	(11)	8 989 843	9 031 798
Investment property	(12)	0	0
Deferred tax assets	(9)	69 965	69 965
participation in the capital of another company		200	
Total non-current assets:		**9 060 154**	**9 101 941**
Current assets			
Inventories	(13)	465 845	7 164
Trade receivables	(14)	974 422	362 365
Corporate income tax receivable		24 428	132 132
Other current assets	(15)	295 334	355 753
Cash and cash equivalents	(16)	92 401	101 354
Total current assets:		**1 852 430**	**958 768**
Total assets		**10 912 584**	**10 060 709**
EQUITY AND LIABILITIES			
Equity			
Share capital	(17)	777 778	777 778
Share issue premium		421 557	421 557
Retained earnings		(985 646)	126 694
Total equity:		**213 689**	**1 326 029**
Liabilities			
Non-current liabilities			
Debenture loans	(18)	1 035 500	950 000
Deferred revenue	(19)	1 598 396	1 154 049
Loans from credit institutions	(21)	3 155 506	3 351 733
Other borrowings	(21)	500 665	500 665
Finance lease liabilities	(20)	69 592	69 592
Deferred income tax liabilities	(9)	0	
Total non-current liabilities:		**6 359 659**	**6 026 039**
Current liabilities			
Deferred revenue	(19)	53 927	107 855
Finance lease liabilities	(20)	13 550	28 310
Loans from credit institutions	(21)	744 256	712 850
Trade payables	(22)	3 252 988	1 559 346
Other liabilities	(23)	274 515	300 280
Total current liabilities:		**4 339 236**	**2 708 641**
Total liabilities:		**10 698 895**	**8 734 680**
Total equity and liabilities:		**10 912 584**	**10 060 709**

Notes on pages 11 to 29 are an integral part of these financial statements.

Kaspars Kazaks
Chairmen of the Board

Ilona Kazāka
Member of the Board

Bauska, 25 August 2016

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share issue premium	Retained earnings	Total
	EUR	EUR	EUR	EUR
31.12.2014.	**2 845**		**678 521**	**681 366**
Share capital increase	697 155	-	-	697 155
Total comprehensive income	-	-	(244 619)	(244 619)
30.06.2015.	**700 000**	**0**	**433 902**	**1 133 902**
Share capital increase	77 778	-	-	77 778
The new share sale above nominal value	-	421 557	-	421 557
Total comprehensive income	-	-	(307 208)	(307 208)
31.12.2015.	**777 778**	**421 557**	**126 694**	**1 326 029**
Total comprehensive income			(1 112 340)	(1 112 340)
30.06.2016.	**777 778**	**421 557**	**(985 646)**	**213 689**

Notes on pages 11 to 29 are an integral part of these financial statements.

Kaspars Kazāks
Chairmen of the Board

Ilona Kazāka
Member of the Board

Bauska, 25 August 2016

CASH FLOW STATEMENT

	Notes	6 month 2016 EUR	6 month 2015 EUR
Cash flow from operating activities	(24)	**(102 219)**	**512 619**
Interest paid		(105 143)	(18 445)
Income tax paid			(54 997)
Net cash flow from operating activities		**(207 362)**	**439 177**
Cash flow from investing activities			
Acquisition of property, plant and equipment		(277 176)	(3 409 461)
Proceeds from sales of property, plant and equipment			125 000
Net cash flow from investing activities		**(277 176)**	**(3 284 461)**
Cash flow from financing activities			
Share capital increase			697 155
Proceeds from borrowings		366 119	1 885 280
Received advance from LIAA (part of the granted funding)		633 740	
Expenses on the borrowing repayment		(502 673)	(110 000)
Finance lease payments		(21 354)	(9 675)
Net cash flow from financing activities		**475 832**	**2 462 760**
Foreign currency fluctuations		**(247)**	
Net increase / (decrease) in cash and cash equivalents		**(8 953)**	**(382 524)**
Cash and cash equivalents at the beginning of the financial year		**101 354**	**617 322**
Cash and Cash equivalents at the end of the financial year		**92 401**	**234 798**

Notes on pages 11 to 29 are an integral part of these financial statements.

