ROKIŠKIO SŪRIS AB

CONSOLIDATED AND PARENT COMPANY'S FINANCIAL STATEMENTS, CONSOLIDATED ANNUAL REPORT AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2013

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Our report has been prepared in Lithuanian and English languages. In all matters of interpretation of information, views or opinions, the Lithuanian language version of our report takes precedence over the English language version.

Independent Auditor's Report

To the shareholders of Rokiškio Sūris AB

Report on the financial statements

We have audited the accompanying stand-alone and consolidated financial statements of Rokiškio Sūris AB ("the Company") and its subsidiaries ("the Group") set out on pages 5 to 51, which comprise the stand-alone and consolidated balance sheets as of 31 December 2013 and the stand-alone and consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information ("the financial statements").

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

PricewaterhouseCoopers UAB, J. Jasinskio g. 16B, LT-03163 Vilnius, Lithuania
T: +370 (5) 239 2300, F:+370 (5) 239 2301, Email: vilnius@lt.pwc.com, www.pwc.com/lt

PricewaterhouseCoopers UAB, company code 111473315, is a private company registered with the Lithuanian Register of Legal Entities.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2013, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Furthermore, we have read the consolidated annual report for the year ended 31 December 2013 set out on pages 1 to 81 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2013.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania
3 April 2014

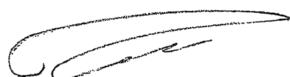
(All tabular amounts are in LTL '000 unless otherwise stated)

Income statement

Group 2013	Group 2012		Notes	Company 2013	Company 2012
861,355	796,407	Revenue	5	795,650	723,940
(756,095)	(706,882)	Cost of sales		(711,425)	(667,671)
105,260	89,525	**Gross profit**		84,225	56,269
(38,613)	(39,406)	Selling and marketing expenses	6	(26,984)	(29,001)
(33,866)	(17,996)	General and administrative expenses	7	(24,982)	(12,491)
24,007	13,103	Other income	8	55,593	12,428
(20,200)	(9,338)	Other expenses	9	(20,195)	(9,377)
(361)	83	Other (losses)/gains	10	(361)	82
36,227	35,971	**Operating profit**		67,296	17,910
(1,157)	(1,590)	Finance costs	12	(722)	(1,062)
35,070	34,381	**Profit before income tax**		66,574	16,848
(2,285)	(5,043)	Income tax	13	(2,334)	(2,528)
32,785	29,338	**Profit for the year**		64,240	14,320
		Profit for the year attributable to:			
32,785	29,338	Owners of the Company		-	-
-	-	Non-controlling interest		-	-
32,785	29,338				-
0.93	0.84	**Basic and diluted earnings per share (in LTL per share)**	14	1.82	0.41

The notes on pages 11 to 49 are an integral part of these financial statements.
The financial statements on pages 5 to 49 have been approved for issue by the Board of Directors on 3 April 2014 and signed on their behalf by the Director and Chief Financial Officer.

Antanas Trumpa
Director



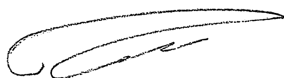
Antanas Kavaliauskas
Chief Finance Officer

(All tabular amounts are in LTL '000 unless otherwise stated)

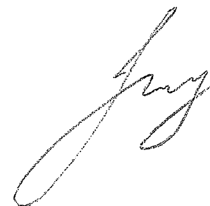
Statement of comprehensive income

Group 2013	Group 2012		Notes	Company 2013	Company 2012
32,785	29,338	**Profit for the year**		64,240	14,320
		Other comprehensive income			
-	-	Gain on revaluation of property, plant and equipment	15	-	-
-	-	Deferred income tax on revaluation	18	-	-
-	-	**Other comprehensive income for the year**			-
32,785	29,338	**Total comprehensive income for the year**		64,240	14,320
		Total comprehensive income for the year attributable:			
32,785	29,338	Owners of the Company		-	-
-	-	Non-controlling interest		-	-
32,785	29,338			-	-

Antanas Trumpa
Director



Antanas Kavaliauskas
Chief Finance Officer



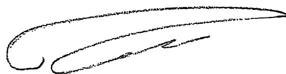
The notes on pages 11 to 49 are an integral part of these financial statements.

(All tabular amounts are in LTL '000 unless otherwise stated)

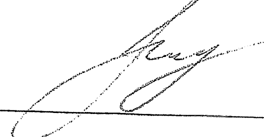
Balance sheet

Group At 31 December 2013	Group At 31 December 2012		Notes	Company At 31 December 2013	Company At 31 December 2012
		ASSETS			
		Non-current assets			
148,158	145,799	Property, plant and equipment	15	100,508	108,070
1,023	1,122	Intangible assets	16	117	214
551	552	Investments in subsidiaries	17	28,341	28,342
2,684	1,077	Deferred income tax assets	18	2,612	1,077
1,962	4,617	Other receivables	21	1,928	1,768
42,781	31,480	Loans granted	19	39,772	33,920
197,159	184,647			173,278	173,391
		Current assets			
128,536	94,871	Inventories	20	119,110	86,812
34,636	43,057	Loans granted	19	31,204	34,487
129,732	121,042	Trade and other receivables	21	139,058	94,428
-	-	Prepaid income tax		-	1,096
21,527	6,029	Cash and cash equivalents	22	17,873	2,983
314,431	264,999			307,245	219,806
511,590	449,646	**Total assets**		480,523	393,197
		EQUITY			
		Attributable to owners of the Company			
35,868	35,868	Share capital	23	35,868	35,868
41,473	41,473	Share premium		41,473	41,473
40,287	40,287	Reserve for acquisition of treasury shares	25	40,287	40,287
(3,868)	(3,868)	Treasury shares	24	(3,868)	(3,868)
55,627	71,201	Other reserves	25	46,230	59,519
175,017	130,176	Retained earnings		168,820	94,798
344,404	315,137	**Total equity**		328,810	268,077
		LIABILITIES			
		Non-current liabilities			
4,056	1,265	Borrowings	26	4,056	1,265
8,809	11,414	Deferred income tax liability	18	6,847	9,192
3,805	3,845	Deferred income	27	1,949	1,542
16,670	16,524			12,852	11,999
		Current liabilities			
1,423	1,260	Income tax liabilities		1,643	-
78,131	55,093	Borrowings	26	78,131	55,093
1,307	2,387	Deferred income	27	795	1,756
69,655	59,245	Trade and other payables	28	58,292	56,272
150,516	117,985			138,861	113,121
167,186	134,509	**Total liabilities**		151,713	125,120
511,590	449,646	**Total equity and liabilities**		480,523	393,197

Antanas Trumpa
Director



Antanas Kavaliauskas
Chief Finance Officer



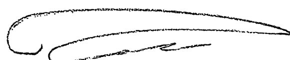
Company's statement of changes in equity

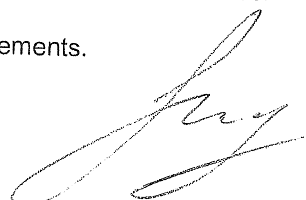
	Note	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
Balance at 1 January 2012		35,868	41,473	40,287	(3,868)	69,459	74,045	257,264
Comprehensive income								
Profit (loss) for the year		-	-	-	-	-	14,320	14,320
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)	25	-	-	-	-	(9,940)	9,940	-
Total comprehensive income for 2012		-	-	-	-	(9,940)	24,260	14,320
Transactions with owners								
Dividends relating to 2011	25	-	-	-	-	-	(3,507)	(3,507)
Total transactions with owners for 2012		-	-	-	-	-	(3,507)	(3,507)
Balance at 31 December 2012		35,868	41,473	40,287	(3,868)	59,519	94,798	268,077
Comprehensive income								
Profit (loss) for the year		-	-	-	-		64,240	64,240
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)	25	-	-	-	-	(13,289)	13,289	
Total comprehensive income for 2013		-	-	-	-	(13,289)	77,529	64,240
Transactions with owners								
Dividends relating to 2012	25	-	-	-	-	-	(3,507)	(3,507)
Total transactions with owners for 2013		-	-	-	-	-	(3,507)	(3,507)
Balance at 31 December 2013		35,868	41,473	40,287	(3,868)	46,230	168,820	328,810

Antanas Trumpa
Director

Antanas Kavaliauskas
Chief Finance Officer

The notes on pages 11 to 49 are an integral part of these financial statements.