Kaspars Kazāks
Chairmen of the Board

Ilona Kazāka
Member of the Board

Bauska, 25 August 2016

NOTES TO THE FINANCIAL STATEMENTS

I. GENERAL INFORMATION

SIA "Baltic Dairy Board" (the "Company") was established and started to operate in 2008. Until 31 December 2016 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.
From January 2016, the production of the milk and whey protein concentrate, milk and whey permeate pasteurized cream and milk powder has been launched at the new plant in Bauska.
The company is dealing with milk and whey protein concentrate, milk and whey permeate pasteurized cream and skimmed milk manufacturing and the wholesale of these products in the European Union.

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 2014.

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 2016, corresponds to the accounting policy that was used for the preparation of Annual report of a year 2015.
The financial statements are prepared in accordance with IFRS evaluation criteria set out for each individual asset, liability, revenue and costs. Information on evaluation criteria is provided in the following notes.
The financial statements are given in accordance with IAS. 1 "Preparation of Financial Statements". The Company's management Income statement and Statement of comprehensive income presents together.

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 (22) to accounting policies.
The separate financial statements of the Company are presented in euro (EUR) which is the functional currency of the primary business as the Company is registered in Latvia and expenses related to the primary business are in euro.

(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).
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 is euro.

Foreign currencies (continuation)

(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:

	30.06.2016. EUR	31.12.2015. EUR
1 USD	1.1090	1.0926
1 PLN	4.4261	4.2400

(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

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.
Main operation of the Company is milk and whey protein concentrate, milk and whey permeate pasteurized cream and skimmed milk manufacturing and the wholesale of these products in the European Union. 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.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Depreciation is calculated starting with the following month after the fixed asset is put into operation or engaged in commercial activity. Each part of an item of fixed asset with a cost that is significant in relation to the total cost of the item is depreciated separately. To the extent that the Company depreciates separately some parts of fixed asset, it also depreciates separately.

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	10-25
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.

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.
Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.
The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the separate statement of profit and loss in the period of derecognition.
Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, cost value is used, net of accumulated depreciation and accumulated impairment losses, if any. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(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) Financial assets

Initial recognition and measurement

The Company's financial assets include cash and cash equivalents, trade and other receivables and loans.

Financial assets of the Company have been classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Regular purchases and sales of financial assets are recognised on the trade-date.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income for cash and cash equivalents and in other operating income for "Other loans and receivables". The losses arising from impairment are recognised in the separate statement of profit and loss in "Other operating expense".

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency ¡n interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted using the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

(13) 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.

(14) 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.

(15) 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.

(16) Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(17) Financial liabilities

Initial recognition and measurement

The Company's financial liabilities include trade and other payables. Financial liabilities within the scope of IAS 39 are classified as financial liabilities at amortised cost. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value plus in the case of a financial liability not at fair value through profit or loss directly attributable transaction costs.

Subsequent measurement

Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the separate statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate (EIR) method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the separate statement of profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the separate statement of profit and loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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.

(18) 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.

(19) 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.

(20) Income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

Current income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income, respectively and not in the separate statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Income tax (continuation)

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.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

(21) Value added tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the separate statement of financial position.

(22) 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.

(23) 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. Related parties are also the companies that have the ultimate control or significant influence.

(24) 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.

Critical accounting estimates and judgements (continuation)

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 8 989 843 (31.12.2015. - EUR 9 031 798).

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.

(25) Note of Annual report

Changes in Accounting policy and in Representation of information

Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these separate financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.
The Company is not a party to any joint arrangements.

IAS 1 - Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2016)

The Amendments to include the five, narrow-focus improvements to the disclosure requirements contained in the standard.
The Company expects that the amendments, when initially applied, will not have a material impact on the presentation of these separate financial statements of the Company.

IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets (effective for annual periods beginning on or after 1 January 2016)

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. In addition, the amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.
It is expected that the Amendments, when initially applied, will not have material impact on the Company's separate financial statements, as the Company does not apply revenue-based methods of amortisation/depreciation.

IAS 16 - Property, Plant and Equipment and IAS 41 - Agriculture (effective for annual periods beginning on or after 1 January 2016)

These amendments result in bearer plants being in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture, to reflect the fact that their operation is similar to that of manufacturing.
The Company does not expect that the amendments, when initially applied, will have material impact on these separate financial statements as the Company has no bearer plants.

IAS 19 - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 February 2016)

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.
The Company does not expect the amendment to have any impact on the separate financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

Note of Annual report (continuation)

IAS 27 - Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)

The amendments allow an entity to use the equity method ¡n its separate financial statements to account for investments in subsidiaries, associates and joint ventures.

The Company does not expect that the amendments, when initially applied, will have a material impact on these separate financial statements as the Company intends to continue to carry its investments in subsidiaries, associates or joint ventures at cost in accordance with IAS 39.

Annual Improvements to IFRSS

The improvements introduce ten amendments to ten standards and consequential amendments to other standards and interpretations. These amendments are applicable to annual periods beginning on or after either 1 February 2015 or 1 January 2016, with earlier adoption permitted.

None of these amendments are expected to have a significant impact on the separate financial statements of the Company.

At the moment of signing the Annual report there are no more new or improved Standards, or interpretations of them, that could have essential impact on Company.

III. OTHER NOTES

(1) Segment Information and net sales

(a) Operation and reportable segment

The company is dealing with milk and whey protein concentrate, milk and whey permeate pasteurized cream and skimmed milk manufacturing and the wholesale of these products in the European Union, 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 operations of the Company can be divided into six geographical segments, which are sales in Poland, Estonia, Latvia, Netherlands, Germany and Lithuania. Distribution of sales among these segments is as follows:

	6 month 2016 EUR	6 month 2015 EUR
Poland	1 970 752	1 459 972
Lithuania	810 229	351 275
Estonia	240 449	538 234
Latvia	2 169 804	917 788
Netherland	1 502 260	
Germany	589 099	
Other EU countries	22 296	
	7 304 889	**3 267 269**

(c) Major customers

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

Client No. 1	1 806 395	800 902
Client No. 2	1 197 758	600 070
Other customers	4 300 736	1 866 297
	7 304 889	**3 267 269**

(2) Cost of sales

The purchase of goods and delivery charges	6 511 071	2 780 624
Transportation costs	346 041	115 512
Salary expenses	202 235	26 785
Depreciation of fixed assets	328 242	40 873
Laboratory services (milk analysis)	36 148	9 544
Social insurance costs	47 673	6 132
Costs of electricity	161 893	
Production of equipment for cleaning and disinfection costs	90 838	
Other costs	14 362	
	7 738 503	**2 979 470**

OTHER NOTES (continuation)

(3) Distribution expenses

	6 month 2016	6 month 2015
	EUR	EUR
Transportation costs	224 995	202 971
Advertising expenses		185
Other costs	1 096	933
	226 091	**204 089**

(4) Administrative expenses

Salary expenses	78 891	75 357
Social insurance costs	18 610	17 777
Office expenses	15 954	3 910
Cash turnover expenses	21 934	63 266
Transportation costs	12 153	19 720
Business trip expenses	6 502	13 542
Professional services costs	1 084	961
Real estate tax	6 116	4 847
Communication expenses	2 205	2 145
Depreciation of fixed assets	16 269	9 000
Other administrative expenses	80 679	31 868
	260 397	**242 393**

(5) Other income

Funds received from LAD	45 168	
Other income	44 712	21 458
Funds received from LIAA (part of the 2016 year's project)	53 928	
	143 808	**21 458**