(All tabular amounts are in LTL '000 unless otherwise stated)

Group's statement of changes in equity

		Attributable to owners of the Company						
	Note	Share capital	Share premium	Reserve for acquisition of treasury shares	Treasury shares	Other reserves	Retained earnings	Total
Balance at 1 January 2012		35,868	41,473	40,287	(3,868)	82,598	93,004	289,362
Comprehensive income								
Profit (loss) for the year		-	-	-	-	-	29,338	29,338
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)	25	-	-	-	-	(11,397)	11,397	-
Total comprehensive income for 2012		-	-	-	-	(11,397)	40,735	29,338
Transactions with owners								
Dividends relating to 2011	25	-	-	-	-	-	(3,563)	(3,563)
Total transactions with owners for 2012		-	-	-	-	-	(3,563)	(3,563)
Balance at 31 December 2012		35,868	41,473	40,287	(3,868)	71,201	130,176	315,137
Comprehensive income								
Profit (loss) for the year		-	-	-	-		32,785	32,785
Transfer to retained earnings (transfer of depreciation, net of deferred income tax)	25	-	-	-	-	(15,574)	15,574	
Total comprehensive income for 2013		-	-	-	-	(15,574)	48,359	32,785
Transactions with owners								
Dividends relating to 2012	25	-	-	-	-	-	(3,518)	(3,518)
Total transactions with owners for 2013		-	-	-	-	-	(3,518)	(3,518)
Balance at 31 December 2013		35,868	41,473	40,287	(3,868)	55,627	175,017	344,404

Antanas Trumpa
Director

Antanas Kavaliauskas
Chief Finance Officer

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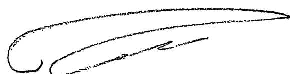
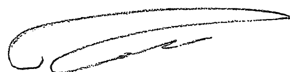


(All tabular amounts are in LTL '000 unless otherwise stated)

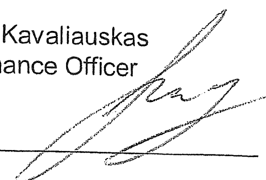
Statement of cash flows

Group Year ended 31 December 2013	Group Year ended 31 December 2012		Note	Company Year ended 31 December 2013	Company Year ended 31 December 2012
		Cash flows from operating activities			
38,205	32,073	Cash generated from operations	32	(11,456)	21,989
(1,157)	(1,589)	Interest paid		(722)	(1,061)
(754)	(2,205)	Income tax paid		(115)	(873)
36,294	28,279	Net cash generated from operating activities		(12,293)	20,055
		Cash flows from investing activities			
(39,246)	(10,945)	Purchases of property, plant and equipment	15	(20,670)	(7,529)
(108)	(2)	Purchases of intangible assets	16	(109)	-
-	6,689	Purchase of investments		-	6,689
(7,404)	(2,590)	Loans granted to farmers and employees		(7,404)	(2,590)
(25,181)	(50,080)	Other loans granted		(20,181)	(40,080)
437	283	Proceeds from sale of property, plant and equipment	32	524	186
889	1,052	Government grants received	27	889	718
21,475	28,718	Other loan repayments received		15,999	23,718
5,909	11,550	Loan repayments from farmers and employees		5,918	11,568
2,891	2,656	Interest received		2,320	2,059
-	-	Dividends received	33	30,344	-
(40,338)	(12,669)	Net cash (used in)/generated from investing activities		7,630	(5,261)
		Cash flows from financing activities			
(3,518)	(3,563)	Dividends paid	25	(3,507)	(3,507)
553,217	640,682	Loans received		553,217	640,678
(530,157)	(645,162)	Repayments of borrowings		(530,157)	(645,162)
19,542	(8,043)	Net cash (used in)/generated from financing activities		19,553	(7,991)
15,498	**7,567**	**Net (decrease)/increase in cash and cash equivalents**		**14,890**	**6,803**
6,029	(1,538)	Cash and cash equivalents at beginning of year	22	2,983	(3,820)
21,527	**6,029**	**Cash and cash equivalents at end of year**	**22**	**17,873**	**2,983**

Antanas Trumpa
Director



Antanas Kavaliauskas
Chief Finance Officer



The notes on pages 11 to 49 are an integral part of these financial statements.

Notes to the financial statements

1. Bendroji informacija

Rokiškio Sūris AB (hereinafter "the Company") is a public listed company incorporated in Rokiškis. The Company's code is 173057512 address: Pramonės St. 3 LT-42150 Rokiškis, Lithuania.

The Company's core line of business is the production and trade in rennet cheese, whey products and skimmed milk powder.

The shares of Rokiškio Sūris AB are traded on the Baltic Main List (RSU1L) of NASDAQ OMX Vilnius stock exchange.

The consolidated group ("the Group") consists of the Company and its two branches, five subsidiaries and one joint venture (2012: two branches, four subsidiaries and one joint venture). Information on the Group companies and branches is presented below:

Branches	Operating as at 31 December			Subsidiaries	Shareholding of the Group (%) as at 31 December	
	2013	2012			2013	2012
Utenos Pienas	Yes	Yes		Rokiškio Pienas UAB	100.00	100.00
Ukmergės Pieninė	Yes	Yes		Rokiškio Pieno Gamyba UAB	100.00	-
				KB Žalmargė	100.00	100.00
				Jekabpils Piena Kombinats SIA	100.00	100.00
				SIA Kaunata *	60.00	60.00
				Joint venture		
				Pieno Upės UAB	50.00	50.00

* These subsidiaries were not consolidated in the Group's financial statements as they were immaterial.

In 2013, based on the decision of the sole shareholder Rokiškio Sūris AB of 28 February 2013, it was decided to reorganise Rokiškio Pienas UAB by way of unbundling according to Article 2.97 (7) of the Civil Code of the Republic of Lithuania and Article 71 of the Law on Companies of the Republic of Lithuania. A part was separated from the Company and on the basis of assets, rights and obligations assigned to this part a new company of the same legal form was established – Rokiškio Pieno Gamyba UAB whose principal activities include the production of milk products. With effect from 1 June 2013, the principal activity of Rokiškio Pienas UAB is the wholesale of milk products (classification of economic activities 46.33).

The unbundling was carried out using data of the balance sheet of Rokiškio Pienas UAB as at 31 May 2013 in accordance with proportions approved in the unbundling terms and conditions: 30.7% of assets, rights and obligations remained with Rokiškio Pienas UAB and 69.3% of assets, rights and obligations were transferred to a new established company Rokiškio Pieno Gamyba UAB.

Rokiškio Sūris AB is the founder and the sole shareholder of Rokiškio Pienas UAB and Rokiškio Pieno Gamyba UAB holding 100% of their share capital.

Kaunata SIA, company code 240300369, VAT payer's code: LV42403003695, address: S. Rogs, Kaunatas pag. Rezekne novads.
Results of operations for the year ended 31 December 2013 (unaudited) are as follows:

Total assets: LVL 251,944 (LTL 1,239,161);
Property, plant and equipment: LVL 30,264 (LTL 148,850);
Result of operations: LVL 41,041 (LTL 201,856).
Performance of activities of an associate entity: collection and realisation of milk. The company is the main supplier of raw milk to company Jekabpils Piena Kombinats SIA (subsidiary of Rokiškio Sūris AB).
Kaunata SIA was accounted for at cost.

All the above-listed subsidiaries, joint venture and branches were registered in Lithuania, except for Jekabpils Piena Kombinats SIA and Kaunata SIA which were registered in Latvia.

The Group's and the Company's main line of business is the production of ferment cheese and a wide range of milk products.

The average number of the Company's employees during the year ended 31 December 2013 was 1,068 people (2012: 1,064 people). The average number of the Group's employees during the year ended 31 December 2013 was 1,720 people (2012: 1,564 people).

2. Accounting policies

2.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention, as modified by the valuation of available-for-sale financial assets at fair value and valuation of property, plant and equipment at revalued amount.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions actual results ultimately may differ from those estimates (Note 4).

(a) Standards, amendments to standards and interpretations effective on or after 1 January 2013

- ***IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013),*** aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Company/Group does not expect the amendment to have a significant impact on the financial statements. Fair value disclosure is presented in Note 3.3.

- ***Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012),*** changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on

whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Company/Group has already presented these statements separately and effective amendments did not have any impact on the measurement of transactions and balances thereon.

(b) The following standards, interpretations and amendments to published standards are mandatory for reporting periods beginning on or after 1 January 2013 but are not relevant to the Group's and Company's operations:

- ***Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013),*** makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. This standard is not expected to have a significant impact on the Company's/Group's financial statements.

- ***Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013).*** The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The Company/Group does not expect the amendment to have a significant impact on the financial statements.

- ***Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013).*** The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23, Borrowing costs, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The Company/Group does not expect the amendment to have a significant impact on the financial statements.

(c) New standards, amendments and interpretations to existing standards issued but not yet effective and not early adopted by the Company and the Group:

- ***IFRS 9, Financial Instruments: Classification and Measurement.*** Key features of the standard issued in November 2009 and amended in October 2010, December 2011 and November 2013 are:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The amendments made to IFRS 9 in November 2013 removed its mandatory effective date, thus making application of the standard voluntary. The Company/Group does not intend to apply a current version of IFRS 9.

- ***IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014),*** replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Company/Group does not expect the standard to have a significant impact on the financial statements.

- ***IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014),*** applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated financial statements, and IFRS 11, Joint

arrangements, and replaces the disclosure requirements currently found in IAS 28, Investments in associates. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Company/Group is currently assessing the impact of the new standard on its financial statements.

- ***IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014),*** was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. Currently, the Company/Group assesses the impact of this standard on their financial statements.

- ***IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014).*** The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. This standard is not expected to have a significant impact on the Company's/Group's financial statements.

- ***Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014).*** The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The Company/Group is considering the implications of the amendment, the impact on the Group and the timing of its adoption by the Group.

- ***Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014).*** The amendment introduced a definition of an investment entity as an entity that (i) obtains 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 on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The Company/Group is currently assessing the impact of the amendments on its financial statements.

- ***Amendments to IAS 19 – Defined benefit plans: Employee contributions (issued in November 2013 and effective for annual periods beginning 1 July 2014).*** The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Company/Group is currently assessing the impact of the amendments on its financial statements.

- ***Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below).*** The improvements consist of changes to seven standards.
IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.
IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.
IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.
The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.
IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Company/Group is currently assessing the impact of the amendments on its financial statements.

-Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards.
The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.
The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.
IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The Company/Group is currently assessing the impact of the amendments on its financial statements.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(b) Transactions with non-controlling interest

The group treats transactions with non-controlling interest as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.
In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(c) Joint ventures

The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The group does not recognise its share of profits or losses from the joint venture that result from the group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

2.3 Stand-alone financial statements

Subsidiaries in the stand-alone financial statements are accounted at cost less impairment charge – that is the income from the investment is recognized in full where Company receives distributions from accumulated profits of the investee. Distributions received from accumulated profits arising before the date of acquisition are tested for impairment.

2.4 Foreign currency translation

(a) Functional and presentation currency

The items shown in the financial statements of the Company and each company of the Group are valued by the currency of the original economic environment wherein a specific company operates (hereinafter the "functional currency"). These financial statements are presented in Litas (LTL), which is the Company's (and each of the Group entity's) functional and presentation currency, with exception for subsidiaries in Latvia, which functional currency is Latvian Lats (LVL).

With effect from 2 February 2002, the litas has been pegged with the euro at an exchange rate of LTL 3.4528 to EUR 1.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates

of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.5 Property, plant and equipment

Property, plant and equipment is shown at revalued amount, based on periodic valuations of assets, less subsequent accumulated depreciation and impairment.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases in the carrying amount on subsequent revaluations that offset previous increases of the carrying amount of the same asset are charged in other comprehensive income and debited against revaluation reserve in equity all other decreases are charged to the income statement. Increases in the carrying amount on subsequent revaluations that offset previous decreases of the carrying amount are recognised in the income statement; all other increases in the carrying amount on revaluation of property, plant and equipment are recognised in other comprehensive income and added to revaluation reserve in shareholders' equity. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings net of deferred income tax.

Subsequent costs are included in the asset's carrying amount or recognised as separate assets only when it is probable that future economic benefits associated with the item will flow to the Company or the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Useful lives of property, plant and equipment are given in the table below:

Buildings	15-55 years
Plant and machinery	5-29 years
Motor vehicles	4-10 years
Equipment and other property, plant and equipment	3-20 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress is transferred to appropriate group of property plant and equipment when it is completed and ready for its intended use.

When property is retired or otherwise disposed, the cost and related depreciation are removed from the financial statements and any related gains or losses are determined by comparing proceeds with carrying amount and are included in operating profit.

2.6 Intangible assets

(a) Computer software
Software assets expected to provide economic benefit to the Company and the Group in future periods are valued at acquisition cost less subsequent amortisation. Software is amortised on the straight-line basis over the useful life of 1 to 5 years.

(b) Contractual customer relationships

Contractual customer relationships recognized as intangible asset upon business acquisition are accounted for at cost less accumulated amortization and impairment. Contractual customer relationships are amortised on the straight-line basis over the estimated useful life of 2 years.

2.7 Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.8 Financial asset

a) Loans and receivables

The Group classifies its financial assets in a category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment or investment matures within 12 months of the end of the reporting period.

Available-for-sale financial assets are recognised initially at fair value plus transaction costs and subsequently measured at fair value. Changes in fair value are recognised in other comprehensive income.

Upon the disposal or impairment of available-for-sale investments, the accumulated fair value adjustment recognised in equity is included in profit or loss in the statement of comprehensive income.

The fair value of investments traded in active financial markets is based on quoted closing market prices at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis and other valuation models.

The Company assesses at the end of each reporting date whether there is objective evidence that a financial asset is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an evidence that the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the

current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement.

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined by the first-in first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related indirect production overheads, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.10 Loans granted, trade and other receivables

Loans granted and amounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less the amount of impairment loss. A provision for impairment of amounts receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The impairment amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement within 'general and administrative expenses'. Bad debts are written off during the year in which they are identified as irrecoverable.

2.11 Cash and cash equivalents

Cash and cash equivalents are carried at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and at bank and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities on the balance sheet.

2.12 Share capital

(a) Ordinary shares

Ordinary shares are stated at their par value. Consideration received for the shares sold in excess over their nominal value is shown as share premium. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

(b) Treasury shares

Where the Company or its subsidiaries purchase the Company's equity share capital, the consideration paid, including any attributed incremental external costs, is deducted from shareholders' equity as treasury shares until they are sold, reissued or cancelled. No gain or loss is recognised in the income statement on the sale, issuance or cancellation of treasury shares. Where such shares are subsequently sold or reissued, any consideration received is presented in the consolidated financial statements as a change in shareholders' equity.

2.13 Reserves

(a) Other reserves

Other reserves are established upon the decision of annual general meeting of shareholders on profit appropriation. This reserve may be used only for the purposes approved by annual general meeting of shareholders.

Legal reserve is included into other reserves. A legal reserve is a compulsory reserve under the Lithuanian legislation. Annual transfers of 5 per cent of net profit are required until the reserve reaches 10 per cent of the share capital. The legal reserve cannot be used for payment of dividends and it is established to cover future losses only.

(b) Reserve for acquisition of treasury shares

This reserve is maintained as long as the Group is involved in acquisition/disposal of its treasury shares. This reserve is compulsory under the Lithuanian regulatory legislation and should not be lower than the acquisition cost of treasury shares acquired.

2.14 Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Interest expense on borrowing is expensed in the statement of comprehensive income.

2.15 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Profit is taxable at a rate of 15 per cent (2012: 15 per cent) in accordance with the Lithuanian regulatory legislation on taxation.

Deferred income tax is recognised using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are recognised on all temporary differences that will increase the taxable profit in future, whereas deferred tax assets are recognised to the extent it is probable that they will reduce the taxable profit in future. However the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that

the temporary difference will not reverse in the foreseeable future.

2.16 Leases – where the Group is the lessee

(a) Finance lease

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the estimated present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in long-term payables except for instalments due within 12 months which are included in current liabilities. The items of property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life or lease term of the asset.

(b) Operating lease

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.17 Employee benefits

(a) Social security contributions

The Group pays social security contributions to the state Social Security Fund (the Fund) on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior period. Social security contributions are recognised as expenses on an accrual basis and are included in payroll expenses.

(b) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing where contractually obliged or where there is a past practice that has created a constructive obligation.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of

value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue from sales of goods is recognised only when all significant risks and benefits arising from ownership of goods is transferred to the customer.

Revenue for delivering transportation services in recognized in the period when services are performed.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.19 Dividends distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.20 Earnings per share

Basic earnings per share are calculated by dividing net profit attributed to the shareholders from average weighted number of ordinary registered shares in issue, excluding ordinary registered shares purchased by the Company and the Group and held as treasury shares.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors that makes strategic decisions.
The Group's management distinguished the following operating segments of the Group: hard cheese, semi-hard cheese, butter, milk cream, sour cream, sour milk, yogurt, curd, curd cheese and other. These segments were combined into two main reportable segments based on the similar nature of products production process types of customers and the method of distribution.

2.22 Government grants and subsidies

Government grants are recognised at fair value where there is sufficient evidence that the grant will be received and the Group and the Company will comply with all attached conditions.

Government grants received to finance acquisition of property plant and equipment are included in non-current deferred income in the balance sheet. They are recognised as income on a straight-line basis over the useful life of property plant and equipment concerned.

2.23 Provisions

Provisions for restructuring costs and legal claims are recognised when: the Group and the Company have a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of

money and the risks specified to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.24 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method.

3. Financial risk management

3.1 Financial risk factors

The Group's and the Company's activities expose them to a variety of financial risks. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the financial performance of the Group.

Risk management is carried out by the Company's management. There are no written principles for overall risk management in place.

(a) Market risk

(i) Foreign exchange risk
The Company and the Group operate internationally, however, their exposure to foreign exchange risk is set at minimum level, since sales outside Lithuania are performed mostly in the euros. The exchange rate of the euro and the litas is fixed.

(ii) Cash flow and fair value interest rate risk
The Company's and the Group's interest rate risk arises from interest-bearing loans and long-term borrowings issued. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. In 2013 and 2012, loans granted by the Group at a fixed interest rate were denominated in the litas. In 2013 and 2012, borrowings issued to the Group at a variable interest rate were denominated in the litas and the euros.

As at 31 December 2013, the Company's and the Group's net liabilities sensitive to interest rate risk amounted to LTL 52,992 thousand and LTL 52,992 thousand, respectively (31 December 2012: LTL 29,491 thousand and LTL 21,920 thousand, respectively). If interest rate increases / decreases by 0.5 percentage point (2012: 0.5 percentage point), the Company's and the Group's profit would decrease / increase by LTL 265 thousand and LTL 265 thousand, respectively (2012: profit would decrease / increase by LTL 150 thousand and 150 thousand, respectively).

(b) Credit risk

Credit risk arises from cash balances at banks, loans granted, and trade receivables.

As at 31 December 2013, all Company's and Group's cash balances were held in banks that had external credit ratings from 'A+' to 'BBB', as set by the rating agency *Fitch Ratings* (31 December 2012: from 'A+' to 'BBB+').

i) Maximum exposure to credit risk

The table below summarises the Company's and the Group's credit risk exposures relating to on-balance sheet items. Maximum exposure to credit risk before collateral held or other credit enhancements as at 31 December:

Group 2013	Group 2012		Company 2013	Company 2012
21,527	6,029	Cash and cash equivalents at banks	17,873	2,983
120,890	113,192	Trade receivables	133,880	89,188
77,417	74,537	Loans granted	70,976	68,407
219,834	**193,758**		**222,729**	**160,578**

ii) Credit quality of financial assets

The Group does not classify amounts receivable and other financial assets exposed to credit risk according to credit quality. Credit risk is managed through established credit limits for a major customers and monitoring of overdue receivables and loans. Credit limits and overdue receivables are continuously monitored by the Company's and the Group's management.