(6) Other expenses

Research expenses		
Property maintenance, security and management costs	115 902	25 235
Representation costs	3 863	2 538
Maintenance, security and management costs of investmet property		212
Net loss from exchange rate fluctuations	247	
Net loss from sale of investmet property		4 484
Other expenses	16 647	768
	136 659	**33 237**

OTHER NOTES (continuation)

(7) Expenses by Nature

	6 month 2016	6 month 2015
	EUR	EUR
The purchase of goods and delivery charges	6 511 071	2 780 624
Transportation costs	583 189	338 203
Salary expenses	281 126	102 142
Depreciation of fixed assets	344 511	49 873
Social insurance costs	66 283	23 909
Laboratory services (milk analysis)	36 148	9 544
Costs of electricity	161 893	
Production of equipment for cleaning and disinfection costs	90 838	
Property maintenance, security and management costs	115 902	25 235
Office expenses	15 954	3 910
Cash turnover expenses	21 934	63 266
Representation costs	3 863	2 538
Business trip expenses	6 502	13 542
Professional services costs	1 084	961
Real estate tax	6 116	4 847
Maintenance, security and management costs of investmet property	-	212.00
Communication expenses	2 205	2 145
Net loss from exchange rate fluctuations	247	0
Other expenses	112 784	37 305
	8 361 650	**3 458 256**

(8) Finance expenses

Interest expenses on bonds	71 250	57 000
Interest expense on bank loans, factoring, overdraft	110 248	15 770
Finance charges on finance lease	1 010	1 093
Penalties paid	16 879	294
	199 387	**74 157**

(10) Intangible assets

	Software and licences	Total
31.12.2014	EUR	EUR
Initial cost	194	194
Accumulated depreciation	(16)	(16)
Net book value	178	178
2015		
Acquired		0
Depreciation	(32)	(32)
Closing book value	(32)	(32)
31.12.2015		
Initial cost	194	194
Accumulated depreciation	(48)	(48)
Net book value	146	146

(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
31.12.2014						
Initial cost	196 087	53 566	150 047	1 122 387	1 081 038	2 603 125
Accumulated depreciation	(158)	(5 357)	(61 580)	0	0	(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	1 901 925	4 319 566	199 577	6 475 170	3 016 939	15 913 177
Disposed	0	0	(3 038)	0	0	(3 038)
Reclassified from other balance sheet	119 949	0	0	(6 166 037)	(3 118 909)	(9 164 997)
Depreciation	(4 790)	(208 445)	(39 177)	0	0	(252 412)
Depreciation written-off	0	0	3 038	0	0	3 038
Closing book value	2 213 013	4 159 330	248 867	1 431 520	979 068	9 031 798
31.12.2015						
Initial cost	2 217 961	4 373 132	346 586	1 431 520	979 068	9 348 267
Accumulated depreciation	(4 948)	(213 802)	(97 719)	0	0	(316 469)
Net book value	2 213 013	4 159 330	248 867	1 431 520	979 068	9 031 798
2016						
Opening net book value	2 213 013	4 159 330	248 867	1 431 520	979 068	9 031 798
Acquired	54 269	990 671	59 857	126 128	19 956	1 250 881
Reclassified from other balance sheet	638 903	294 321		(933 224)	(948 357)	(948 357)
Depreciation	(62 039)		(246 439)	(36 001)		(344 479)
Closing book value	2 844 146	5 444 322	62 285	588 423	50 667	8 989 843
30.06.2016						
Initial cost	2 911 133	5 658 124	406 443	624 424	50 667	9 650 791
Accumulated depreciation	(66 987)	(213 802)	(344 158)	(36 001)	0	(660 948)
Net book value	2 844 146	5 444 322	62 285	588 423	50 667	8 989 843

OTHER NOTES (continuation)

Property, plant and equipment (continuation)

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) Finance lease of fixed assets

The residual value of fixed assets bought in finance lease on 30 June 2016 was EUR 67 850 (31.12.2015 - EUR 98 836). The ownership of these fixed assets will move to the Company only after all lease liabilities fulfilment (see Note 20). Under a finance lease assets held the depreciation is EUR 77 908

c) Pledge of fixed assets

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

(12) Investment property

	Lands and buildings EUR	Total EUR
31.12.2014		
Initial cost	128 899	128 899
Accumulated depreciation	(22 564)	(22 564)
Net book value	**106 335**	**106 335**
2015		
Opening net book value	106 335	106 335
Acquired		0
Depreciation	(106 335)	(106 335)
Closing book value	**0**	**0**

(13) Inventories

	30.06.2016 EUR	31.12.2015 EUR
Finished goods and goods for sale	447 982	
Materials and other	17 863	7 164
	465 845	7 164

(14) Trade receivables

Trade receivables in Latvia	493 749	21 522
Trade receivables in Poland, Lithuania, Netherland, Germany	480 673	340 843
	974 422	362 365

OTHER NOTES (continuation)

(15) Other current assets

	30.06.2016	31.12.2015
	EUR	EUR
VAT overpaid	253 878	193 457
Financing the project "Deep investigation of whey"		101 187
Loans to the Company's co-owners*	15 594	-
Advance payments for works and services	980	40 460
Other deferred expenses	706	1 492
Deferred insurance expenses	2 351	1 046
Deferred loans expenses	17 332	17 332
Settlement regarding requirements for personnel		69
caution money	4 493	710
	295 334	**355 753**

(16) Cash and cash equivalents

Cash at bank on current accounts	92 401	101 354
	92 401	**101 354**

(17) Share capital

Changes in Company's share capital participants register were held: on 16th of February 2015 the share capital of the Company was increased to 100 000 EUR, on 22 April 2015 to 700 000 EUR and on 23 July 2015 to 777 778 EUR. The main reasons for the share capital increase were investments from Ilona Kazāka and Kaspars Kazāks in proportion to their number of shares in share capital, new participants/investors, and as a result the Company's share capital was increased and the Company's structure of participants in Equity has been changed. As of 31.12.2015 the 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%. All the shares are fully paid. All the shares give equal rights to receive dividends, liquidation quota and voting rights at shareholders' meetings.

(18) Debenture loans (long-term)

	The effective interest rate,%	Maturity of liabilities	30.06.2016	31.12.2015
			EUR	EUR
Bonds nominal value	18	28.10.2024.	1 035 500	950 000
			1 035 500	**950 000**

In October 28, 2014 the Company registered a bond issue of 950 000 EUR in the Latvian Central Depository. A bond issue is carried out in order to attract additional capital to finance the development plan of the Issuer (to start a production of whey protein concentrate), as well as to increase the awareness in the regulated capital market and among the institutional investors. It was issued 950 bonds with a nominal value of 1 000 EUR each, with a fixed interest rate of 18% per annum. Coupon payments are made semi-annually - on October 28 and April 28. Bond maturity is October 28, 2024. The bond issue is not secured. On November 12, 2015 the Company has included these bonds on Nasdaq Baltic Bond list, where they are available for public trading. On 23 March 2016 the Board of Directors decided not to pay the coupon payments of 28 April 85500 EUR., but to increase the nominal value of one bond to 1090 EUR.
JSC "Latvijas Centrālais depozitārijs" based on the Company's application on April 28, 2016 decided to record changes in the characteristics of the bonds issued by changing the nominal value of the bonds from 1000 EUR to 1090 EUR.

OTHER NOTES (continuation)

(19) Deferred revenue

	30.06.2016	31.12.2015.
	EUR	EUR
Long-term part	1 598 396	1 154 049
Shirt-term part	53 927	107 855
Total	**1 652 323**	**1 261 904**

On September 11, 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 September 11, 2014 and completion of the project was on August, 2015. In the item "deferred income" is reflected the support payment received, which constitutes 87% of the aid funding.