Credit limits and receivables as at 31 December 2013 for the major customers are summarised below:

Group Credit limit	Group Receivables		Company Credit limit	Company Receivables
11,000	10,529	Customer A	11,000	10,529
5,500	5,440	Customer B	5,500	5,440
1,400	1,320	Customer C	1,400	1,320
1,208	1,171	Customer D	1,208	1,171
1,035	725	Customer E	1,035	725
3,400	2,606	Customer F		
7,000	6,048	Customer G		
10,000	8,959	Customer H		
1,500	1,351	Customer J		

Credit limits and receivables as at 31 December 2012 for the major customers are summarised below:

Group Credit limit	Group Receivables		Company Credit limit	Company Receivables
11,000	10,933	Customer A	11,000	10,933
9,500	9,281	Customer B	9,500	9,281
7,000	6,910	Customer C	7,000	6,910
6,500	6,424	Customer D	6,500	6,424
6,100	6,073	Customer E	6,100	6,073
5,500	5,499	Customer F	5,500	5,499
4,500	4,147	Customer G	4,500	4,147
16,500	10,193	Customer H		
7,000	6,175	Customer J		

Trade receivables did not significantly exceed the established credit limits.

The table below summaries concentration of the loans granted:

Group 2013	Group 2012		Company 2013	Company 2012
61,888	56,854	Loans granted for amount of above LTL 2 million	62,960	57,854
4,134	6,610	Loans granted for amount above LTL 1 million but not more than LTL 2 million	4,134	5,073
11,395	11,073	Loans granted for amount less than LTL 1 million	3,882	5,480
77,417	74,537		70,976	68,407

Loans in excess of LTL 2 million were granted to the following companies: Agrofirma Turiba SIA, Litrada UAB, Pieno Pramonės Investicijų Valdymas, KB Dzūkijos pienelis, UAB Maxima, individual farmer K.Deveikis, Maisto Pramones logistikos grupe UAB, Germis Pro, Igor Leontjev and AS Eves Agro.

(c) Liquidity risk

Prudent liquidity risk management allows maintaining sufficient cash and availability of funding under committed credit facilities.

The table below summarises the Group's and the Company's financial liabilities. The financial liabilities are classified into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows. Accounts payable and other financial liabilities due within 3 months or less are equal to their carrying amounts as the impact of discounting is insignificant.

Company

At 31 December 2013	**Less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**After 5 years**
Borrowings from banks	78,131	-	-	-
Trade payables	48,323	-	-	-
Other payable	-	-	-	-
	126,454		**-**	**-**

At 31 December 2012	**Less than 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**After 5 years**
Borrowings from banks	29,866	25,206	-	-
Trade payables	49,727	-	-	-
Other payable	-	-	-	-
	79,593	**25,206**	**-**	**-**

(All tabular amounts are in LTL '000 unless otherwise stated)

Group

At 31 December 2013	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years
Borrowings from banks	78,131	-	-	-
Trade payables	56,564	-	-	-
Other payable	-	-	-	-
	134,695		**-**	**-**

At 31 December 2012	Less than 3 months	From 3 to 12 months	From 1 to 5 years	After 5 years
Borrowings from banks	29,866	25,206	-	-
Trade payables	49,879	-	-	-
Other payable	-	-	-	-
	79,745	**25,206**	**-**	**-**

3.2. Capital risk management

The Company's and the Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company and the Group define their capital as equity and debt less cash and cash equivalents.

As at 31 December, the Group's and the Company's capital structure was as follows:

Group 2013	Group 2012		Company 2013	Company 2012
82,187	56,358	Borrowings	82,187	56,358
(21,527)	(6,029)	Less: cash and cash equivalents	(17,873)	(2,983)
60,660	50,329	Net debt	64,314	53,375
344,404	315,137	Shareholders' equity	328,810	268,077
405,064	365,466	Total capital	393,124	321,452

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public company must be not less than LTL 150,000 (the authorised share capital of a private company must not be less than LTL 10,000) and the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2013 and 31 December 2012 the Company and its subsidiaries registered in Lithuania complied with these requirements

3.3. Fair value estimation

Trade payables and trade receivables accounted for in the balance sheet should be settled within a period shorter than three months therefore it is deemed that their fair value equals to their carrying amount less impairment. Interest rate on the borrowings received by the Company is subject to repricing at least every six months therefore it is deemed that their fair value equals their carrying amount.

Companies and Group issued loans fair value disclosed in Note 19. Property, plant and equipment fair value disclosed in Note 15.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The three levels of the fair value hierarchy have been defined as follows:
Level 1 includes the fair value of assets which is established based on quoted prices (unadjusted) in active markets for identical assets.
Level 2 includes the fair value of assets which is established based on other directly or indirectly observable inputs.
Level 3 includes the fair value of assets which is established based on unobservable inputs.

4. Critical accounting estimates and judgements

Provision for impairment of loans and accounts receivable

Provision for impairment of accounts receivable and loans granted was determined based on the management's estimates on recoverability and timing relating to the amounts that will not be collectable according to the original terms of receivables. This determination requires significant judgement. Judgement is exercised based on significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. Current estimates of the Company and the Group could change significantly as a result of change in situation in the market and the economy as a whole. Recoverability rate also highly depends on success rate and actions employed relating to recovery of significantly overdue amounts receivable.

Estimates of useful lives of property, plant and equipment

The Company and the Group have old buildings and machinery, where the useful lives are estimated based on the expected product lifecycles. However, economic useful lives may differ from the currently estimated as a result of technical innovations and actions of competitors.

Revaluation of property, plant and equipment

With effect from 31 December 2011, the Company and the Group account for property, plant and equipment at revalued amount less accumulated depreciation and impairment loss. Under the newly adopted accounting policy, the revaluation is carried out periodically to ensure that the carrying amount of property, plant and equipment will not differ significantly from the value determined with reference to the fair value at the end of the reporting period. In 2011, the valuation of property, plant and equipment was carried out by Vadasa UAB using the comparable sales method. The Company's management believes the values of property, plant and equipment adjusted under these methods as of 31 December 2011 approximated the fair value. No revaluation of property, plant and equipment was conducted in 2012 and 2013 (Note 15).

5. Segment reporting

Operating segments and reportable segments

The Group's management distinguished the following operating segments of the Group: hard cheese, semi-hard cheese, butter milk, cream, sour cream, sour milk, yogurt, curd, curd cheese and other. These segments were combined into two main reportable segments based on the similar nature of products, production process, types of customers and the method of distribution.

The main two reportable business segments of the Group are as follows:

- Fresh milk products
- Cheese and other dairy products

Other operations of the Group mainly comprise of milk collecting activity which is not of a sufficient size to be reported separately. Transactions between the business segments are on normal commercial terms and conditions. The segment of fresh milk products includes 2 external customers with each individual revenue accounting for 10% of total revenue of the segment.

Segment information for the years ended 31 December 2013 and 2012:

	Fresh milk products	Cheese and other dairy products	Other segments (unallocated)	Group
2013				
Sales	273,587	795,650	119,966	1,189,203
Inter-segment sales	(12,399)	(203,043)	(112,406)	(327,848)
Sales to external customers	**261,188**	**592,607**	**7,560**	**861,355**
Segment's gross profit	**(2,825)**	**106,278**	**1,807**	**105,260**
Depreciation and amortisation	**7,722**	**27,680**	**130**	**35,532**
Income tax expense	**(146)**	**2,334**	**97**	**2,285**
Total assets	73,058	480,524	19,512	573,094
Elimination of intercompany transactions				(61,504)
Total assets less intercompany transactions				**511,590**
Additions to non-current assets (other than financial instruments and deferred tax assets)	17,518	21,116	166	38,800
Total liabilities	58,829	151,713	9,669	220,211
Elimination of intercompany transactions				(53,025)
Total liabilities less intercompany transactions				**167,186**

(All tabular amounts are in LTL '000 unless otherwise stated)

	Fresh milk products	Cheese and other dairy products	Other segments (unallocated)	Group
2012				
Sales	258,688	723,940	86,299	1,068,927
Inter-segment sales	(30,175)	(158,515)	(83,830)	(272,520)
Sales to external customers	**228,513**	**565,425**	**2,469**	**796,407**
Segment's gross profit	**19,901**	**69,557**	**67**	**89,525**
Depreciation and amortisation	**7,072**	**27,451**	**180**	**34,703**
Income tax expense	**2,514**	**2,528**	**1**	**5,043**
Total assets	61,202	393,197	13,215	467,614
Elimination of intercompany transactions				(17,968)
Total assets less intercompany transactions				**449,646**
Additions to non-current assets (other than financial instruments and deferred tax assets)	3,112	8,011	292	11,415
Total liabilities	11,860	125,120	9,906	146,886
Elimination of intercompany transactions				(12,377)
Total liabilities less intercompany transactions				**134,509**

Geographical information

All the Company's assets are located in Lithuania. The Company's sales by markets can be analysed as follows:

	Sales		Total assets		Capital expenditure	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Lithuania	220,783	194,600	480,523	393,197	21,116	8,011
Europe Union countries	407,390	374,700	-	-	-	-
Other countries	167,477	154,640	-	-	-	-
	795,650	723,940	480,523	393,197	21,116	8,011

The breakdown of the Group's assets by geographical segments is presented below. The Group's sales by markets can be analysed as follows:

	Sales		Total assets		Capital expenditure	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Lithuania	247,947	241,387	496,679	445,219	38,800	11,216
Europe Union countries	445,011	400,368	14,911	4,427	-	210
Other countries	168,397	154,652	-	-	-	-
	861,355	796,407	511,590	449,646	38,800	11,426

Sales are allocated based on the country in which the customers are located.

The analysis of the Company's revenue by category:

	2013	2012
Revenue from sales of goods	794,222	702,159
Other revenue (milk transportation)	1,428	21,781
	795,650	723,940

The analysis of the Group's revenue by category:

	2013	2012
Revenue from sales of goods	858,986	794,722
Other revenue (milk transportation)	2,369	1,685
	861,355	796,407

6. Selling and marketing expenses

Group 2013	Group 2012		Company 2013	Company 2012
5,674	4,921	Marketing services	-	-
8,698	8,301	Wages and salaries	4,101	3,924
13,074	13,581	Transportation services	11,957	12,438
1,040	2,347	Product image creation and advertising expenses	262	590
2,423	3,345	Repairs and maintenance	2,046	2,995
2,103	1,930	Depreciation of property, plant and equipment	1,713	1,728
549	788	Warehousing services	549	788
5,052	4,193	Other expenses	6,356	6,538
38,613	39,406		26,984	29,001

7. General and administrative expenses

Group 2013	Group 2012		Company 2013	Company 2012
11,267	7,494	Wages and salaries	8,062	4,748
219	215	Taxes (other than income tax)	150	155
532	-	Provisions for impairment of loans granted and write-offs of loans (Note 19 and Note 21)	532	-
6,783	-	Provisions for impairment of doubtful receivables	7,154	-
651	810	Consultations	502	646
	-	Write-offs of investments (Note 17)		
2,177	1,492	Depreciation of property, plant and equipment and amortisation of intangible assets	1,125	1,059
754	729	Repairs and maintenance	648	603
4,220	1,148	Paid and accrued bonuses	1,168	1,148
348	323	Telecommunications and IT maintenance expenses	285	248
679	268	Insurance expenses	617	213
150	378	Bank charges	351	337
1,110	556	Business trips	900	425
150	164	Fines	14	7
76	39	Staff training	41	12
47	67	Membership fees	40	61
710	822	Charity, support	446	620
3,993	3,491	Other expenses	2,947	2,209
33,866	17,996		24,982	12,491

8. Other income

Group 2013	Group 2012		Company 2013	Company 2012
19,914	8,910	Re-sale of goods	19,909	8,894
2,891	2,656	Interest income	2,331	2,059
1,202	1,537	Other income	33,353	1,475
24,007	13,103		55,593	12,428

The Company's other income comprises dividends received from subsidiary Rokiškio Pienas UAB (Note 33).

9. Other expenses

Group 2013	Group 2012		Company 2013	Company 2012
19,712	8,840	Cost of goods resold	19,698	8,830
488	498	Other expenses	497	547
20,200	9,338		20,195	9,377

10. Other operating losses

Group			Company	
2013	2012		2013	2012
(361)	83	Loss on disposal of property, plant and equipment (Note 32)	(361)	82
(361)	83		(361)	82

11. Expenses by nature

Group			Company	
2013	2012		2013	2012
573,633	533,752	Raw materials and consumables used	545,435	508,398
(33,665)	87	Changes in inventories of finished goods and work in progress	(32,298)	529
62,084	55,208	Salaries including social security costs	41,507	35,927
46,764	45,031	Transportation services	45,604	43,850
4,220	1,148	Paid and accrued bonuses	1,168	1,148
35,532	34,915	Depreciation and amortisation	27,886	27,661
(2,009)	(2,761)	Amortisation of the Government grant for property, plant and equipment (Note 27)	1,443	(2,082)
5,674	4,921	Marketing services		-
13,248	12,511	Repairs and maintenance	12,432	11,623
4,291	5,556	Cost of finished goods resold	41,446	20,746
-	-	Write-offs of investments	-	-
7,154	-	Impairment of amounts receivable	7,154	-
506	510	Taxes (other than income tax)	419	434
651	810	Consultations	502	646
410	399	Telecommunications and IT maintenance expenses	346	324
56,441	53,851	Utilities (energy)	36,974	34,365
53,640	18,346	Other	33,373	25,594
828,574	764,284	Total cost of sales, selling and marketing expenses and general and administrative expenses	763,391	709,163

12. Finance costs

Group			Company	
2013	2012		2013	2012
		Interest expense:		
1,157	1,589	– bank borrowings	722	1,061
-	1	– finance leases	-	1
1,157	1,590		722	1,062

(All tabular amounts are in LTL '000 unless otherwise stated)

13. Income tax

Group 2013	Group 2012		Company 2013	Company 2012
(7,381)	(6,530)	Current income tax	(6,955)	(3,758)
741	(507)	Prior year income tax corrections	741	(507)
4,355	1,994	Deferred income tax (Note 18)	3,880	1,737
(2,285)	(5,043)	Income tax benefit (expenses)	(2,334)	(2,528)

The tax on the Company's and the Group's profit before tax differs from the theoretical amount that would arise when using the basic tax rate as follows:

Group 2013	Group 2012		Company 2013	Company 2012
35,070	34,381	Profit/(loss) before income tax	66,574	16,848
5,261	5,157	Tax calculated at a rate of 15% (2011: 15%) (Note 2.15)	9,986	2,527
(563)	226	Expenses not deductible for tax purposes	(1,505)	74
(232)	(57)	Income not subject to tax	(4,712)	(43)
(622)	(247)	Charity expenses deductible twice for tax purposes	(134)	(186)
(818)	(543)	Other expenses deductible for tax purposes	(560)	(351)
(741)	507	Prior year income tax adjustments	(741)	507
2,285	5,043	Income tax expense/(income)	2,334	2,528

Expenses not deductible for tax purposes include representation expenses, write-offs, etc. Income not subject to tax include interest on late payment and insurance benefits received.

The tax authorities have carried out a full-scope tax audit at the Company for the year 2001. The Tax Authorities may at any time during 5 successive years after the end of the reporting tax year carry out the inspection of book-keeping and accounting records and impose additional taxes or fines. The Company's management is not aware of any circumstances that might result in a potential material liability in this respect.

14. Earnings per share

Group 2013	Group 2012		Company 2013	Company 2012
32,785	29,338	Net profit (loss) attributable to shareholders	64,240	14,320
35,066	35,066	Weighted average number of ordinary shares in issue (thousand)	35,066	35,066
0.93	0.84	Basic earnings (deficit) per share (LTL per share)	1.83	0.41

The Group has no dilutive potential ordinary shares, therefore, the diluted earnings per share are the same as basic earnings per share.

(All tabular amounts are in LTL '000 unless otherwise stated)

15. Property, plant and equipment

Company

	Buildings	Plant and machinery	Vehicles equipment & other	Construct-ion in progress	Total
At 1 January 2012					
Revalued value	31,388	66,958	28,807	492	127,645
Accumulated depreciation	-	-	-	-	-
Net book amount	31,388	66,958	28,807	492	127,645
Year ended 31 December 2012					
Opening net book amount	31,388	66,958	28,807	492	127,645
Additions	133	2,886	4,212	780	8,011
Disposals	(90)	-	(14)	-	(104)
Write-offs	-	(1)	(30)	-	(31)
Transfers from CIP	96	256	89	(441)	
Depreciation charge	(1,340)	(18,393)	(7,718)		(27,451)
Closing net book amount	30,187	51,706	25,346	831	108,070
At 31 December 2012					
Revalued value	31,527	70,099	33,064	831	135,521
Accumulated depreciation	(1,340)	(18,393)	(7,718)	-	(27,451)
Net book amount	30,187	51,706	25,346	831	108,070
Year ended 31 December 2013					
Opening net book amount	30,187	51,706	25,346	831	108,070
Additions	31	11,841	5,507	3,737	21,116
Disposals	(476)	(103)	(306)		(885)
Write-offs			(112)		(112)
Transfers from CIP	157	1,623		(1,780)	
Depreciation charge	(1,308)	(18,055)	(8,317)		(27,680)
Closing net book amount	28,591	47,012	22,118	2,788	100,509
At 31 December 2013					
Revalued value	45,347	191,470	93,868	2,788	333,473
Accumulated depreciation	(16,756)	(144,458)	(71,750)		(232,964)
Net book amount	28,591	47,012	22,118	2,788	100,509

As at 31 December 2011, the Company's and the Group's property, plant and equipment was revaluated. The fair value was determined by independent property valuer Vadasa UAB based on the market prices prevailing in Lithuania (for buildings, machinery, motor vehicles and equipment) and in the EU Member States (for part of equipment). The valuation was carried out using the comparable price method. Gain on revaluation of property, plant and equipment was disclosed in the tables of movements in property, plant and equipment, and was recognised in other comprehensive income.
The fair value of property, plant and equipment is attributed to Level 2 in the fair value hierarchy.
In 2013, no revaluations were carried out for property, plant and equipment, because in the management's opinion, no significant changes occurred in real estate market, nor in the company's business, nor in the market prices of equipment and machinery. Consequently, there were no significant changes in the fair value of property, plant and equipment of both companies. The members of the Board of Directors used the assumption that the carrying amount of property, plant and equipment reflected the fair value of these assets of Rokiškio Sūris AB and Rokiškio Pieno Gamyba UAB, and made the decision not to perform the revaluation for the property, plant and equipment of Rokiškio Sūris AB Group, but to review the depreciation rates used for these assets.