(20) Finance lease liabilities

	30.06.2016	31.12.2015.
	EUR	EUR
Non-current		
Liabilities according to the finance lease agreements, payable from 2 to 5 years	69 592	69 592
	69 592	**69 592**
Current		
Liabilities according to the finance lease agreements, payable within 1 year	13 550	28 310
	13 550	**28 310**

As referred to in Note 11, the Company has acquired fixed assets in financial leasing from SIA "Nordea Finance Latvia": cars. In the 2015 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 May 2020. The sublease does not surrender.

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.

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

	30.06.2016	31.12.2015
At beginning of the year	97 902	53 963
Entered into finance lease obligations during the year		70 008
Repaid finance lease obligations during the year	(14 760)	(26 069)
At the end of the year	**83 142**	**97 902**

OTHER NOTES (continuation)

(21) Borrowings

		30.06.2016	31.12.2015
		EUR	EUR
Non-current			
Nordea Bank AB Latvian branch - repayable in 2-5 years	a)	3 155 506	3 351 733
		3 155 506	**3 351 733**
Other borrowings - repayable in 2-5 years	b)	500 665	500 665
		500 665	**500 665**
Current			
Nordea Bank AB Latvian branch	b)	543 467	543 467
Nordea Bank AB Latvijas filiāle -overdrafts	c)	200 789	169 383
		744 256	712 850
Total borrowings		**4 400 427**	**4 565 248**
At beginning of the year		4 565 248	
Borrowings received during the year		279 526	4 565 248
Borrowings repaid during the year		(444 347)	
At the end of the year		**4 400 427**	**4 565 248**

a) Nordea Bank AB Latvian branch loan agreements

In 2015 the Company signed a loan agreement Nr.2015-70-A with Nordea Bank AB Latvian branch on the total amount of EUR 700 000,00. The loan is intended for the purchase of production equipment. The loan annual interest rate is 3.4% and plus the 3-month EURIBOR. The loan maturity is 31.03.2018. On 31.12.2015 outstanding loan amount - EUR 692 580.00. In the agreement stated financial indicators at the Report preparation date were not met.

In 2014 the Company signed a loan agreement Nr.2014-48-A with Nordea Bank AB Latvian branch on the total amount of EUR 3065000,00. In 2015 the amendments for the agreement were signed for an additional loan amount of EUR 1 680 000 for the project implementation. To amendment signing date an outstanding loan amount was EUR 2 456 460,63. The loan annual interest rate is 6% and plus the 3-month EURIBOR. The loan maturity is 28.02.2019. On 30.06.2016 the outstanding loan amount - EUR 3 006 392. Pledges are registred in the Register of commercial pledges of the Enterprise Register of the Republic of Latvia.

b) Borrowing from the ZGI 3 (limited partnership)

In 2015 the Company signed a loan agreement with the limited partnership "ZGI-3" alternative investment fund on the total amount of EUR 500 665. The loan has been issued for investments in fixed assets. The loan maturity is 10.07.2020. The loan annual interest rate is 15%. On 31.12.2015 the outstanding loan amount was EUR 500 665.

c) Nordea Bank AB Latvian branch overdraft

In 2015 the Company signed an overdraft agreement with Nordea Bank AB Latvian branch for the total overdraft limit of EUR 200000.00. The maturity is 28.02.2016. In 2016 to the report submission date of the contract has been extended until 28.02.2017.