(All tabular amounts are in LTL '000 unless otherwise stated)

Group

	Buildings	Plant and machinery	Vehicles equipment & other	Construct-ion in progress	Total
At 1 January 2012					
Revalued value	50,665	87,116	30,873	656	169,310
Accumulated depreciation	0	0	0	-	0
Net book amount	50,665	87,116	30,873	656	169,310
Year ended 31 December 2012					
Opening net book amount	50,665	87,116	30,873	656	169,310
Additions	428	4,836	4,438	1,724	11,426
Disposals	(90)	(87)	(23)	-	(200)
Write-offs	-	(1)	(33)	-	(34)
Transfers from CIP	321	668	444	(1,433)	-
Depreciation charge	(2,756)	(23,578)	(8,369)		(34,703)
Closing net book amount	48,568	68,954	27,330	947	145,799
At 31 December 2012					
Revalued value	51,324	92,532	35,699	947	180,502
Accumulated depreciation	(2,756)	(23,578)	(8,369)	-	(34,703)
Net book amount	48,568	68,954	27,330	947	145,799
Year ended 31 December 2013					
Opening net book amount	48,568	68,954	27,330	947	145,799
Additions	493	15,838	6,224	16,245	38,800
Disposals	(476)	(16)	(306)		(798)
Write-offs			(112)		(112)
Transfers from CIP	1,163	9,969	164	(11,296)	
Depreciation charge	(2,268)	(24,170)	(9,094)		(35,532)
Closing net book amount	47,480	70,575	24,206	5,896	148,157
At 31 December 2013					
Revalued value	70,277	225,776	93,321	5,896	395,270
Accumulated depreciation	(22,797)	(155,201)	(69,115)		(247,113)
Net book amount	47,480	70,575	24,206	5,896	148,157

As at 31 December 2013, certain Company's and Groups property, plant and equipment with a carrying value of LTL 31,017 thousand and LTL 49,443 thousand respectively (31 December 2012: LTL 38,645 thousand and 47,657 thousand respectively) was pledged as security for bank borrowings

Depreciation expenses of property plant and equipment are included in selling and marketing expenses, general and administrative expenses and cost of sales in the income statement, as well as in work in progress and finished goods in the balance sheet.

Had no revaluation been performed for property, plant and equipment, the net book values of the Group's and the Company's property, plant and equipment would have been as follows as of 31 December 2012 and 2013:

Company	Buildings	Plant and machinery	Vehicles equipment & other	Construct-ion in progress	Total
At 31 December 2012	19,746	15,657	10,558	831	**46,792**
At 31 December 2013	18,218	21,735	12,124	2,788	**54,865**

Group	Buildings	Plant and machinery	Vehicles equipment & other	Construct-ion in progress	Total
At 31 December 2012	29,993	27,476	12,362	946	**70,777**
At 31 December 2013	28,666	42,280	14,018	5,896	**90,860**

16. Intangible assets

Company	Computer software
At 1 January 2012	
Cost	2,363
Accumulated amortisation	(1,939)
Net book amount	424
Year ended 31 December 2012	
Opening net book amount	424
Additions	-
Amortisation charge	(210)
Closing net book amount	214
At 31 December 2012	
Cost	2,363
Accumulated amortisation	(2,149)
Net book amount	214
Year ended 31 December 2013	
Opening net book amount	214
Additions	109
Amortisation charge	(206)
Closing net book amount	117
At 31 December 2013	
Cost	2,455
Accumulated amortisation	(2,338)
Net book amount	117

(All tabular amounts are in LTL '000 unless otherwise stated)

Group	Contractual client relationship	Computer software	Total
At 1 January 2012			
Cost	904	2,635	3,539
Accumulated amortisation	-	(2,209)	(2,209)
Net book amount	904	426	1,330
Year ended 31 December 2012			
Opening net book amount	904	426	1,330
Additions	-	3	3
Amortisation charge	-	(212)	(212)
Closing net book amount	904	217	1,121
At 31 December 2012			
Cost	904	2,638	3,542
Accumulated amortisation	-	(2,421)	(2,421)
Net book amount	904	217	1,121
Year ended 31 December 2013			
Opening net book amount	904	217	1,121
Additions		109	109
Amortisation charge		(207)	(207)
Closing net book amount	904	119	1,023
At 31 December 2013			
Cost	904	2,459	3,363
Accumulated amortisation		(2,340)	(2,340)
Net book amount	904	119	1,023

Amortisation expenses of computer software and other intangible assets are included in general and administrative expenses in the income statement.

17. Investments

During the years 2012 and 2013, the Company neither acquired nor put into liquidation any subsidiaries. There was no impairment of subsidiaries during the reporting financial year.
The total assets of joint venture Pieno Upės UAB, in which the Company has a shareholding interest of 50%, amounted to LTL 3,623 thousand (2012: LTL 2,248 thousand), total liabilities – LTL 1,342 thousand (2012: LTL 1,033 thousand), revenue – LTL 16,822 thousand (2012: LTL 13,295 thousand) and net profit – LTL 1,089 thousand (2012: LTL 45 thousand).

18. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Group 2013	Group 2012		Company 2013	Company 2012
		Deferred income tax assets:		
559	479	– to be recovered after more than 12 months	559	479
2,125	598	– to be recovered within 12 months	2,053	598
2,684	1,077		2,612	1,077

(All tabular amounts are in LTL '000 unless otherwise stated)

Group 2013	Group 2012		Company 2013	Company 2012
		Deferred income tax liabilities:		
(8,809)	(11,414)	– to be settled after more than 12 months	(6,847)	(9,192)
-	-	– to be settled within 12 months	-	-
(8,809)	(11,414)		(6,847)	(9,192)
(6,125)	(10,337)	Net deferred income tax assets	(4,235)	(8,115)

The gross movement in deferred income tax assets was as follows:

Group			Company	
2013	2012		2013	2012
(10,337)	(12,331)	At beginning of the year	(8,115)	(9,852)
4,212	1,994	Recognised in the income statement (Note 13)	3,880	1,737
-	-	Recognised in the statement of comprehensive income	-	-
(6,125)	**(10,337)**	At end of the year	**(4,235)**	**(8,115)**

The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Company

Deferred income tax assets	Inventory net realisable value adjustment	Amortised cost of loans granted	Write-off of amounts receivable	Bonuses and vacation reserve	Total
At 1 January 2012	**253**	**479**	**-**	**362**	**1,094**
Recognised in the income statement	(14)	-	-	(3)	(17)
At 31 December 2012	**239**	**479**		**359**	**1,077**
Recognised in the income statement	75	80	900	480	1,535
At 31 December 2013	**314**	**559**	**900**	**839**	**2,612**

Deferred income tax liabilities	Revaluation of property, plant and equipment	Total
At 1 January 2012	**(10,946)**	**(10,946)**
Recognised in the income statement	1,754	1,754
Recognised in other comprehensive income		
At 31 December 2012	**(9,192)**	**(9,192)**
Recognised in the income statement	2,345	2,345
Recognised in other comprehensive income		
At 31 December 2013	**(6,847)**	**(6,847)**

(All tabular amounts are in LTL '000 unless otherwise stated)

Group

Deferred income tax assets	Inventory net realisable value adjustment	Amortised cost of loans granted	Write-off of amounts receivable	Bonuses and vacation reserve	Total
At 1 January 2012	**253**	**479**	**-**	**362**	**1,094**
Recognised in the income statement	(14)	-	-	(3)	(17)
At 31 December 2012.	**239**	**479**	**-**	**359**	**1,077**
Recognised in the income statement	75	80	900	552	1,607
At 31 December 2013	**314**	**559**	**900**	**911**	**2,684**

Deferred income tax liabilities	Accelerated tax depreciation	Revaluation of property, plant and equipment	Total
At 1 January 2012	**(160)**	**(13,265)**	**(13,425)**
Recognised in the income statement	-	2,011	2,011
Recognised in other comprehensive income	-	-	-
At 31 December 2012	**(160)**	**(11,254)**	**(11,414)**
Recognised in the income statement	-	2,605	2,605
Recognised in other comprehensive income	-		
At 31 December 2013	**(160)**	**(8,649)**	**(8,809)**

Deferred income tax assets and deferred income tax liabilities were calculated using a tax rate of 15% (2012: 15%) enacted by the balance sheet date and expected to apply when the related deferred income tax asset is realised or deferred income tax liability is settled.

19. Loans granted

Group 2013	Group 2012		Company 2013	Company 2012
5,873	8,698	Long-term loans to farmers	5,873	8,698
1,074	1,122	Long-term loans to employees	848	888
39,462	24,756	Other long-term loans	36,679	27,430
(3,628)	(3,096)	Less: provision for impairment of loans receivable	(3,628)	(3,096)
42,781	31,480	Long-term loans, net	39,772	33,920
9,681	7,081	Current portion of loans to farmers	3,851	2,198

(All tabular amounts are in LTL '000 unless otherwise stated)

Group 2013	Group 2012		Company 2013	Company 2012
119	114	Current portion of loans to employees	109	103
24,836	35,862	Other short-term loans granted	27,244	32,186
34,636	43,057	Current portion of long-term loans and short-term loans	31,204	34,487

Loans to farmers were granted with repayment terms ranging from 2 months to 10 years. The annual interest rate ranges from 0 to 10 per cent. Effective interest rate was 9.34 per cent (2012: 9,25 per cent).

Long-term loans to employees were granted with repayment terms ranging from 1 to 25 years. The loans are interest free. Effective interest rate was 10.42 per cent (2012: 10.75 per cent).

Repayment terms of other long-term loans granted ranges from 1 to 5 years. The loans bear average weighted interest rate of 4.18 per cent (2012: 4.81 per cent).

As at 31 December 2013, the fair value of loans granted to employees amounted to LTL 529 thousand (2012: LTL 698 thousand). As at 31 December 2013, the fair value of loans granted to farmers amounted to LTL 9,324 thousand (2012: LTL 8,535 thousand). The fair value of loans granted is attributed to Level 2 in the fair value hierarchy.
The fair value of other loans granted approximates the carrying amount.

The information of loans receivable past due as at 31 December is provided in the table below:

Group			Company	
2013	2012		2013	2012
73,584	70,234	Loans granted not past due	67,143	64,104
3,833	3,833	Loans granted past due but not impaired	3,833	3,833
3,628	3,566	Impaired loans granted	3,628	3,566
81,045	77,633	Gross value of loans granted	74,604	71,503
(3,628)	(3,096)	Impairment of amounts uncollectible	(3,628)	(3,096)
77,417	74,537	Net amount	70,976	68,407

20. Inventories

Group			Company	
2013	2012		2013	2012
8,362	7,810	Raw materials	3,177	3,449
22,079	21,713	Work in progress	21,289	21,151
97,014	63,708	Finished products	94,250	61,459
3,179	3,238	Other inventories	2,492	2,351
130,634	96,469	Total inventories at cost	121,208	88,410
(2,098)	(1,598)	Less: inventory write-down to net realizable value	(2,098)	(1,598)
128,536	94,871	Total inventories	119,110	86,812

As at 31 December 2013, inventories with cost of LTL 25,000 thousand (31 December 2012: LTL 25,000 thousand) were pledged as security for bank borrowings.

As at 31 December 2012, the Company's inventories comprising 358 tons of butter were held with the third party in Lithuania, and 655 tons of hard cheese were held in a warehouse in the European Union country.
As at 31 December 2013, the Company's inventories comprising 150 tons of hard cheese were held with the third parties in warehouses in the European Union country.

(All tabular amounts are in LTL '000 unless otherwise stated)

21. Trade and other receivables

Group 2013	Group 2012		Company 2013	Company 2012
		Non-current receivables		
34	4,617	Other receivables	-	1,768
34	4,617		-	1,768
		Current receivables		
120,890	113,192	Trade receivables	133,880	89,188
7,936	6,198	VAT receivable	4,728	4,143
906	1,652	Advance payments and deferred expenses	450	1,097
129,732	121,042		139,058	94,428

As of 31 December 2013, there were no trade receivables pledged as collateral (As of 31 December 2012, there were no trade receivables pledged as collateral).

The information on receivables past due as at 31 December is provided in the table below:

Group 2013	Group 2012		Company 2013	Company 2012
95,201	84,892	Trade receivable neither past due nor impaired	109,889	63,415
25,689	28,300	Trade receivable past due but not impaired	23,991	25,773
7,154	-	Impairment of amounts uncollectible	7,154	-
128,044	113,192	Gross value	141,034	89,188
(7,154)	-	Impairment charge	(7,154)	-
120,890	113,192	Net value of loans granted	133,880	89,188

The Group received no collaterals as security in related to impaired amounts receivable. As at 31 December 2013, the Company's trade receivables from Rokiškio Pienas UAB, Rokiškio Pieno Gamyba UAB and Jekabpils Piena Kombinats SIA amounted to LTL 24,510 thousand, LTL 15,401 thousand and LTL 492 thousand, respectively (31 December 2012: the Company had no trade receivables from subsidairy Rokiškio Pienas UAB and Jekabpils Piena Kombinats SIA.

Trade receivables that are less than 360 days past due are not considered impaired if the Group does not possess other negative information about the solvency status of customers. The ageing analysis of trade receivables past due but not impaired as at 31 December is as follows:

Group 2013	Group 2012		Company 2013	Company 2012
16,112	22,131	Up to 30 days	15,296	19,987
1,935	5,843	31 to 60 days	1,080	5,466
7,572	326	61 to 180 days	7,564	320
70	-	More than 181 days	51	-
25,689	28,300		23,991	25,773

(All tabular amounts are in LTL '000 unless otherwise stated)

22. Cash and cash equivalents

Group At 31 December 2013	Group At 31 December 2012		Company At 31 December 2013	Company At 31 December 2012
51	42	Short-term deposits	41	41
21,476	5,987	Cash at bank and in hand	17,832	2,942
21,527	6,029		17,873	2,983

As at 31 December 2013, monetary funds were not pledged (31 December 2012: cash balance in accounts pledged amounted to LTL 896 thousand).

For the purposes of cash flow statement, cash and cash equivalents comprise as follows:

Group At 31 December 2013	Group At 31 December 2012		Company At 31 December 2013	Company At 31 December 2012
51	42	Short-term deposits	41	41
21,476	5,987	Cash at bank and in hand	17,832	2,942
21,527	6,029		17,873	2,983

23. Share capital

As at 31 December 2013, the share capital was divided into 35,867,970 (31 December 2012: LTL 35,867,970) ordinary registered shares with par value of LTL 1 each. All the shares are fully paid.

24. Treasury shares

	2013		2012	
	Number	Amount	Number	Amount
At beginning of the year	802,094	(3,868)	802,094	(3,868)
Treasury shares acquired	-	-	-	-
Reduction of share capital	-	-	-	-
	802,094	(3,868)	802,094	(3,868)

The Company did not acquire own shares during 2012 and 2013.
As at 31 December 2013, the Company had 802,094 own shares.
In respect of own shares, the Company is not entitled to property and non-property rights stipulated in the Lithuanian Law on Companies.

25. Other reserves and reserve for acquisition of treasury shares

Other reserves

Non-distributable reserves of LTL 3,593 thousand can only be used to increase the share capital and non-distributable reserves of LTL 3,840 thousand (legal reserve) can only be used to cover future operating losses, if any. The remaining amount of other reserves totalling LTL 38,797 thousand for the

Company and LTL 48,194 thousand for the Group (2012: LTL 52,086 thousand and LTL 63,768 thousand, respectively) comprises the revaluation reserve of property, plant and equipment. (See below for the disclosure of the revaluation reserve).

Reserve for acquisition of treasury shares

In 2012 and 2013, no decisions were made regarding the establishment of the reserve for acquisition of treasury shares. As at 31 December 2013, the total amount of the reserve for acquisition of treasury shares remained unchanged and was equal to LTL 40,287 thousand.

Dividends

The dividends per share (excluding own shares) declared at the Company for the year 2012 and paid out in 2013 amounted to LTL 0.10 (with the nominal value of LTL 1 per share), and totalled LTL 3,507 thousand.

Revaluation reserve

Revaluation reserve represents an increase in the value of property, plant and equipment as a result of its revaluation. This reserve may not be used to cover losses. Movements in revaluation reserve are given in the table below:

Company	
At 1 January 2012	**63,780**
Depreciation of revalued amount of PP&E (Note 15)	(11,694)
Change in deferred tax liability on depreciation of revalued amount of PP&E recognised in the income statement (Note 18)	1,754
Depreciation of revalued amount of PP&E net of deferred income tax	(9,940)
Revaluation reserve at 31 December 2012	**52,086**
Depreciation of revalued amount of PP&E (Note 15)	(15,634)
Change in deferred tax liability on depreciation of revalued amount of PP&E recognised in the income statement (Note 18)	2,345
Depreciation of revalued amount of PP&E net of deferred income tax	(13,289)
Revaluation reserve at 31 December 2013	**38,797**

Group	
At 1 January 2012	**77,176**
Depreciation of revalued amount of PP&E (Note 15)	(13,408)
Change in deferred tax liability on depreciation of revalued amount of PP&E recognised in the income statement (Note 18)	2,011
Depreciation of revalued amount of PP&E net of deferred income tax	(11,397)
Revaluation reserve at 31 December 2012	**63,768**

(All tabular amounts are in LTL '000 unless otherwise stated)

Depreciation of revalued amount of PP&E (Note 15)	(18,322)
Change in deferred tax liability on depreciation of revalued amount of PP&E recognised in the income statement (Note 18)	2,748
Depreciation of revalued amount of PP&E net of deferred income tax	(15,574)
Revaluation reserve at 31 December 2013	**48,194**

26. Borrowings

Group 2013	Group 2012		Company 2013	Company 2012
		Non-Current		
4,056	1,265	Non current bank borrowings	4,056	1,265
		Current		
78,131	55,072	Current bank borrowings	78,131	55,072
-	21	Finance lease liabilities	-	21
78,131	55,093		78,131	55,093
82,187	56,358	**Total borrowings**	82,187	56,358

The bank borrowings are secured over certain property plant and equipment (Note 15), inventories (Note 20), trade receivables (Note 21), cash in certain bank accounts (Note 22).

Weighted average interest rates effective as at 31 December (per cent) were as follows:

Group 2013	Group 2012		Company 2013	Company 2012
1.26	1.31	Current bank borrowings	1.26	1.31

The carrying amounts of the Group's borrowings (excluding finance lease liabilities) are denominated in the following currencies:

Group 2013	Group 2012		Company 2013	Company 2012
82,187	56,337	EUR	82,187	56,337
-	21	LTL	-	21
82,187	56,358		82,187	56,358

Fair value of borrowings approximates their carrying values due to the fact that interest rate on borrowings is subject to repricing on a daily, monthly or quarterly basis

As at 31 December 2013, under the agreements signed with banks the unused balance of credit lines amounted to LTL 25,949 thousand for the Company and the Group (2012: LTL 48,747 thousand).