(22) Trade payables

	30.06.2016	31.12.2015
	EUR	EUR
Debts to farmers for milk - Latvia	375 404	204 997
Debt to the related Company	464 280	406 620
Debts to other suppliers for goods and services	2 413 304	947 729
	3 252 988	**1 559 346**

OT

(23) Other liabilities

	30.06.2016	31.12.2015
	EUR	EUR
Accrued liabilities for services	24 092	105 060
Accrued liabilities for interest on bonds	14 250	28 500
Accrued unused annual leave expenses	30 680	30 680
Salaries	35 603	24 090
Personal income tax	25 364	11 320
Social insurance payments	34 266	11 202
Motor vehicle duty	1 405	1 406
Natural resource tax	1 538	22
Risk duty	17	-
Borrowings from co-owner*	107 300	88 000
	274 515	**300 280**

*In 2015 the Company received a loan from the co-owner with a maturity 31.12.2016. Interest-free loan, without collateral.

(24) Cash granted from operations

Cash flow from operating activities	**6 month 2016**	**6 month 2015**
Income from sales of goods and services	6 674 414	3 964 508
Payments to suppliers, employees, other operating expenses	(6 776 633)	(3 471 875)
Other income or expenses from operating activities		19 986
Gross cash flow from operating activities	**(102 219)**	**512 619**

(25) Average number of employees

Average number of people employed during the financial year	41	12

(26) Remuneration to personnel

Salaries and mandatory State social insurance contributions for production personnel	249 908	32 917
Salaries and social insurance contributions for administration personnel	97 501	93 134
	347 409	**126 051**
Including Board members and key management		
salary expenses	24 600	13 305
mandatory State social insurance contributions	5 803	3 138

Council members did not receive any remuneration in 2015 the state social insurance contributions were not made.

(27) Transactions with related parties

a) claims and liabilities

	Notes	30.06.2016. Debitori EUR	30.06.2016. Kreditori EUR	31.12.2015. Debitori EUR	31.12.2015. Kreditori EUR
Related parties					
Company's Board and co-owners	(15)	-	107 300		88 000
Related Company			464 280		406 620
		0	**571 580**	**0**	**494 620**

The amount of goods and services purchased from related Company in 2016 was EUR408 948, in 2015 - EUR 812 827. The amount of services sold in 2016 was EUR 0, in 2015 - EUR 4 125.

OTHER NOTES (continuation)

(28) Loans and guarantee issuance agreements, assets collateral

In 2014 the Company signed a loan agreement Nr.2014-48-A with Nordea Bank AB Latvian branch on the total amount of EUR 3065000,00. In 2015 the amendments for the agreement were signed for an additional loan amount of EUR 1 680 000 for the project implementation. To amendment signing date an outstanding loan amount was EUR 2 456 460,63. The loan annual interest rate is 6% and plus the 3-month EURIBOR. The loan maturity is 02.28.2019. On 30.06.2016. the outstanding loan amount - EUR 3 006 392.
In 2015 the Company signed a loan agreement Nr.2015-70-A with Nordea Bank AB Latvian branch on the total amount of EUR 700000,00. The loan is intended for the purchase of production equipment. The loan annual interest rate is 3.4% and plus the 3-month EURIBOR. The loan maturity is 03.31.2018. On 30.06.2016. outstanding loan amount - EUR 692 580.00.

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 4 136 460.

OTHER NOTES (continuation)

(29) Subsequent events

1. Since the last day of the reporting year and the date when the Board signed the annual report the Company has started continuous production and exports with full capacity that has been providing positive net result since July.
2. On 29 July 2016, Stage 1 certification was carried out in line with the ISO/TS 22002:1:2009 FSSC 22000 standard.
3. In August 2016, the Company concluded a contract on the Halal certification wih the company HALAL CONTROL in order to start certification of the Company within the next two months.

Except for the above, no significant subsequent events have occurred since the last day of the reporting period to the date of these financial statements that would materially adversely impact the Company's financial position as at 30 June 2016.

The UNAUDITED CONDENSED FINANCIAL STATEMENTS for the six month period ended 30 June 2016 on pages 1 to 29 confirm:

Kaspars Kazāks Chairmen of the Board	Ilona Kazāka Member of the Board

Bauska, 25 August 2016