The Group is not in breach of borrowing limits or covenants (where applicable) established.

27. Deferred income

Group 2013	Group 2012		Company 2013	Company 2012
6,232	7,941	Government grants at beginning of year	3,298	4,662
889	1,052	New grants received	889	718
(2,009)	(2,761)	Amortisation of deferred income to match related depreciation	(1,443)	(2,082)
5,112	6,232		2,744	3,298
(3,805)	(3,845)	Less: non-current portion	(1,949)	(1,542)
1,307	2,387	Current portion	795	1,756

Deferred government grant is related to acquisition of property, plant and equipment using the European Union funds and the funds of the Lithuanian Government under the SAPARD and other programmes. The Company has no obligation to repay or otherwise refund the grants received unless it breaches the contractual provisions contained in the agreements concluded with the grantors.

28. Trade and other payables

Group 2013	Group 2012		Company 2013	Company 2012
56,564	49,879	Trade payables	48,323	49,727
4,611	4,293	Salaries, social security and taxes	2,797	2,633
1,358	341	Other payables	609	527
7,122	4,732	Bonuses and vacation reserve	6,563	3,385
69,655	59,245		58,292	56,272

As at 31 December 2013, there were no amounts payable to Rokiškio Pieno Gamyba UAB and Rokiškio Pienas UAB (31 December 2012: LTL 8 185 thousand amount payable to Rokiškio Pienas UAB).

29. Provisions

In March 2008, the Competition Council imposed a fine of LTL 824 thousand on the Company as a result of the inspection of the Company and other companies operating in the milk sector. The Company's management established a provision for the amount of the fine. For the purpose of the income statement for the year ended 31 December 2008, this amount was included in the administrative expenses. In 2011, based on the revised decision of the Competition Council, the fine was increased up to LTL 1,650 thousand. The Company lodged a complaint against the Council's decision and on 26 January 2012 the complaint was met in full in favour of the Company by Vilnius Regional Administrative Court. As of 31 December 2012, the Company reversed the provision amounting to LTL 824 thousand.

(All tabular amounts are in LTL '000 unless otherwise stated)

30. Contingent liabilities and commitments

Contingent liabilities

As at 31 December 2012 and 2013, no guarantees were granted to third parties on behalf of the Group and the Company.

Capital expenditure commitments

Capital expenditure contracted for property, plant and equipment at the balance sheet date but not recognised in the financial statements amounted to LTL 4,118 thousand (31 December 2012: LTL 5,687 thousand).

Operating lease commitments – where the Group is the lessee

The Group leases cars, premises, plots of land under operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Group			Company	
2013	2012		2013	2012
384	327	Not later than 1 year	384	327
472	-	Later than 1 year but not later than 5 years	472	-
856	327		856	327

31. Available-for-sale financial assets

As of 31 December 2013, the Company had no available-for-sale financial assets.
The Company's and the Group's debt securities as of 31 December 2011 comprised Lithuanian Government bonds amounting to LTL 6,690 thousand. The fair value is based on the quoted prices for similar type of assets. On 8 March 2012, the Company sold its debt securities.

32. Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

Group At 31 December			Company At 31 December	
2013	2012		2013	2012
35,070	34,381	Net profit (loss) before income tax	66,574	16,848
		Adjustments for:		
35,532	34,703	– depreciation (Note 15)	27,680	27,451
207	210	– amortisation and impairment charge (Note 16)	206	210
112	34	– write-off of property, plant and equipment and intangible assets (Notes 15 and 16)	112	31
361	(83)	– loss on disposal of property, plant and equipment (Note 10)	361	(82)

(All tabular amounts are in LTL '000 unless otherwise stated)

Group 2013	Group 2012		Company 2013	Company 2012
1,157	1,589	– interest expense (Note 12)	722	1,061
(2,891)	(2,656)	– interest income (Note 8)	(2,331)	(2,059)
500	(92)	– write-offs of inventories	500	(92)
(7,154)	43	– impairment of doubtful receivables and write-offs of bad receivables (Note 21)	(7,154)	-
(532)	-	– Provisions for loans granted to farmers (Note 7)	(532)	-
(4,827)	(2,051)	– accrual for vacation reserve and bonus	(4,346)	(1,148)
(2,009)	(2,761)	– amortisation of government grants received (Note 27)	(1,443)	(2,082)
-	-	– Dividend income (Note 33)	(30,344)	-
		Changes in working capital:		
(24,906)	(34,529)	– amounts receivable and prepayments	(47,631)	(10,574)
(34,164)	187	– inventories	(32,797)	622
41,749	3,098	– amounts payable	18,967	(8,197)
38,205	32,073	Net cash generated from operations	(11,456)	21,989

In the statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

Group At 31 December 2013	Group At 31 December 2012		Company At 31 December 2013	Company At 31 December 2012
798	200	Net book amount (Note 15)	885	104
(361)	83	Loss on disposal of property, plant and equipment (Note 10)	(361)	82
437	283	Proceeds from sale of property, plant and equipment	524	186

33. Related-party transactions

The Group is controlled by Pieno Pramonės Investicijų Valdymas UAB (incorporated in Lithuania), RSU Holding SIA (incorporated in Latvia) and Mr Antanas Trumpa (the Company's director) which hold 68.24 per cent (2012: 62.07 per cent) of the Company's share capital. A private limited liability company Pieno Pramonės Investicijų Valdymas UAB is controlled by Mr Antanas Trumpa (acting as a main shareholder). RSU Holding SIA is controlled by Mr Antanas Trumpa (acting as a main shareholder). The remaining 29.52 per cent (2012: 35.69 per cent) of shares of the Company is held by other minority natural and legal persons operating in Lithuania and foreign countries. Rokiškio Sūris AB has acquired 802,094 units of its own shares (2.24 per cent).

Members of the Board of Pieno Pramonės Investicijų Valdymas UAB, RSU Holding SIA and Rokiškio Sūris AB and their family members are treated as related parties.

Certain cooperative societies engaged in the production of milk are treated as related parties of the Company through close family relationships with members of the Senior Management and because certain of the Company's employees have significant influence over day-to-day activities of these societies.

(All tabular amounts are in LTL '000 unless otherwise stated)

(i) The following transactions were carried out with related parties:

Group At 31 December 2013	Group At 31 December 2012		Company At 31 December 2013	Company At 31 December 2012
17,673	13,941	Purchase of raw milk from other related parties	128,772	105,305
-	-	Purchase of non-current assets	-	10
-	-	Purchase of inventory	28,718	26,187
4,659	3,300	Purchases of services	7,403	7,145
-	-	Purchase of consulting services	-	-
1	1	Sales of transportation services to other related parties	7,643	19,978
1,461	1,481	Sales of production and other inventories	195,561	139,476
	-	Sale of non-current assets	1,549	18
255	161	Interest charges on credit facility	255	161

With effect from 1 January 2012, according to the agreement dated 2 January 2012, aiming to correctly disclose internal turnovers of Rokiškio Sūris AB and Rokiškio Pienas UAB until 31 May 2013 and Rokiškio Pieno Gamyba UAB from 1 June 2013, the Group's management decided that raw material used for the manufacturing of products exported by Rokiškio Sūris AB should be purchased at the zero price and products produced by Rokiškio Pienas UAB until 31 May 2013 and Rokiškio Pieno Gamyba UAB from 1 June 2013 should be sold as a service, i.e. excluding the value of raw material.

(ii) Year-end balances arising from transactions with related parties:

Group At 31 December 2013	Group At 31 December 2012		Company At 31 December 2013	Company At 31 December 2012
93	171	Non-interest bearing loans granted to Senior Management (and their families)	93	171
17,884	18,220	Credit facility granted to Pieno Pramonės Investicijų Valdymas UAB	17,884	18,220
-	-	Loan granted to Jekabpils Piena Kombinats SIA	6,073	6,001
-	-	Trade payables to other related parties	7,728	12,478
-	-	Trade receivables from other related parties (21 note)	40,752	-

The share capital of Rokiškio Pienas UAB amounts to LTL 26 858 700 and is divided into 2 685 870 ordinary registered shares with the nominal value of LTL 10 each. Rokiškio Sūris AB (company code 173057512, address of the registered office: Pramonės g. 3, LT-42150 Rokiškis, represented by Director Mr Antanas Trumpa, residing at: Sodų 41a, LT-42126, Rokiškis) is the sole shareholder holding 2 685 870 ordinary registered shares which represent 100 per cent of the company's share capital. On 28 February 2013, based on paragraph 18.4 of the shareholder decision it was decided to approve of the profit (loss) appropriation for 2012 of Rokiškio Pienas UAB and allocate LTL 30,344, 181 for the payment of dividends. Dividends were paid to Rokiškio Sūris AB in March 2013.

(iii) Compensation of key management

2013	2012		2013	2012
3,580	643	Salaries	3,580	643
4,220	1,168	Bonuses	1,168	1,168
1,168	1,148	Accrual for bonuses	1,168	1,148
194	180	Social security contributions	194	180
9,162	3,139		6,110	3,139

Key management includes 9 (2012: 9) members of the Board and Senior Management.

34. Events after the end of the reporting period

On 11 February 2014, the amendment to the credit agreement was signed with the bank under which the repayment term of the overdraft (LTL 2 million) was extended until 31 January 2015 and the validity term of the agreement on the credit limit of EUR 18 million was extended until 15 February 2015. The total credit limit amounts to LTL 64,150 thousand; interest rate established remained unchanged.